

Early spanish Stone Fruits season.

Market analysis and determining factors in Spain
and it conditionants

*Stone fruit sub-group Commission Market observatory
(Brussels, June 1st 2022)*

Index

1. Starting point
 - ▶ European production. Spanish april ´s frost 2022
 - ▶ Russia ´s agresión impact: direct and indirect effects
 - ▶ Costs
2. Market dynamics
 - ▶ Offer and Consumption
 - ▶ Market ´s prices evolution
 - ▶ Contrast of Profit or Looses with previous season forecast
3. New competitors analysis: Turkey
4. Conclussions and improvement proposals

1. Starting point. Spanish April´s Frost

- Historical Frost damages
- Most affected regions: Cataluña and Aragón
- Less affected: Valencia, CIMancha and Murcia
- Damages is more than 80.000 allotments and almost 85.000 hectars.
- Stone Fruits Insurance´s compensations (80% of production):
 - Cataluña: 103 Millons €
 - Aragón: 70 Millons de €



1. Starting point. European 's S.Fruit Volumes

(Europêch '22)

RESUMEN PREVISIÓN EUROPEA MELOCOTÓN 2022. EUROPÊCH' 2022					
PAÍS	2020	2021	PREV 2022	VAR 21/22	VAR 20/22
Italia	962.078	951.824	1.343.294	41,13%	39,62%
Grecia	768.000	465.780	763.800	63,98%	-0,55%
España	1.397.380	1.390.009	955.632	-31,25%	-31,61%
Francia	264.331	220.871	325.131	47,20%	23,00%
TOTAL⁽¹⁾	3.391.789	3.028.484	3.387.857	11,87%	-0,12%

(1) Datos expresados en toneladas de melocotón, paraguay, nectarina, pavia y albaricoques

→ Sharp drop in **Spain**: only in middle and late season.

→ **European Offer**: below full potential.

... It should allow a good season in 2022 with adequate prices for growers

1. Starting Point: Russias aggression impact

► DIRECT EFFECTS over TRADE

- Important Exports reduction towards **Ukraine**
- ... still effects of “Russian Veto”: the trade is almost 0, and since the end of 2021, trade with Belarus doesnt exist.

► INDIRECT EFFECTS over TRADE

- Closure of the Russian market → big part of productions from third countries (**Turkey**) are redirected to EU
→ COMPETITION

It has already happened with previous campaigns (apple).

