



Unión Europea
Fondo Europeo Agrícola
de Desarrollo Rural



JUNTA DE ANDALUCÍA
Consejería de Agricultura y Pesca

Study on the value chain of citrus: lemons. Campaña 2008/2009



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OBJECTIVE

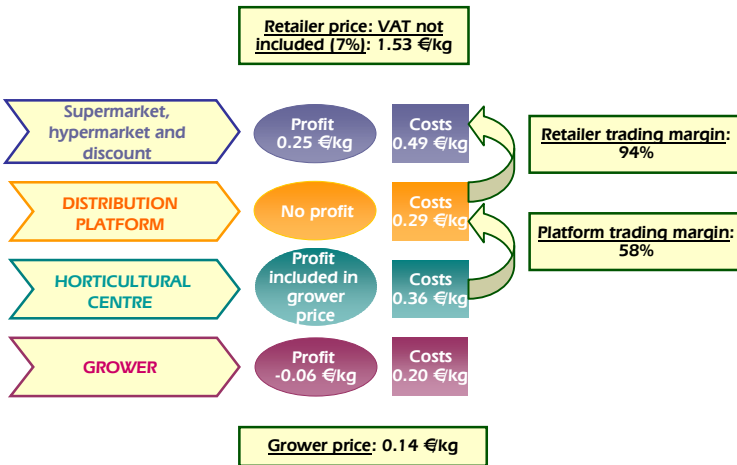
The main objective of "The Value Chain of Citrus exports" is to increase transparency in the food market. This is done through the knowledge of the mechanisms of price formation, costs and profit margins at each point in the distribution. For this purpose, the modern distribution of citrus has been studied,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

Modern marketing channel

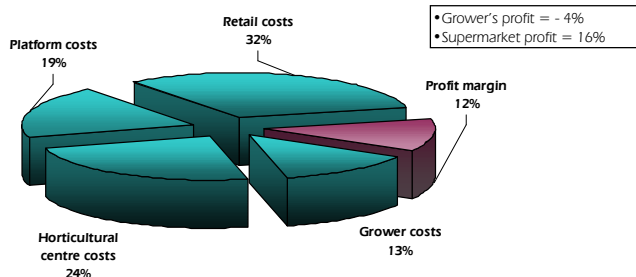


The products marketed in the modern exports marketing channel are products of first category, packaged in classified bulks and in consumer packaging. The cold chain is controlled from the horticultural centre to the retailer.

Prices, Costs and Margins of lemons



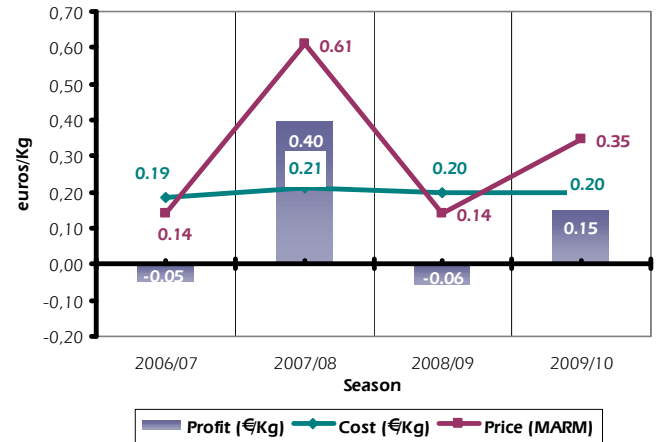
Participation of the links in the retail price of lemons



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.
 $PM = \frac{(\text{Sale price} - \text{purchase price} - \text{costs})}{\text{purchase price}} * 100$

Grower profit



The grower obtains a negative profit for the lemon in 2008/09. This result must be interpreted with wide perspective because lemon prices fluctuate widely from one year to the other. However, the cost of production has not changed hardly in the past 4 seasons, ranging between 0.19 and 0.21 €/kg.

We can conclude that there are years of losses for lemon grower (5 or 6 cents per kilo in losses) with years of earnings (40 or 15 cents of profit per kilo).

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% the 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.
- 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.
- In 2008/09 season we can see how lemon growers have losses due to the price fluctuation of this product from one season to another. This situation causes that some years growers have profits and other years, they have losses.
- Lemon is the most profitable citrus. It complies with the rule: profitability is inversely proportional to volume consumed.