FPEF Market Outlook: Citrus 2019
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South African Economy:

- The country just came out of a technical recession
- 3rd Quarter GDP growth of 2.2%
- Agriculture sector contributes 2.5% towards RSA’s economy
- Fresh Fruit Exports = $3.4 Billion and +/- 33.5% of RSA total agriculture exports
- Economic growth is projected to pick up slowly in 2019-20, driven by exports

Consumption

- High oil prices and weak currency increase upward pressure on inflation
- Therefore household consumption contracted
- Private consumption constraint due to tax changes and slow credit growth
Economy

- South African Fresh Fruit Export Value (R):
  - 14.1% in 2015 to R30.2 Billion
  - 25.4% in 2016 to R37.9 Billion
  - 6.8% in 2017 to R40.5 Billion
- Fresh Fruit Export Growth in 2018 = 19.3%

<table>
<thead>
<tr>
<th>exported value in 2014</th>
<th>exported value in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>R26.5 billion</td>
<td>R48.3 billion</td>
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</tbody>
</table>

82.2% Increase
CITRUS OVERVIEW
Citrus: Commodity % of total citrus volume 2018

- Soft Citrus: 12%
- Grapefruit: 13%
- Lemons: 15%
- Valencia Oranges: 40%
- Navels: 19%
- Oranges: 59%
Citrus Exports: Market Share for 2018

- Europe: 32%
- South East Asia: 17%
- Middle East: 17%
- UK: 10%
- Russia: 8%
- Asia: 8%
- North America: 7%
- Other: 1%

Changes:
- South East Asia: -2%
- North America: +3%
- Other: -1%
Citrus Volume Exported per Commodity vs Region: 2018

**Record Exports: 127 395 960 Eqv Cartons**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Africa and Islands</th>
<th>Asia</th>
<th>Europe</th>
<th>Middle East</th>
<th>North America</th>
<th>Russian Federation</th>
<th>South East Asia</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRAPEFRUIT</td>
<td>63,484</td>
<td>2,923,834</td>
<td>6,563,446</td>
<td>360,662</td>
<td>871,991</td>
<td>1,108,269</td>
<td>4,412,868</td>
<td>781,741</td>
</tr>
<tr>
<td>LEMONS</td>
<td>206,680</td>
<td>76,206</td>
<td>5,637,564</td>
<td>6,657,606</td>
<td>912,004</td>
<td>1,773,520</td>
<td>2,348,405</td>
<td>1,681,055</td>
</tr>
<tr>
<td>ORANGES</td>
<td>1,060,720</td>
<td>5,400,135</td>
<td>25,082,074</td>
<td>14,502,396</td>
<td>5,156,544</td>
<td>5,306,833</td>
<td>13,716,717</td>
<td>4,891,853</td>
</tr>
<tr>
<td>SOFT CITRUS</td>
<td>568,463</td>
<td>770,767</td>
<td>3,956,411</td>
<td>1,289,488</td>
<td>1,524,657</td>
<td>1,762,050</td>
<td>1,513,968</td>
<td>4,513,101</td>
</tr>
</tbody>
</table>
Citrus Commodities, Markets and Trading Conditions

Navel Oranges:
  29% exported to EU; 26% to Middle East
  Recovery to normal after difficult 2017 in the EC region

Valencia Oranges:
  • 38% exported to EU; 18% to Middle East
  • Marketing affected by Egyptian volumes lingering late

Soft Citrus
  • 27% exported to EU; 28% to the UK

Lemons:
  • 34% exported to Middle East; 30% to EU
  • Surprisingly good year – early start with Spain small Verna crop

Grapefruit:
  • 40% exported to EU; 17% to Asia (mainly Japan)
  • 2018: Big volume, small counts, challenging market conditions
Southern Hemisphere Competitors
Chile Citrus Exports: 2018

- Representative office opened in Shenzhen
- Market access priority = citrus to China

