Fruit Juice Market – December 2015

OVERVIEW

As we get to the end of the year, it is probably fair to say that we are in the calm before the storm. The forces that have swirled around our world and specifically our industry are ones that will only show their real effects in 2016.

The most significant will probably be the largest El Nino for many years. Guava, Mango and Passion Fruit crops are the most obvious candidates for disruption but there will be others that could suffer dramatically as El Nino intensifies over the coming months.

Next in line are the effects of changing currency relativities and interest rates. One only has to look at recent values in the past six months against the US Dollar for the South African Rand (-25%) and the Brazilian Real (-45%) to see how these changes are affecting producing origins. Now that the Federal Reserve has started to raise US interest rates, we can expect an even stronger US Dollar, which is the major global currency for trades in fruit juice.

Then we have to consider the geopolitical situation with the sanctions and embargoes that have been put in place between countries such as Russia and the European Union and Turkey. For example, Russia is normally one of Turkey's main markets for fruit and juice.

Lastly, our industry is still facing a continuous barrage of adverse publicity about sugar in fruit juices drinks. This is being exacerbated by the back wash of comment about sugar in carbonated soft drinks, which the public confuses with pure fruit juices. Isn't it time for a concerted campaign to show how different sugars play out in practice? The different attributes of sucrose, lactose and fructose need to be clarified in the minds of consumers. Maybe this could be a New Year's resolution for our industry.

Notwithstanding, we wish everyone a safe and happy Christmas and a successful 2016!

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 continues to be well supplied and in balance.

APRICOT:

South Africa, puree, 32 brix, US$1450-1600/mt CFR Holland

Greece, puree, 30-32 brix, €1450-1550/mt FOT Northern Europe
South African crop is likely to be significantly down on last year but quality is reported as good. Latin America is not offering yet but we have heard reports that Argentina may have a much lower crop. The Turkish crop also suffered badly earlier in the year so that non-EU stocks are low. In the EU, Greece and Spain are already sold out. Prices have risen strongly since our last report and can be expected to remain firm well into 2016. A reduction in demand from Eastern Europe, and in particular from Russia, is the only factor that is keeping a lid on prices.

**BANANA:**

Ecuador, ss aseptic, 22 brix, US$650-700/mt CFR Rotterdam

Since the price rise earlier in the year, supply and demand seem to be in balance. We do not expect any changes before next year.

**GRAPEFRUIT:**

South Africa, red, frozen concentrate, ratio 6 - 8.5, 58 brix, US$1100-1250/mt CFR Holland

South Africa, white, frozen concentrate, ratio 7 - 9, 58 brix, US$2000-2000/mt CFR Rotterdam

Caribbean, white, frozen concentrate, ratio 9-, 58 brix, US$2400-2600/mt CFR Rotterdam

Caribbean prices are relatively stable and stock is still available. South Africa is pretty much sold out of red variety but a few parcels are still available at higher prices. South African white variety will only be available by the middle of 2016. The market is still characterized by slow demand.

**GUAVA:**

South Africa, pink, concentrate puree, 19 brix US$1150-1250/mt CFR Holland

India, white, concentrate, puree, 20 brix US$1150-1250/mt CFR Rotterdam

Overall supply and demand are in balance. However, the crop forecast from India has been revised downwards possibly as a result of El Nino. This will mean a lower than average crop for the white variant, but more availability could be expected in a few months’ time. For pink guava puree, South Africa is sold out and further supply is not expected before the second quarter of 2016.

**LEMON:**

Argentina, frozen concentrate, cloudy, 500gpl US$3500-3800/mt CFR Rotterdam

Argentina, frozen concentrate, clear, 500gpl US$4000-4300/mt CFR Rotterdam

Lemon juice prices have fallen substantially in the past few months and this trend has continued since our last report. Pipeline stocks have now been restored to ‘normal’ which is leading to a slowdown in demand. Effectively demand is now reflecting actual consumption which has removed the heat from the demand side.

