Facilitating supply chain alliances with South American citrus industries

Peter Davidson
Australian Citrus Growers Incorporated

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Chief Investigator
Australian Citrus Growers
Board President

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Steve Allen, General Manager Riversun
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Piet Smit, Chairman USA Citrus, South Africa
Gerrit van der Merwe, Chairman Western Cape Citrus Growers
David Mixon, Vice President DNE, World Fruit Sales

Left to Right: David Mixon, Mike Arnold, Peter Davidson, Steve Allen, Peter Walker, Gerrit van der Merwe, and Piet Smit.

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Purpose of Visit

Alliances between southern hemisphere counties will become more important as large retailers look at category management for long lines of supply.
Australian Citrus Growers Inc (ACG) has a policy to forge alliances with southern hemisphere countries and has a memorandum of understanding (MOU) with South Africa for supplying the United States.

It is expected that Uruguay, Peru, Argentina and Chile will be allowed access to the US within the next two years. ACG believes that Australia would benefit if an arrangement similar to that with South Africa existed with South American countries.

A delegation consisting of Peter Davidson, ACG president; Peter Walker, chairman Riversun; Steve Allen, general manager Riversun; Mike Arnold, chairman Auscitrus; Piet Smit chairman USA Citrus South Africa; Gerrit van der Merwe, chairman Western Cape Citrus Growers; and David Mixon, vice president DNE World Fruit Sales, visited Uruguay and Peru to gain an understanding of both countries' citrus industries and their export strategies to the US market.

Key objectives of the visit would be to gain an understanding of both countries' Citrus Industries and their export strategies into the US market. Also, it is hoped that the exporters of Uruguay and Peru are able to gain knowledge on how cooperative marketing between Australia and South Africa is currently operating.

Recommendations

1. The Australian industry maintains contact with the citrus industries of Uruguay and Peru and foster the coordinated marketing system Australian currently has with South Africa.
2. Extend an invitation to the Uruguayan and Peruvian industry to visit Philadelphia and Dan Diego in July/August 2004 to gain further appreciation of the market, quality requirements and the Australia/South Africa alliance.
3. Establish a memorandum of understanding (MOU) between Uruguay, Peru, South Africa and Australia prior to commencement of season 2005.
4. Monitor progress of the respective applications for access, in particular Peru. If access in 2004 appears imminent it will be necessary to expedite MOU discussion with emphasis on Tangelos and Mandarins.

Itinerary 7 – 17 November 2003

Friday 7 November				
10.15am	depart Australia			
9.30am	arrive Montevideo			Accommodation Hotel Embajador San José 1212 Montevideo P 902 2457
Saturday 8 November				
9.00am – 12noon	National Citrus Certification Program (INASA)	Alejandro Florin – Executive Director Juan Carlos Diez – Technical Director	Regulates and checks seed production for propagation.	
12.30pm – 4.00pm	Milagro Lunch followed by meeting in office	David Calvo – General Manager Jorge Urtiaga – Operations Manager Gilles Segarra – Packhouse Manager Alejandro Moralego – Marketing Manager	Milagro Plaza Cagancha 1145 Piso 7, Montevideo P 902 3908 F 902 7809	
Sunday 9 November				
5.00pm – 8.00pm	National Institute of Agricultural Research (INIA)	Fernando Carrau Corral	Citriculture, plant breeding and germplasm research programs.	
Monday 10 November				
All day	Caputto Company, packing house and orchards	Jorge Caputto – General Manager Marketing Eduardo Caputto – Manager Leonel Rodriguez – Technical Manager Dario Sanchez – Technical Manager	Caputto Company P 073 34949 or 34061	Accommodation Hotel Horacio Quiroga, Salto

