Fruit Juice Market - December 2014

OVERVIEW:

The fruit juice market has been seriously affected lately by strong headwinds.

A continuation of the vocal attempts to persuade consumers not to drink so much fruit juice has been intense and global in its reach. It is hoped that one day, the industry will collaborate to offer an opposing view, which would restore some balance to the discussion.

A new negative force has come from the sharp rise in the US Dollar against most currencies – in particular against the Russian Rouble. What this sudden devaluation will mean for the fruit juice market in Russia cannot be gauged just yet. On top of the economic sanctions imposed on Russia, it will also impact on investment. Russia has been a stellar growth market for our sector over the past ten years and it will not help to see any reduction in economic activity.

A rise in the cost of the US Dollar not only has ramifications on the pricing of juice but it will reduce the potential beneficial effects of the equally sharp fall in the price of oil/energy. Processing and shipping costs play a large part in determining profitability in our business. Sometimes it is difficult to be positive in the face of these headwinds. However, the fruit juice industry has shown itself to be both creative and resilient in the past when faced with a deteriorating economic outlook.

Your Market Insider remains confident in your strength and abilities and wishes all our readers a Safe and Happy Christmas and a Successful 2015.

ACEROLA:

Brazil, frozen ss, 6-8 brix, US$1150-1200/mt CFR Rotterdam

Brazil, frozen concentrate, 20-22 brix clear, US$3000-3100/mt FOB Santos

The market is well supplied and in balance.

APRICOT:

South Africa, puree, 32 brix, US$1400-1500/mt CFR Holland

South Africa, puree, 30-32 brix, €1350-1450/mt FCA Rotterdam

The crop in South Africa will be very small due to the cold weather during the blooming phase of the productive cycle. It is likely that most fruit will go to canning or jam production. Some will go to the fresh market as well.

In Europe the crop turned out to be average but a lower than normal crop in Turkey put pressure on EU supply and consequently prices have gone up.

BANANA:

Ecuador, ss aseptic, 22 brix, US$675-725/mt FCA Holland
The market seems to be well balanced at present, and has returned to normal.

**GRAPEFRUIT:**

Florida, red, frozen concentrate, ratio 9.5<, 58 brix, US$1600-1700/mt CFR Holland (ratio 9.5+)


Florida, white, frozen concentrate, ratio 9.5<, 58 brix, US$3000-3200/mt CFR Rotterdam (ratio 9.5+)

The market for white grapefruit juice remains in short supply due to reduced acreage in Florida production as well as a poor crop from Cuba. Therefore the market is firming. For red and pink varieties, the market is firm for the pink variety from Florida whereas it is dependent on the ratio for the red variety. The price gap between the ratios for red and between red and pink varieties is widening rapidly at the time of writing.

**GUAVA:**

South Africa, pink, concentrate puree, 19 brix US$1200-1300/mt CFR Holland

Egypt, pink, concentrate, puree, 20 brix US$1200-1300/mt CFR Rotterdam

Demand for guava puree is very strong at the moment but supply is rather compromised. A disappointing white guava crop in India and South Africa selling out of pink guava have left only a few sellers in the market. South Africa will come back on stream in April 2015 at the price levels above.

**LEMON:**

Argentina, frozen concentrate, cloudy, 500gpl US$5200-5750/mt CFR Rotterdam

Argentina, frozen concentrate, clear, 500gpl US$6000-6500/mt CFR Rotterdam

Lemon juice supply is very short due to strong demand and the continuing legacy of a disastrous crop in Argentina last season. As a result, there are very small parcels of stock available from Argentina. European production is about to commence but it is likely that the high prices levels seen throughout 2014 will continue into the New Year.

