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Italian Citrus Fruit Outlook

Report Categories:
Citrus

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Report Highlights:
MY 2011/2012 Italian citrus fruit production is forecast to reach 3.6 MMT, up 11 percent from the previous year. This forecast anticipates a 16-percent increase in orange production to 2.3 MMT, a 7-percent increase in lemons, and little increase (3 percent) in the production of easy peelers.

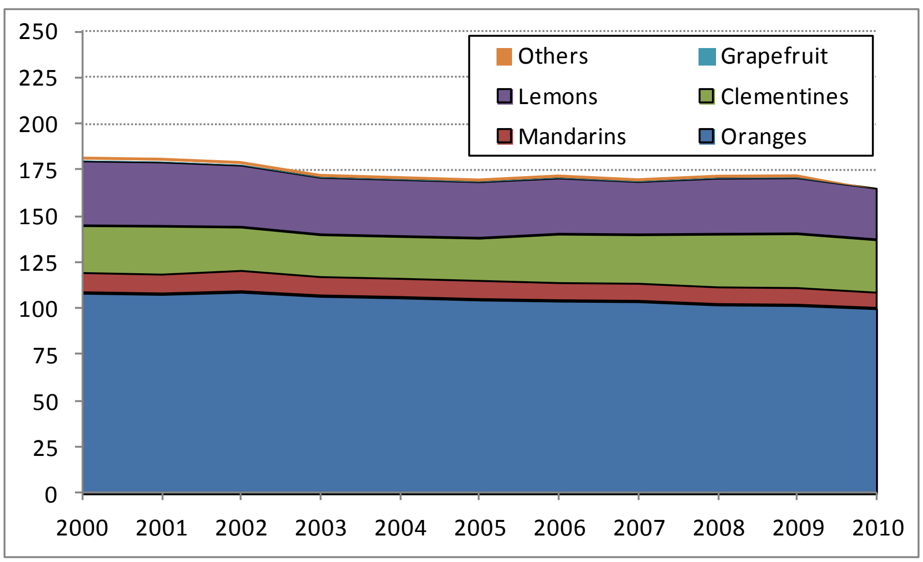
General Information:

Citrus is largely cultivated in southern Italy (Sicily, Calabria, Apulia, Basilicata, Sardinia, Campania) and to a minor extent in some areas of few central (Tuscany and Latium) and northern (Liguria) Italy. During the last 10 years, total citrus area has slightly declined mainly due to farmers abandoning the orchards or replacing citrus with more profitable crops, particularly in Sicily. Even so, there has been an increase in clementines area, little change in grapefruit area, and a decrease in other species.

In the last decades, Italian citrus producers have been losing competitiveness on both the foreign and domestic markets. Lack of organization, small farm size, increasing input costs, and strong competition from other Mediterranean countries, such as Spain, Egypt, and Turkey, have gradually eroded the Italian share of the world, EU, and domestic markets. Moreover, the *Citrus Tristeza Virus* (CTV) has increasingly spread over the south of Italy forcing many farmers to replace their orchards with new resistant varieties.

MY 2011/12 Italian citrus fruit production is forecast to reach 3.6 MMT, up 11 percent from previous year. The forecast anticipates a 16-percent increase in orange production to 2.3 MMT, a 7-percent increase in lemons, and little increase (3 percent) in the production of easy peelers.

Italian citrus fruit total area 10-years trend ('000 hectares)



Source: Istat.

I. ORANGES

Italian Orange Production, Supply and Demand (ha, '000 MT)

Oranges, fresh	2009/2010	2010/2011	2011/2012
	MY begin 11/2009	MY begin 11/2010	MY begin 11/2011
	Current post data	Current post data	Current post data
Area Planted	102,033	101,475	101,000
Area Harvested	100,212	99,947	99,500
Production	2,350	1,950	2,260
Intra EU27 Imports	44	100	45
Extra EU27 imports	51	40	50
Total imports	95	140	95
TOTAL SUPPLY	**2,445**	**2,090**	**2,355**
Intra EU27 exports	143	110	135
Extra EU27 exports	31	28	35
Total exports	174	138	170
Fresh domestic consumption	1,841	1,652	1,785
For processing	430	300	400
TOTAL DISTRIBUTION	**2,445**	**2,090**	**2,355**

Italy produces around 4 percent of the world's orange crop and 37 percent of EU-27's production. A large part of Italian orange production consists of the "blood" varieties, planted chiefly in Sicily and Calabria and used mainly for fresh consumption. The main orange varieties cultivated in Italy:

- Pigmented (red) oranges: Tarocco (T.comune, T.galici, T.gallo, T.scirè, T.nucellare etc.), Moro (M.comune or M.nucellare), Sanguinello (S. moscato cuscunà and S. moscato nucellare), Sanguigno;
- Blond oranges: Ovale or Calabrese and Biondo comune; and
- Navel oranges: Navelina, Washington navel.

