

WCO Members' 'Summer' Meeting

7 July 2020

1) Opening remarks and Southern Hemisphere consolidated data presentation – WCO Secretariat

- WCO Secretariat introduced the agenda of the meeting and presented the southern hemisphere first data collection.
- SH Data collected so far from Argentina, Australia, Chile, Peru, South Africa and Uruguay. Also work is ongoing with Brazil and Bolivia. The latter already provided data for lemons.
- WCO Secretariat presented the summary of the production and export data (see power point enclosed – with addendum on Uruguay data)
- WCO Secretariat encouraged comments from Members to improve the data collection template as needed (e.g. inclusion of further varieties' breakdown, processing, etc.)

2) Southern Hemisphere trends and analysis - CIRAD

GENERAL TRENDS FOR THE SH

- SH citrus trade remains a fast growing market of 3.3 million tonnes.
- However some key challenges:
 - Narrower window and overlapping with NH season
 - Seasonal consumption of citrus, as citrus remain associated to cold weather.
 - Strong competition of seasonal fruit, especially stone fruit and other summer fruit in the Northern Hemisphere.
- Since 2015, significant increase in volume. The market has gained half a million tonnes, 5 percent by year.
- The market portfolio is quite diversified, especially with:
 - Europe (32 percent) and Asia (23 percent), relevant for all citrus. Volumes in Europe are growing since 2015, due to qualitative substitution. Late SH easy peelers and oranges are taking ground in Sept./Oct. Asia also experiencing growth.
 - North America (especially soft citrus), with 17 percent.
 - The Middle East and Eastern Europe (12 percent and 7 percent respectively), relevant but following a decreasing trend (mainly for lemons).
- Main trends by variety:
 - Orange, 2 percent growth by year, not very dynamic
 - Grapefruit also flat with similar 2 percent growth.



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- Soft citrus have had increases in world trade in past year, 10 percent by year increase, 15K tonnes additional by year
 - Lemons show a volume of 700k, similar increase rate by 10 percent by year
- The main challenge for the SH are the new plantings for some citrus families. Increases notably in lemon and soft citrus with 4 percent growth yearly (almost 3000 ha increase in average). This can lead to major unbalances for lemons and easy peelers. This is particularly concerning easy peelers given the short market window of late varieties, which are the main ones increasing plantings and volume.
- These issues highlight the need to improve the monitoring as there is not full information available on production and new plantings. This will allow to control plantings and inform growers about trends. There is also a need to have more information on NH trends in this regard. WCO could help make our prospects better.
- On the trade side, from exporting countries, there is also a need to continue diversifying and develop to gain market share thanks to quality diversification in the late market.
- Another key element is the need to promote citrus, an area where WCO could also act.

SH EXPORT PROGRAM 2020

- Key headlines by category:
 - Oranges: South Africa around 70 percent of export and increasing about 2 percent this year. Australia in second position will lose 4 percent and Chile 15 percent of its volume.
 - Soft citrus: significant increases from main players like South Africa, Peru, and Chile (36, 9 and 10 respectively).
 - Lemon: increases expected for South Africa and Argentina, although the latter is to be seen, given latest SENASA news to stop exports.
 - Grapefruit: South Africa dominates, flat market.
- Market context for this season:
 - No overlap for most citrus families is expected as last winter season from the Northern Hemisphere had short production in leading supplying countries (light crop for Mediterranean and California);
 - The only country with big volumes in easy peelers was China, also on oranges. We shall see how this market will open this season.
 - COVID pandemic has had a very good impact on demand, particularly on citrus categories like orange and lemon.
 - Another important element helping the success of the season is the low crop of competitor summer produce, notably stone fruit (down 20 percent overall and up to -28 percent for apricots compared to average)
 - Many questions remain open: What about the summer? What market will still be affected by the pandemic (Middle East, USA, Eastern Europe)? Will consumers continue to seek Vitamin C?
 - The closure of the Food Service category will also be a challenge, particularly for lemon and oranges, with the open question of whether increased sales in retail will be enough to compensate the losses in food service.
 - Transport and logistics challenges have also impacted export programmes.



3) Processing market trends – IFU (International Fruit and Vegetable Juice Association) – to be confirmed (15')

- Overall market developments: Commercial balance of 750 billion litres aprox. This category includes juice, nectars and still drinks. Looking from 2016 onwards, we see stagnation in the juice market, with some growth in nectars and still drinks category. The biggest growth is seen in water. Growth is driven by new markets.
- Consumption drivers: The main drivers for consumption are linked to sustainability, health (need to answer to consumers and governments' concerns -sugar tax) and nutrition and convenience (snack lifestyle). The sector has also seen an increased demand for organics led by consumer tendency to avoid pesticides and GMOs, increase nutrition and because of a sense of better taste. On juice category, there is also a growing importance of sense of naturalness which is valued by consumers.
- Trend towards fragmentation: The category is also becoming much more differentiated and fragmented. Despite general stagnation, opportunities remain based on differentiation and specification (e.g. different flavors, functionality drinks, natural trends, juice shots, etc.). Growing volumes are also moving to higher-end category products. In this quest, technology is key (e.g. cold pressed arrival to the market to avoid pasteurization with high temperature, allowing better organoleptic features appreciated by consumers).
- Citrus predominance but losing ground: Orange remains one of the main flavors, with the second place although losing ground to competitors and 'rising stars' (e.g. coconut).
- Sustainability is king: Main claims in new products introduction, are not about taste or lifestyle, but mainly looking at sustainability (organic, carbon neutral, ethical, vegan, sustainable).