**MANGO:**

India, Alphonso, aseptic puree, 17 brix, US$1550-1650/mt CFR Rotterdam

India, Totapuri, aseptic concentrate, 28 brix, US$1250-1350/mt CFR Rotterdam

Mexico, Tommy Atkins, aseptic concentrate, 28 brix, US$1200-1300/mt FCA Holland

The market for the Alphonso variety is firm and while there are still some stocks available, ‘Caveat Emptor’ applies more than ever. Some of the available stocks are not the ‘real’ Alphonso variety. There is very little availability of the ‘real’ Western Alphonso. It is reported as more or less sold out.

Due to a very poor harvest for Tommy Atkins in Latin America, Mexico is now sold out and Peru is reporting a 20% drop in its harvest which will start next month (January 2015). This has helped the price of Indian Totapuri to firm. India has processed lower quantities of concentrate this year, which should contribute to a firmer price going into 2015.

**ORANGE:**

Brazil, FCOJ, Pera, ratio 14-16, 66 brix, US$2000-2100/mt FCA Holland, bulk

Italy, blood FCOJ, 55 brix, €2600-2700/mt EXW Italy
Brazilian production is showing a smaller production but better yields which is a major turnaround from earlier in the year. The first bloom failed and the second bloom was severely compromised by the drought in the middle of 2014 particularly in the Sao Paolo. Recent rains have kick started a third bloom but most of the fruit will probably go to the fresh market. These are the main reasons that prices have held up as far as shown above. Demand for Frozen Concentrated Orange Juice (FCOJ) has fallen in almost every major market in the world. As the biggest single fruit variant, it is the most exposed the barrage of adverse publicity about fruit juice consumption. This trend shows no sign of abating. If Florida and Brazil were to have successful harvest in 2015, a price collapse is likely to occur.

The Italian blood orange crop will start in February 2015 but is reported to be up to 25% less than in 2014. Prices above are therefore firming.

**PASSION FRUIT:**

Ecuador, frozen concentrate, 52 brix, US$5000-6000/mt CFR Holland

Supply from both the major origins of Ecuador and Peru has tightened up in the past few weeks. This has served to arrest the sharp decline in prices which have almost halved in the past six months. The next peak in Ecuadorian production is in January 2015 and price above reflects the present spot market for immediately delivery. If the January peak shows a good harvest, prices are likely to drop even further as demand is fairly flat for passion fruit juice due in part to blenders being reluctant to include a product that fluctuates so wildly in price and availability.

**PEACH:**

Greece, yellow puree, 30-32 brix, €1200-1300/kg EXW Pireus

South Africa, puree, 30-32 brix, US$1500-1700/mt CFR Rotterdam

A disappointing crop in Europe has meant that the good quality Yellow Cling variety was sold out at the prices shown above. However this has been balanced by reports of good harvests coming up from Chile and South Africa while Argentina may also have an above average crop.

**PINEAPPLE:**

Thailand, Smooth Cayenne, frozen concentrate, 60 brix, US$1900-2000/mt FCA Holland

Thailand, Smooth Cayenne, aseptic concentrate, 60 brix, US$1900-2000/mt CFR Rotterdam

Costa Rica, MD2, aseptic ss, 12 brix, NFC, US650-680/mt DDP London

Prices were picked to rise on the news of a poor harvest in the Philippines and a lower than average crop in Thailand. These reductions have had the effect of diverting raw product to the canning sector. However the situation is now worse than expected and the price for Pineapple Juice Concentrate (PJC) has caught up again with FCOJ.

The outlook is no better as the winter campaign in Thailand is looking poor and the backlog of orders from earlier in the year has still to be filled. Poor quality fruit is affecting PJC production where parcels are available.

No relief is in sight until the middle of 2015 as demand remains strong.

**POMEGRANATE:**

Turkey/Iran, aseptic clarified concentrate, 65 brix, €2500-2800/mt FCA Rotterdam.