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</thead>
<tbody>
<tr>
<td>APPLES</td>
<td>638.485</td>
<td>730.618</td>
<td>709.528</td>
<td>774.710</td>
<td>28%</td>
<td>9%</td>
</tr>
<tr>
<td>TABLE GRAPES</td>
<td>759.855</td>
<td>700.799</td>
<td>732.663</td>
<td>731.775</td>
<td>26%</td>
<td>0%</td>
</tr>
<tr>
<td>CHERRIES</td>
<td>103.081</td>
<td>83.765</td>
<td>95.289</td>
<td>186.504</td>
<td>7%</td>
<td>96%</td>
</tr>
<tr>
<td>KIWIS</td>
<td>166.507</td>
<td>185.986</td>
<td>181.162</td>
<td>176.556</td>
<td>6%</td>
<td>-3%</td>
</tr>
<tr>
<td>AVOCADOS</td>
<td>68.050</td>
<td>119.928</td>
<td>163.657</td>
<td>143.157</td>
<td>5%</td>
<td>-13%</td>
</tr>
<tr>
<td>PEARs</td>
<td>133.799</td>
<td>126.561</td>
<td>150.842</td>
<td>129.541</td>
<td>5%</td>
<td>-14%</td>
</tr>
<tr>
<td>PLUMS</td>
<td>97.092</td>
<td>116.279</td>
<td>99.452</td>
<td>120.685</td>
<td>4%</td>
<td>21%</td>
</tr>
<tr>
<td>BLUEBERRIES</td>
<td>92.210</td>
<td>91.431</td>
<td>103.687</td>
<td>110.206</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>ORANGES</td>
<td>67.640</td>
<td>75.171</td>
<td>78.727</td>
<td>87.536</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>LEMONS</td>
<td>63.198</td>
<td>72.949</td>
<td>82.971</td>
<td>84.095</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>OTHERS</td>
<td>158.935</td>
<td>199.981</td>
<td>218.556</td>
<td>235.616</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,348.851</td>
<td>2,503.469</td>
<td>2,616.534</td>
<td>2,780.381</td>
<td>100%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: ASOEX (2019)
Peru: Citrus 2018

North America:

Europe:

19% to UK
42% to US
Uruguay: Citrus 2018

**Oranges:**
- USA = 8%
- Brazil = 17%
- EU = 60%

**Mandarins:**
- USA = 61%
- EU = 12%
- RU = 10%
- Brazil = 10%

**Lemons:**
- USA = 16%
- EU = 55%

Start with exports to China
- **= 600 tonnes** oranges and mandarins

83.348 Tons
Argentina Citrus : 2018

Europe = 67%
RU = 15%
Canada = 4%

MERCOSUR expecting Free Trade Agreement with the EU

European market in 2018: Weak for sweet citrus
Lemon market = 2017
Northern Hemisphere Competitors
Citrus production = reached a total area of 204,095 ha
= 29% of total fresh produce production area (700,854 ha)

Ranking sixth largest citrus producer in the world = 4.27 Million tons (1.34 Million tons exported)

Oranges is Egypt’s largest crop by volume – represents 69% of total citrus cultivated area

Production = 2.9 million tons = 30% of total fresh produce production

Navel oranges (Main crop) = 39% of citrus production = 1,489,536 mt

Main cultivar = Washington navels – other include: New Hall, Navelina, Navelate, Lane Late, Cara Cara, Fisher, Fukumoto and Leng

Fruit colour break start in September; Maturation = October to March; Size = Med to Large; Sweet flavour with orange rind and dark pulp.

Valencias (second largest)= 26% of citrus production = 1,165,444 mt - supply from March to July

Mandarin – production = 982,790 t includes: satsuma; Clem’s, Murcott, Chinese honey mandarin; Kinnow; Fremont; Dancy

Lemon/Limes: Main crop = Egyptian lime also called acid lime = 345,929 t production

Other cultivars include: Eureka lemon, sweet and rough limes.

Grapefruit (109.2 ha fruitful area) & Kuumaats low volumes
Spain

- Easy peelers production very high this season
- Record production in end-of-season varieties
- Nadorcott volumes up 12%, > 230 000t
- Planting quotas for Nadorcott and Orri (by government) have been exhausted.
- Nadorcott cultivation area was at 5370 ha in 2017
- Orri volumes up 8% with 56000t expected
- Tango should more than double expected at 60 000t
- Production area estimated between 3000 ha – 3500 ha
- 20% of total exports to France
- Beginning of season – December: Spanish citrus volumes sold registered a fall of 15%-20%.
Israel

- Orri production estimated at 135 000t (after decline in 2017/2018 season)
- Orri production area calculated at 5000 ha in 2018
- Orri exports estimated between 95 000t – 100 000t
- Lower than record 104 000t exported in the 2016/2017 season
- Shekel appreciated against the Euro – Exports to dollar markets more attractive
Morocco

- Increased production: favourable weather conditions with good flowering
- Exports estimated at 175,000t (2% upward trend since 2010/2011)

Turkey

- Expansion in the cultivation area for late season hybrids – increasing market share in EU market
- W.Murcott cultivation area expanded between 7000 ha – 10,000 ha
- Tango cultivation area surveyed at 2000 ha vs 1000 ha in 2017/2018
- Part of this volumes destined for the EU market
Overall – NH competitors late season easy peelers

- Volumes projected at 592,000t, up 100,000t from the previous season
- Market reaction positive towards the increase in supply over recent seasons
- Stability of price with significant volume increase over the seasons, indicative of a good demand.

