

SITUATION AND OUTLOOK FOR CITRUS¹ SEASON 2003-2004

GLOBAL PRODUCTION.....	2
BRAZIL	2
UNITED STATES	3
CHINA.....	3
SPAIN.....	3
GLOBAL TRADE	4
SPAIN.....	4
UNITED STATES	4
<i>Technical Assistance for Specialty Crops (TASC) Funds</i>	5
KOREA.....	5
JAPAN	5
CONSUMPTION AND MARKETING	6
UNITED STATES	6
BRAZIL	6
CHINA.....	6

¹ The present document is a summary made by the Management of Intelligence of Markets of the article, "Situation and for Outlook Citrus", made by the USDA Agricultural Foreign Service of the United States. January of 2004

ABSTRACT

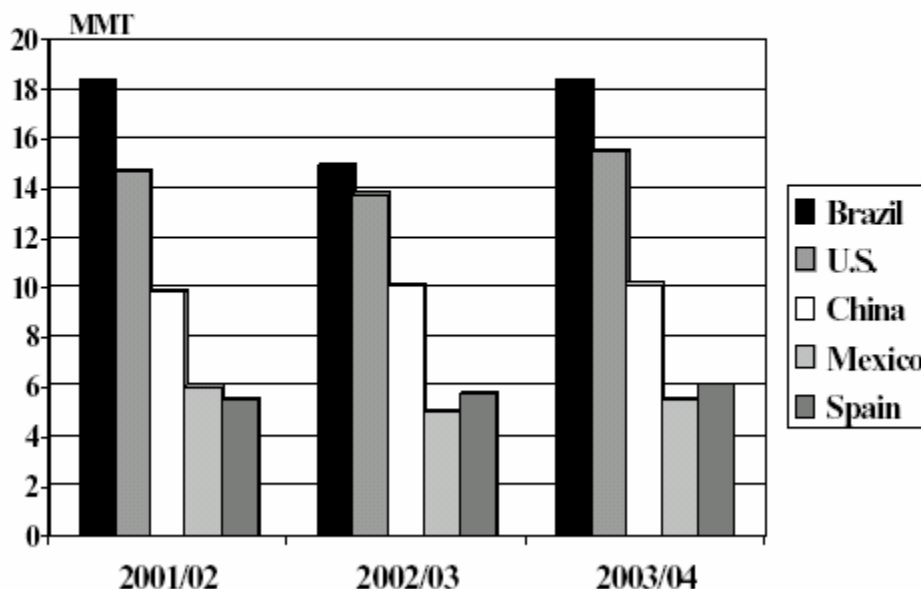
World citrus production in selected major-producing countries in 2003/04 is estimated at 73.3 million metric tons, an increase of nearly 12 percent from the 2002/03 level. Almost all of the increase is attributed to Brazil and the United States, the two largest producers, and Mexico. Brazil's total citrus production in 2003/04 is forecast at 18.4 million tons, up nearly 23 percent from the previous year; while Mexico's level is up by a little over 500,000 tons. U.S. production of citrus is estimated at 15.6 million tons, up 13 percent.

Although California's orange crop is down 6 percent from last year, Florida's crop is estimated up 23 percent from the 2002/03 level. Total world exports of citrus for major exporters during 2003/04 are estimated at 9.7 million tons, up nearly 4 percent from the 2002/03 level.

GLOBAL PRODUCTION

World citrus production in selected major-producing countries in 2003/04 is estimated at 73.3 million metric tons, an increase of nearly 12 percent from the 2002/03 level. Almost all of the increase is attributed to Brazil and the United States, the two largest producers, and Mexico.

Total Citrus Production in the Top Producing Countries



Brazil

Brazil's orange crop for 2003/04 (marketing year July 2004-June 2005) is forecast at 18.4 million tons, up nearly 23 percent from the previous year, assuming that good weather conditions prevail for the remainder of the growing cycle to support fruit setting and size. The major factors pointing to a projected rise in production for 2003/04 (marketing year July 2004-June 2005) in the Sao Paulo and Minas Gerais commercial areas are: 1) orange trees will be rested from a smaller 2003/04 crop; 2) enhanced crop

management including greater use of fertilizer, chemicals, etc., due to good orange prices received by producers in the past couple of years; 3) good blossomings that occurred in the October- December period after the beginning of the rainy period; 4) regular to good weather conditions that have prevailed since November 2003; 5) the on-year of the biennial cycle of the Hamlin and Valencia varieties; and 6) irrigated groves, which are becoming a common practice for a small, yet increasing share of orange growers.

