



World Markets and Trade

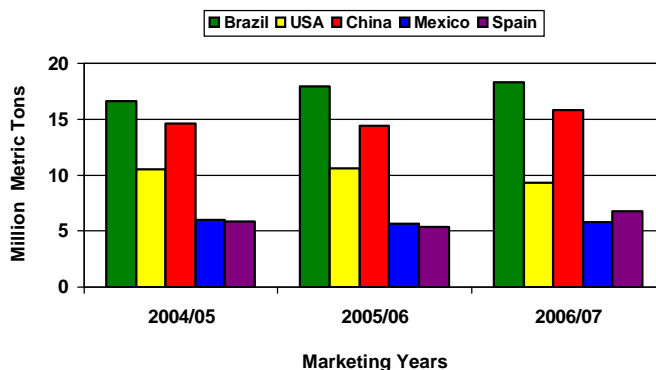
August 2007

Citrus

Summary

World production of citrus in marketing year (MY) 2006/07 by major citrus-producing countries has been increased nearly 1.0 million metric tons from the February 2007 estimate. Total citrus production is now forecast at 75.0 million tons, up from 74.0 million tons in February, and up nearly 3 percent from the revised 2005/06 level. Most of the increase in 2006/07 from the previous forecast is attributed to upward adjustments in the orange crop in Brazil and the tangerine crop in Spain, which was slightly offset by a downward adjustment in the orange crop in the United States.

Top Citrus Producing Countries



Source: U.S. Agricultural Attaché Reports; NASS for U.S. Production

Production and Trade for Selected Countries

Brazil

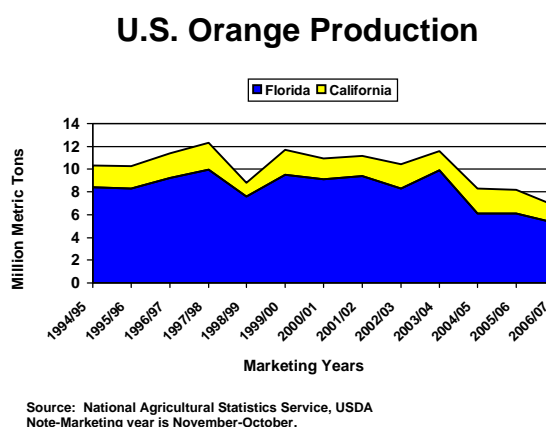
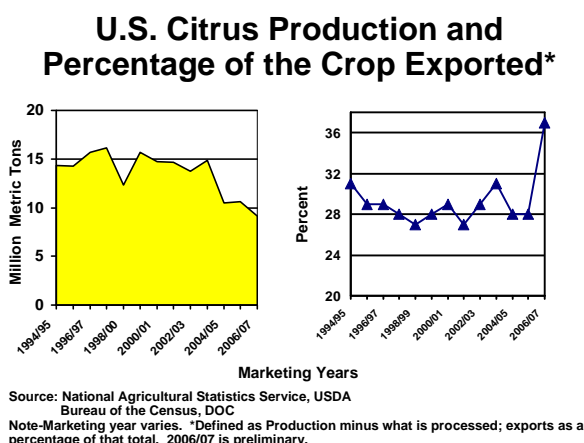
Brazil's production of oranges during MY 2006/07 (local MY year July 2007 – June 2008) is forecast at 18.3 million tons, up from 17.5 million in February and up from a

revised 18.0 million in 2005/06. Most of the increase from the February estimate is attributed to improved yield prospects. Orange yields continue to improve in Brazil. According to the Sao Paulo State Institute of Agricultural Economics (IEA), yields in the state of Sao Paulo have increased 70 percent from 1990 due to improved technology such as high density plantings, irrigation, and better use of pesticides.

About 75 percent of Brazil's orange crop goes into orange juice production. Due to a number of diseases, such as Citrus Variegated Chlorosis (CVC), citrus canker, and citrus greening, Brazil's exports of fresh oranges are limited.

United States

Total citrus production in the United States in 2006/07 has been revised down 655,000 tons from the February estimate to 9.3 million tons. In February, the National Agricultural Statistic Service (NASS) had not made its preliminary estimates of the crop damage to the citrus crops following the January freeze in California. As a result of that freeze, significant damage was done to the California citrus crops. Although the damage was not as extensive as first thought, the freeze resulted in a significant loss for citrus growers.