Tuesday 11 November				
8.00am – 11.30am	Urudor	Carlos Arboleya – Operations Manager, Azucitrus Roberto Benia – Agricultural Manager, Azucitrus Juan Codina – Director Agronomic Department, Urudo	A cooperative which includes Azucitrus, Sandupay, Agrisur and others. Full day with URUDOR visiting owners/managers of their member companies.	
12.00noon	travel back to Montevideo			
7.00pm	Meeting with exporters at the Sheraton			
Wednesday 12 November				
	Travel to Lima, Peru via Buenos Aires and Santiago, Chile.			Accommodation Sheraton Lima Hotel Paseo de la Republica 170 Lima 1 Peru P (51) 1 315 5000 F (51) 1 315 5015
Thursday 13 November				
9.00am – 2.30pm	Consorcio De Productures de Fruta S.A. (CPS)	Renzo Carlini Chiappe – President CPS, Director Citrus Growers Association of Peru Ricardo Polis Labarte – General Manager	Consorcio De Productures de Fruta S.A. 1103B la Victoria Lima 13	
4.00pm		Pedro Arriz	A large grower, south of Lima, office is in Lima. Arranged meeting with citrus organisation and exporters	

Friday 14 November			
7.30am – 8.30am	Procesadora Laran SAC La Calera	Estuardo Masias Malaga – Director Mirko Infantes – Commercial Department	Carretera a Laran Chinca Alta, Ica, Peru
Saturday 15 November			
7.00am – 11.00pm	Depart Lima for Sydney.		
Monday 17 November			
7.00am	Arrive Sydney		

South America

Saturday 8 November

9.00am – 12noon

National Citrus Certification Program (INASA)
Cno. Bertolotti s/n y R-8 Km.29
Pando, Dpto Canelones.

Alejandro Florin – Executive Director
Juan Carlos Diez – Technical Director

Alejandro Florin, and Mike Arnold at the INASE citrus propagation facility.

The National Citrus Certification Program (INASA) manages the citrus certification program; certified citrus propagation material was introduced in 1990. Citrus was the first program to be certified, prior to this there was no regulation. INASA regulates and checks seed production for propagation, the organsiation also keeps records to retain breeder rights. Uruguay is behind other countries with plant rights but is catching up.

The certification program for the citrus industry in Uruguay, self-funded by industry, was produced using guidelines and information from Riverside Research in California, and Valencia in Spain.

All citrus budded in Uruguay comes from the INASA propagation program; this is mandatory because of the spread of citrus canker. Some materials from Auscitrus have been used in Uruguay, however imported material are quarantined for a maximum of two years. While some seed is exported to Brazil, 90% of the seed is trifoliate and 10%, Cleopatra.

Varieties include: Washington Navel, Navelina, Navel Late, Late Lane Valencia, Clementine Nula and Clementine Marasole (planting of clementines is currently increasing).

Cerosis a major disease for Uruguay, causing 9% loss per year; however it is now declining with introduction of certified propagation material. Black spot has not been discovered in the region.

Citrus canker was introduced into northern Uruguay and is believed to have originated from Salta, Argentina, however no canker is found in the south of the country.

The industry is working cooperatively with the research university on a canker program focussed on leaf minor which aids the spread of canker. Where canker is found the infected tree is destroyed; compensation is offered but does not cover the real value of the trees. The use of shoot tip grafting is increasingly being adopted to help in elimination of diseases.

70% of Uruguay's citrus exports are to Europe, a 22 day shipment market. There are five to six companies responsible for Uruguay's total citrus exports of which three companies dominate, accounting for over 90% of total citrus exports.

Uruguay applied for entry to the US market ten years ago. INASA is optimistic of entry within two years. Citrus scab is delaying their access as the United States Department of Agriculture (USDA) maintains citrus scab found in Uruguay is different to that found in the US.

Piet Smit, inspecting propagation material at INASE


Jacques Borde, infront of one of the modern hot houses at INASE

12.30 pm – 4.30 pm

Milagro
Plaza Cagancha 1145
Piso 7
Montevideo
Phone 902 3908
Fax 9027809

Daniel Calvo – General Manager
Jorge Urtiaga – Operations Manager
Gilles Segarra – Packhouse Manager
Alejandro Moralego – Marketing Manager was in Europe

The delegation attended the Milagro office where they viewed a presentation on the company. Milagro was recently acquired by San Miguel, Argentina, as part of San Miguel's diversification into other citrus – namely navels and easy peelers. General Manager, Daniel Calvo is employed by S.A. San Miguel as their country manager for Uruguay.

