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Fruit Juices Report

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This note has been prepared, without formal editing, as a service to exporters and industries in developing countries by the Market News Service (MNS), Division of Product and Market Development, International Trade Centre UNCTAD/WTO.
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31 March 2006

Prepared by C. Barkla/J Henry

Introduction:

Again we want to thank our subscribers who were kind enough to comment on our last report. We appreciate all feedback as it gives us the opportunity to develop and adapt the report to your needs. We also want to repeat our request for ideas and contributions that relate to matters that concern sub-Saharan Africa.

We want to reiterate that prices in our report are effectively already out of date by the time we go to print. They should not be used as a precise means of setting prices, but regarded as indicators of trends. Our objective is to identify trends in supply and demand and their effects on long term market and sector dynamics. This trend identification is designed to help in planting, processing and marketing decisions.

Overall:

The market is extremely quiet in most sectors. Few dramatic changes are taking place at the moment. FCOJ, apple, passion fruit and grapefruit continue to sell at cyclically high levels, and supplies in some of these product ranges are either very tight or almost unobtainable.

In recent weeks the US Dollar has firmed up against a number of currencies, but the strong Real and Rand have continued to affect detrimentally exporter returns in Brazil and South Africa. The Rand has come off its highs of February 2006, but is still trading in the top echelon of its recent cycle. The Real is still at a peak against the US Dollar and the Euro, at levels not seen since mid 2002.

The negotiations of a free trade agreement between the EU and South Africa will deliver strong benefits for South Africa which has suffered, as mentioned above, from the strength of the Rand against the US Dollar, Euro and Sterling.

Since our last report, the crude oil price has levelled off at around US$64/barrel. Over a five year time frame, this is high. As a result, steep cost increases of energy dependent products are now impacting more significantly. Additionally, due to the uplift in steel demand, the cost of drums has increased to the point that a 'steel drum levy' is now imposed. The additional cost is in the order of US$80/mt. This all adds cost to a sector that is already reeling from massive price increases of raw materials.

Industry and market news:

After several years of strong growth, the Russian processing market is in a frenzy of rumours of mergers and acquisitions. Most big companies are in play and are trying to tie up their distribution arrangements at the same time. Processing and distribution have to be well integrated to ensure a chance of success in this fast developing market.

The Dangote Group of Nigeria has started the cultivation of 5600 hectares of pineapples in Cross River State, according to FoodNews (06/01/06). This new production is to provide fruit for their newly acquired juice concentrate plant. This will in turn supply their subsidiary Dansa Foods. Dansa presently supplies a range of fruit juices for domestic and export sale.

The growth in global consumption of fruit juice and nectars has slowed, but it is still attracting investment from the big cola marketing companies and other investment companies. Many of the investors seek to align production and marketing with distribution. As distribution costs continue to soar, due in large part to higher energy prices, improved efficiency is a key driver for these mergers. If successful brands are amortised over a wide range of lines in the distribution chain, investments will become more profitable.

ORA/Orange:

Brazilian, FCOJ, bulk, 66 brix, frozen, US$1690-1725/mt C+F Rotterdam
Mexico, FCOJ, drums, 65 brix, frozen, US$1800-1850/mt C+F East and West Coast
Greece, FCOJ, 60 brix, frozen, US$1350-1375/mt fca Athens
Italy, FCOJ, 65 brix, frozen, US$1420-1435/mt fca Sicily
Italy, FCOJ, 50 brix, blood orange, US$2150-2175/mt fca Sicily
Brazilian NFC, US$540-575/mt C+F Rotterdam

Market Situation:

The market seems to be well supplied even at these prices, which have doubled over those that prevailed in early in 2005. Demand seems to be normal with a continuing gentle erosion of FCOJ consumption in favour of NFC. Relatively static Brazilian, and reduced Florida production, seem to be in balance with changes in demand.

Presently, the real problems in the market are for those companies with long term commitments to supply retailers with FCOJ at prices that were negotiated when raw material prices were at half their present levels. These companies seem to have tried to defer taking in the new higher priced production. But by now they have to realise that prices are not likely to fall within the foreseeable future and that they have no choice but to take the financial hits and move on. This will set the new price levels as standard, and remove any unrealistic hopes that prices will dramatically fall in the short term.

However, there is a level of price sensitivity in the market. The US FCOJ market has dropped by nearly 7% as the effects of supply shortages and increased duty and/or levies have driven up prices. However, the full effect of the new price regime has not yet fully impacted on the market. Old contracts written at early 2005 levels will not pass through the market until the middle of 2006.