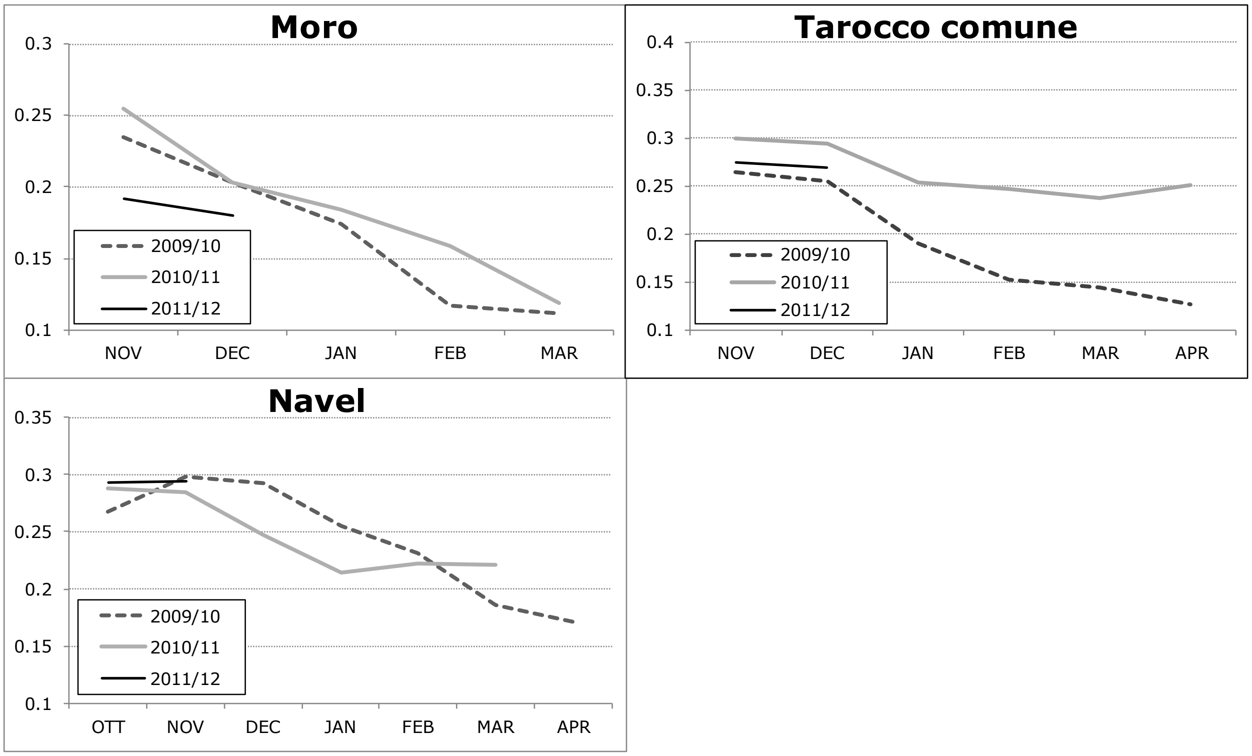
Moreover, two specific varieties are traded as EU recognized Geographical Indications: the Ribera Orange variety (blond) is a PDO (Protected Designation of Origin) while the blood orange is a PGI (Protected Geographical Indication).

PRODUCTION

MY 2011/12 Italian orange production is expected to be at about 2.3 MMT, close to the 2009 harvest and significantly higher (+16 percent) than the previous year. According to industry estimates, the crop in Sicily and Calabria (the two main Italian producing regions) will be abundant due to rotational bearing, which creates wide cyclical swings in yields. In fact, MY 2011/12 is a higher quantity year in this cycle. Moreover, experts report the quality to be good due to high brix degree levels and to lack of disease and insect damage. Fruit size is significantly lower for oranges harvested from November to January due to higher yields and to the drought that hit Italy over the summer. However, abundant rains occurred in late October and November will likely positively affect the fruit size of varieties harvested from February on.
As for the beginning of MY 2011/12, the size of almost 80 percent of the production is below the 76 mm size and farm gate price fluctuates around 0.2 €/kg (larger sizes are sold at 0.30-0.35 €/kg). Farmers will likely try to sell part of this small-size production through targeted campaigns in foreign markets. However, a large portion of this crop will be destined to the processing industry. According to estimates, around 400,000 MT of oranges will be processed in MY 2011/12. The cultivated area is not expected to decrease substantially. Despite every year around 5 percent of

the farms cultivating oranges shift to other crops or abandon the fields, other farms are trying to invest their private capital in new innovative and advanced orchards – by planting fruit root stocks tolerant of tristeza, increasing in the mechanization, adopting micro-irrigation, sub-irrigation and fertigation, and so on) to compete with international competitors.