U.S. production of oranges during 2006/07 is forecast at 6.9 million tons, down 16 percent from the 2005/06 level, and down nearly 7 percent from the previous 2006/07 estimate. Both Florida and California weigh heavily into the year-to-year change. Florida's orange crop is estimated at 5.3 million tons, down from 6.1 million in 2005/06. The drop is attributed to cold temperatures during the bloom period as well as lingering stress from the hurricanes. California's orange crop for 2006/07 is now estimated at 1.5 million tons, down from 2.1 million last year. Although the crop damage from the January freeze was not as severe as previously expected, and the NASS estimates have adjusted the crop size upward since the initial forecast, the total California orange crop is still down 26 percent from last year.

WORLD MARKETS AND TRADE: CITRUS

Total U.S. grapefruit production for 2006/07 is estimated at 1.4 million tons, up nearly 30 percent from 2005/06. The trees continue to recover from hurricane damage in Florida. Lemon production in California suffered as a result of the January freeze and was revised down 148,000 tons from the February forecast. Total U.S. production of lemons in 2006/07 is now forecast at 655,000 tons, down from 855,000 tons the previous year.

At the time of the USDA February trade forecasts, NASS had not released official U.S. estimates of the damage resulting from the January freeze in California. Forecasts of U.S. exports and imports of citrus were made based on information at that time. Total U.S. citrus exports during 2006/07 are estimated at 917,000 tons, up 254,000 tons from the February forecast, but about unchanged from the 919,000 tons of 2005/06. Most of the adjustment from the February forecast is attributed to an upward revision in U.S. exports of oranges. U.S. exports of oranges during 2006/07 are estimated at 350,000 tons, up 150,000 tons from the previous forecast due to the fact that the freeze damage was not as extensive as initially forecast. However, this level is still down significantly from 543,000 tons exported in 2005/06. Most of the U.S. fresh orange exports originate in California. U.S. exports of grapefruit continue to do well and are now forecast at 425,000 tons for 2006/07, up 69 percent from 2005/06.

Spain

Spain's total citrus crop in MY 2006/07 has been revised to 6.8 million tons, up nearly 800,000 tons from the February estimate and up almost 27 percent from the 2005/06 level. Of the total 6.8 million tons, tangerine production accounts for 2.6 million tons; orange production, 3.2 million tons; lemon production, 900,000 tons; and other citrus, 53,000 tons. The changes to the 2006/07 crop estimates are from the Ministry of Agriculture (MAPA) and are due to changes in the statistical methods used by MAPA to estimate planted areas in Valencia, the major citrus-producing area.

The larger citrus crops in Spain are expected to lead to higher citrus exports during 2006/07. Spain's exports of tangerines during 2006/07 are now estimated at 1.8 million tons, up 400,000 tons from the February forecast. Spain's exports of oranges are now estimated at 1.8 million tons, up 200,000 tons from the previous estimate and up from 1.3 million tons exported in 2005/06.

Korea

Korea's imports of oranges during 2006/07 have been revised down to 78,000 tons, from 110,000 tons previously. Korea is the United States fourth-largest market for oranges. With the reduced crop in California as a result of the freeze, fresh orange supplies for export have been lowered.

The **U.S.-Korea Free Trade Agreement** (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in 15 years.

Upon implementation of the agreement, an estimated 70 percent of current U.S. **orange** trade with Korea will benefit from lower tariffs immediately. On "out-of-season" product entering during the March 1 – August 31 period, Korea's 50-percent tariff will immediately be reduced to 30 percent, which will be reduced to zero in six equal annual installments. An initial duty-free tariff-rate quota (TRQ) of 2,500 metric tons will apply for orange imports from the United States during Korea's "in-season" period of September 1 through the end of February. From year 2 onward, the TRQ will grow at a compound 3-percent annual rate in perpetuity. In-season imports above the TRQ volume will continue at the current most-favored-nation rate of 50 percent.

Despite rigorous import restrictions, Korea was the fourth-largest market for U.S. oranges in 2006, and was the second-largest market in 2004 and 2005. From 2004 through 2006, U.S. suppliers shipped an average 127,695 tons of oranges valued at \$121 million to Korea. The United States has a 95-percent market share in Korea, with only limited competition from South Africa, Australia, and Spain.