The industry now has to face the challenge of maintaining consumption and controlling costs as far as possible. A collapse in demand would serve nobody well, but it remains a danger if companies do not recognise the basic commercial need for volume in the FCOJ business.

The FCOJ futures trading on the NYBOT continue to show an increase in prices to levels not seen for over 15 years. Quotations for May and June 2006 are US$1.45/lb solid and US$1.40 respectively. Even for as far out as for November 2006, the price is presently at US$1.38. For 2007, the spread is US$1.32-1.35. Many doubt the impact that these trades have on the market, but in the past year, they have been reasonably accurate indicators of the market trends. For this reason, we will continue to monitor and report on them.

Brazil:

Officials from the Brazilian police, Ministry of Economics and the Ministry of Justice raided the offices of Brazil's largest FCOJ processors, as well as the export industry association, Abecitrus. They were seeking evidence to support allegations of cartels in procurement and fruit price fixing.

News of these raids provoked fury among some growers who feel that the benefits of the higher market prices are not being passed back to them. Contracts are reported as having been written for up to 70% of the fruit supply in 2005/6 at levels of US$2.50-3.50/case. Growers are currently achieving up to US$4.00-4.50/case for smaller volumes. Even these spot levels do not reflect the percentage market price increase of over 100% in less than a year. Associtrus (the growers' association) claim that the actual cost of production is over US$6.00/case. They also claim, that at current market price levels, the processors should be paying US$7.00/case or above to growers. Growers are being tempted into sugar cane production, which offers better returns at lower risk.

The outlook for the 2006 Brazilian harvest is 'normal'. Estimates for the Sao Paulo region crop range from 290-320 million cases. For the Parana region, the crop estimates are for 10 million cases. The estimated carryover from 2004/5 is in the region of 50,000mt.

We have seen reports that Brazilian fresh fruit consumption is expected to rise. This could be by as much as 15%, which would bring the total fresh consumption to 80 million cases in 2006. This will add pressure on supplies of fruit going to juice processing.

The ratio of Brazilian fruit at harvest continues to be reported as low (10-14), but some importers are claiming that actual levels may not be as low as predicted a few weeks ago. They suggest that the final out turn will average 14.

Lastly, exporters are wrestling with a continuing devaluation of the Real. In mid-March, the rate was US$1.00= R$2.09. The view has been expressed to us that once the rate drops below R$2.50, then trading gets tough so it is evident that present rates are having a very serious effect.

Florida:

On 10 March 2006, the USDA further reduced its all orange forecast from 158 million boxes to 154 million boxes. All this new reduction was in the early-mid season Navel oranges. The USDA reports that if this estimate is realised, this will be the first season when Valencia exceeds the crop of the early-mid season Navel fruit. This estimate would foresee an increase over 2004-5 of 2.9%, but 36% less than in 2003/4. Further updates will be published on a monthly basis, but most of our contacts believe that this total will drop further to below 150 million boxes. The USDA projections can be viewed at:

http://www.nass.usda.gov/fl/citrus

The USDA expect the yield to remain at last season's levels of 1.58 gallons per box. Additionally, they predict a reduction in fruit size, but which would be compensated by reduced fruit drop.

The US International Trade Commission (ITC) has ruled that dumped Brazilian orange juice caused harm to the Florida Citrus producing industry. Effectively this means that the extra duty deposits will remain in place until each individual case is examined by the US Department of Commerce. This could take up to two years during a period when orange juice consumption is declining in the very important US market. Meanwhile, apart from the dumping levy, Brazilian production still attracts US$400/mt duty on entering the USA.

The USDA has abandoned its policy of demanding the culling of all citrus trees within a 600 metre radius of an infected tree. The cost of implementing this policy in the wake of the hurricanes of 2005 was simply too high in financial and activity terms. As citrus canker can take many months to manifest itself, a true assessment of the damage is not yet available.

The USDA reported that total utilised citrus production in the USA fell by 31% in volume, but only by 4% in value due to rising prices during the 2004/5 period. Florida lost 38% of all oranges, but production rose in both Texas (+7%) and California (+21%).

In the longer term, the Florida orange processors may choose to focus more on NFC. This is the remaining segment showing potential growth in the US domestic market. Logistics are simpler and cheaper within the USA itself. The costs of replanting and trying to compete on FCOJ with initially Brazil, and eventually China, may prove less attractive for Florida growers.