Milagro are exploring new market opportunities, principally the US for Oranges, and China for Lemons and Valencias.

To overcome the Mediterranean fruit fly problem for access to China, Milagro has established a grid trapping system to abide by the protocols. The company optimistically predicts entry to the US market in two years but realistically believe it could be three years before gaining access. However, it was noted that others in the industry are anticipating access to occur in one year. The Uruguayan government is working hard to secure access and has employed a lobbyist in Washington.

USDA Animal and Plant Health Inspection Service (APHIS) has visited five times each season for the last two years as part of the pest risk analysis. Under the proposed protocol they are subject to three orchard inspections, plus one at the packhouse and one at the port of loading. The protocol is nearing completion and scab remains the only issue to be resolved. Currently citrus is subject to cold treatment for Mediterranean fruit fly.

Citrus Canker is a problem in the north (Salto, Paysandu) and Milagro are looking at planting any new orchards in the south.

The majority of their citrus is exported to Europe with a transit time of 22 days, in comparison the transit time to South East Asia/Far East is 50 days.

We were requested to defer our presentation as a meeting with the Uruguay industry was planned for the following Tuesday where we could give our presentation and openly discussion of the merits of cooperation. With this new and positive development the full day meeting with Urudor was reduced to three hours to facilitate the meeting in Montevideo on Tuesday night.

The meeting concluded and Milagro hosted the delegation to lunch at a typical Uruguyan restaurant.

Sunday 9 November

10.00am

Travel to Salto approximately 500 kilometres north of Montevideo

5.00pm – 8.00pm

National Institute of Agricultural Research (INIA)
Fernando Carrau Corral

Fernando is based in Salto and is responsible for citriculture, plant breeding and germplasm research programs. He visited Australia in August 2003 with Dario Saracho, technical manager, Caputto, on a study tour of the Australian industry.

Fernando was instrumental in arranging our itinerary and meetings with the major exporters and escorted the delegation for the remainder of our visit in Uruguay. It was obvious throughout the visit he is highly regarded and respected by the industry.

The delegation met with Fernando and his family in a social context with general discussion on citrus. Uruguay citrus production is 280,000 tonnes of which 120,000 tonnes is exported. Plantings are 50% Valencia and 50% navels, Satsuma, Ellendale and some lemons.

Of important note, Fernando advised the Uruguayan government removed all currency controls in June 2003 and as a result the currency had moved from 15 pesos to the US dollar to 30 pesos (in 2002 the Uruguayan peso was devalued by 40%). Effectively Uruguay could now sell at half the price and still receive the same returns prior to lifting of currency restrictions. The potential ramifications in the European market in 2004 were a particular concern of the South Africans.

Monday 10 November

8.30am – 7.30pm

Citricola Saltena SA (Caputto)
E. Amorin y Ferreira Artigas,
Salto

Leonel Caputto – Director and Co founder of Company
Jorge Caputto – Divisional Managing Director
Cesar Caputto – Manager Trade Division
Eduardo Caputto Mendez – Manager Citricola Saltena SA
Manuel Jimenenez – Manager Caputto Europe
Gonzalo Ramos Dentone – Citrus Technologist
Dario Saracho – Production Manager
Andres Puppo – Packing Manager

Cesar Caputto – Manager Trade Division, Jorge Caputto – Divisional Managing Director, and Eduardo Caputto – Director

The delegation visited the Caputto packing shed, Citricola Saltena where a presentation was given on the Capputto company.

Caputto has 4989 hectares (ha) of citrus planted, 30% of the planted area is yet to come into production. Production in 1996 was 40,000 tonne whilst 100,000 tonnes is forecast for 2008

Average rainfall is 1000 millimetres (mm) per year supplemented by abundant water supply from rivers. (There is a hydro-electric power station on the Uruguay river at Salto).

