

A tale of two hemispheres

Citrus growing conditions have flourished in the northern hemisphere, yet floundered in the south, while the future looks bright for the category star, easy peelers



- 1— Growing conditions have been a challenge in the south
- 2— Easy peelers are still performing well

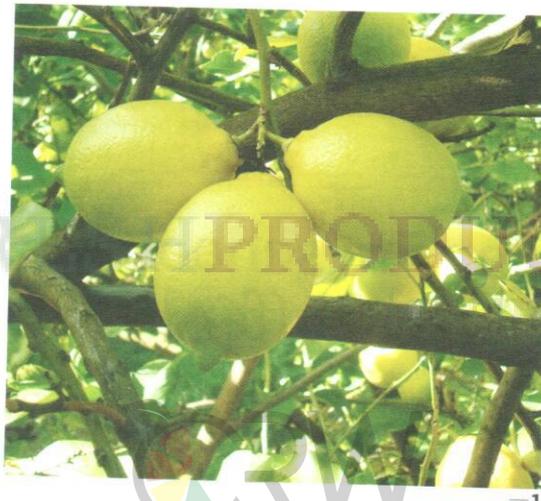
BY MARTYN FISHER

There has been a tale of two hemispheres in the world of citrus this year.

While growing conditions have flourished in the northern hemisphere, the southern side of the planet has battled crop disease and bad weather.

Frosts in Argentina earlier this year, for example, resulted in a poor lemon crop, driving up prices worldwide due to the resultant supply shortage; and citrus black spot has caused a number of orchards to be delisted, affecting oranges, lemons and grapefruit.

In terms of products, meanwhile, 2014 has been a good year for the easy-peeler, despite the overall citrus category witnessing



a decline in volumes sold in the UK. Antonio Avalos, MMG Citrus general manager, says: “2014 has so far been a strong year for citrus, despite difficulties in the southern hemisphere season.

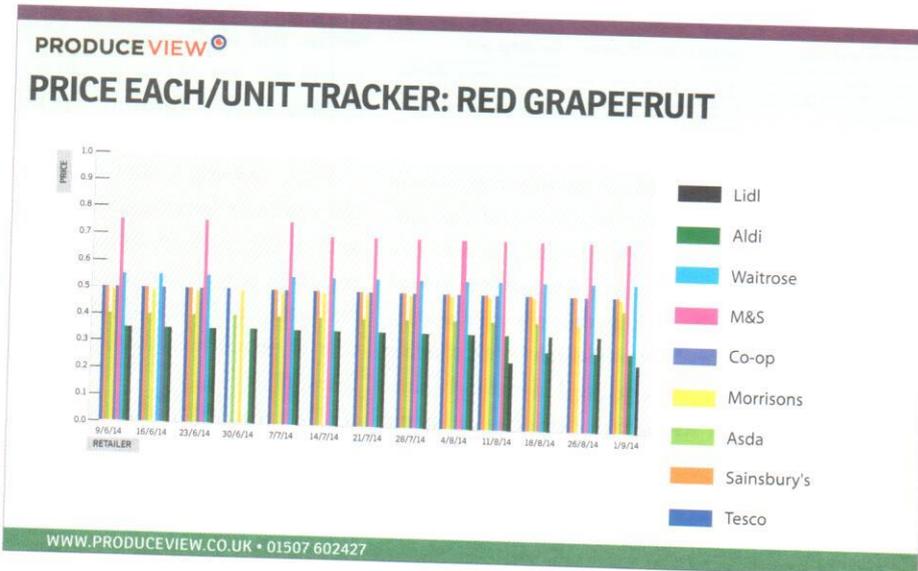
“Fortunately the good-quality, high volumes we received throughout the northern hemisphere season

balanced out losses in the south, meaning we could meet retail demand, and have seen growth in our sales.”

According to Jo Mumford, category manager at Chingford Fruit: “Annual figures reveal a subdued market, as shopper trips and volume remain sluggish,” she says. “[But] as focus picks up in the coming weeks, we are likely to see a step change in performance that will begin to deliver positive results for the category.”

Tied in to this is a cooler summer in Spain bringing fruit delivered forward by about seven weeks: “The effects of this are still to be fully assessed, however, with current and forecast conditions in the UK fresher than anticipated, citrus sales could well be set for an early boost,” Mumford adds.

Somewhat unsurprisingly, the two big talking points in the industry of late have been Russia’s ban on fresh produce from the EU – although this is not expected to affect citrus too drastically – plus demonstrations and calls for retailers to support a boycott against products sourced from Israel. Mumford says: “Both points require steady monitoring to gauge any response that might be needed going forward.”