Other:

Although Brazilian exports of FCOJ have risen up to US$2000/mt DDP in Australia, it is still cheaper than local production. However, local Valencia production is reported as achieving higher ratios, which can be blended with imported lower ratio Brazilian production. Imports of FCOJ and NFC have correspondingly decreased in 2005.

The Mexican processing industry is reported to have been successful with increased prices. This stems from their higher ratio of production, which has to be blended with lower ratio levels from other origins, particularly from Brazil. Normal ratio levels in Mexico are above 15, even if the higher thresholds of earlier years of 18-20 have not been achieved. This origin has the best chance of offering blenders the opportunity to produce significant volumes of sweeter product that many consumers prefer. The US and the EU markets have taken the major share of increased Mexican exports of FCOJ. Mexican production enters the USA duty free due to the NAFTA accords. The same production attracts a duty of 2.9% into the EU.

The Mexican forecast is for a cyclical reduction in volume, but with increasing demand for their higher ratio production, prices can be expected to continue to rise. Consequently, the value of their production is picked to increase. The crop appears to be delayed by up to a month at the time of writing. The Mexicans ship only in drums which gives them the ability to ship all over the world directly into customers' stores without extra handling. Total Mexican production is not likely to be over 60,000mt. in comparison with Brazilian production of 1.3 million mt, The crop size is not large, but its higher ratio makes it very attractive this year.

Italian production, which is quoted above, represents only small quantities of both standard FCOJ and blood orange. However, the price levels are interesting and are similar to those reported from Greece. Most Italian and Greek consumption is absorbed by their local markets or by EU neighbours.

GRA/Grapefruit:

South Africa, white, frozen concentrate, 58 brix, US$2950-3000/mt fca Holland duty unpaid
Cuba, pink, frozen concentrate, 58 brix, US$3000-3500/mt C+F Rotterdam
USA (Florida), white, frozen concentrate, 58 brix, US$3600/mt C+F Holland
USA (Florida), coloured, frozen concentrate, 58 brix, US$3000/mt C+F Holland

According to the USDA, production in Florida fell in the 2004/5 harvest by 69%, but production rose in Texas by 14% in the same period. They forecast on 10 March 2006 that the new estimate for total utilisation of grapefruit in 2006 will be 17 million boxes. This continues the trend of major imbalance with only 5 million boxes of white, and 12 million boxes of coloured fruit. This is an increased estimate (finally!) of 1 million boxes in the white variant and a maintenance in the coloured fruit forecast over the February 2006 estimate. So far in 2006, actual utilisation is up by over 50% in white, and 20% in coloured, over the same period in 2005.

Cuban production has been decimated by last year's hurricanes. The small crop that was available is already mostly committed to the fresh fruit market, which will yield better returns than from juice processing. The wide spread of prices shown above, for all origins, reflects the shortage of supply. Essentially, if there is product available, it is sold fast.

Some companies have now deleted grapefruit juice from their inventories and ranges. Others have converted from 100% juice presentations to 50% nectars. There are also reports of lower quality of grapefruit juices being sold at retail. All these factors will be hard to reverse when increased product becomes available. There is still a loyal core of consumers who will pay whatever it takes to drink grapefruit juice. These consumers will not be impressed by a reduction in quality at the same time as they have to pay substantially higher prices. Let's all hope for a quick return to better growing conditions, especially in Cuba and Florida.

It seems as if Belize is now sold out, and the Argentina exporters are not yet quoting for their upcoming season.

BAN/Banana:

Ecuador, organic, puree, aseptic, 22-24 brix, US$850/mt fca Holland
Ecuador, puree, aseptic, 22 brix, US$480-500/mt, C+F Rotterdam

The market for banana puree has firmed by US$20-40/mt in the past three months. Reasons cited are better demand for fresh fruit, increased demand in Eastern Europe and the up turn in use of this product for smoothies. Some buyers believe the market will go well above US$500/mt in the next few months. There are reports of contracts at former lower prices being delayed. This scenario could lead to difficulties as growers are trying to raise their prices after hearing of the rise in market prices.