Average Farm Gate Prices for Oranges in Italy (Euro/kg)



Source: ISMEA.

CONSUMPTION

Domestic demand has been decreasing for the last few years due to the economic crisis, which cut household purchasing power. In MY 2011/12, orange consumption will likely stagnate accordingly. However, the Italian Ministry of Agriculture has recently announced a marketing campaign attempting to promote fresh oranges consumption by distributing fresh oranges at national B League soccer matches. This campaign follows a similar initiative carried out over the summer to promote peaches and nectarines consumption at beaches.

TRADE

Italy likely will increase orange exports in MY 2011/12 both to the northern EU markets (UK, Germany, France) and to Eastern European countries and Russia. Italy exports only 7 to 8 percent of domestic production, compared to Spain, which exports more than 50 percent. Good export performances are also backed by increasing support from the main producing regions in Italy (mainly Sicily), which are financing export and foreign promotion programs especially to China and to the United States. Moreover, red varieties producers from Sicily have successfully promoted these varieties in the Spanish market, Italy's main competitor, finding consumers' appreciation. After a long negotiation of about two years, Brazil has finally recognized the phitosanitary conformity of Italy's citrus fruit necessary to give the green light to imports. The legislation refers specifically to oranges and citrons. Therefore, Brazil could represent a new market opportunity for

Italian producers growing high quality, blood varieties (Moro and Tarocco) oranges.

Italian Main Orange Export Markets

	2008/09	2009/10	Nov-Aug 2009/2010	Nov-Aug 2010/2011
	000 MT	000 MT	000 MT	000 MT
EU-27	54	143	138	105
Germany	17	50	49	38
Austria	12	20	20	16
Poland	1	13	12	6
France	4	12	11	10
Slovenia	4	7	7	5
Hungary	3	7	6	4
Sweden	3	6	6	5
Czech Republic	1	5	5	2
Extra EU-27	21	31	30	27
Albania	4	4	4	2
Switzerland	15	21	21	19
World	**76**	**174**	**168**	**132**

Source: GTA.

II. LEMONS

Italian Lemon Production, Supply and Demand (ha, '000 MT)

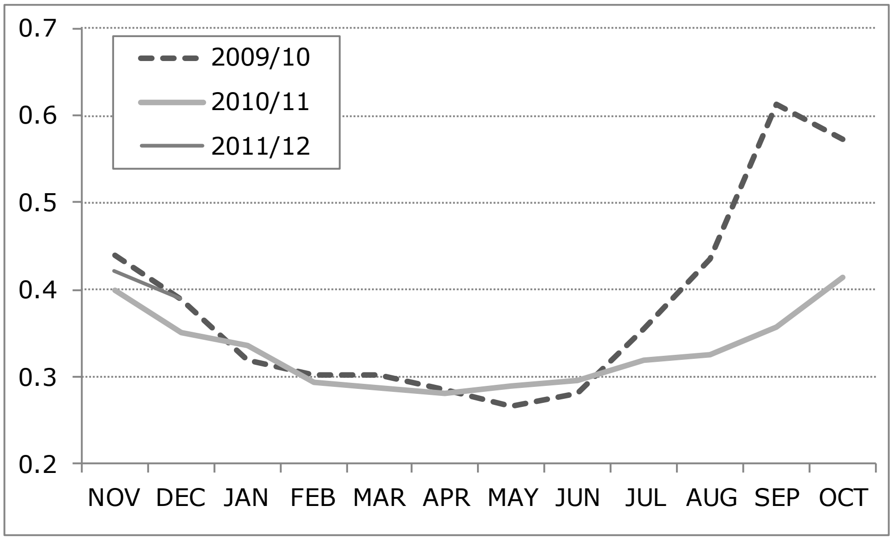
Lemons, fresh	2009/2010	2010/2011	2011/2012
	MY begin 11/2009	MY begin 11/2010	MY begin 11/2011
	Current post data	Current post data	Current post data
Area Planted	30,080	28,906	28,700
Area Harvested	25,832	25,780	25,100
Production	545	488	520
Intra EU27 Imports	36	55	35
Extra EU27 imports	55	53	50
Total imports	91	108	85
TOTAL SUPPLY	**635**	**596**	**605**
Intra EU27 exports	45	40	40
Extra EU27 exports	3	2	2
Total exports	47	42	42
Fresh domestic consumption	508	444	463
For processing	80	110	100
TOTAL DISTRIBUTION	**635**	**596**	**605**

