

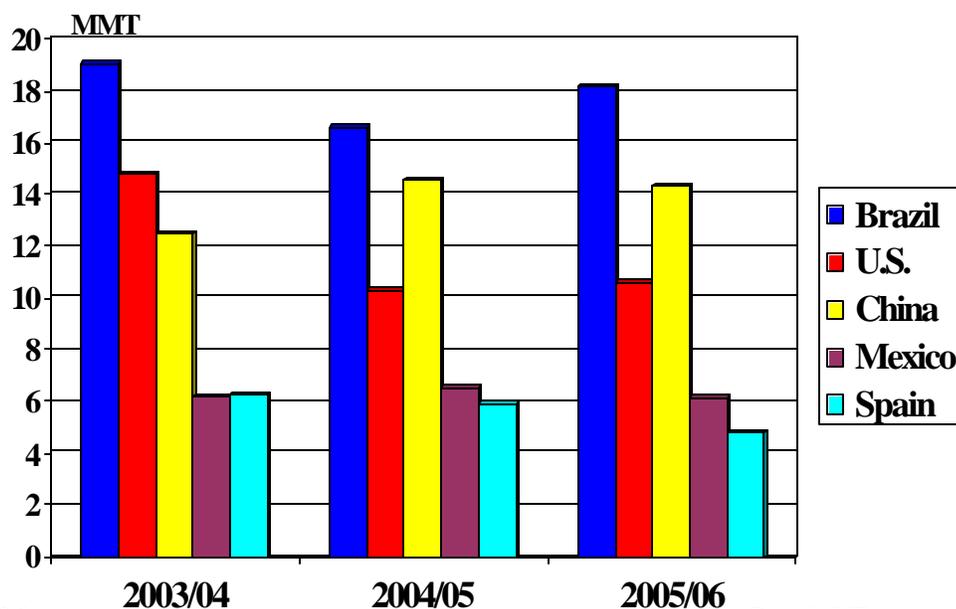
## Situation and Outlook for Citrus

World citrus production in selected major producing countries in marketing year (MY) 2005/06 is estimated at 72.8 million metric tons, a slight increase from the 2004/05 level. The total consists of 47.1 million for oranges, 15.0 million for tangerines, 4.3 million for lemons, 4.0 million for grapefruit, and 2.4 million for other citrus. Brazil's production of oranges in MY 2005/06 is forecast at 18.2 million tons, up 10 percent from the previous year. Due to the devastation from Hurricane Wilma that passed through the major citrus regions in Florida in 2005, U.S. production of citrus in MY 2005/06 is estimated at 10.6 million tons. Although up over 2 percent from the MY 2004/05 level, the forecast is down significantly from the first forecast of the U.S. citrus crops made in October 2005. Total world exports of citrus for major exporters during MY 2005/06 are estimated at 9.3 million tons, down nearly 4 percent from the MY 2004/05 level.

### GLOBAL PRODUCTION

World citrus production in selected major producing countries in MY 2005/06 is estimated at 72.8 million metric tons, a slight increase from the MY 2004/05 level. The total consists of 47.1 million for oranges, 15.0 million for tangerines, 4.3 million for lemons, 4.0 million for grapefruit, and 2.4 million for other citrus. There are offsetting changes. Brazil's production of oranges is forecast up about 1.7 million tons, while Argentina, China, Mexico, and Spain are offsetting some of that increase.

## Total Citrus Production in the Top Producing Countries



## **Brazil**

Brazil's production of oranges during 2005/06 [Brazil marketing year (MY) July 2006-June 2007] is forecast at 18.2 million tons, up 10 percent over last year's level, assuming that good weather conditions prevail during 2006 to support fruit setting and size. The projected increase in production for MY 2006/07 in the Sao Paulo and Minas Gerais commercial areas is based on the following factors: orange trees are less stressed from a relatively small MY 2005/06 crop; the on-year of the biennial cycle of the Hamlin and Valencia varieties; average crop management for some groves during 2005 improved due to better orange prices; and weather patterns during 2005 were better than 2004 reducing damage during blossoming.

Sugarcane continues to replace old citrus groves, especially in the northern part of the state of Sao Paulo. The migration of the citrus belt to far-southern areas like Avare and Botucatu has occurred. The concentration of citrus production is a clear trend within the citrus industry. Both growers and orange juice (OJ) processors report that more and more, small citrus growers have abandoned production and that larger-sized, better-capitalized farmers (including the OJ companies) have invested in new groves. With the spread of several diseases and increased costs of inputs, production costs have increased significantly, representing a barrier to less capitalized growers.