Market size
reduction for
exportations UE and
Extra UE
Pressure on Europe
market

1. Starting Point: Russias aggression impact

▶ OTHER INDIRECT EFFECTS

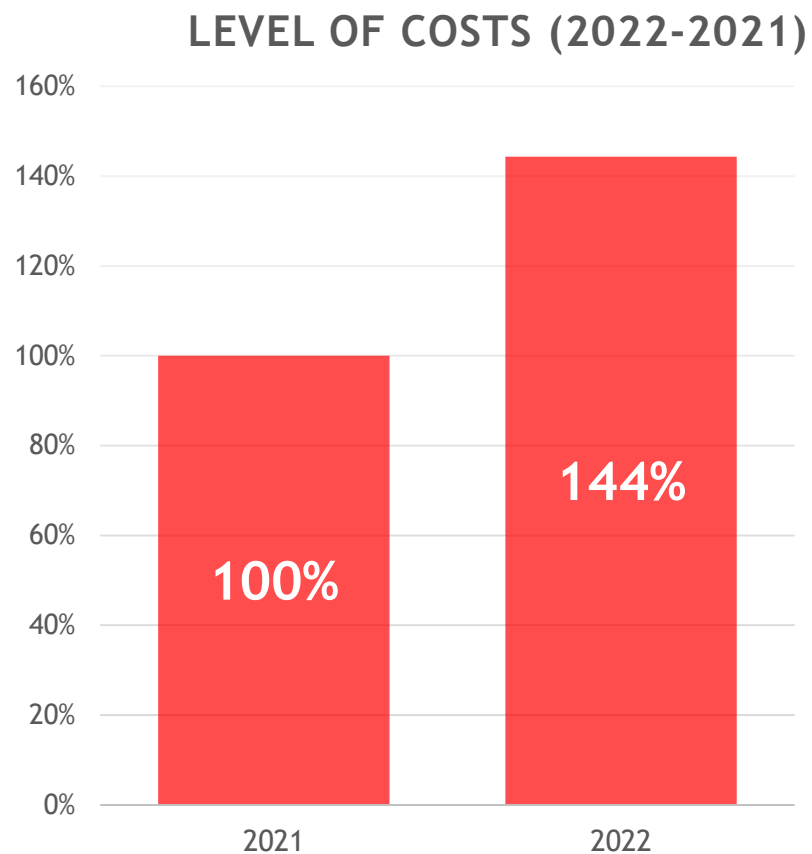
▶ CONSUMPTION

- CRISIS → Consumer's purchasing power lose
- Supermarket search of low prices → Pressing down it
- ...And the decrease of Stone fruit consumption in Europe

▶ COSTS

- ▶ COSTS RISING for growers and exporters

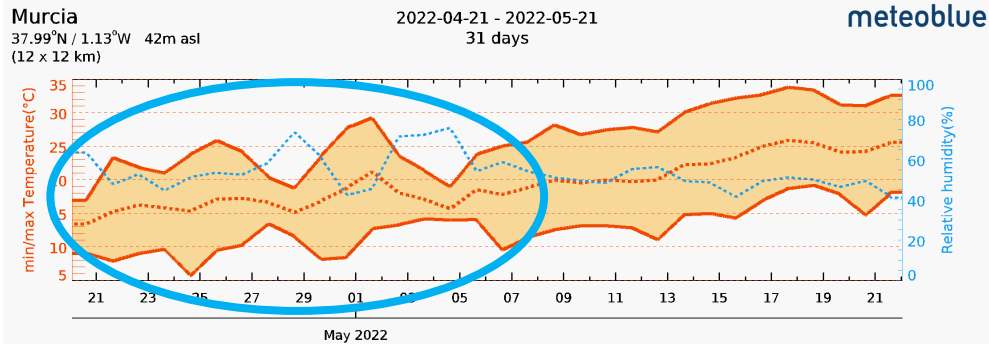
1. Starting Point: Costs 's Crisis



ACCOUNTING CONCEPT	INCREASE
FERTILIZERS AND PHYTOS.	+122%
WATER (ENERGY +85% OF COST)	+160%
FUEL	+35%
REPARATIONS AND CONSERVATI.	+18%
LABOR	+6%
INSURANCES	+9%
ACCOUNTING DEPRECIATION	+5%
INTEREST RATE (0,7%-1,1%)	+57%
MARITIME TRANSPORT	+94%
ROAD TRANSPORT	+16%

2. Market's dynamics: Offer and consumption

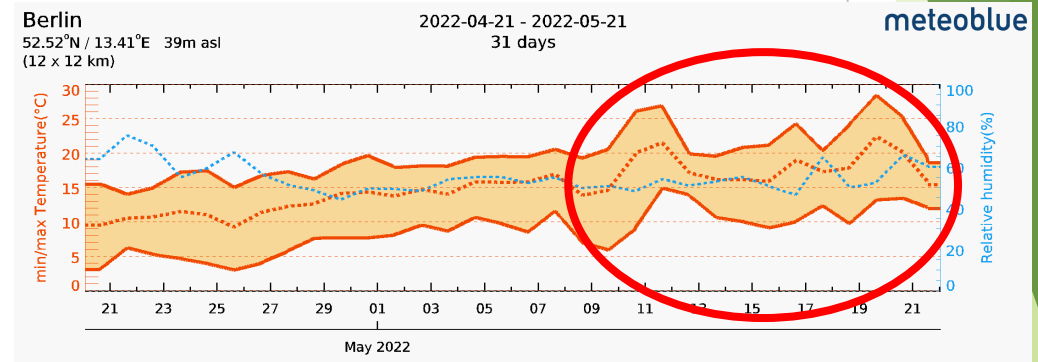
ORIGIN



- Very soft temperatures until 13th May
- Phased production without any pressure
- Delayed harvesting calendar +12 days

