

**NEAR EAST
UNIVERSITY**

BUS 400

**BUSINESS PLANNING AND
STRATEGY OF CYPFRUVEX**

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CYPFRUVEX

Nowdays in many difficulties, Cypfruvex is still one of the few truely international organizations in TRNC. It is state owned enterprise, which run by a board of directors. It was established in 1974 and its main obligation is to pack and market the citrus of TRNC to the other countries. In recent years they are the sole organization in this aspect. They are based in Güzelyurt which is the biggest citrus production area in TRNC. They have packing houses in Güzelyurt and Famagusta. They have an office in Nicosia, to run their burocratic work. They are also organized in London and Rotterdam in Netherlands.

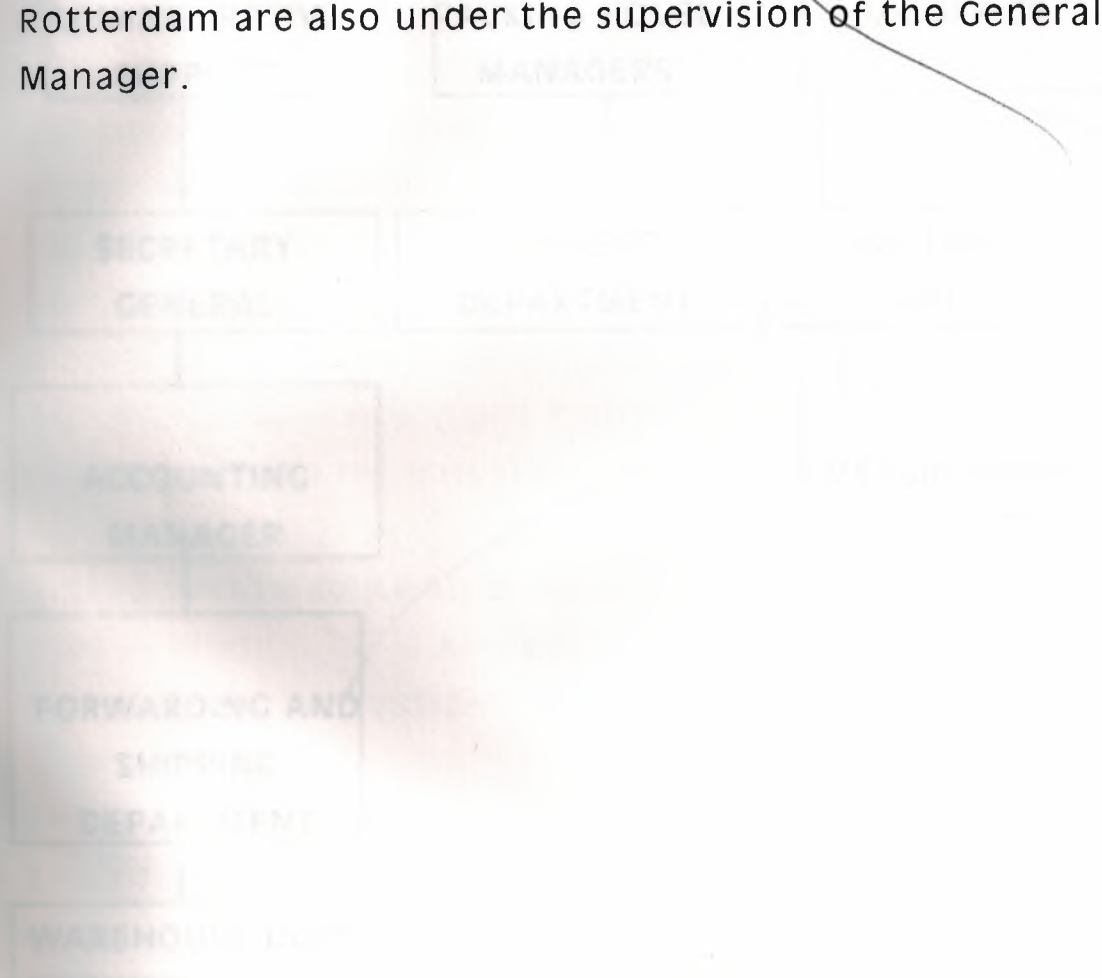
Historical Background

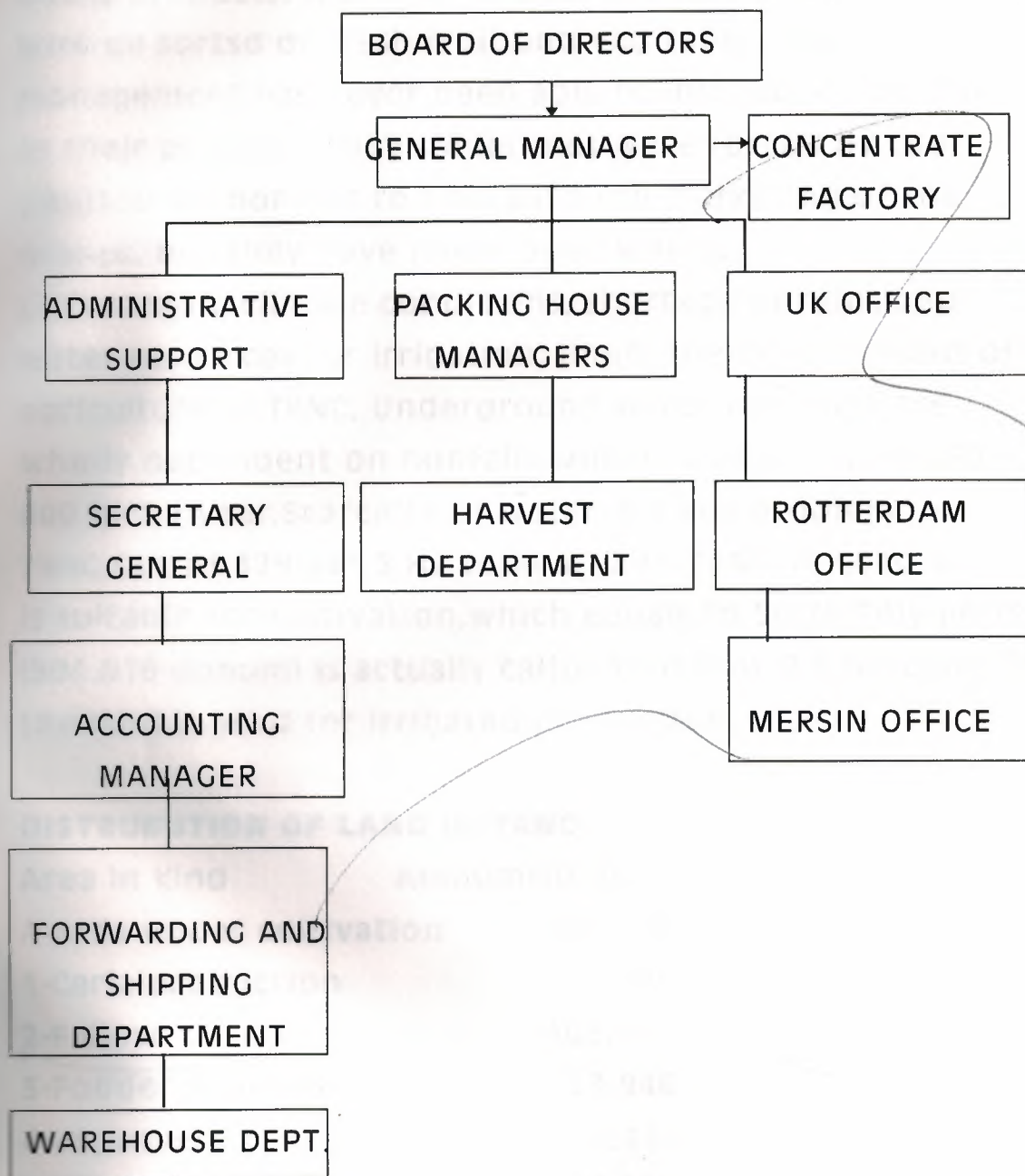
Cypfruvex was established right after the 1974 Peace Operation. Turkish Cypriots were the first to produce citrus in Cyprus dut prior to 1974 they have never had an apportunity to be involved in marketing aspects. First citrus gardens in Cyprus were started in Lefke area which is still producing the tastiest of all citrus in Cyprus. Güzelyurt area was later developed into citrus gardens.