## **United States**

Due to the devastation of Hurricane Wilma that passed through most of Florida's major citrus-producing regions, U.S. citrus production during MY 2005/06 is estimated at 10.6 million tons, up only 2 percent from the MY 2004/05 level. Like the hurricanes of 2004, Hurricane Wilma blew fruit off the trees, destroyed trees, and contributed to a higher-than-average drop rate. In 2005, citrus production in Florida had not fully recovered from the hurricanes of 2004, but a good crop had been expected.

U.S. orange production during 2005/06 is estimated at 8.4 million tons, up only 1 percent from the previous year. Florida's orange crop is forecast up nearly 6 percent from the previous year. Offsetting this is an 11-percent decline in California's orange production for 2005/06. Both the navel and Valencia crops are forecast down in California this year. The size reported for navels is smaller than last year.

Hurricane Wilma ended up going right through the heart of the Indian River citrus-growing region. As a result, Florida's production of grapefruit in 2005/06 is estimated at 617,000 tons, up 25 percent from a year ago. However, prior to the hurricane, Florida's grapefruit crop was forecast nearly 87 percent above last year's hurricane-ravaged crop.

There have been some significant developments that will determine the future of citrus in Florida. Florida officials announced on January 11, 2006, that they will stop the citrus canker eradication

program (CCEP) of cutting healthy trees. This decision followed a study by USDA and the University of Florida/Institute of Food and Agricultural Sciences that indicates that citrus canker is now widespread. Florida citrus growers, industry representatives, and state/federal officials are working on the Citrus Health Response Program (CHRP) to suppress citrus canker and address other potential pest threats. The CHRP will replace the CCEP. Whatever alternative to the eradication program is ultimately taken, it will likely have significant implications for trade in U.S. citrus, in particular grapefruit. The CHRP is expected to be announced March 1, 2006.

## **China**

China's citrus production is forecast to drop by approximately 2 percent from 14.6 million tons in MY 2004/05 to 14.4 million tons in MY 2005/06. The drop is mainly attributed to a frost in late spring 2005 reducing Hunan's production by 20 percent to 1.5 million tons, and cold temperatures and several typhoons in Zhejiang province, causing production to drop by more than 30 percent in this region. While these two provinces are the second- and fourth-largest citrus producers, respectively, other major-producing provinces, including the largest production area, Fujian, are expected to see stable or increased output in 2005/06. With Zhejiang being the leading mandarin producer in China, the country's total tangerine production is projected to decline to 8.05 million tons, down nearly 6 percent from 8.55 million tons in the previous year. Orange production, however, is expected to increase by nearly 5 percent over the previous season to 4.45 million tons, because major producers like Guangxi, Sichuan, and Chongqing have expanded planting areas and expect good harvests in MY 2005/06.

In 2002, the Ministry of Agriculture published a 5-year "Wholesome Food Action Plan" as a framework for implementing good agricultural practices. In addition, the government is providing certification for stricter production standards, including green food and organic. Based on this plan, local governments have formulated standardized farm practices for citrus, including tree density, application of fertilizers and pesticides, and orchard management. Implementation is incomplete. In Sichuan, for example, compliance is increasing, but only 35 to 40 percent of the orchards have met the "wholesome food standard." A small number of growers have orchards certified as "green food" or "organic," which provides a 10-30 percent premium for their products. As a result, the overall fruit quality has begun to improve. In addition, as farmers plant new orchards or replant where trees were removed due to old age or disease, varieties are planted that compete more directly with quality U.S. products. Some traders predict Chinese citrus will become competitive in the world market in about 5 years.

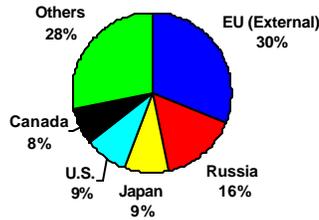
## **Spain**

Spain's total citrus production during MY 2005/06 is forecast at 4.8 million tons, down about 18 percent from the previous year. Spain's production areas have been affected by the worst Iberian

Peninsula drought in the last 60 years. Spain's orange production is forecast down 20 percent from the previous year's level of 2.7 million tons; while tangerine production is forecast down nearly 21 percent.