EU production will commence shortly and we are waiting for the initial crop estimates. The only reason for prices not to remain at or below these levels is demand for fresh lemons, which is quite strong at the time of writing.
MANGO:

India, Alphonso, aseptic puree, 17 brix, US$1700-1800/mt CFR Rotterdam
India, Totapuri, aseptic concentrate, 28 brix, US$1350-1450/mt CFR Rotterdam
Mexico, Tommy Atkins, aseptic concentrate, 28 brix, US$1300-1350/mt FCA Holland

Prices for the Alphonso variety have come down slightly since our last report. Authentic alphonso is now sold out but there are a few parcels of blended alphonso available. The 2015 season's crop for Totapuri was badly affected by the extreme heat in India over the growing season. There is no totapuri stock available now and none will be available until the middle of 2016. Similarly, there is very little Tommy Atkins available from Mexico and none will be on the market before the middle of 2016. This crop could well be affected by the El Nino which is now building in the Pacific.

ORANGE:

Brazil, FCOJ, Pera, ratio 14-16, 66 brix, US$1800-1900/mt FCA Holland, bulk
Italy, blood FCOJ, 55 brix, €2600-2700/mt EXW Italy

Demand is still evaporating fast particularly in the important US market. But at the same time, the Florida forecasts are showing the smallest crop for over 30 years at 74 million boxes. The situation in Brazil is less confused with conflicting reports of major processors buying in extra crop. It seems clear that while total yield may be lower, that the quality (ratios) may be better. The Italian blood orange crop is reported to be sold out and the market is empty. Fresh production will not be available until February 2016.

PASSION FRUIT:

Ecuador, frozen concentrate, 52 brix, US$7500-8200/mt CFR Holland

Supply from both the major origins of Ecuador and Peru has tightened up since the middle of 2015. This has raised prices in the past few months as there are virtually no stocks available.

The August peak in Ecuadorian production was much lower than expected/hoped. Prices have moved up again also because yields are below average as well as the quantities. There will be no further significant production before the start of the second quarter of 2016 and this could be affected by El Nino.

PEACH:

Greece, yellow puree, 30-32 brix, €1100-1200/kg EXW Pireaus
South Africa, puree, 30-32 brix, US$1150-1250/mt CFR Rotterdam

A disappointing crop in Europe (especially Greece where there was a 35% reduction due to the extreme heat) did not lead to the expected upward pressure of prices due to weak demand. This could well be a result of lower sales to the important Russian market. South Africa will start processing in early 2016 but it is still too early to have an idea of prices. Crop volumes could well be significantly reduced over last year.
**PINEAPPLE:**

Thailand, Smooth Cayenne, frozen concentrate, 60 brix, US$3400-3800/mt FCA Holland

Thailand, Smooth Cayenne, aseptic concentrate, 60 brix, US$3400-3800/mt CFR Rotterdam

Costa Rica, MD2, aseptic ss, 12 brix, NFC, US$850-950/mt DDP London

The supply side for pineapple juice is still being described as a disaster. Harvests have been very poor and by the time fresh and canning obligations have been satisfied, there is very little production of any good quality left over for Pineapple Juice Concentrate (PJC) sales. There is now a very real danger that poor quality fruit is getting processed into juice with the inevitable effect on buyers and consumers. High prices and low demand could be a recipe for a collapse in the market. On top of all this, El Nino could affect the Asian supplying origins such as Thailand, Indonesia, Vietnam and the Philippines and bring an early end to the winter harvest in these countries.

**POMEGRANATE:**

Turkey/Iran, aseptic clarified concentrate, 65 brix, €2700-3200/mt FCA Rotterdam.

Demand is increasing and prices have firmed during 2015. Pomegranate is now perceived as a super fruit and its juice has become very popular as a result. Globally, demand for both fresh fruit and juice can be expected to grow. We have also seen reports of big increases in NFC production which is helping to increase prices. How this increased demand will affect prices is fairly easy to guess.

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 2015**