Plentiful supply has put downward pressure on prices but demand is growing and the market is reasonably well balanced.
Glossary of Incoterms (Pricing conditions)

EXW (EX-Works):

One of the simplest and most basic shipment arrangements places the minimum responsibility on the seller with greater responsibility on the buyer. In an EX-Works transaction, goods are basically made available for pickup at the shipper/seller's factory or warehouse and "delivery" is accomplished when the merchandise is released to the consignee's freight forwarder. The buyer is responsible for making arrangements with their forwarder for insurance, export clearance and handling all other paperwork.

FOB (Free On Board):

One of the most commonly used-and misused-terms, FOB means that the shipper/seller uses his freight forwarder to move the merchandise to the port or designated point of origin. Though frequently used to describe inland movement of cargo, FOB specifically refers to ocean or inland waterway transportation of goods. "Delivery" is accomplished when the shipper/seller releases the goods to the buyer's forwarder. The buyer's responsibility for insurance and transportation begins at the same moment.

FCA (Free Carrier):

In this type of transaction, the seller is responsible for arranging transportation, but he is acting at the risk and the expense of the buyer. Where in FOB the freight forwarder or carrier is the choice of the buyer, in FCA the seller chooses and works with the freight forwarder or the carrier. "Delivery" is accomplished at a predetermined port or destination point and the buyer is responsible for Insurance.

FAS (Free Alongside Ship)*

In these transactions, the buyer bears all the transportation costs and the risk of loss of goods. FAS requires the shipper/seller to clear goods for export, which is a reversal from past practices. Companies selling on these terms will ordinarily use their freight forwarder to clear the goods for export. 'Delivery' is accomplished when the goods are turned over to the Buyers Forwarder for insurance and transportation.

CFR (Cost and Freight):

This term formerly known as CNF (C&F) defines two distinct and separate responsibilities-one is dealing with the actual cost of merchandise "C" and the other 'F' refers to the freight charges to a predetermined destination point. It is the shipper/seller's responsibility to get goods from their door to the port of destination. 'Delivery' is accomplished at this time. It is the buyer's responsibility to cover insurance from the port of origin or port of shipment to buyer's door. Given that the shipper is responsible for transportation, the shipper also chooses the forwarder.

CIF (Cost, Insurance and Freight):

This arrangement similar to CFR, but instead of the buyer insuring the goods for the maritime phase of the voyage, the shipper/seller will insure the merchandise. In this arrangement, the seller usually chooses the forwarder. 'Delivery' as above, is accomplished at the port of destination.

CPT (Carriage Paid To):

In CPT transactions the shipper/seller has the same obligations found with CIF, with the addition that the seller has to buy cargo insurance, naming the buyer as the insured while the goods are in transit.

CIP (Carriage and Insurance Paid To)

This term is primarily used for multimodal transport. Because it relies on the carrier's insurance, the shipper/seller is only required to purchase minimum coverage. When this particular agreement is in force, Freight Forwarders often act in effect, as carriers. The buyer's insurance is effective when the goods are turned over to the Forwarder.
DAT (Delivered At Terminal)
This term is used for any type of shipments. The shipper/seller pays for carriage to the terminal, except for costs related to import clearance, and assumes all risks up to the point that the goods are unloaded at the terminal.

DAP (Delivered At Place)
DAP term is used for any type of shipments. The shipper/seller pays for carriage to the named place, except for costs related to import clearance, and assumes all risks prior to the point that the goods are ready for unloading by the buyer.

DDP (Delivered Duty Paid)
DDP term tend to be used in intermodal or courier-type shipments. Whereby, the shipper/seller is responsible for dealing with all the tasks involved in moving goods from the manufacturing plant to the buyer/consignee's door. It is the shipper/seller's responsibility to insure the goods and absorb all costs and risks including the payment of duty and fees.

Methodology
Prices for Fruit Juices are rarely published and are dependent on quantities, packaging and delivery dates. Most significant quantities are sold on long term contracts where prices are normally not disclosed. For smaller parcels and short term requirements, trading takes place on the 'spot' market where prices are higher but more transparent.

Prices quoted in this issue were gathered during Weeks 50 & 51 2014