0 Stocks

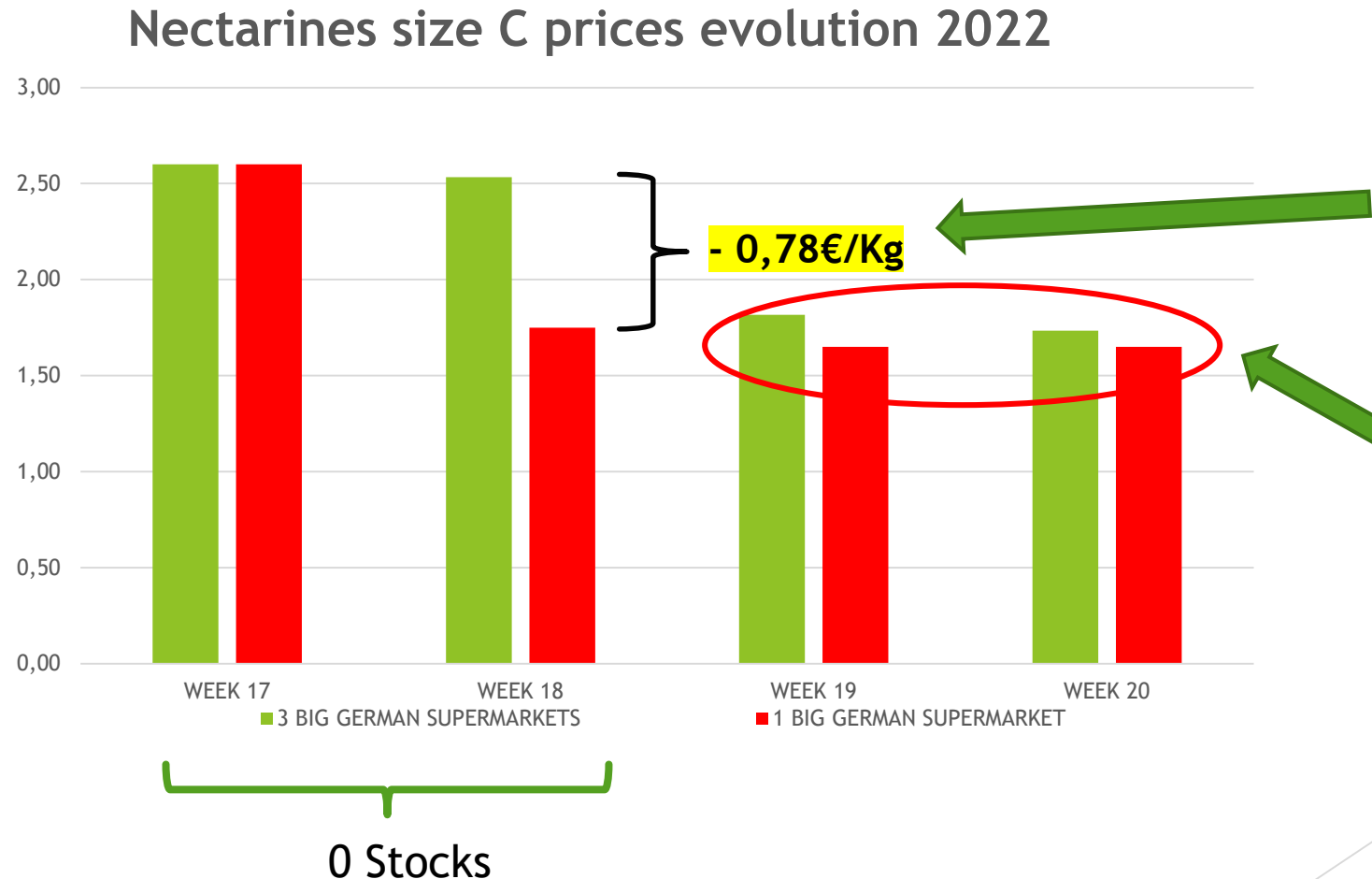
COUNTRY OF DELIVERY



- Overseas stonefruits finishes on time
- Good weather from the beginning
- Temperatures rising from May 10th