United States

Total U.S. citrus production during 2003/04 is estimated at 15.6 million tons, up 13 percent from the 2002/03 level. Orange production is accounting for 79 percent of the total. Orange production during 2003/04 is estimated at 12.3 million tons, up nearly 17 percent from the previous year. Almost all of the increase is attributed to the sharp rise in Florida's orange crop, which is forecast up 23 percent from 2002/03, and a record. California's orange crop is estimated at 1.97 million tons, down 6 percent from last year.

China

China's production of citrus during 2003/04 is forecast to remain stable at 10.2 million tons. However, there is a growing trend for tangerine production to continue to decline while orange production increases. Government policy is aimed at increasing yields by using better varieties. Policy initiatives by the Ministry of Agriculture have focused on increasing production by promoting plantings across advantageous regions with specific varieties planted for fresh or processed utilization. Industry sources and government officials report production increases are market-driven, with the majority of the increase absorbed on the domestic market.

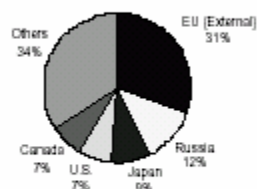
Spain

Despite the 2003 summer's heat wave, Spain's 2003/04 citrus crop is expected to reach a record. Growers are beginning to benefit from investments in upgrading orchards, replacing less profitable varieties, and improving programs to control diseases and pests. Spain's total citrus production during 2003/04 is estimated at 6.1 million tons, up nearly 6 percent from the previous year. Orange production is forecast at 3.0 million tons, up 4 percent from last year and tangerine production is forecast at 2.02 million tons, up 3 percent from the 2002/03 level. Lemon production is forecast at 1.0 million tons, up nearly 30 percent from last year.

There are several factors contributing to the continued expansion of citrus production: 1) lemon orchards that were re-grafted with the higher-quality Fino variety (replacing Verna) are coming into production; 2) orchards that were replanted with varieties resistant to tristeza are also beginning to produce; 3) overall orchard area is expanding, mainly in Andalucia; 4) the area planted to clementines also continues to expand. Part of this expansion reflects the replanting of orchards from satsumas to clementines. Low-cost, canned satsuma segments from China are increasingly competitive in international markets, encouraging Spanish producers to shift to clementines.

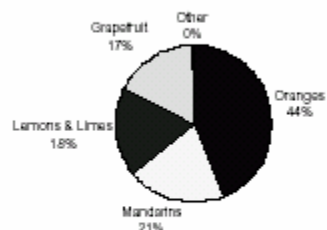
GLOBAL TRADE

World Citrus Imports by Country
 Based on Quantity—CY 2002



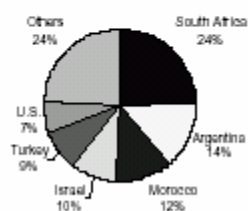
Source: Global Trade Atlas. EU External Trade.

World Citrus Imports by Type
 Based on Quantity—CY 2002



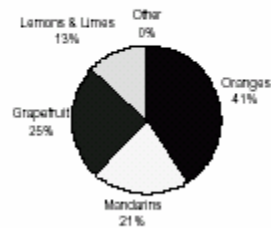
Source: Global Trade Atlas.

EU Total Citrus Imports By Country
 Based on Quantity—CY 2002



Source: Global Trade Atlas. EU External Trade.

EU Citrus Imports By Type
 Based on Quantity—CY 2002



Source: Global Trade Atlas. EU External Trade.

Spain

Spain's exports of total citrus during 2003/04 are estimated at 3.7 million tons, an increase of nearly 220,000 tons from last year. Oranges are estimated at 1.6 million tons, tangerines at 1.45 million tons, and lemons at 660,000 tons. Following the U.S. ban on imports of Spanish clementines imposed in December 2001 in response to the detection of live Mediterranean fruit fly (Medfly) larvae in several shipments, exports of tangerines to the United States dropped. Shipments of clementines have resumed to the United States following the removal of the import ban on October 15, 2002.

United States

U.S. exports of citrus during 2003/04 are estimated at 1.1 tons, comprising 665,000 tons of oranges, 335,000 tons of grapefruit, 100,000 tons of lemons, and 15,000 tons of tangerines. Although the orange crop in California is forecast to be down this year, December rains slowed navel picking but enhanced fruit size and overall quality is reported to be excellent. U.S. orange exports in 2003/04 are forecast to be up slightly. The volume of exports of oranges is estimated to increase this year about 3 percent as a result of good demand with the weakening dollar.

The 2003/04 grapefruit crop in the United States is up just slightly this year. As a result, U.S. exports of grapefruit during 2003/04 are forecast to decline to 335,000 tons, from 353,000 tons in 2002/03. Japan and Canada are the top two markets. The European Union (EU) is also an important market for U.S. grapefruit.