For **lemons**, Korea's current 30-percent tariff will be reduced to 15 percent in year 1 and go to zero on January 1 of the second year of the agreement. Duty savings on the current \$4.7 million of exports would be \$700,000 during year 1. Korea is typically the fourth-largest market for U.S. lemons. From 2004 through 2006, U.S. suppliers annually shipped an average 4,000 tons of lemons valued at nearly \$4 million. Chile, which has a free trade agreement with Korea, began shipping lemons to Korea in 2005, and has captured 10 percent of the market share in the most recent 2 years. For **grapefruit**, the current 30-percent tariffs will be reduced in five equal annual installments to zero. The United States is the dominant grapefruit supplier to Korea. Korea's imports of U.S. grapefruit in 2006, at \$2.7 million, were the highest since 1997 when Korea was a \$5-million importer of U.S. grapefruit.

Russia

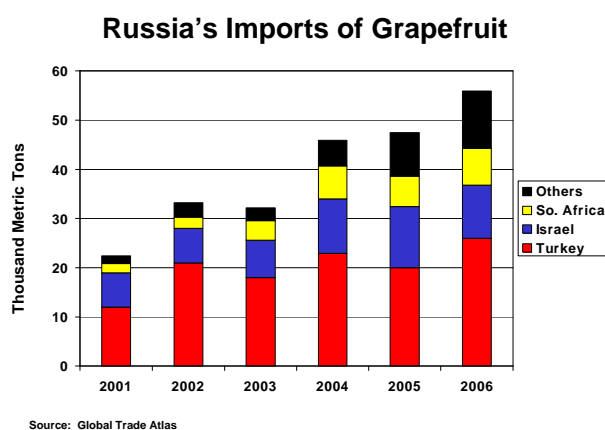
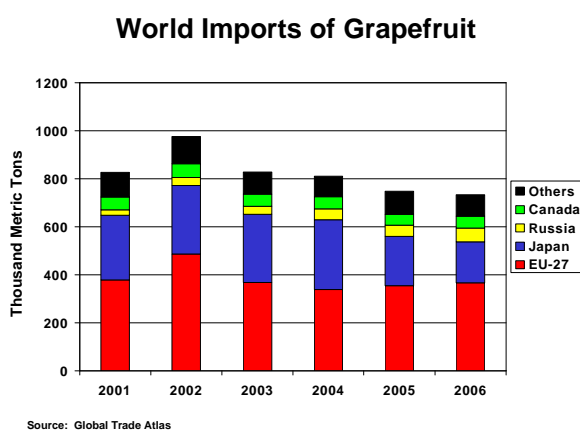
The following is an excerpt from an FAS Attaché Report from the office in Russia.

Russia is currently in a period of rapid economic expansion, with gross domestic product (GDP) exceeding U.S. \$1 trillion. Russian consumers are demanding product diversification as incomes increase and new western-style supermarkets become more common. Growing consumer demand offers opportunities for new U.S. grapefruit

exporters to enter the market as the demand grows for higher-quality product. Consumers place more emphasis on quality than on price, therefore, the higher cost of fruit when paired with supreme quality is not an obstacle to trade.

In 2006, Russia was the world's third-largest grapefruit importer after Japan and the EU. Russian grapefruit imports quadrupled between 2000 and 2006. Almost all grapefruit is imported as domestic production of citrus fruit is insignificant. Private orchards (0.2 hectares) in the Kabardino Balkaria and Krasnodar regions average only 300 tons of citrus fruits per year.

Turkey exports the largest quantity of grapefruit to Russia. Other substantial contributors are Israel, South Africa, China, and Argentina. Grapefruit from the United States makes up only 0.05 percent of the market.



For more information, please contact Debra A. Pumphrey at 202-720-8899 or Debra.Pumphrey@usda.gov. The FAS Attaché Report web search engine allows users to search for the citrus reports for various countries (<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>). The Production, Supply, & Demand database can be found at <http://www.fas.usda.gov/psdonline/psdHome.aspx>. For additional citrus charts, please go to our webpage at http://www.fas.usda.gov/htp/fruit_veg.asp