Very Good consumption level

2. Market dynamics: Market's Prices evolution (and supermarket strategies)



IMPORTERS PAY THE PRICE DIFFERENCE
BECAUSE THE PRICE IS NOT REALISTIC

HUGE TENSION BETWEEN ORIGIN AND MARKET OPERATORS
CONTINUES PAYING HIGHER PRICES THAN THEY RECEIVE FROM SUPERMARKETS
MANY OF THEM ???

But prices creep down

2. Market dynamics: Contrast of profits or losses with previous season forecast

ANALYSIS HYPOTHESIS

- Nectarines size C in punnets, represents the key product in May of nectarines market
- Price of one big supermarket is representative of the distribution in 2021 and 2022.
- In 2021 the market price for most of farmers (that had full production), covered costs in nectarines orchards, and had a little margin to re-invest in their farms competitiveness.
- The cost increase between 2022 and 2021 is +44%

2. Market dynamics: Contrast of profits or losses with previous season forecast

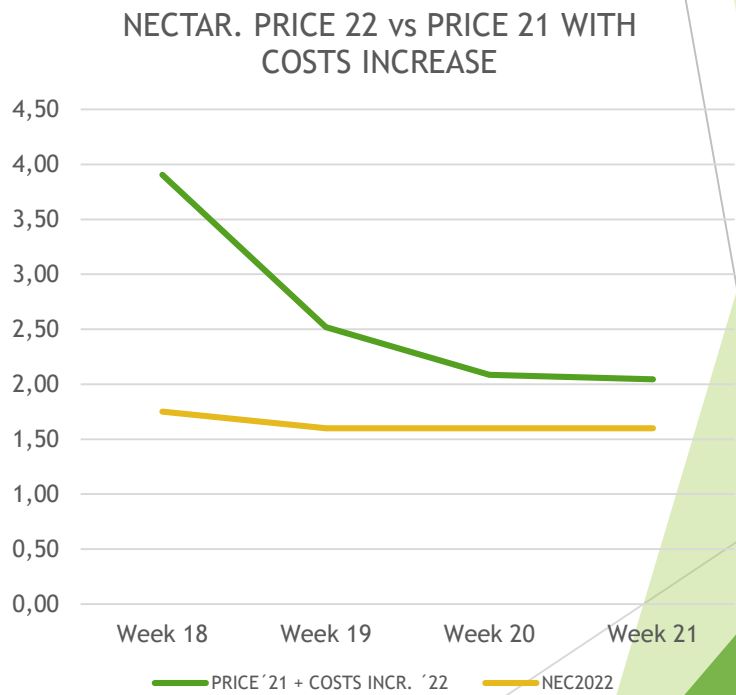
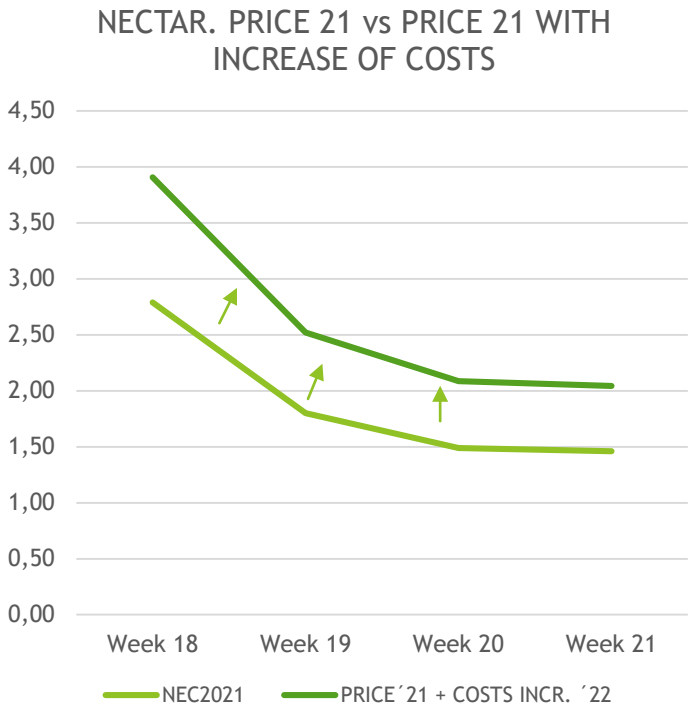
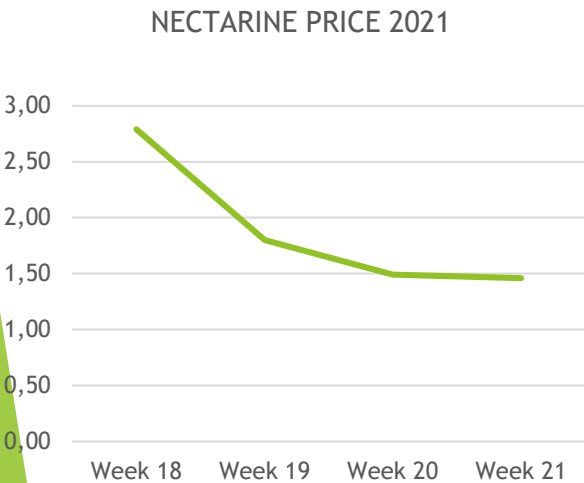
1ST STEP