After 1974 Government decided to set up an organization to pack and export the citrus products of TRNC. Cypfruvex, which is short for "Cyprus fruit and Vegitable Export" was allocated the packing units left from the Greeks. Cypruvex, from that year on are the main packers and exporters of TRNC.

MANAGEMENT

Cypfruvex is run by a board of directors, which consist of 7 members, mainly from the Ministry of Agriculture. The day to day activities and implementation of the decisions of board of directors are carried out by the General Manager. Two offices in London and Rotterdam are also under the supervision of the General Manager.





PRODUCT

Product that Cypfruvex is dealing with are all kinds of citrus products. Although the company was set up to deal with all sorts of fresh fruit and vegetable, the management has never been able to introduce new lines as their product. They sometimes were forced by the political authorities to deal with the marketing of the grapes, but they have never been willing.

Unfavorable climate conditions, shortage of rains and water resources for irrigation, limits the development of agriculture in TRNC. Underground water reservoirs are wholly dependent on rainfalls which totals to mere 350-400 mm.a year. Scarceity of water is a key problem in TRNC. Out of 329,841.5 Ha total area of TRNC 187,040.9 Ha is suitable for cultivation, which equals to 56.7s. Only 64.7s (904.016 donum) is actually cultivated. Only 8.6 percent of the land is used for irrigated production.

DISTRUBUTION OF LAND IN TRNC

Area in kind	Amoumt(Donum)
A-Area under cultivation	901,178
1-Cerialproduction	611,325
2-Fallow	106,684
3-Fodder legumes	33,946
4-Legumes	7,336
5-Vegitables	13,192
6-Melons	4,678
7-Industrial Plants	7,642

8-Fruit	57,953
9-Vineyards	4,064
10-Citrus yards	54,358
B-Non cultivated land	496,945

According to 1992 statistics total citrus production in the world was 59.500.000 tons all together. 41.100.000 tons of these were oranges, 7.500.000 tons were mandarin, 5.100.000 were lemons etc. In the same year the amount of apple that was produced was only 39.600.000 tons, and grapes were 63.500.000 tons. So it is clear that citrus is most widely produced type of fruit all around the world.

A few reasons for high production of citrus may be summarised as follows;

- * Because of their unique taste they are one of the favourite fruits of consumers all around the world.

- * As well as its good taste citrus fruits contain many healthy minerals and vitamins.

- * As well as consuming as fresh fruit they also have good market value as juice, marmelades and canned fruit.

- * there are many different varieties.

*Different Citrus fruits have different harvest time,so this leads to an almost full time production capacity.
*Harvesting time is not critical.they can be harvested any convenient time in as long as 60 days.

*Citrus fruits are easy to pack,transport and keep stocks.

The biggest citrus producing country is Brasil with 15.000.000 tons a year. Brazil is followed by USA with 9.500.000 ton ,Spain by 3.400.000 tons,japan by 3.300.000 tons and Italy by 3.100.000

tons.Citrus production in Turkey is 1:272.000.Citrus production in TRNC is about 186.000 tons.

CITRUS PRODUCTION IN TRNC

TRNC is 2nd biggest producer of citrus fruit in Mediterrenian region.90.71 % of the whole production is obtained in Gzelyurt region.4.16 % of production is in Kyrenia and 5.13% in Famagusta region.92.34 % of orange production,65.88 % of lemon production 89.34 % of grapefruit and 89.50 % of mandarine production are obtained in Gzelyurt.33.72 % of lemon production are made in Kyrinea.

Mild climate and echological conditions in Cyprus is very suitable for citrus production.Below-zero

temperatures are the biggest enemy of the citrus fruits. We are very lucky that temperatures rarely get below zero in TRNC. TRNC has special advantages, over the other neighbouring countries in regard with Valencia type oranges. This type which is often called 'valencia Lates' are ripe enough to harvest later in the season when the climatic conditions in competing countries such as Spain and Italy is not very good and have problems with freezing temperatures.