Valencia's citrus call

Russian ban

Valencia's regional government has called on citrus to be included in EC measures to support growers affected by the Russian produce ban.

One of the largest changes in the citrus industry has been the decrease in orange consumption – a trend that seems to have occurred because consumers now prefer easy-peeler citrus fruits.

Avalos notes: "This year we have seen a slight shift in demand for easy-peeler varieties, with sales of satsumas giving way to an increased interest in the Nadorcott variety. This increased consumption has become closely connected with our innovation strategies at MMG Citrus. The introduction of the M-Pack, our new packaging design for easy peelers, was a real success."

MMG has also become involved in the growing of the new Mandarossa fruit, a pigmented variety of man-



— 2

darin. The firm is also looking to work with its growers over the coming year to boost the promotion of oranges in a bid to increase consumption: "This is part of a whole revitalisation of the orange market, which will include new packaging, varieties and marketing strategies," Avalos says. "We have a keen focus on innovation to drive the business forward."

Mumford, meanwhile, believes that the UK's leading supermarkets hold the key to improving the fortunes of the category. She says: "Last year the retail sector emphasised new-season citrus POS alongside other forms of support which delivered some strong results.

"It is likely that competitive promotions, stronger displays and better seasonal communication will be amplified by retailers looking to use citrus to deliver overall fruit category success in the coming months."

As for Chingford, which supplies a number of citrus products to UK retailers, the new Queen citrus season is being eagerly anticipated, with the firm hoping to build on 2013 sales figures and reach a wider audience for the product. — PPI

RETAIL MARKET ANALYSIS

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KANTAR WORLD PANEL

THE CITRUS MARKET

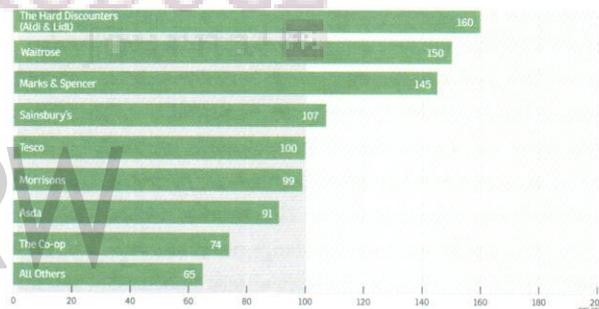
SECTOR PERFORMANCE

52 W/E 20 JULY 2014

RETAILER EXPENDITURE SHARE	GROCERY	CITRUS
TESCO	26.3	26.2
SAINSBURY'S	15.0	16.1
ASDA	14.5	13.2
MORRISONS	10.6	10.5
THE CO-OPERATIVE	5.3	3.9
WAITROSE	4.6	6.9
HARD DISCOUNTERS (ALDI and LIDL)	5.3	8.5
MARKS & SPENCER	3.1	4.5
ALL OTHERS	15.3	9.9

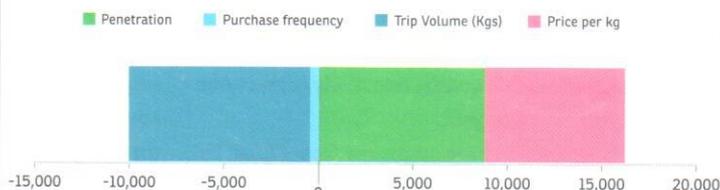
RETAILER RELATIVE TRADING

(100 per cent + represents an overtrade in citrus sales)



UNDERSTANDING MARKET PERFORMANCE

Value y-o-y change: +0.9% (actual change: +£6.3 million)
Volume y-o-y change: -0.2% (actual change: -0.64k tonnes)



COMMENTARY

- The citrus market is currently valued at £724 million and has remained fairly static this year, growing by just 0.9 per cent behind total fruit (up two per cent).
- Despite an increase in average price paid, the category is still attracting new shoppers – driven by Aldi and Lidl, which have seen value grow at 38.1 per cent and 29.2 per cent respectively. This growth is offset by a decline in trip volume, seen across all the big-four retailers apart from Morrisons, which has volume growth of 9.4 per cent.
- Satsumas, clementines and oranges are the only sub-categories to see value decline this year as shoppers have moved into mandarins, despite the higher price point.
- This is promotionally driven, as although fewer mandarins have been sold on deal than other categories, TPR activity has significantly increased this year with 25.4 per cent of all volume going through at a cut price.
- Satsumas are much more likely to be consumed to "get a portion of fruit and veg" versus other citrus fruit, with 80.8 per cent of all occasions being for this reason. Meanwhile mandarins are consumed more for taste (58.7 per cent of all occasions) and have a male consumer bias.