The Caputto share of Uruguayan exports has risen from 21% in 1995 to 48% in 2003. Oranges account for approximately 55% of production, easy peel varieties 40% and the balance from lemons. In Southern Uruguay, production is restricted to mainly Lemons and Ellendales.

Navels produce 10,000 tonnes, with varieties including Washington, Navelina, Lane Late and Navel Late. Harvest of navels in northern Uruguay commences July/August and in southern Uruguay August/September. Natural colour navels are packed at the end of June; everything prior to this is degreened, including Clementimes that are shipped to the Far East.

Eight thousand tones of Satsumas are mainly exported to Europe; generally 80% packouts are achieved on Satsumas and 50% packout on navels. Exports are landed into the UK at US$9 per carton and US$11 into Spain, in all exports amount to 30% for the UK, 30% for Spain, and 40% for other markets. Caputto produces 40% of Uruguay crop and also exports citrus from South Africa under their own label.

Caputto anticipates US market entry in 2005 and estimate production volume at 100,000 cartons of navels. Transit time by container is 20 days and 16 days by conventional reefer vessels.

The USDA is also concerned with mealy bug, as Caputto has had no experience with cold treatment, the US being the first market where the treatment will be needed.

The years 2000 – 2002 were very difficult years for the Uruguay citrus industry; weather conditions affected quality and rainfall at this time was 2000mm.

Seald Sweet has a 400ha property and packhouse at Paysandu, approx 80 kms south of Salto. Southern fruit is produced one month later than northern fruit, Valencias are picked in the first week in August, however the best quality is in the north.

Currently Caputto has Eurogap certification on the farms and the packhouse is moving towards certification

The delegation spent the remainder of the day visiting the 900ha Espinillar development.

Steve Allen, Peter Davidson, Piet Smit, Gerrit van der Merwe, Peter Walker and David Mixon in discussions with Citricola Salteña

Inspecting pack house facilities and farm management practices on one of the Caputto farms.


Temporary irrigation practice during dry spells.

Eduardo Caputto, Peter Davidson, Cesar Caputto, Mr. Caputto, and Jorge Caputto

Citrus delegation and Caputto family members at a plaque commemorating the first tree planted on a new development of Caputto farms.

Tuesday 11 November

8.00am – 11.30am

Urudor
Av. Dr. Roldan y Nro. 80N,
Paysandu

Carlos Arboleya – Operations Manager, Azucitrus
Roberto Benia – Agricultural manger, Azucitrus
Juan Codina – Director Agronomic Department, Urudor

Urudor is a cooperative comprising Azucitrus, Sandupay, Agrisur, El Repecho, Nitrax and De Souza. They are Uruguay's second largest citrus producer and exporter

The Azucirtus farm has 750,000 trees, 80 – 100 people are employed full time to manage the farms and 1,200 seasonal workers. Cost of labour is US$160 per month.

The packhouse is located in Paysandu, approximately 30 kms from the farms.
The meeting was with agronomic personnel; they acknowledged the need to work together. The principals of Urud'or have planned to attend the Montevideo meeting. A brief tour of the orchards was undertaken. The delegation had limited time with Urudor and departed at midday to travel back to Montevideo for the meeting in the evening.

Inspecting farm plantings and wind breaks.

Urudor members and the citrus delegation.

7.00pm – 10.00pm

Exit meeting with exporters
Sheraton Hotel, Montevideo

The meeting comprised 11 senior people from the three largest grower/exporters representing 95% of citrus exports and included Carlos Fraschini, President of Urudor, Eduardo Caputto, Caputto co founder with brother Leonel, Jorge and Cesar Caputto, Daniel Calvo CEO of Milagro. Also attending were three government officials from the Department of Agriculture.

- Peter Davidson introduced the delegation and spoke on the purpose of the visit.
- Peter Walker gave a presentation of Riversun, its structure and coordinating role to the US.
- Piet Smit spoke about South Africa's experience in the US market and the alliance with Australia.
- David Mixon gave a brief overview of the US market.