As stated earlier on Citrus has a big importance in TRNC Economy. But looking back to the years 1986-1991 we don't see any changes or real effort for improvement. Old plantations are almost completing their feasible life. With old system of irrigation and watering systems underground water resources have become salty and unhealthy to be used. TRNC is also lagging behind her competitors in introducing new types of citrus plants.

CITRUS IN TRNC (DONUMES)

	1985/86	1986/87	1987/88	1988/89	1990/91
1. Valencia	32,235	32,232	32,333	32,184	32,332
2. Jafa	5,088	5,038	5,032	5,027	4,898
3. Washington	43	43	45	43	53
4. Mandarine	252	252	254	250	255
5. Lemon	7,648	7,384	7,139	7,108	7,114
6. Grapefruit	9,861	9,854	9,853	9,839	9,663
Total	55,127	54,803	54,566	54,451	54,315

Production of citrus, varies from year to year. Main factors effecting the production are worstening water quality for irregation, and a disease called 'fusha'. Authorities failed to invisage the bad effects of excessive use of underground water resources. there has never been a limitation on new plantation. Another mistake was late introduction of modern irregation methods. Old system of irrigation is still videly used and only a small portion iri the sector are usind new systems.

CITRUS PRODUCTION (TONS)

	1986-87	1987-88	1988-89	1989-90	1990-91
Valencia	122,595	86,490	104,258	145,699	100,856
Jafa	25,212	16,633	23,412	19,164	21,584
Washington	321	257	187	288	197
Mandarine	1,255	1,179	1,225	1,259	1,254
Lemon	18,276	18,350	21,184	3,031	18,865
Grapefruit	43,255	39,380	47,239	51,089	47,581
Others	59	35	78	110	53
Total	210,973	162,324	197,583	240,640	190,390

OPERATIN OF CYPFRUVEX

Cypfruvex is involved in the citrus business in all aspects, right from production until the marketing of citrus. They try to direct the producers and garden

owners to produce the right kinds and proper sizes of the citrus that are marketable in the foreign markets.

HARVESTING

In the early days of the citrus production the growers were responsible for harvesting. It was not long before the management of Cypfruvex realized that the harvesting is a specialist matter and it should not be left to the hands of the untrained and inexperienced people. So they produced incentives for the contractors. Since then harvesting of citrus is done through the contractors. Contractors who make agreement with Cypfruvex are then allocated to the gardens after the tests to make sure that the fruit are ripe and marketable. Fruit has to be picked very carefully and skin must not be damaged, since this may cause rotting. Harvesting department with its expert staff are in control of all harvesting activities.

PACKING

One of the major investments in the citrus business is in the packing houses. Fresh fruit coming from the garden are put on conveyor belts, and sizing and grading work is carried out either by machinery or by hand. At the end of the line fruit are waxed then wrapped in special papers and put in the carton boxes. Carton boxes are

strong and has all the details of the fruit printed on it. Objective of the company is to deliver the fruits to the market, as quickly as possible and also in the best condition.

SHIPMENT

Fruit transportation is a sensitive business. Good fruits must reach the potential markets in best conditions. TRNC has problems in transportation. All the ports of TRNC are declared as illegal and hence, there are no linear ship movements to and from TRNC. Cypfruvex uses ships to transport the citrus to the European markets. And to do this they charter vessels from the shippers at considerably high prices. Chartered vessels cost more than the linear ships.

Cypfruvex has not been able to palletise the cargo yet. Cartons are simply loaded in the vessel in the all fashion way. Palletized cargo is easier to handle and it saves a lot of money in loading and unloading expenses.

MARKETING STRATEGIES

Cypfruvex has two branches in Europe. The office in the London is located in Elephant and Castle area, at their own building. Three-story building is property of Cypfruvex and its more than enough for its activity. London office is the base of the European operations. Marketing is done through this office and administrative

work of all the activities in Europe is carried out here. Sales of citrus are done through agents all over UK.

Rotterdam office in Rotterdam is based at the Port of Rotterdam. Although this is a smaller office, it is more important than the London office, since it is situated in the heart of Europe and fresh fruit markets of Europe. Fruits are sold through auctions in Rotterdam and the prices obtained at the auctions is the indicator for all European fresh fruit markets. So main objective of the Rotterdam office is to obtain good prices, since success here means success everywhere.