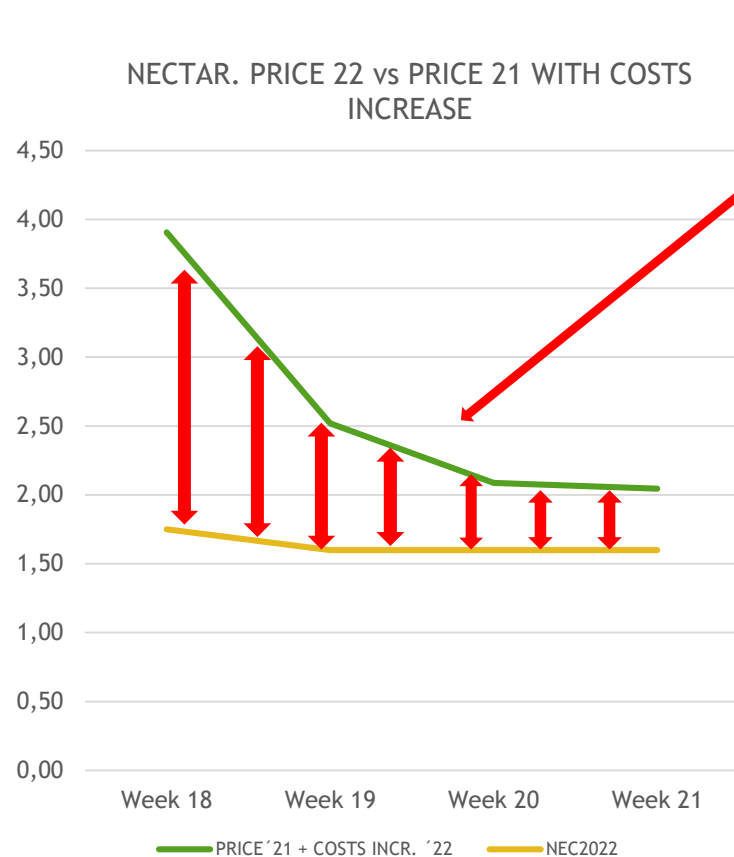
2ND. STEP



3RD. STEP



2. Market dynamics: Contrast of profits or losses with previous season forecast



NECTARINES RELATIVE LOSSES 22-21

- Was necessary that supermarket price's strategy?
- Was necessary knowing that the costs had gone up so much?
- Was necessary knowing that importing was financing a UNREAL MARKET PRICE?
- Was necessary to deteriorate the sector so much?