Piet Smit emphasised to the meeting:

- Not to make the same mistakes in the market as South Africa prior to the alliance with Australia.
- Class two is not preferred by the market and its impact upon class 1.
- The impact of oversupply and uncoordinated volumes.
- The impact of multiple marketers.
- Higher prices and stability are achieved through cooperation
- Unlike Europe, the US is not a commodity market.
- South Africa is extending the US model to other markets.

Piet Smit, representing the South African industry, was able to speak with some authority due to their presence in the European market, which is Uruguay's principle export market.

The delegation recommended using established marketers of Aust/RSA product rather than introduce new importers and also extended an invitation to visit the US during the 2004 season to see Australian and South African fruit on arrival, quality of fruit, marketing and sale of fruit at retail level.

Jorge Caputto spoke for the industry and advised that the Uruguayan industry share the same ideals as Australia and South Africa and are keen to work cooperatively in the US. He also suggested that as southern hemisphere producers, cooperation should be extended into markets other than the US.

The Uruguay industry will form a committee to liaise with Australia and South Africa in respect to cooperation in the US.

Delegation talking with the Uruguayan citrus representatives.

Peter Davidson giving a presentation on cooperative marketing.

David Mixon, Peter Walker, and Piet Smit, presented with memento's from the Uruguayan citrus industry.

Australian delegation members, Peter Davidson, Steve Allen, Peter Walker, and Mike Arnold.

Wednesday 12 November

Travel to Lima, Peru via Buenos Aires and Santiago, Chile

Thursday 13 November

9.00am – 2.30pm

Consorcio De Productures de Fruta S.A. (CPS)
1103B la Victoria
Lima 13, Peru.

Renzo Carlini Chiappe – President CPS and Director Citrus Growers Association of Peru (Procitrus)
Ricardo Polis Labarte – General Manager CPS

Consorcio De Productures de Fruta S.A. (CPS) coordinates exports on behalf of 57 citrus and avocado growers, accounting for 49% of Peru's citrus and avocado exports. They are the largest citrus exporter in Peru.

Peru's citrus exports in 1999 were 10,000 tonnes, in 2002 11,000 tonnes and 2003 11,000 tonnes. Exports comprise Satsumas, Mandarins and Minneolas. There is virtually no export of oranges. Oranges are grown by jungle farmers in the tropical Amazon basin but because of poor road infrastructure and an arduous, lengthy journey over the Andes mountain range, oranges are of poor quality and sold in the domestic market and neighbouring countries. Peruvian exports by variety is Satsuma – 49%, Minneola – 49%, Navel – 1%, Clementine – 1%

Total production in Peru is 200,000 tonnes, of which limes valencias and navels comprise 15,000 tonnes with the balance being easy peelers. The majority of procution is marketed domestically, the jungle farmers produce a large percentage of the fruit.

The majority export fruit is grown in river valleys and desert regions in a coastal strip backing up to the foothills of the Andes, approximately 250 km north and 250 km south of Lima. Being on the coast, the climate is moderate with winter temperatures rarely below 12°C or summer temperatures exceeding 25°C. Annual rainfall is less than 20mm and in some areas is often nil. Trees often have to be sprayed with water to wash off dust. Wind does not seem to be a problem as there is no use of windbreaks.

The fruit grown in this area represents 20% of total production. Minneola production is 12,000 tonnes, 50% of which is exported. It is anticipated that 60% to 70% of total export production will achieve Eurogap in the near future, representing 30% of growers.

The three largest citrus exporters are members of Procitrus, the citrus growers association of Peru. They are working as an industry, through Procitrus, to gain access to the US.

Access to the US was applied for nine years ago; Procitrus are optimistic of gaining access within 18 – 24 months. The main quarantine issues have been black spot, canker, fruit fly and scab. Export production areas have been isolated from the jungle areas and work is underway with the USDA on the basis of area freedom for these diseases, good progress on the USDA protocols has been reported.

