



Study on the value chain of citrus exports: oranges and mandarin oranges. Season 2008/2009



For further information:

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OBJETIVE

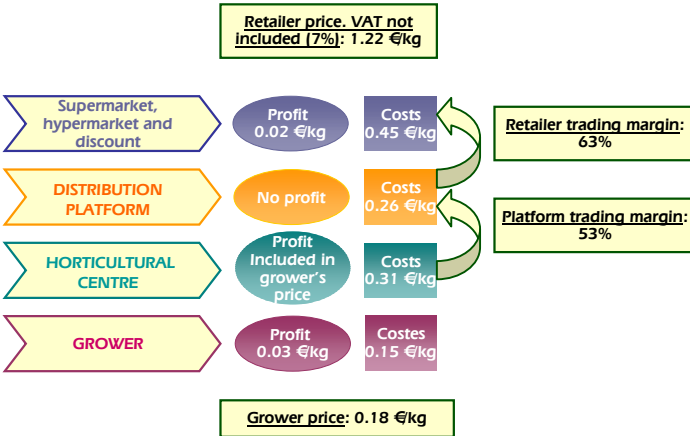
The main objective of "The Value Chain of Citrus exports" is to increase transparency in the food market. This is done through the knowledge of the mechanisms of price formation, costs and profit margins at each point in the distribution. For this purpose, the modern distribution of citrus has been studied, including the most representative destination of the exports of this sector: Germany.

Modern marketing channel

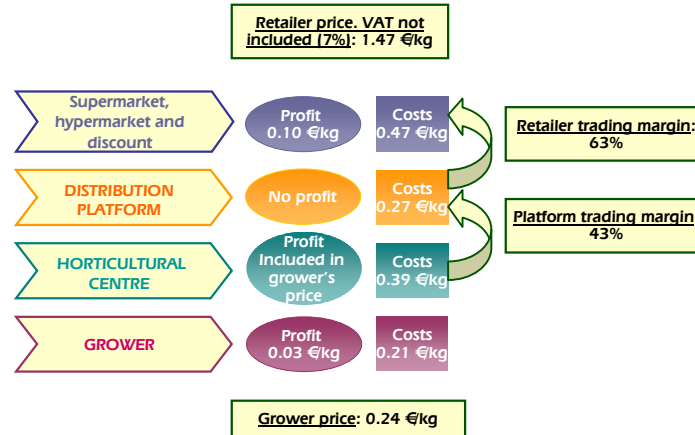


The products marketed in the modern exports marketing channel are products of first category, packaged in classified bulks and in consumer packaging. The cold chain is controlled from the horticultural centre to the retailer.

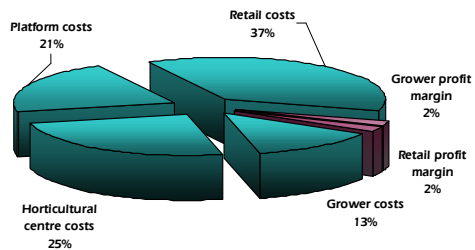
Prices, Costs and Margins of oranges



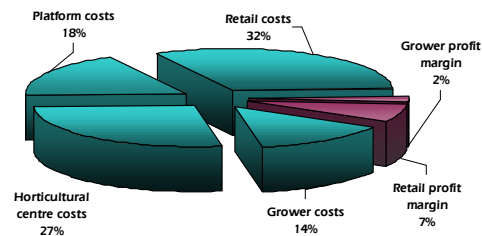
Prices, Costs and Margins of mandarin oranges



Participation of the links in the retail price of oranges



Participation of the links in the retail price of mandarin oranges



Conclusions

- The UE is the main **destination** of the Spanish and Andalusian exports. **Germany** is the most important importing country and accounts for about 35% of the Andalusian exports and 24% of the Spanish exports.
- There is a low **level of concentration** of the Andalusian citrus supply compared to a high level of concentration of the German modern distribution. This fact makes the access of origin companies to the big distribution companies difficult. However, the production sector is focused in two ways of concentrating its production: on the one hand, marketing companies with exporting spirit have been created, putting together Andalusian origin companies; on the other hand, there have been agreements with companies from Valencia and Murcia.
- The final destination of citrus exports is the **organized retail distribution** (supermarkets, hypermarkets and discount) that needs suppliers, of big volumes and specific packaging formats, with continuous **supply capacity**.
- The **management model** of the modern distribution is based on the sale of big volumes with small margins, that is intensified in products of higher consumption such as oranges.
- There is a trend towards increased vertical integration in the exports value chain in order to achieve a direct contact between producers and distributors avoiding intermediaries and shortening the chain.
- The big German distribution platforms demand important requirements to **suppliers** of fruits and vegetables in origin (more restrictive requirements concerning plants health products applied to crops, quality certifications, origin inspections,...) All these requirements entail additional costs.
- The stages with a higher importance in **distribution costs** are (in order of importance) : direct labour force, general expenses and transports.
- We can not see an excessive profit of any operator of the configurations analysed of both channels.
- The profit generated in the value chain of citrus exports is between 4% and 9%, for oranges and mandarin oranges respectively.



Trading margin: Percentage increasing the purchase price between two links.
 $TM = \frac{(\text{Sale price} - \text{purchase price})}{\text{purchase price}} * 100$

Profit margin: Result of discounting the mark-up costs incurred in marketing.
 $PM = \frac{(\text{Sale price} - \text{purchase price} - \text{costs})}{\text{purchase price}} * 100$