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"What if I take a risk and lose... What if you take a risk and win?" (Anonymous)

USA forecasts

Lemons are the only product in the U.S. citrus family for which production levels are forecast to exceed last season's production levels, the U.S. Department of Agriculture (USDA) recently reported. (USDA). With a forecast of 976,000 tons, lemon production is expected to be 10% higher than last season. Ninety-four percent of the lemons come from California.

For Grapefruit, total U.S. production is forecast to be down 13% to 370,000 tons in 2021-22 from 426,000 tons produced in 2020-21. Production is forecast to decline in all areas, but especially in Texas (-33%) due to the effects of winter storm Uri in February 2021.

U.S. fresh grapefruit imports this season through January are up 87% compared to 2020-21, including higher imports from Mexico, South Africa, Peru, and China. In contrast, fresh grapefruit exports were down 36%, mainly due to fewer tons shipped to Korea, Japan, and France.



Recovering the Futures Market project adapted for lemons?

In September 1995, more than 25 years ago, the first market in the world that traded fresh fruit futures was launched in Valencia. It was the citrus futures market. Its promoters estimated that this market would be profitable in three years, by which time it was expected that citrus fruits of the navel-avelina, valencia-late, lemon and clementine varieties would be traded. However, **the initiative was an absolute failure and closed a few years later.** It never got off the ground except with the fictitious contracts of the market makers themselves.

The idea was to create a system of indicative price formation at different terms that would serve as a sample for the spot fruit market. This market would allow traders to hedge against the variation of fruit prices. **The idea was excellent,** but surely the sector was not ready and not really interested. In fact, this project, which tried to modernize the traditional and archaic way of working in the sector, was received with very little enthusiasm by the intermediary companies and brokers. In reality, futures contracts are as old as trade itself, and have emerged in a more or less organized way whenever there has been adequate trading volume. The earliest antecedents date back to Phoenician times.

But today, in the middle of 2022, one of the structural problems of the citrus sector is price volatility and the instability that this generates. Futures markets can provide a solution to this problem.

Now, in 2022, **perhaps the time has come to consider this project again.** In the case of lemon, the contracts have a very high level of standardization thanks to AILIMPO's approved standard contracts, which make it possible to determine in a very specific way the object of the sale and purchase transaction. The packing warehouse could be the place where this degree of standardization could be verified, thus putting an end to the usual discrepancies at the place of harvesting. On the other hand, the use of indicative price references based on official statistics is already a common practice in the case of lemons.

Do we think about it? Spain's leadership in lemon and grapefruit requires us to at least reflect on the feasibility of this old idea.

