



Unión Europea
Fondo Europeo Agrícola
de Desarrollo Rural



JUNTA DE ANDALUCÍA
Consejería de Agricultura y Pesca

Study on the Oranges Value Chain. Season 2008/2009



For further information:

Observatorio de Precios y Mercados
www.juntadeandalucia.es/agriculturaypesca/obsprecios

Email: obsprecios.cap@juntadeandalucia.es



OBJECTIVE

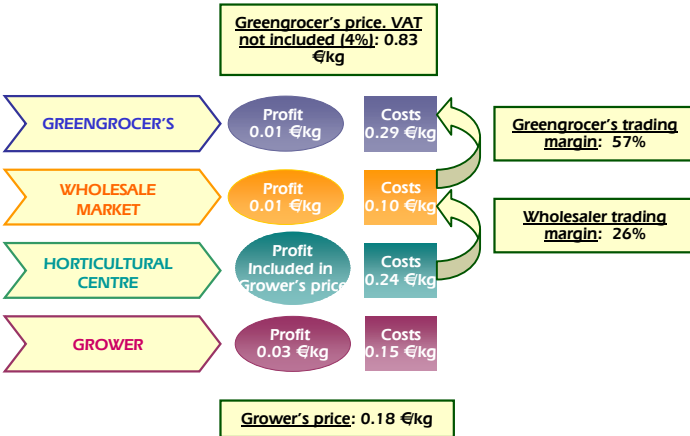
The main objective of "The Oranges Value Chain" is to increase transparency in the food market. This is done through the knowledge of the mechanisms of price formation, costs and profit margins at each point in the distribution. For this purpose, an analysis of the main marketing channels of oranges produced in Andalusia for the Spanish market has been carried out.

Traditional marketing channel



It is the most important channel in the Spanish market and accounts for 54% of total demand by households. The category 1 and 2 oranges are marketed in bulk and in classified bulk.

Prices, costs and margins in the traditional marketing channel of oranges



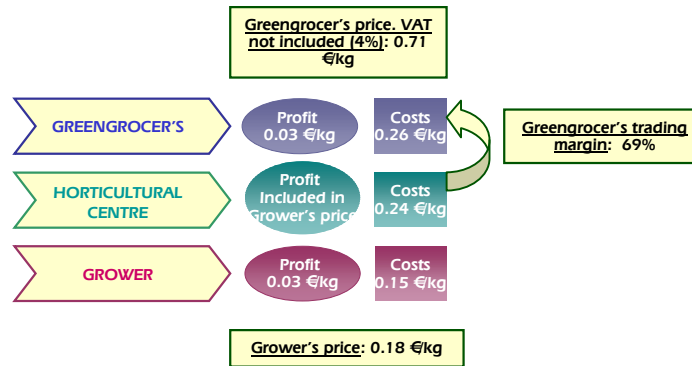
Traditional marketing channel in production areas

In the areas of production and influence, the traditional channel has been modified into a shorter secondary configuration. In this "new" traditional channel, greengrocer's get their products directly from horticultural centres. This variant has lower costs (intermediaries are eliminated) and consequently, the retail price is significantly lower.



Oranges characteristics are coincident with the classic configuration: first and second class oranges are marketed in bulk or in classified bulk..

Prices, costs and margins of the traditional marketing channel in production areas

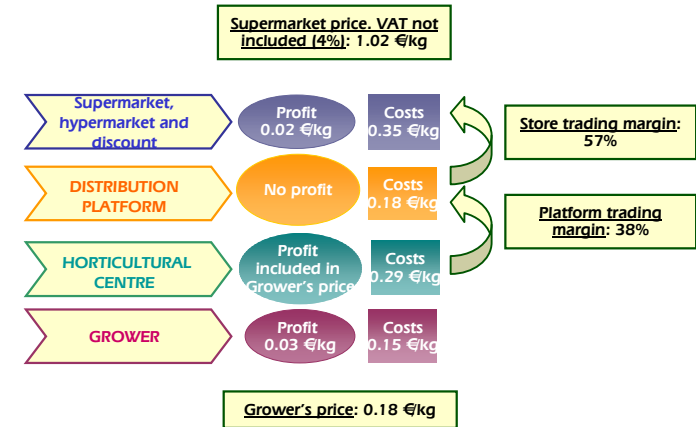


Modern marketing channel

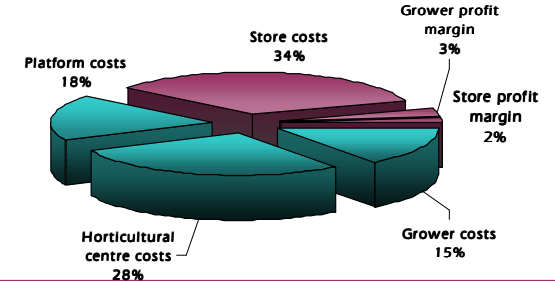
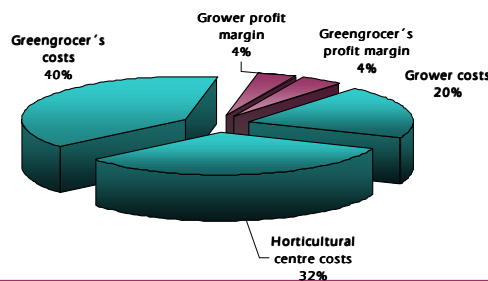
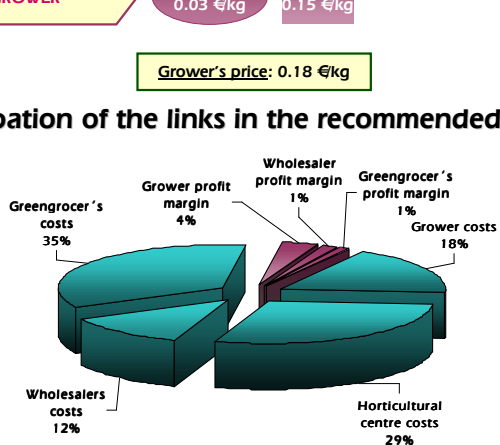


The modern marketing channel accounts of 33% of the Spanish demand of oranges by households. The class 1 oranges packaged in classified bulk and in packaging for the final consumer are the specific marketed products in this channel. The cold chain is controlled during the whole process.

Prices, costs and margins of the modern marketing channel of oranges



Participation of the links in the recommended retail price



- There is a low level of concentration of the citrus Andalusian supply. The higher concentration in origin would allow the increase of the negotiation power and the professionalisation of the value chain.
- Distribution platforms require suppliers of big volumes and specific packaging formats with continuous supply capacity. It could be highlighted the professionalisation of the companies exporting citrus.
- There is a trend towards increased vertical integration in the citrus value chain, specially in the modern marketing channel, looking for the reduction of the number of operators in order to shorten the chain.
- Season 08/09 was characterized by the increase on the production and by smaller sizes of oranges. These two factors caused a decrease in grower's and retail prices compared to previous seasons.
- The modern marketing channel still has the higher retail price due to its higher costs.
- The unit profit obtained by greengrocer's is higher to that obtained by supermarkets, hypermarkets or discounts. This is a consequence of the management model.
- The products of higher consumption have a lower unit profit in the sales outlet. This happens with oranges.

Trading margin: Percentage increasing the purchase price between two links.
 $TM = ((\text{Sale price} - \text{purchase price}) / \text{purchase price}) * 100$

Profit margin: Result of discounting the mark-up costs incurred in marketing.
 $PM = ((\text{sale price} - \text{purchase price} - \text{costs}) / \text{purchase price}) * 100$