50% of all citrus exports of Cypfruvex are handled by Rotterdam office. This office is responsible for French, Belgium, Austria, Sweden, and naturally Netherland markets.

SALES BY AUCTIONS

Sales in auction is very old and interesting way. There are around five auctioneers in Rotterdam. The day of an auction starts with exhibition of fruits which will be auctioned that day. Prospective buyers visit the exhibition hall to see what is available. They can see and even taste the fruit if they wish. Each company tries to display the best they have. Auctioneers also distributes set of leaflets to the buyers, which includes the list of the fruits available, their quantity, size, and sometimes the price they were sold at the last auction. Each auctioneer have about one hour to do their auctioning.

As they announce the goods for sale, the buyers indicate how much they are prepared to pay and the quantity they want. Buyers may increase the price as they are in competition with each other. There is a real "supply and demand" activity in auction.

FURTHER ASPECTS OF MARKETING AND STATISTICAL DATA OF THE SECTOR

Citrus Products are consumed locally exported and also sold as concentrated juice. In obtaining concentrate juice, some oils and chemicals are also produced which are used in cosmetic manufacturing. Peel of citrus fruits are used for animal feeding. Price of citrus is announced by government every year. But this is only an indicative price and market conditions effects the prices.

Authorities of North Cyprus failed to promote marketing of Citrus fruit. There was a time when there was many private companies who were in citrus marketing. But because of lack of incentives and harsh monetary restrictions they lost their place in the market.

Authorities, instead of helping private sector flourish preferred to pump in money for state owned company called Cypfruvex. This politically influenced state owned company is now almost the only company which deals in citrus packaging and exporting. They are hardly standing on their feet with huge loans.

Poly Peck, one of Asil Nadir's business, has helped for citrus production in TRNC. This efficiently run Company always gave better price for the producers. They made long term rent contracts and purchased citrus gardens which were not attended carefully. They also introduced incentive systems to plant new generation of citrus fruit. Poly Peck is not as effective as it used to be, because of the problems in Europe. One of the reasons for private sector not going into citrus marketing is to do with embargoes on TRNC. All the ports of TRNC have been declared illegal since 1974. There are no liner shipping facilities from any of the TRNC ports, and hence, part shipment is not possible. An exporter has to think of exporting as "ship load". Which needs a big capital and is a risky affair. TRNC's main exporting markets were European countries. For many years citrus exported to UK and Rotterdam, was distributed to all of Europe. But last year European Court decision has decided to ban all TRNC exports to Europe. TRNC Exporters will have to find new markets now. Most likely new markets will be Turkey, Israel and ex-Soviet Union States.

MARKETTING OF CITRUS

(tones)

	1986-87	1987-88	1988-89	1989-90	1990-91
Exports:					
Lemon	10,388	12,071	11,363	10,132	8,386
G/Fruit	31,240	28,149	29,714	22,215	26,088
Orange	96,743	75,820	62,152	80,220	76,666
Mandarine	224	134	167	187	168
Others	3	1	44	75	9
Total	138,598	116,175	103,440	112,829	111,517
Local Consumption:					
Lemon	5,157	5,227	5,290	5,358	5,430
G/Fruit	825	836	846	857	869
Oranges	13,409	13,590	13,753	13,932	14,118
Mandarine	1,031	1,045	1,058	1,072	1,086
Total:	20,422	20,698	20,947	21,219	21,503
Industrial use (Concentrates)					
Lemon	2,731	1,052	4,531	7,541	4,849
G/Fruit	11,190	10,395	16,679	27,947	20,564
Oranges	27,832	14,004	46,986	71,034	31,927
Total	41,753	25,451	68,196	106,522	57,340
Wasted	10,200	-	5,000	70	-
Grand Total	210,973	162,324	197,583	240,640	190,360

Total exports in the season 1990-1991 was 111,517 tons all together. biggest part of this was oranges at 76,666 tons followed by 26,088 tons of Grapefruit, 8,386



tons of lemons, 68 tons of mandarine and 9 tons of other types such as Ruby-Red Grapefruits, sweet Oranges etc. Local Consumption of citrus products are much less than exports. Only 21,503 tons were consumed in 1990-91. Biggest part of this was oranges with 14,118 tons. This was followed by lemon at 5,430 tons" 1086 tons of mandarine and only 869 tons Grapefruit. As it can be seen from the figures, a large quantity of Citrus produce are concentrated. 57,340 tons of citrus were concentrated in the year 1990-91. Biggest part of these were oranges again with 31,927 tons and is followed by grapefruit, at 20,564 tons, lemons of 4.849 tons.

