

***CalMed Consortium***

*"Policies and Economics of Mediterranean Agriculture  
Products in the Global Marketplace"*

Workshop

Mediterranean products in the global market  
Cetraro (Calabria), Italy – June 16-17, 2008

Session 8:

The global market for citrus:  
issues and prospects

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## The two papers

- Two interesting and complementary papers:
  - The first one, by Anabel Siguan, with a focus on the international market and regulation issues
  - The second one, by Antonio Schiavelli, focused on a case study, with emphasis on trade issues from a firm perspective, and with references to potential effects of changes in the Common Market Organization of the EU.

# Issues from Siguan's paper (1/3): phytosanitary and food safety rules

## 1. Phytosanitary rules:

- The "old" question: are they reasonable and really meant for preventing the widespread of phytopathologies or else, i.e. real Non Trade Barriers (NTB)?
- How to deal, both at the European and International level with these rules?

## 2. Food safety and the definition of the Maximum Residue Levels (MRLs):

- The issue is very important in the real world since it may completely prevent trade towards specific countries if defined badly from a technical as well as "political" point of view (see the example made w.r.t. Russia with Citrus)
- Are these MRLs really protecting consumers (in terms of safety) or are they really hurting consumers of importing countries (higher prices due to excessive trade restriction)?

# Issues from Siguan's paper (2/3): quality issues

1. Different quality standards may also be used from some importing countries in order to limitate competition from abroad (Anabel mention the possible role of marketing orders in the USA for clementines).
2. Again the issue is: are these standards really meant for protecting consumers or simply for limiting imports?
3. The effects of all these regulations will be, for exporting firms (as Anabel mentions in her paper): changes in logistics and higher costs, hold-ups and delays in deliveries, distortion of physical and chemical parameters usually applied to the product, greater uncertainty on delivery of clementine at the final destination, with negative effects both on retailers and consumers.

# Issues from Siguan's paper (3/3): environmental issues

1. Transportation of citrus fruit is expensive from an environmental point of view since they are bulk products (heavy and relatively low in value added).
2. Now, with the present production cost structure in different areas of the world (Brazil, China, Mexico, Egypt, Turkey, South Africa, to make few examples), and notwithstanding high and increasing transportation costs, we have a given level of price competitiveness of different areas
3. However, a new consciousness of environmental cost of long transportation could also change the overall competitiveness for different areas ...  
... but how to deal with these issues? How can producers from different countries communicate to consumers these hidden social costs?

# Issues from Schiavelli's paper (1/3): key characteristics of firm strategy

1. Citrus production in Calabria: about 44.000 firms and 41.000 hectares; i.e. very large number of very small firms (on average)
2. They have done a lot of work for improving logistics (from farm to the final market, to retailers), grading, selection and packaging.
3. They have worked hard in order to reduce costs, especially transaction, transportation and logistic costs (e.g. in Italy, on average, transportation cost still account for 18% and it should be reduced)
4. They are selling products with private labels of several different retail chains in Europe

## Issues from Schiavelli's paper (2/3): an evaluation of CMO reform

1. The reform of 2007 of the Common Market Organization for fruits and vegetables by the EU is absolutely positive.
2. The decoupling of support granted up to last year to producers selling products for processing (citrus, pears, peaches, raisin, tomatoes and other minor products) has been very useful also in order to remove very "unhealthy" linkages between some farmers and some processing firms.
3. With reference to the citrus sector, this will imply that many farmers (as well as processing firms) will necessarily go out of business and this will also push remaining farmers toward a more market oriented production, also, perhaps especially for citrus.

## Issues from Schiavelli's paper (3/3): new strategies for citrus producers?

1. They are evaluating the possibility to increase the number of products sold, in order to satisfy new requests of large retail chain that ask for a reduced number of suppliers
2. They are also continuing to improve logistics which is crucial for a firm selling fresh products of final markets that are very far and with chronic infrastructural problems (highway in bad conditions, still inefficient railway system).
3. They are also evaluating the possibility to include among their products also other products typical of the area like olive oil and wine, for example, which can be more easily characterized.

## Few questions (1/2)

- With reference to phytosanitary, food safety and quality rules, what are, what should be and what could be the role of international agreements and organizations? How should we intervene?
- How to protect consumers from regulations affecting negatively trade and their welfare in order to protect national producers?
- With respect to the EU situation and the recent CMO reform: what is the new role of Producers Organization (Pos)?
- Are POs able and willing to play a new role in helping producers to reach the final market in a competitive way?
- Do they have (through the new CMO of the EU) the tools they need in order to play this role?

## Few questions (2/2)

- Among all possible competitive strategies, what is and what could be the role for product differentiation also for fresh fruit?
- And with reference to processed products (i.e. juice of red oranges from Sicily and Italy in general)?
- What can be the role for Geographical Indications in this sector and for these areas?
- What is and what should be the role of public (and private) research and the role of innovation in this sector?