GUA/Guava:

Brazil, pink, puree 10/12 brix, US$550/mt FOB Santos or US$680/mt C+F Rotterdam
Brazil, pink, half concentrate, 14/16 brix, US700/mt FOB Santos
South Africa, white, aseptic, ss, US$680/mt C+F Rotterdam
South Africa, pink, aseptic, ss, US$720/mt C+F Rotterdam
South Africa, pink, aseptic concentrate,18 brix, US$1100/mt, C+F Rotterdam
India, white, aseptic concentrate, 20 brix, US$970-980/mt C+F Rotterdam

The Brazilian market seems quite slow with plenty of stock available. The market is relatively active for South African domestic sales and for Indian exports. Pink guava is principally used in tropical blends, whereas white guava is used as single juice. South African pink aseptic puree, at over US$700/mt, is likely to be too expensive for importers.

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PAP/Papaya:

India, red, aseptic concentrate, 25 brix, US$1500/mt FOT Rotterdam Duty Paid

The market is reported as quiet. It is difficult to find corroborative reports of prices and activities in this line.

LEM/Lemon:

Argentina, frozen concentrate, 500/cloudy, US$785/mt fca Holland, Duty unpaid
Argentina, frozen concentrate, 500/clear, US$1000-1100/mt fca Holland Duty unpaid
Argentina, frozen concentrate, 400gpl/clear, US$1000/mt fca Holland

These are early prices and may well come off these levels as the season progresses. At the end of the campaign prices are likely to settle in the same range as in 2005. There seem to be no significant factors which should cause a change, but the price of lemon oil has risen recently and this has reduced pressure on the processors for their juice sales.

Recent increases in the tolerance levels of TBZ (thiabendazole) have put buyers on their toes in the EU. Severe, practically zero, tolerance of TBZ levels, as enforced by German authorities, has been taken over by weaker EU standards. As a result, some suppliers have shipped product that meets the lower common EU standards. These shipments have sometimes been made at lower prices.

On a wider issue, if the consuming public become aware of any lowering of standards in tolerance of agents such as TBZ, consumption of the juices could be threatened. A similar scenario could play out over perceived risks from some forms of packaging, which puts juice in contact with carcinogenic substances. The public will punish any sign of perceived safety reductions. There are plenty of organisations and publications that will disseminate this kind of information.

PIN/Pineapple:

Thailand, smooth Cayenne, 60 brix, concentrate, aseptic, US$950-1000/mt FOB Bangkok
Thailand, smooth Cayenne, 60 brix, frozen concentrate, US$1000-1050/mt FOB Bangkok
Thailand, smooth Cayenne, 60 brix, frozen concentrate, US$1150-1200/mt fca Holland Duty unpaid
Thailand, smooth Cayenne, 60 brix, concentrate, aseptic, US$1050-1100/mt fca Holland Duty unpaid
Thailand, smooth Cayenne, NFC, US$900/mt C+F Rotterdam
Brazil, perola, 60 brix, frozen or aseptic concentrate, US$1100/mt FOB Santos
Brazil, smooth Cayenne, 60 brix, frozen concentrate, US$1125/mt C+F Rotterdam
South Africa, smooth Cayenne, 60 brix, aseptic concentrate, US$995/mt C+F Rotterdam
Vietnam, queen, 60 brix, aseptic concentrate, US$950/mt C+F Rotterdam
Vietnam, queen, 60 brix, frozen concentrate, US$980/mt C+F Rotterdam

The market is very quiet at the time of writing. Key players are waiting to see what will happen with pineapple juice, as well as with AJC and FCOJ. While these juices operate in separate individual markets, the effect of recent dramatic price rises in other fruits has reduced the focus on pineapple juice. Few contracts for more than 3 months ahead are reported as having been written lately. Duty on Thai production into the EU was reduced from 1 January 2006 from 15.2% to 11.7%.

Prices have come down since the ANUGA Fair in October 2005. This was reported in our last edition but since then a lower demand for fresh fruit has further compounded the problem. Increasing quantities of fruit are now likely to be allocated for juicing.

Pineapple juice is now at significantly lower prices than FCOJ and AJC. Marketing companies could offer an acceptable multi range price by introducing more pineapple either in blends or single juice presentations. If the price differential is maintained between pineapple and the traditionally bigger selling fruit juices, more new options for pineapple juice will be explored. We have had reports that some orange solids have been replaced by pineapple solids in blends.

The Thai crop is reported as normal. Parts of Thailand are having a 'dry' period with smaller fruit size than usual. This may lead to increased supplies of fruit for juicing, which in turn could lead to further pressure on prices. However, the South seems to have had more rain than usual so we are receiving mixed signals about the eventual crop out turn. The situation should become clearer by May.

The Brazilian crop came through 45 days late due to the lack of rain. The local market is active.