4) SH Season & COVID impact - Roundtable discussion

- The WCO Secretariat introduced the main general challenges and opportunities for the sector in the past few months as a result to the COVID-19 crisis. Challenges relate mainly to logistics, increased costs, labour shortages, and uncertain market trends and changes in consumers' demand and habits. Despite all, the COVID-19 crisis has had a positive side-effect on the citrus market, as consumers' attention has been focused on health and Vitamin C as element to contribute to the good functioning of the immune system. Currently, the priority shall be to monitor closely changes in consumers' habits to identify the changes to remain (e.g. online shopping, increase in demand for pre-packed produce, preference for local produce intensified)



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NORTHERN HEMISPHERE

- SPAIN: stressed the need to monitor closely citrus consumption in the future. During COVID there has been a significant increase of consumption per capita probably because of vitamin C content, especially for lemons and oranges. This perception has been capitalized and continued, to sustain consumption long-run. This is an objective we could explore with WCO. At the same time we need to look into dynamics of fresh and processing markets.
- SPAIN: a second delegated noted that the high demand due to Vitamin C should continue in medium-term as consumers will continue looking for this. Demand in UK for instance is still showing double digit growth. A major concern is however the expected economic crisis. Looking at previous crisis in Europe, shoppers will look for savings but same volumes – which can lead to lower demand for quality varieties, down trading to cheaper varieties. Retailers will continue pushing for lower prices to keep margins. E-commerce is also an important trend to watch, as people have experienced the benefits of e-commerce now. This can be a risk for fresh produce, as especially fruit is underrepresented in online baskets. Need to raise visibility of citrus basket online.
- ITALY: the orange category had the highest growth during the peak of the crisis in Italy. Market continued alive during first months of SH. Final users are driven by health benefits but also the taste. One should now need to focus on what the future will bring. September will be an important month to understand how much the sub-sequent economic crisis will heat up the market.
- ISRAEL: despite this being a 'rollercoaster season', it has brought good overall results short-term. On the long-run however trends are worrying so we need to look into the future.
- MOROCCO: supports the need for promotion of nutritional benefits of citrus to keep momentum after the COVID crisis – this could be done from WCO side.
- USA: demand for oranges went up by 66 percent, or even higher sometimes. Logistics and labour have been the major challenges of the season. Performance has also varied by categories. COVID has 'saved' the oranges and soft citrus seasons. End of February the category was -5 percent, and then almost 20 percent gain. Lemons have been more affected by food service closures, with losses on this side broadly offsetting all the gains on retail. Indeed, lemon growers are now seeking assistance from governments. The state of easy peelers is also concerning. Need to see how to carry the momentum in sales post COVID.

SOUTHERN HEMISPHERE

- PERU: good performance in past years, with 10 percent growth in volume every year. Only export about 15 or 18 percent of production, the rest is consumed nationally. COVID has caused many logistics problems and additional costs in production. Now, with the end of the lockdown, the government is re-establishing businesses so demand is increasing in many goods but still a big economic crisis is looming. Peru is aiming to finish season end of August for easy peelers. Another products rising in past 5 years with growth are limes and lemon. Peru did not have lemon in past but new plantings are starting as an alternative to easy peelers.
- CHILE: growth trend in the season, mainly focused on exports. One week early this year, and orange and lemons are very strong due to COVID, especially high demand for oranges in domestic markets. Exports are increasing by 4 percent compared to last season, given last years' serious draught. Rain this year allowed big volumes.
- ARGENTINA: lower volumes of fruit than estimated in lemons, as exports have been banned and campaign has finished earlier due to CBS interceptions in the UE. COVID has also caused difficulties



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in logistics given Tucuman's long distance to the port. In terms of mandarins, average export will be close to 40k according to estimations.

- URUGUAY: good management of the crisis in the country. We work on protocol-basis in harvesting and packing houses. Some logistic issues with containers but overall functioning and good demand in USA and Europe. Excellent season in terms of climate.
- BRASIL: forecast production of 25 percent less than last year, focusing on processing with about 15 percent only going to fresh market. The fresh market is good this year, with COVID leading to increased supermarket sales from March, allowing stable prices. Problems experienced with crops with bad first flowering creating uncertainty. Close monitoring now of workers in production due to COVID, although not many cases among labour. Despite lack of numbers available for limes, the market seems stable with growing exports. For oranges export is low.
- SOUTH AFRICA: despite the strong impact of COVID in the country and the lockdown, citrus has been declared an essential service, which has allowed volumes to increase.
- AUSTRALIA: concern about equipment for shipping exports but situation is stable in the end, no issue in airports and export markets have only been somehow delayed. Need to keep consumers' confidence which could be an issue. So far good performance in key export markets like Japan, Singapore, Malaysia, and also China.
- BOLIVIA: for lemon, this year sales have performed well despite the lockdown. Some logistics issues experienced to find shipments in Buenos Aires, the main port used to export as costs are lower.

5) WORLD CITRUS CONGRESS

- The WTO Secretariat outlined the plans for the organization of an online edition of the 1st Global Citrus Congress, which shall be held in the first week of November 2020. Members were urged to send ideas on content and speakers for the congress to the Secretariat.