- Late season varieties estimated at +/- 800,000t in five years – 200,000t more than today
- Approximately 160,000t to hit the EU market for the period Feb – Apr.
- An increase of +/- 32,000t per year
- Increase in consumption of more than 30% required in this period
Markets
Russia

- Currently trading is Egyptian valencias and Moroccan Washingtons
- Turkey Grapefruit shipped to Southern Region = low prices (12.50 – 13.69 USD)
- Few Turkish grapefruit shipped to Moscow/St Petersburg = high prices 21-23 USD
- Do not risk big volume as demand is low
- Lemons – oversupply of Moroccan lemons
- Turkish lemons trading at 11.75 and 17 USD
- Demand for lemons could weaken in weeks to come – cautiously approach market.
- Argentina lemon production and export season started – possible volumes allocated to RU
- Oversupply of Moroccan clementine's result in 10 – 13 USD per 10Kg.
- Moroccan nadorcots price = USD 11 – 13 USD
- BRICS payment system: Allegedly available from Apr – Direct payment (importer to exporter)
- Exporters skeptical, cautious and trusting traditional payment options.
China

- Overall citrus production forecast continue to increase, this year due to an increase of mandarin production by 4% vs the previous year. Grapefruit production up 2% from the previous year.
- Increase in imports of smaller grapefruits from South Africa has depressed the market price (Last year). Consumers typically prefer larger sizes. Demand for lower quality grapefruit is more stagnant.
- Orange imports are expected to be good due to the rising demand for counter-seasonal fruits and premium high-quality fruits, by middle-class Chinese consumers.
- Mandarins – Strong consumer demand for easy-to-peel, seedless & high quality fruit.
- Well-educated consumers = more familiar with the imported fruits.
- Higher per capita income, willing to pay higher price for premium products and pay more close attention to freshness, taste, appearance as well as nutritional benefits of the imported citrus products.
- Mobile applications and online shopping platforms has enabled premium-branded citrus = fast delivery.
- Egypt Valencias- moving slowly, due to large volume = 70-90 rmb per carton,
- USA oranges, price 300-350rmb – High price due to tariff increase on US products.
- Spain naval late - price is also very low = 120-130 rmb.
Japan

- Japan citrus production continue to decline – this year more due to weather = frost and flooding.
- Decrease in domestic production in Mandarins
- Public awareness of imported mandarins is still low in Japan
- Average CIF price of U.S. mandarin was $1,836/MT, whereas $1,766 for Australia.
- Import mostly from US - mandarins = (up 27% from last year)
- 90 percent of domestically produced Unshu oranges are consumed fresh locally.
- Japan orange consumption - forecasted = up 9%
- Largest market for US grapefruit
- Japanese national consumption of fresh grapefruit (including Japanese Pomelo) declined with 15.6 percent from 2017 to 2018
North America

- Large Florida grapefruit harvest estimated at 5.4 Million cartons.
- Supply will continue longer – only challenge is size. International market = Turkey and Israel.
- Oranges forecasted at 77 Million cartons (71% up); Valencia’s = 46 Million / Navels = 31 Million
- Navel oranges – California struggled packing with intermittent rain (WK07)
- Growers already harvesting late navels (usually from Apr)
- No shortage of count 72 and smaller sizes on choice grade. 48 & 56’s = $11 - $12 and 72’s = $10-$11
- Fancy grade – Tight supply of 48’s & 56’s selling at $20-$23. 72’s selling at $14-$15
- Soft citrus estimated at 950,000 cartons (27% up)
- Mandarin – lesser extent affected by rain. Murcott = excellent quality
- Prices for a 10 x 3 lbs bag configuration are at US$ 24.50 for size 4 and larger and US$ 17 for a size 5.
## North America - Sizes