Total amount received from citrus exports in 1992 was \$26,341,436. Most of the income was from fresh fruit export. \$23,064,043 were earned from fresh fruit exports and only \$3,182,350 were received from concentrate exports. Another \$95,043 was earned from dried peels for animal feeding.

CITRUS EXPORTS AND CURRENCY OBTAINED FROM EXPORTS

	1991	%	1992	%
Export product				
Fresh fruit	22,562,570	64.086	23,064,043	57.6
Concentrated juice	4,274,779	10.54	3,182,350	7.8
Juice	16,031	0.04	-	-
Other end products	227,720	0.6	95,043	0.24

PRODUCTION AND MARKETTING OF CITRUS

(TON)

Explanation	1988-89	1989-90	1990-91	1991-92
Total Exports	103,440	112,829	111,517	111,674
Lemons	11,363	10,132	8,586	7,905
Grapefruit	29,714	22,215	26,088	29,561
Oranges	62,152	80,220	76,666	74,043
Mandarine	167	187	168	165
Others	44	75	9	
Total Domestic use	20,947	21,219	21,503	21,796
Lemons	5,290	5,358	5,430	5,504
Grapefruit	846	857	869	881
Oranges	13,753	13,932	14,118	14,310
Mandarines	1,058	1,072	1,086	1,101
Industrial use				
TOTAL	68,196	106,522	57,340	52,287
Lemons	4,531	7,541	4,849	4,053
Grapefruit	16,679	27,947	20,564	16,744
Oranges	46,986	71,034	31,927	31,488
Mandarines	-	-	-	-
Unused	5,000	70	-	-
GRAND TOTAL	197,583	240,640	190,360	185,757

CITRUS EXPORTS

CITRUS EXPORTS

	TONS			
Type	1988-89	1989-90	1990-91	1991-92
<u>VALENCIA</u>				
First Class	36,879	41,879	37,219	39,456
Second Class	9,612	29,562	27,772	14,226
Discard	3,351	207	3,112	12,577
<u>JAJA</u>				
First Class	10,020	6,223	5,070	5,107
Second Class	2,103	2,097	2,336	1,346
Discard	-	-	-	959
<u>WASHINGTON</u>				
First Class	187	252	197	162
<u>MANDARINE</u>				
First Class	167	187	168	165
<u>LEMON</u>				
First Class	6,218	3,804	2,725	1,266
Second Class	4,049	5,915	4,204	6,383
Discard	1,096	413	1,658	256

DISTRUBITION OF CITRUS EXPORTS TO MONTHS

Months	1988-89	1989-90	1990-91	1991-92
September	-	34	16	39
October	1,352	2,835	721	507
November	8,217	8,916	3,309	4,241
December	20,782	13,550	15,436	15,341
January	19,735	13,442	12,272	21,914
February	5,324	3,247	13,413	8,731
March	23,640	26,075	25,296	27,509
April	20,214	22,185	28,046	22,876
May	4,005	15,535	12,464	10,390
June	143	6,444	383	87
July	28	566	62	24
August	-	-	99	15
TOTAL	103,440	112,829	111,517	111,674

CITRUS EXPORTS ACCORDING TO COUNTRIES

Countries	1988-89	1989-90	1990-91	1991-92 , EU
	74,057	76,187	68,485	76,561
Eastern				
Europe	861	5,672	9,373	15,360
Ex.S.Union	12,966	23,995	21,822	7,692
Arab Countries	12,341	6,457	8,636	-
Turkey	3,215	518	3,048	8,585
Others	-	-	153	3,478
TOTAL	103,440	112,829	111,517	111,674