PAS/Passion Fruit:

Ecuador, 50 brix, frozen concentrate, US$4500-4800/mt c+f Rotterdam
Colombia, 50 brix, frozen concentrate, US$4900/mt fca Holland Duty unpaid
Ecuador, 14-16 brix, ss frozen, US$1500/mt C+F Rotterdam

The market is very quiet at present due to lack of supply. Too much rain means that the crop will be delayed and a new assessment of the 2006 harvests will now be issued by the Ecuador Passion Fruit Producers' Association in mid April. March and April are usually the peak months for production. Since January, less fruit has been processed than in the same period in 2005. It is now expected that the first crop will peak in May. This will mean that users will have to wait until June before new season supplies will reach the markets. Stocks in the consuming markets will remain minimal until the new season's crop arrives. Early reports at the time of writing suggest that the crop will be around 14000mt which would restore pipeline supplies. However, recent demand estimates suggest that this has risen. Some of our contacts suggest that prices will come down during 2006 and will level out in early 2007 before starting to rise again. Others take the view that demand is still above supply and that prices will hold up during 2006 and it will not be until early 2007 that prices may come down significantly. They expect the September 2006 crop to maintain supplies rather than increasing stocks. Readers can take their pick as to which of these widely differing scenarios they chose to believe.

Alternative origins for passion fruit juice production are actively being sought. Due to the relative short planting to harvest cycle, this could be worthwhile until supply exceeds demand again. Vietnam, Africa, Peru and Colombia are on the list of potential new exporters. Brazil, Peru and Colombia are already producing significant quantities for their fast growing domestic markets. The danger here is of a compounded boom to bust cycle. Increased global supply has to meet a corresponding increase in demand, otherwise prices will collapse and production will be again discouraged.

In Brazil, the northern season is running well. The prices being paid for fruit are very high, but the local market is active and will probably consume all the local production, leading to the possibility of imports. Brazilian exporters say they will not sell at less than US$5000-5500/mt as they are also feeling the effects of the weak exchange rate when they convert US dollars back into the Brazilian Real. Brazilian production attracts duty on entering the EU, as opposed to juice from Ecuador, which goes in duty free.

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MAN/Mango:

Brazil, Tommy Atkins, aseptic, puree s/s, 14/16 brix, US$650/mt FOB Santos
Brazil, Palmer, concentrate, aseptic, 28/30 brix, US$850/mt FOB Santos
India, Alfonso, ss, aseptic, 16-18 brix, US$1250-1300/mt C+F Rotterdam
India, Totapuri, concentrate, aseptic, 28 brix, US$1100-1125-/mt C+F Rotterdam
India, Totapuri, ss, aseptic, US$765-780/mt FOT Rotterdam
Mexico, Tommy Atkins, concentrate, aseptic, 28 brix, US$1000-1100/mt fca Holland Duty unpaid
Colombia, Magdalena, 15-16 brix, ss aseptic, US$775/mt C+F Rotterdam Duty Free

These Brazilian prices were the final prices as the market is now sold out following strong local market activity. In general, as we reported last time, South American suppliers are improving their world position. This increase comes partly from their reputation for more reliable crop estimates, and also after several seasons of good harvests. Prices have been stable, or gently rising, which has given importers confidence in formulating with the Latin American mango varieties.

As well as Brazil, Peru has also sold out at the time of writing. Colombia is still in the market at the prices shown above.

Mango processors in the Philippines are being more aggressive in their distribution ambitions. Their targets are the Australasian and Far East markets. Their variety is Carabou, which is already well accepted in some parts of the Far East.

The 2006 Indian harvest was expected to be good this year. However, recent reports suggest that the amount of fruit is not as much as previously expected. This could mean higher prices, particularly for the top of the range Alphonso variety. However, Latin American production will serve to balance this situation. Indian Totapuri prices are stable, with only small stocks still available prior to the start of the new season in a few weeks' time.

India has also reported good rains and we can expect the first new season's crop reports in early April 2006. The harvest will commence in earnest in May. As always, weather can influence the out turn, but we will report in more depth in our June 2006 report.

ACE/Acerola:

Brazil, s/s juice, US$850/mt FOB Santos
Brazil, frozen concentrate, 20 brix, US$2300/mt FOB Santos

The Brazilian season was a disaster in the northeast due to a lack of rain. However, the southeast is good and will close in mid April. This line is also less easy to corroborate on prices and activity, as few companies work in this juice.

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