Italy produces around 4 percent of the world lemon crop and around 39 percent of EU-27 production. Sicily is responsible for about 90 percent of the domestic crop. The main lemon varieties cultivated in Italy: Femminello comune (F.zagara bianca, F.siracusano, F. S.Teresa, etc.), Monachello, and Interdonato.

Industry experts forecast that MY 2011/12 lemon production will increase 7 percent to more than 520,000 MT. Prices have been declining since the beginning of MY 2011/12 because of increasing competition from other countries and weak domestic demand. Farmers will deliver around 100,000

MT of lemons to the industry for processing.

Average Farm Gate Prices for Lemons in Italy (Euro/kg)



Source: ISMEA.

III. TANGERINES/MANDARINS/CLEMENTINES

Italian Tangerines Production, Supply and Demand (ha, '000 MT)

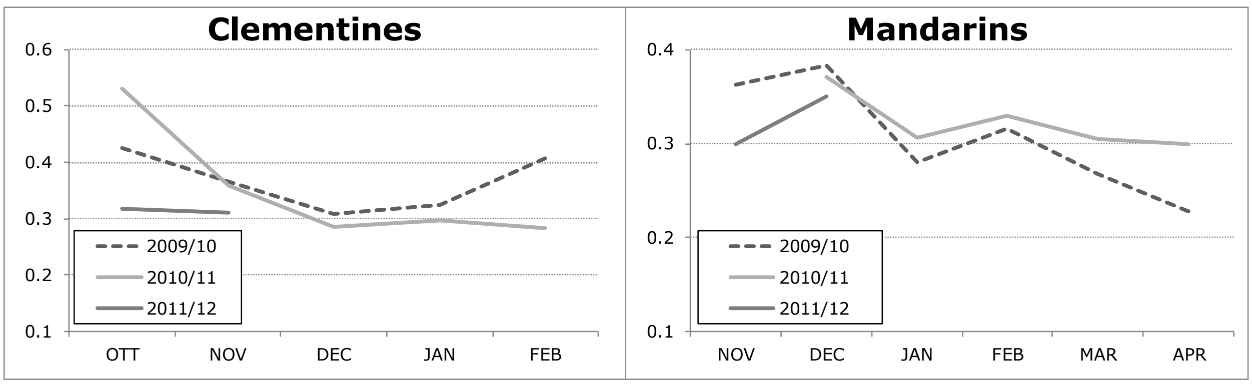
Tangerines/Mandarins/Clementines, fresh	2009/2010	2010/2011	2011/2012
	MY begin 11/2009	MY begin 11/2010	MY begin 11/2011
	Current post data	Current post data	Current post data
Area Planted	38,640	38,553	38,650
Area Harvested	37,407	37,699	37,800
Production	827	758	781
Intra EU27 Imports	65	70	68
Extra EU27 imports	6	5	5
Total imports	70	75	73
TOTAL SUPPLY	**897**	**833**	**854**
Intra EU27 exports	99	92	90
Extra EU27 exports	17	13	14
Total exports	116	105	104
Fresh domestic consumption	711	679	725
For processing	70	49	25
TOTAL DISTRIBUTION	**897**	**833**	**854**

Italy produces around 3 percent of the world easy peelers crop and around 24 percent of EU-27 production. Traditional mandarins (with seeds) are responsible for about 17 percent of the total crop while clementines (hybrid seedless easy peelers mainly cultivated in Calabria and Apulia) cover the remainder 83 percent. The harvesting season goes from September to April, but the bulk of the production hits the market between December and January.

PRODUCTION

MY 2011/12 Italian easy peelers production is expected to be at about 780,000 MT, 3 percent up from the previous year. However, while clementines production will significantly increase, mandarins production will drop by about 30 percent due to a bad fruit set. Despite a relatively abundant crop, the prolonged drought occurred over the summer along with dry and warm weather over the ripening period in the fall, delayed the harvest by 10-15 days, and negatively affected the fruit size of early (Caffin) and regular (Comuni) clementines varieties. As in MY 2010/11, experts expect prices to decline significantly in December and January due to the bulk of the production hitting the market, to growing competition from other Mediterranean countries and to the lack of early and late varieties. Early and late varieties currently grown in the south of Italy are generally less productive and more capital-labor intensive than regular varieties indeed.

