

# Update

November 2015 – Issue 11

Beacon Commodities



There was a lack of supply across the whole lemon peel crop from Spain this year. This lack of supply resulted in poorer quality material being offered and defaults on shipments where material was simply not available. We travelled to Spain in October 2015 to learn more about the market and the reasons behind the difficulties.

## Fresh lemons

Spain is well known for growing 'table lemons' which are sold widely throughout the UK and Germany and are what we would expect to find in our gin and tonic at home. The price for these fresh lemons has increased 40% over the last 3 years. This is a direct result of a limited supply from Spain which falls well short of the European demand. Coupled with this, imports from further afield such as Argentina and South Africa have dried up as they tend to process the lemons under contract for large companies such as Coca-Cola and Pepsi.



Lemon groves

## Hierarchy

Within the market there is a hierarchy of where the lemons are sold. Farmers, with first refusal, prefer to sell the lemons for fresh fruit as there are little processing costs and direct avenue to the market. The rejects from the fresh fruit are sold to processors for juice, pulp and oil with the peel processors last in line.

This lack of supply has driven up the price for 'on the tree lemons' and therefore farmers are picking every last lemon, leaving only a very limited supply for the peel processors. Historically, peel processors picked the fruit for free after the machine harvesters had gone through, as a favour to the farmers. This is because any fruit left on the trees attracted pests, diseases and competed with next year's crop.

## The 2016 crop

It doesn't appear that the problems experienced in 2015 will subside for next year. Indications are that fresh lemon prices will remain high therefore placing vast pressure on the peel industry. More will be learnt when the market reopens in January and we are monitoring the situation in Spain closely.



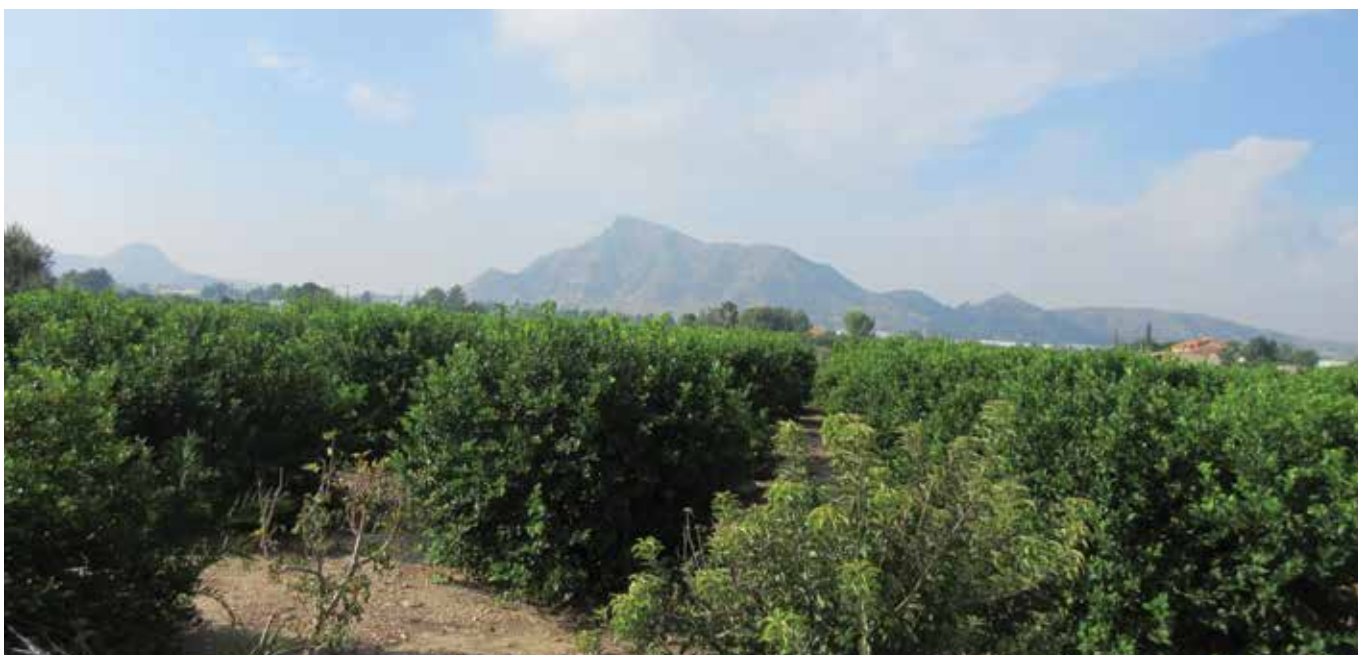
Lemons were just starting to ripen at the time of our visit



## Egypt

We have extremely close ties with Egypt, having traded there for many years. As a result of this lemon shortage we also travelled to Egypt in October to look at the possibilities of Egypt becoming an alternative. Initial trials went well with a good quality peel and this is an origin which we will be supporting over the coming years.

Please contact us if you have any queries on the above and whether you would like to like at the possibility of using Egyptian peels in the future.



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