SURE NO

3. New competitors

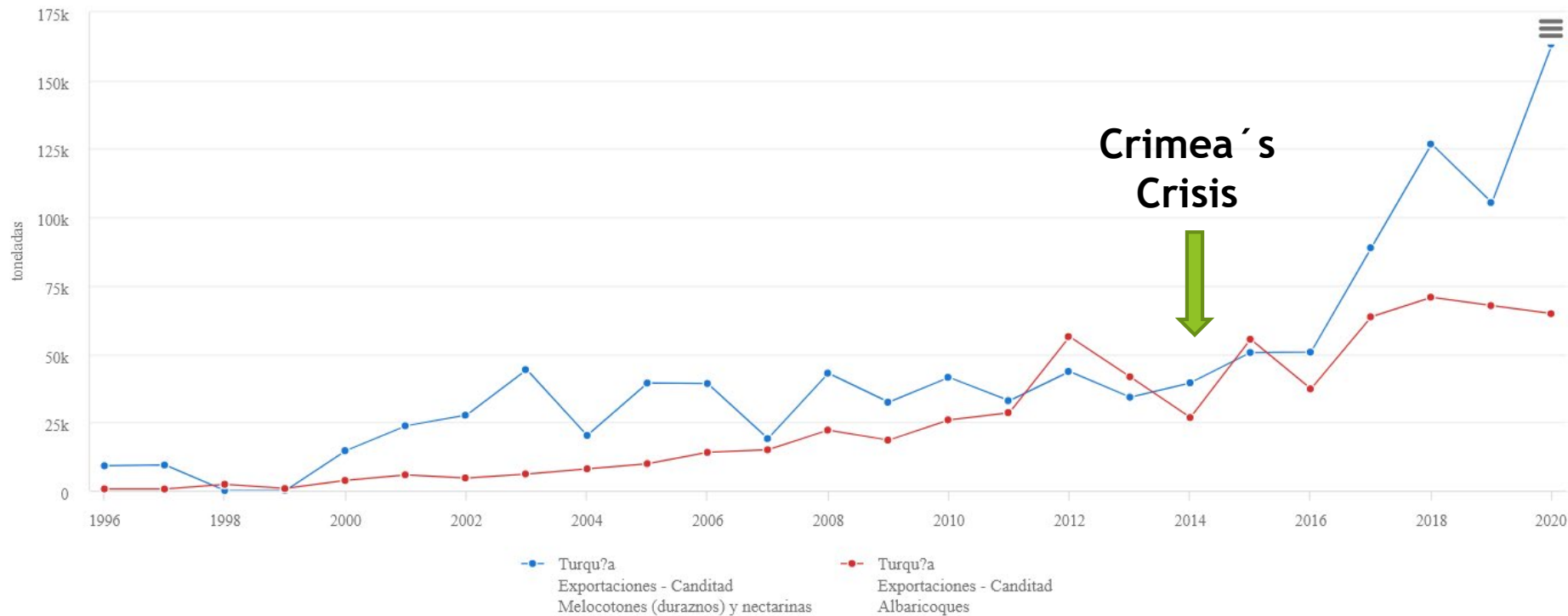
- ▶ New competitors come in to play with their stone fruit
Production: **Morocco - Turkey**
- ▶ Using European technology, being supported by europeans companies, european importers, multinational companies and ru^ssian importers. *Also supported by EU cooperation funds...*
- ▶ Lower costs, more competitive: production rules + Trade agreements with EU
- ▶ Possibility of foreigner countries of change the currency with €, to be even more competitive.