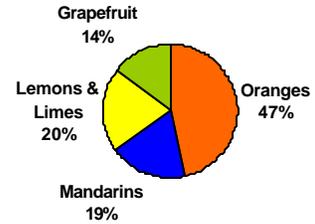
## GLOBAL TRADE

**World Citrus Imports by Country**  
Based on Quantity—CY 2004



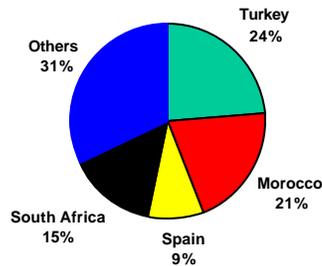
Source: Global Trade Atlas. EU External Trade.

**World Citrus Imports by Type**  
Based on Quantity—CY 2004



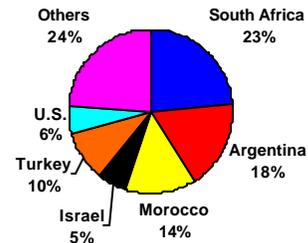
Source: Global Trade Atlas.

**Russia's Citrus Imports By Country of Origin**  
Based on Quantity—CY 2004



Source: Global Trade Atlas.

**EU Citrus Imports By Country of Origin**  
Based on Quantity—CY 2004



Source: Global Trade Atlas. EU External Trade.

## Spain

Spain's exports of citrus during MY 2005/06 are estimated at 2.7 million tons, a decrease of about 600,000 tons from last year, which was down 286,000 tons from the 2003/04 level. This is due to

the lingering drought. Oranges are estimated at 1.0 million tons, tangerines at 1.4 million tons, and lemons at 330,000 tons.

## **United States**

U.S. exports of citrus during NY 2005/06 are estimated at 899,000 tons, a continuing decline due to reduced availabilities. This represents a decline of 2 percent from the 2004/05 level. The total comprises 550,000 tons of oranges, 225,000 tons of grapefruit, 100,000 tons of lemons, 20,000 tons of tangerines, and 4,000 tons of other citrus (limes). Most of the drop is attributed to orange exports. The orange crop in California is forecast down this year, and most fresh orange exports originate from California.

Grapefruit exports are very important to the Florida citrus industry. With the devastation to the grapefruit crop of the past 2 years, U.S. exports of grapefruit during 2005/06 are forecast around last year's level, still down over 40 percent from the 2003/04 level. Japan, Canada, and the EU are expected to remain the top markets.

## **Technical Assistance for Specialty Crops (TASC) Funds**

The TASC program is designed to help open, retain, and expand markets for U.S. specialty crops. Resources are provided to address unique barriers, including phytosanitary or related technical barriers that prohibit or threaten the export of U.S. specialty crops. Specialty crops include all cultivated plants and their products produced in the United States except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco. The TASC funds became available during 2002 when Congress created a new trade program specifically aimed to aid specialty crops in the 2002 Food Security Act. The TASC program is funded at \$2 million annually, beginning with fiscal year 2002.

## **Market Access Program**

The citrus industry received over \$9.6 million to conduct promotions overseas under the Market Access Program (MAP) for MY 2005/06. MAP has been instrumental in expanding markets for U.S. citrus in Canada, France, the United Kingdom, China, Hong Kong, Japan, South Korea, Taiwan, and other countries. Consumer and trade promotions are developed for fresh oranges, fresh grapefruit, lemons, orange juice, and grapefruit juice. The industry shares the cost of promotions under the program.

## **Korea, South**

It is expected that U.S. oranges will continue to have a very strong presence in the Korean orange import market in MY 2005/06. Imports are forecast at 140,000 tons during MY 2005/06, up 11

percent over last year. In September 2005, USDA and Korea's National Plant Quarantine Service (NPQS) reached an agreement on the 2005/06 work plan for California oranges. The 50-percent in-quota and out-of-quota tariffs for fresh oranges, equalized in 2004, will continue to be imposed on fresh orange imports until the WTO Doha discussions conclude.

## **Japan**

Japan's imports of citrus during MY 2005/06 are estimated at 440,000 tons, up about 4 percent from the previous year. Of the total, 229,000 tons are forecast to be grapefruit, along with 120,000 tons of oranges, 80,000 tons of lemons, and 11,000 tons of tangerines. The United States is the major supplier, accounting for 60 percent of the total from October 2004 to September 2005. This is down significantly from the 72 percent of the total just a year before. The U.S. share of Japan's imports is declining, while South Africa's and Chile's are increasing. South Africa's share increased to 27 percent in 2004/05. The U.S. share of grapefruit imports declined to about 47 percent. Because of short supplies from Florida for 2 consecutive years, Japanese traders show some concerns about marketing Florida grapefruit.