CPS accounted for 50% of citrus exports whilst the second and third exporters account for a further 39%, totaling 90% of citrus exports between the three companies. Main export markets are Europe, Canada, Colombia and Venezuela. Main European export markets are France, Spain, Netherlands and the UK. Average cargo, insurance and freight (CIF) price is 8€Euros per 10kg pack.

Fifty growers formed CPS in 2001; production is 50% Satsumas, mainly Okitsu and Owari while the remaining 50% is Minneloa Tangelos. Minneloas are harvested from mid June to early August and are packed in an 8kg wooden box. CPS does not degreen and claims Tangelos are seedless. Typically acid levels are around 1.4 – 1.5 acid but will drop 0.2 in transit. Satsumas are degreened and Clementines have seeds.

Peru is served by four packing houses. Transit time from Peru to Europe is 24 – 27 days as compared to12 – 14 days for South Africa to Europe.

In discussion of cooperation in the US market, Renzo Chiappe said a minimum guaranteed price will not work in marketplace as this will become the market price, as had been their experience in Europe. They understood our concept and acknowledged that the US is not a commodity market like Europe. He mentioned a price reduction in the order of $10 is required in the US to stimulate movement of problem fruit rather than $1 – $2 as in Europe. Most avocado growers also grow citrus. All the avocado growers want to ship to the European Union (EU), which only results in oversupply.

Renzo believes they should send less fruit and get more money. Peru is a major exporter of asparagus to the US; Renzo cited the competition between Peruvian exporters as the reason for asparagus grower returns dropping from $1.20 per kilo to 60 cents per kilo. At the same time the number of exporters rose from 6 to 60. An avoidance of this scenario taking place in the citrus industry was indicated.

It appears there are numerous examples of bad experiences that serve as the catalyst for the formation of groups like CPS.

Ricardo Polis - manager of CPF, Peter Davidson - ACG President, and Renzo Carlini - President of CPF.

Friday 14 November

8.30am – 7.30pm

Procesadora Laran SAC
Carretera a Laran

La Calera
Chinca Alta, Ica, Peru

Estuardo Masias Malaga – Director
Mirko Infantes – Commercial Department

The delegation was met at the hotel by Mirko Infantes, European Marketing Manager for Procesadora Laran, Peru's largest packing house owned by LaCalera (the orchard and farm interests).

We drove to the Canete district, 155km south of Lima and visited a packhouse and 70ha orchard of mandarins and oranges, mainly valencias and pomelos. The main pests and diseases are tristania, phytophera, thrips, mites, fruit fly, leaf minor and scales. Temperatures ranges from 13 - 14°C minimum in winter and 28°C maximum in summer, with 90% humidity.

We then continued a further 50kms south to the Chinca district, where the Procesadora Laran packhouse and LaCalera orchard and farms are situated.

The delegation met Estuardo Masias Malaga (son of the owner) who gave a tour of the citrus packhouse, which is four years old. Table grapes were being packed for Norway at the time of the visit. Procesadora Laran citrus exports commenced in 1992 with 30 containers to Canada, currently 120 – 130 containers are exported each year.

Temperatures range from 14°C minimum and 32°C maximum, 20mm per year of rain is the average.

The farm is situated in several valleys in the Andean foothills approximately 5 kms from the packhouse. The farm comprises 700ha of citrus, 200ha of table grapes, avocados and apples and a poultry operation of three million chickens. The poultry operation recovers 100 tonnes of manure each day, which is treated to extract methane gas used for heating in the hatchery. After processing the manure is then spread in the orchards. Plantings are predominately Minneola and Satsumas.

Estuardo had been briefed by Renzo Chiappe on our meeting in Lima. He assured the delegation that between Renzo and himself as the two largest exporters, they would work with us into the US, and they would organise the rest of the industry through Procitrus.

Flood irrigation on citrus farm in the Canete district Peru.

Mandarin harvesting.

Mandarins picked into plastic crates

Peter Davidson inspecting young Fukumoto navel trees.