Exporters and their share in exports

Exporter	1990-91	%	1990-91	%	1991-92	%
Cypfruvex	21,106	18.71	40,544	36,36	41,171	36.87
Sunzest Ltd	81,120	71,90	51,379	46,07	50,028	44,80
Lemser Ltd.	2,359	2,0	7,205	6,46	5,817	5,21
New fruit	-	-	-	-	3,173	2.84
Citrus Growers						
Union	-	-	-	-	2,149	1,92
Pol-Sen	-	-	-	-	1,722	1.54
Aspendos	-	-	-	-	1,641	1.47
Citrus & vegetables Ass.	-	-	-	-	1,364	1,22
Kle Ltd.	128	0,11	2,660	2.38	602	0,54
Ulutekin Ltd	7,802	6,91	6,515	5084	-	-
Solicitro Ltd	-	-	946	0,85	-	-
Uluam Ltd.	-	-	436	0,39	778	0,70
Hayrettin						
Gkalp	-	-	308	0,27	503	0,45
Love rent						
a car	-	-	155	0,14	436	0,39
Arncanatan Ltd	-	-	323	0,29	285	0,26
M.Beyazkaya	-	-	260	0,23	67	0,06
H.Uygun	-	-	-	-	357	0,32
Keskin oğullar	-	-	-	-	353	0,32
Tulin Atamer	-	-	229	0,21	176	0,16
Halide Krollu	-	-	-	-	297	0,27
Akszt Ltd	-	-	-	-	292	0,26
Saram Ltd	-	-	215	0,19	-	-
Others	314	0,28	342	0,31	463	0,31
TOTAL	112,829	100	111,517	100	111,674	100

EXPORTS IN THE SEASON 1994 (TO THRD COUNTRIES)

Type	Beg.Of season	off.price dollars	Quantity Tons
<u>VALENCIA</u>			
1st Class	27 Feb	250	27,660
2nd class	"		17,000
Industrial	"	130	60
Ex.garden	"	215	32
<u>JAJA</u>			
1st class	27.12.1994	250	7,110
2nd class	"	215	470
<u>Lemon</u>			
1st class	30.9.94	250	375
2nd class		210	220
Ex-garden		215	65
<u>Grapefruit</u>			
1st class	9.11.94	200 dollars	4,527
2nd class		160	90
Industrial		95	30
<u>Tangarines</u>			
1st class	27.12.94	250	20
2nd class		215	70

CONCENTRATE PRODUCTION

Cypfruvex has a fruit juice concentrate factory in Güzelyurt. The factory was established at first to obtain juice concentrates from second class unexportable fruits. Citrus of TRNC is unique in its colour and aroma. Concentrate of citrus has a colour that is unique to itself and for these reason fruit juice manufacturers of the world use it as natural agent for colouring, especially in the arange products.

One important thing to add here is the reducing quality of Citrus in TRNC. Due to luck of water resources and failure to pay reasonable price for the producer, is also leading to reduction in the quality. As will be seen in the tables, amount of citrus products used for concentrate is increasing each year.

Fruit juice concentrates are shock freezed to -40°C and kept until shipment. Concentrate exports are a considerable part of total exports from TRNC.

CONCLUSION

Today Cypfruvex is suffering from financial disorder, management problems and is almost at the point of bankruptcy. Cypfruvex on the other hand is very important establishment in the economy of TRNC. Since the collapse of Poly Peck it has become more and more important. It is however a state run company, and like all the state run organizations they are not running profitably. Privatization of Cypfruvex must be seriously considered as a reform in this sector. Until then, improvement has to be made in aspect of marketing. At this moment there no real effort to fetch better prices for the product. Although there are offices in Europe, these are acting as record keepers, rather than marketers.

They should also search for opportunities to work with Jewish companies, who are very experienced in this sector. Israil one of the biggest producers and exporters of citrus, is moving away from citrus to some other new products.

Serious efforts must be made to overcome the transport problem of the island. Since the only exporting possibility is by chartered vessels, it is almost impossible for private sector, to start to work in this field, since the volume of the business has to be very big to start with. Along with the solution of the transport difficulties,

incentives should be given to promote the marketing of the citrus products by private sector.