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. TASC proposals will be evaluated on a quarterly basis. Proposals received by 5:00 p.m. Eastern Standard Time on Feb. 1, 2004; May 1, 2004; or Aug. 1, 2004, will be considered during that quarter's review process.

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.

Korea

During 2002/03, Korea's imports of oranges reached 143,773 tons, up 46 percent from 2001/02. Almost all imports—98 percent—are from the United States. The increased imports are a result of stable growth in demand for oranges among consumers and favorable exchange rates. For 2003/04, reports indicate that fresh orange imports will amount to 140,000 to 160,000 tons. Beginning January 2004, the orange out-of-quota tariff rate dropped to 50 percent, equal to the in-quota rate for the first time, effectively eliminating the quota.

Japan

Japan's imports of citrus during 2003/04 are estimated at 495,000 tons, up only 3,000 tons from the previous year's level. Of the total, 275,000 tons are forecast to be grapefruit, 120,000 tons oranges, 90,000 tons lemons, and 10,000 tons tangerines. The United States is the major supplier. However, the U.S. share of Japan's imports is declining, while South Africa, Australia, and Chile are increasing their exports to Japan. During October-September 2002/03, the United States accounted for 72 percent of Japan's citrus imports, down from 75 percent the previous year and 76 percent during 2000/01. South Africa's share has increased to 17.5 percent in 2002/03, up from 13.6 percent the previous year. Although Japan's consumers like the taste and quality of U.S. citrus, Japan's authorities continue to take steps to protect the domestic citrus industry, which produces unshu oranges. In order to limit the imports of oranges during the distribution season for its domestic production of unshu oranges, Japan imposes seasonal duties for oranges. Imports during December-May (the key marketing season for U.S. oranges) face a duty rate of 32 percent compared to 16 percent during the rest of the year. Japan continues to be an important market for U.S. grapefruit; however, during 2002/03, nearly 25 percent of the grapefruit Japan imported was from South Africa.

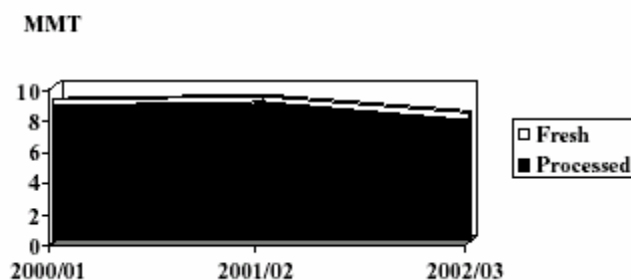
CONSUMPTION AND MARKETING

Total citrus consumption in 2003/04 for the major-producing countries is estimated at 65.1 million tons, including 34.4 million tons of fresh consumption and 30.7 million tons of processed consumption. Processed consumption is for basically the processing of oranges into orange juice. Of the total citrus for processing, nearly 84 percent is oranges. The total processed represents an increase from the previous year of nearly 18 percent, mainly the result of the higher Brazilian and Florida orange crops.

United States

A large part of the citrus produced in the United States goes to processing for juice. About 74 percent of the total citrus crop is forecast to be processed in 2003/04. For oranges produced in Florida, 95-96 percent of the crop is processed for orange juice. For grapefruit produced in Florida, the amount going to processing varies, but has ranged from 60-63 percent during the last few years. If production increases, more goes to processing, since grapefruit consumption has been static. So the production and demand for juices in the United States and in major markets plays a significant role in Florida's citrus industry. See also the Orange Juice special feature article.

Florida's Orange Crop Goes Mainly for Processing



Brazil

The total for Brazil's volume of oranges processed in 2003/04 (marketing year July 2004-June 2005) is forecast at 12.7 million tons, which is about 70 percent of the production level. Since only a small amount of fresh oranges is exported, most of Brazil's production is headed to the processing sector and for export of orange juice. The amount used for fresh consumption (mostly domestic) represents 30 percent of the total.

China

China's consumption of fresh oranges closely follows its production level. About 94 percent of the total citrus produced is consumed fresh within China; about 4 percent is processed for juice or canned production. The primary citrus processing continues to be for canned mandarins. Industry sources estimate domestic production increases are directed at meeting increased domestic fresh and processed citrus consumption. Right now imports of citrus (mostly oranges) represent less than 1 percent of consumption. U.S. exports of oranges to China account for a large share of the country's imports and China represents an important-developing market for U.S. exporters. However, reports

indicate that the future growth in imports of fresh citrus is likely to come from Southern Hemisphere citrus.