Mike Arnold inspecting fruit size.

Piet Smit, inspecting young trees.

Estuardo Malaga, (right) showing delegation members citrus planting on river valley.

Overlooking close planted orchard.

Young citrus trees on drip, planted into river valley plain.

Not to much native vegetation.

Forming of mounding for new citrus plantation.

Young trees in the nursery.

Uruguay
The prompt decision of the Uruguayan industry to work together with Australia and South Africa was unexpected and significant in that it was the unanimous decision of the industry.

The outcome is attributed in part to previous dialogue on cooperation with Uruguay, principally through Gerritt Van Der Merwe, whose farm Milagro visited in April 2003. Wherein he explained the success of the alliance between Australia and South Africa in the US market and the differences between the European 'commodity' market compared to the US market.

Also the visit to Australia of Fernando Carrau and Dario Saracho in August 2003, gave Riversun the opportunity to meet and give a presentation on the success of the alliance with South Africa and the importance of cooperation between the three countries in the US.

It was apparent the Uruguayan industry been fully briefed on the nature of these discussions in advance of the delegations visit.

The Uruguayan citrus industry is cohesive and an ethos of collaboratively working together is emerging. They view themselves as a small country, both economically and geographically. This conviction is illustrated by the formation a few years ago of MercoSur, an entity for economic cooperation between Argentina, Brazil, Uruguay and Paraguay, which is modelled on the European Union.

The Uruguay citrus industry has experienced two years of poor returns with some orchards being put into 'maintenance' with only minimum cultural inputs to cut costs. They have experienced competitive pressure in Europe and believe they must work together to counter the retailer dominance in this market. Uruguay worked as an industry with China in 2003, after witnessing the success of the Argentine industry working collaboratively into Japan in 2002.

With the removal of currency controls in June 2003, and the resultant 50% revaluation in the South American currency, it is envisaged growers will opt for a return to profitability rather than use this advantage as a competitive edge in the market place.

The influence on the Uruguayan industry of S.A. San Miguel should not be overlooked with their 33% shareholding in Caputto and 100% ownership of Milagro, the largest and third largest citrus producers and exporters in Uruguay.

It is the opinion of the South Africans that Uruguay is not prepared for the quality standard required for the US, based on their observations of the Class 1 they ship to Europe. Despite their intensive use of windbreaks, scar and blemish will continue to be an issue for them.

93% of Uruguay's 2003 citrus exports of 114,000 m/t were shipped to Western and Eastern Europe. The balance is shipped to Asia (3%), Middle East (1%), Canada (2%) and Brazil (1%)

Three companies account for 90% of Uruguay's citrus exports – Caputto, Milagro and Urudor.

On the basis of Caputtos' navel production of 10,000 m/t their indication of 100,000 cartons to the US (15%) appears realistic when compared to Australian packouts to the US. Applying the same criteria to Milagro's navel production of 9,200 m/t their US export potential is approximately 1,380 m/t. The detailed statistics provided by Urudor do not give their production figures however on the basis of their navel exports of 4,200 m/t and applying a generous 40% of this figure, 1,680 m/t is potentially exportable to the US. On this basis the Navel export potential of Uruguay is estimated at 4,560 m/t or approximately 300,000 cartons.

From a logistics perspective, Uruguay will have to cold treat for the first time. Shipping in containers is intended, as it is thought there is not enough volume to charter vessels. A success rate of 50% on cold treatment containers is to be expected. However if produce is shipped to Philadelphia or New York as anticipated there is the option of land based cold treatment on the East coast if in-transit fails, in addition to the option of shipping to Canada. Part charter vessels could be discharged on the East Coast first before proceeding on to Europe.

The presentations to the delegation by the individual companies provide a comprehensive insight into the Uruguayan industry. A copy of each presentation is included at the end of this report.