## **Russia**

The following is from a voluntary GAIN report. It is located at <http://www.fas.usda.gov/scriptsw/attachrep/default.asp> along with the other citrus reports.

According to research from the Russian Fruit and Vegetable Alliance, 12 percent of Russians consider citrus as their favorite fruit. Tangerines and oranges are most common, while grapefruit is still considered something more sophisticated. Still, due to increasing incomes, changes in consumer preferences towards a healthier lifestyle, better fruit availability and variety, there is a trend of increasing volume of fruit consumption in Russia and an increase of grapefruit consumption as well. Russia is the world's largest importer of fresh fruit among the emerging nations.

In 2004, Russia imported almost 400,000 tons of oranges, 245,000 tons of mandarins, 170,000 tons of lemons and limes, and 46,000 tons of grapefruit. Russia is the third-largest global import market by volume for grapefruit.

## **CONSUMPTION AND MARKETING**

Total citrus consumption in MY 2005/06 for the major producing countries is estimated at 65.6 million tons, including 38.5 million tons of fresh consumption and 27.1 million tons of processed consumption. Processed consumption is basically for the processing of oranges into orange juice. Of the total citrus for processing, nearly 85 percent is forecast to be oranges. The total processed

represents an increase from the previous year, mainly the result of the larger Brazilian crop.

## **United States**

A large part of the citrus produced in the United States goes to processing for juice. This year, about 68 percent of the total citrus crop is forecast to be processed. For oranges produced in Florida, normally 95-96 percent of the crop is processed for orange juice. That trend is expected to continue. The majority of oranges produced in California are for the fresh market. For 2 years prior to the 2004/05 crop for grapefruit produced in Florida, the amount that went to processing was about 60 percent. That percentage declined to 42 percent in the hurricane-reduced crop year of 2004/05 as producers tried to salvage as much grapefruit as they could for the fresh market.

## **Brazil**

Brazil is forecast to process about 13.4 million tons of oranges in 2005/06 (MY July 2006-June 2007), up about 1.4 million tons due to the higher crop size. This also represents an increase in the percentage of the crop going for processing. Processing is forecast at 73 percent of the total. Since only a small amount of fresh product is exported, most of Brazil's production is headed to the processing sector and for the export of orange juice.

## **China**

The overall consumption of fresh fruit in China is increasing as people's income rises, but citrus consumption is unlikely to see marked growth. This is reflected by the citrus prices at wholesale markets and wet markets where most citrus products are traded. China's per capita consumption of citrus is reported at 12 kilograms. Unlike deciduous fruit such as apples, citrus cannot be stored for a long time without modern storage facilities and post-harvest treatment, so most locally produced citrus is consumed between October and February. On the other hand, with the increasing number of supermarkets in urban areas, more people are buying produce, including citrus, there because of concerns over food safety. In fact, the best citrus is sold in supermarkets in big cities like Beijing and Shanghai, not shipped overseas. Good quality fruits are priced much higher than ordinary ones, but the percentage of quality fruit is relatively low and still in short supply.

Despite new import protocols with Australia, fresh orange imports are forecast to continue declining to about 45,000 tons in MY 2005/06 from 48,000 tons in MY 2004/05. The flavor and appearance of Chinese oranges have improved significantly in recent years, putting them in direct competition with imports. As domestic quality improves, the price of imported oranges is still at

least three times that of locally produced ones, partly due to a 25-30-percent effective tariff rate (tariff + VAT). Despite domestic competition, imported oranges are the only products available in the off season and products sold under foreign labels have a cachet still preferred by some high-end consumers.

*The Attaché Report search engine contains reports for citrus for several countries including Egypt, Israel, Japan, Korea, Morocco, Spain, Turkey, Greece, Italy, Mexico, China, Germany, Australia, Brazil, Argentina, Costa Rica, and South Africa. For more information on production and trade, contact Debra A. Pumphrey at 202-720-8899 or at [Debra.Pumphrey@usda.gov](mailto:Debra.Pumphrey@usda.gov). Also, please visit the citrus commodity page: <http://www.fas.usda.gov/htp/horticulture/citrus.html> for the latest information. For more information on marketing issues, contact Sonia Jimenez at 202-720-0898. Data for these countries for citrus can be extracted from the USDA production, supply, and distribution database located at [www.fas.usda.gov/psd](http://www.fas.usda.gov/psd)*