Average Farm Gate Prices for Clementines and Mandarins in Italy (Euro/kg)



Source: ISMEA.

CONSUMPTION

MY 2011/12 consumption of mandarins and clementines is forecast to remain stable, around 700,000 MT. Italians generally consume large quantities of clementines and mandarins during the winter holidays when the bulk of the production hits the market. Therefore, consumption tends to be quite steady over the years.

TRADE

Italy exports nearly 14 percent of its mandarins and clementines production, mainly to other EU-27 countries and to Eastern European markets. Despite strong competition from other easy peeler producing countries, MY 2009/10 exports more than doubled and MY 2010/11 and 2011/12 exports are expected to remain stable.

Italian Main Clementines/Mandarins Export Markets

	2008/09	2009/10	Nov-Aug 2009/2010	Nov-Aug 2010/2011
	000 MT	000 MT	000 MT	000 MT
EU-27	41	99	97	89

Poland	6	24	24	21
Germany	5	14	14	9
Slovenia	8	12	12	11
Romania	5	9	8	8
Hungary	6	8	8	10
Lithuania	1	7	7	6
Austria	3	5	5	3
Czech Republic	1	5	4	3
France	2	3	3	3
Extra EU-27	10	17	16	13
Albania	6	8	7	5
Russia	2	3	3	2
World	**51**	**116**	**113**	**102**

Source: GTA.

IV. ORANGE JUICE

Italian Orange Juice Production, Supply and Demand (MT)

Orange Juice	2009/2010 MY begin 11/2009	2010/2011 MY begin 11/2010	2011/2012 MY begin 11/2011
	Current post data	Current post data	Current post data
Deliv. To processors	430,000	300,000	400,000
Beginning Stocks	0	0	0
Production	30,000	22,000	29,800
Intra EU-27 Imports	16,952	14,000	15,000
Extra EU-27 Imports	2,794	2,300	2,500
Total imports	19,745	16,300	17,500
TOTAL SUPPLY	**49,745**	**38,300**	**47,300**
Intra EU-27 Exports	37,877	32,000	35,000
Extra EU-27 Exports	4,812	5,000	7,000
Total exports	42,690	37,000	42,000
Domestic consumption	7,055	1,300	5,300
Ending Stocks	0	0	0
TOTAL DISTRIBUTION	**49,745**	**38,300**	**47,300**

According to preliminary estimates, MY 2011/12 Italian Frozen Concentrated Orange Juice (FCOJ) production is forecast to increase to almost 30,000 MT following the increase in the quantity of oranges destined to the processing industry – due to the fruit size reduction that makes a large amount of production not suitable for fresh consumption. Experts report the brix level to be quite good (11 brix).

Consumption has been declining for the last few years and is expected to stagnate in MY 2011/12. Nevertheless, Sicilian orange and orange juice producers are trying to promote and foster the orange juice consumption by educating young people to replace less healthy beverages with orange juice. In fact, the region has recently installed a large amount of orange juice vending machines in schools.

V. GRAPEFRUIT

Italian Grapefruit Production, Supply and Demand (ha, '000 MT)

Grapefruit, fresh	2009/2010	2010/2011	2011/2012
	MY begin 11/2009	MY begin 11/2010	MY begin 11/2011
	Current post data	Current post data	Current post data
Area Planted	303	300	300
Area Harvested	253	250	250
Production	7	8	8
Intra EU27 Imports	7	8	9
Extra EU27 imports	26	28	27
Total imports	33	36	36
TOTAL SUPPLY	**40**	**44**	**44**
Intra EU27 exports	9	8	3
Extra EU27 exports	0	0	0
Total exports	9	8	3
Fresh domestic consumption	31	36	41
For processing	0	0	0
TOTAL DISTRIBUTION	**40**	**44**	**44**

ASSOCIATIONS
Ass.I.Tra.P.A. (Association of citrus fruit processing companies)
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Abbreviations and definitions used in this report

CMO Common Market Organization
EU-27 European Union
FCOJ Frozen Concentrated Orange Juice
Ha hectare; 1 ha = 2.471 acres
MT Metric ton = 1000 kg
MS EU-27 Member State
MMT Million metric tons

MY Marketing year
Oranges, Tangerines/Mandarins, Lemons, Grapefruit, Orange Juice: November/October

Tariff codes employed in this report for trade data:
Oranges: 080510
Tangerines/mandarins: 080520
Lemons: 080550
Grapefruit: 080540
Orange juice: 200911-200912-200919