Peru

Similar to Uruguay, Peru's exports are dominated by three players. The main threat posed by Peru is their 5,000 m/t Minneola Tangelo exports as well as satsumas. There is very little production of Navels. From all accounts Minneola quality and colour is good and the season is 2 – 3 weeks earlier than Australia. The US west coast will be a very attractive market with a much shorter transit time as compared to Europe and the US dollar is equally favoured to the euro as a hard currency.

Peru already has a presence or an acceptance in the market, being the largest supplier of imported asparagus.

Peru will have to cold treat to the US for the first time and will be shipping in containers. Volumes are too small to ship in charter vessels but this should not be discounted as there is a greater availability of reefer vessels in that part of the world. It may be worth paying a premium in freight rates to ship 1,000 pallets at a time, if it ensured successful cold treatment.

Peru first applied for access to the US in 1928, which was denied due to the presence of several different fruit flies. Access was again denied in 1969, as there was no approved treatment for Anastrepha fruit fly. Applications in 1974 and 1988 were denied on the basis of black spot.

The USDA Pest Risk Analysis (PRA) gives a valuable insight of Peru's intentions towards the US market. The following projected annual exports to the US in 2004 represents 50% of Peru's total citrus exports

Clementines	500 m/t
Key Limes	600 m/t
Mandarins	2,000 m/t
Washington Navels	300 m/t
Tangelos	1,500 m/t
Grapefruit	200 m/t
Total	5,100 m/t

Additionally the PRA estimate of Peruvian production is 400,000 m/t against 200,000 m/t advised to the delegation. USDA statistics of Peruvian exports concur with those provided to the delegation.

The general conclusion of the USDA, from surveys conducted between 1993 and 1996 is the diseases scab, black spot and canker do not occur in the export citrus production areas.

Seasonal availability of Mandarins is March, April and May, whilst Tangelos are July, August and September and Oranges July to September.

Since the delegation visit in November, the final draft of the PRA was published in the Federal Register on 12 January 2004, which allows a 60 day comment period. It is proposed to publish the proposed rule in the 15th periodic amendment. Once the final rule is made the permit becomes effective 30 days after publishing. With the Peruvian application as advanced as it is, access will be granted before Uruguay, Argentina or Chile. It is understood sectors of the Californian industry have already lodged their objection; however, it is still quite conceivable Peru could be granted access as early as April 2004.

Chile and others

Previous applications by Chile in 1962, 1979, 1984 and 1993 were all denied on the basis of no acceptable treatment for Brevipalpus chilensus (grape flat mite). Surveys show the grape flat mite survives temperatures of 0°C – 2°C for 15 days and therefore cold treatment would not be an option. Other pests of concern cited as reasons for access being denied are the Fruit Leaf Folder and Kiwileaf Roller.

According to USDA data, Chile's projected Clementine volume is 250,000 boxes (40% in 15kg boxes and 60% in 2.3 kg wooden boxes). At the time of writing it could not be determined whether this figure applies to the application currently before the USDA or to their 1993 application. Should the data refer to the 1993 application; the present volume capability will be considerably higher.

Chilean Limes were granted access in 1991 but subject to fumigation for grape flat mite. The same applies for Lemons. If access is granted for Clemetines, it is assumed it would be subject to fumigation for grape flat mite. No additional data could be located on the status of Chile's current application however the USDA status of the Pest Risk Analysis is simply 'completed'.

The US is proposing an 'Andean' free trade agreement with Colombia, Peru, Ecuador and Bolivia.

Bolivia was granted access to the US market in 1963 for Oranges and grapefruit, Venezuela in 1964 for grapefruit and Oranges, Ecuador in 1935 for oranges and 1970 for easy peelers. Colombia was approved in 1963 for Oranges, Grapefruit and easy peelers. However, in all instances entry is approved through the Port of New York and subject to cold treatment for fruit fly.

Where to now?

The Australian citrus industry needs to forge relationships with other southern hemisphere countries (Argentine, Chile and New Zealand). At the conclusion of the tour, the delegation recommended that Australian Citrus Growers (ACG) maintain contact with the citrus industries of Uruguay and Peru and foster the coordinated marketing system Australian currently has with South Africa.