<table>
<thead>
<tr>
<th>Type and number of fruit per 4/5 - bushel containers</th>
<th>2017 (percent)</th>
<th>2018 (percent)</th>
<th>2019 (percent)</th>
<th>Type and number of fruit per 4/5 - bushel containers</th>
<th>2017 (percent)</th>
<th>2018 (percent)</th>
<th>2019 (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VALENCIA ORANGES</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>RED GRAPEFRUIT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64 or less</td>
<td>4.1</td>
<td>3.4</td>
<td>0.8</td>
<td>32 or less</td>
<td>1.8</td>
<td>18.0</td>
<td>1.3</td>
</tr>
<tr>
<td>80</td>
<td>11.4</td>
<td>13.2</td>
<td>5.9</td>
<td>36</td>
<td>3.2</td>
<td>22.0</td>
<td>3.6</td>
</tr>
<tr>
<td>100</td>
<td>26.5</td>
<td>30.2</td>
<td>22.7</td>
<td>40</td>
<td>7.0</td>
<td>9.5</td>
<td>7.5</td>
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<tr>
<td>125</td>
<td>30.0</td>
<td>31.5</td>
<td>32.4</td>
<td>48</td>
<td>15.0</td>
<td>10.5</td>
<td>13.2</td>
</tr>
<tr>
<td>163 or more</td>
<td>28.0</td>
<td>21.7</td>
<td>38.2</td>
<td>56</td>
<td>12.5</td>
<td>8.0</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>HONEY TANGERINES</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>WHITE GRAPEFRUIT</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>80 or less</td>
<td>12.0</td>
<td>3.4</td>
<td>3.3</td>
<td>32 or less</td>
<td>1.9</td>
<td>0.0</td>
<td>5.6</td>
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<tr>
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<td>27.2</td>
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<td>176</td>
<td>12.2</td>
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<td>13.7</td>
<td>15.0</td>
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</tr>
<tr>
<td>210 or more</td>
<td>20.8</td>
<td>34.2</td>
<td>35.2</td>
<td>56</td>
<td>13.1</td>
<td>10.0</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>63 or more</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60.8</td>
<td>75.0</td>
<td>56.9</td>
</tr>
</tbody>
</table>
Europe

- Florida grapefruit still seen as premium product; 48/56’s STR=high prices 23-27 EUR.
- Turkey and Spain exporting grapefruit at 10 – 12 Eur per 15Kg.
- Extremely important for SA exporters to look at size spread exported –(last year small sizes resulted in downward price trend)

- Spain and Egypt very active in the market. Morocco increasingly active.
- Egypt citrus production estimated at record 3,4 Million tons (10% up). Exports at record 1.6m.
- Egypt accounting for 30% of global trade with increasing market share in EU.
- Morocco production estimated at record 1,2 Million tons (18%) = Exports forecasted higher.
- Exporters cautiously approach this market with good quality product
- Exporters to consider export of fruit for processing purposes this year.
- Exporters to take note that weather conditions; influence substitution and consumption of citrus fruit.
- 39% of the expected Spanish citrus volume has been withdrawn for juicing – Government aid to withdraw 50 000 tons (oranges and clem’s) - only 19 300 tons currently withdraw.
- From competitors citrus volumes – Foresee a difficult market and severe pressure from the start – quality and size of outmost importance.
Middle East

- Egyptian and Spanish citrus volumes on the market in large volumes
- Egypt export 34% of total citrus volume to the ME – main market.
- South African navels exports anticipate strong competition with Egyptian Valencias in June and July = prolonged supply due to hot weather conditions in Egypt.
- Credit constraints impacting importers.
- Embargo of Qatar and other gulf countries eliminate past opportunity for re-export of RSA citrus.
- Economy: Highly dependent on the oil price and slower economic growth than expected & 5% VAT implemented in 2018
- Difficult market conditions expected
- The market and economy anticipated to grow slowly towards end of 2019 (Dubia Expo 2020)
UK

- Increase in RSA citrus shipments in 2018
- Increase in lemon shipments last year – this year?
- Soft citrus pull from market
- More overlap with Spanish and Moroccan fruit.
- Large discounters continue to grow market share as seen previously.
- Impact of Brexit on Exchange rate?
- Impact of Brexit on UK/EU trade?

Korea

Shipments: Good coordination required in the beginning of the season
Closure

- Market Access top priority for FPEF
- Allocation of resources towards market access and market development

- BUT
- Market access wont alleviate large citrus volumes (alone) IF value chain inefficiencies exist and congestion delay supply of our perishable product

- Markets conditions will become increasingly difficult
- Quality, value chain efficiency and market access need to be approached in parallel.
Thank you

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Sources:
Agrihub, PPECB, CGA, Freshfel; SHAFFE; Cape Span; North America report Wk7; Russian (M.Fateev) report wk9; USDA-APHIS; Agricultural Research Centre - Egypt; Fruit Trop Magazine – Jan 2019 issue