...We are beginning to experience the same difficulties as our colleagues from other productions (citrus, tomato, etc.) and some displacement in our market

3. Turkish Stone fruit export overview

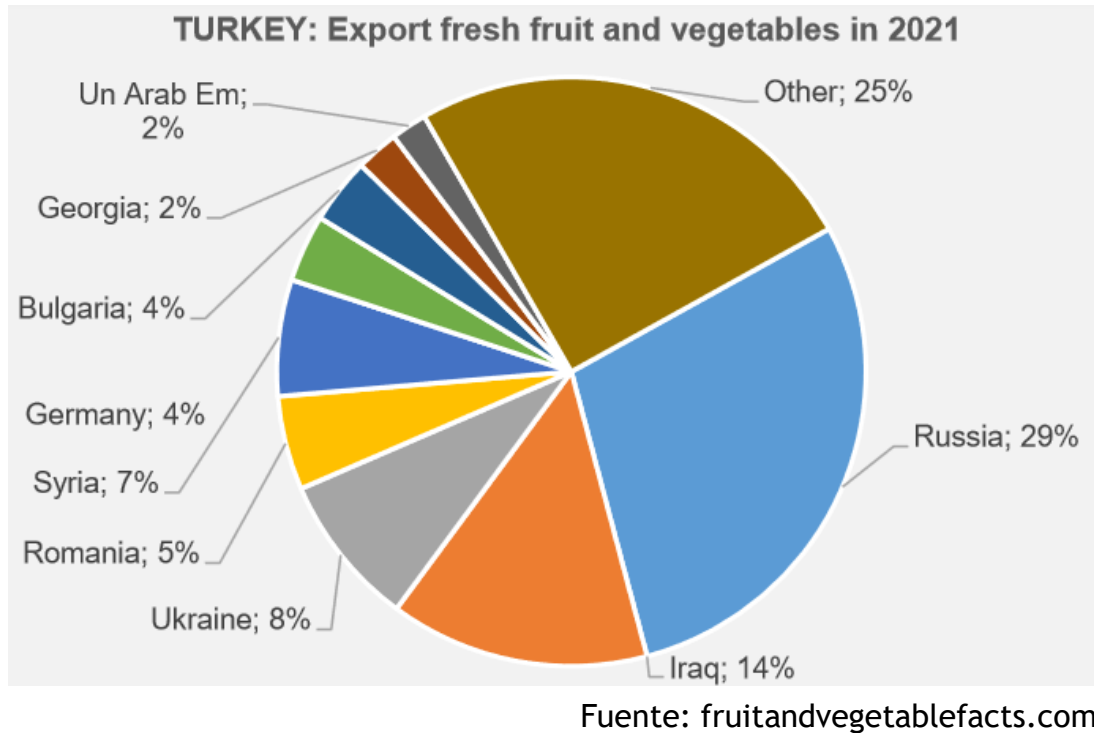
Volume of Turkish Stone Fruits export



Fuente FAOSTAT

Growing export Capacity and, lately, oriented towards Europe

3. Turkish Stone fruit export overview



European market is a huge Opportunity to reduce the risk exposure to Russia and other less stable economies

4. Some conclusions...

Vulnerable sector “by nature”

- Highly perishable products
- Very sensitive to climate
- Financially weakened

Difficulties to manage the volumes:

- Fresh produce (very perishable)
- Difficulties to export
- Without sector management measures (product recalls, limited scope)

Its “natural market” reduced

- Russian Veto
- Belarus
- Ukraine
- (“Brexit”)
- Domestic consumption decrease

Competitiveness loose

- Costs Rising: Energy, Phytos, packaging...
- Supply Chain imbalances, with too low prices pressure
- Higher requirements and costs: phytos restrictions, boxes and plastic prices,
- Small growers abandon sector