Fruit Juice Market – June 2015

OVERVIEW

When we look at the overall price trends of our industry we try to pick rising stars and those which are on a downward trajectory. For this edition, we notice that the rising stars are mostly in the more minor fruit categories such as apricot, alphonso mango, pineapple and passion fruit. We do not cover many superfruits but they seem to be going in right direction too.

Almost all the other juices are on par – that is to say that we do not expect them to decline or rise significantly.

This backs up what we said last time. Our industry seems to be in balance. Frankly, this is what we need while we ride out the storm of adverse publicity surrounding soft drinks and fruit juices.

Marketers are furiously trying to develop fruit juice based products which contain less sugar and fewer calories. Those that follow our blog will have noticed this trend. This is positive but regrettably these new launches contain less and less actual fruit juice. This cannot be good for our producers who need a critical mass of demand from a wide spectrum of buyers to create upward price momentum and growth.

I want to mention that this is ANUGA year in Cologne (Koln) in Germany from Friday 9 October to Wednesday 13 October. We hope to meet some of you if you are planning to exhibit or visit. You will be able to view the new trends and taste many of the exciting product developments during these few days as well as meet old friends and make new contacts.

To end on a positive note, the summer season in the Northern Hemisphere is shaping up to be long warm. Hopefully this will create a platform for profitable growth for all players in our fruit juice markets. For those in situ for summer, we wish you happy holidays.

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
Greece, puree, 30-32 brix, €1350-1450/mt FOT Northern Europe

The crop in South Africa largely failed due to the cold weather during the blooming phase of the productive cycle. Most fruit went to the fresh market or canning and jam production so there is little or nothing left for concentrate puree production. Overall, there is practically no uncommitted stock available from China or South Africa.

In Europe the market is almost completely sold out, but new stock will be available in the next couple of weeks. Prices above are indicative only.

BANANA:

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

The market seems to be calm at present but prices have risen by about 5% since our last report. Supply and demand seem to be balanced. Problems of disease in the Cavendish variant (by far the most
important variety for puree) are casting a long shadow over the future of supply. It will take significant investment to replace the existing stocks with an alternative which has yet to be identified.

**GRAPEFRUIT:**

Florida, red, frozen concentrate, ratio 9.5<, 58 brix, US$1500-1600/mt CFR Holland (ratio 9.5+)
Florida, pink, frozen concentrate, ratio 9.5<, 58 brix, US$1750-1850/mt CFR Rotterdam (ratio 9.0+)
Florida, white, frozen concentrate, ratio 9.5<, 58 brix, US$2400-2600/mt CFR Rotterdam (ratio 9.5+)

The market for white grapefruit juice has stabilized in the past three months. Prices had previously fallen due to ever weakening demand. These prices are expected to remain in force until the last quarter of 2015 when new supply will come on stream from Cuba.

For the pink variety, the market is has also stabilized, whereas it is dependent on the ratio of the red variety. The price gap between the ratios for red varieties has remained wide. High ratio from Florida is starting to be matched by higher ratio production from South Africa.

However, we have to realize that all this supply side opinion is largely academic as demand continues to slide all over the world. Recent sales figures from the USA confirm a further serious drop in sales. We have often documented the main reason for this reduction. The perceived clash between grapefruit juice and many prescription medicines, joined with an older aged consumer profile, have conspired to cause this sad state of affairs.

**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 Production in South Africa has now passed its peak while in India, there are reports of poor stock quality as well as smaller quantities. This information has to be considered in relation to a gradual declining price trend over the past few months but we are told that supply and demand are pretty much in balance..

**EMON:**

Argentina, frozen concentrate, cloudy, 500gpl US$4250-4500/mt CFR Rotterdam
Argentina, frozen concentrate, clear, 500gpl US$5000-5250/mt CFR Rotterdam

Lemon juice prices have fallen substantially in the past few months although this trend has slowed in recent weeks. Argentina was expected to have a 'normal' harvest, but due to a severe delay in the harvest, new season’s stocks will not be available in serious quantities until late in the Northern Hemisphere summer season. There will still be a lag of a few weeks while stocks arrive in the major markets so prices should remain around these levels..

**MANGO:**

India, Alphonso, aseptic puree, 17 brix, US$1650-1750/mt CFR Rotterdam
India, Totapuri, aseptic concentrate, 28 brix, US$1350-1450/mt CFR Rotterdam

Mexico, Tommy Atkins, aseptic concentrate, 28 brix, US$1300-1400/mt FCA Holland

The market for the Alphonso variety is firm. Prices have risen in recent weeks. The crop of Western Alphonso is significantly lower than expected and the Southern crop was not much better. Demand is still firm but there are reports of a wide discrepancy between standards of quality of parcels from India at the time of writing.

The new season’s crop for Totapuri is starting at the time of writing. The extreme heat in India over the past few weeks has apparently affected the crop quality but no supply is yet available and prices are only an indication.
Mexican Tommy Atkins is in full harvest at the time of writing. Crop size and quality seem to be normal. Latin American prices are at the same level as Totapuri but could rise above the Indian product if Indian quality is not up to standard. We have long predicted that this would occur and if it happens, it could be a seminal moment in the pricing of mango puree.

**ORANGE:**

Brazil, FCOJ, Pera, ratio 14-16, 66 brix, US$1950-2050/mt FCA Holland, bulk Italy, blood FCOJ, 55 brix, €2600-2700/mt EXW Italy

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 to the barrage of adverse publicity about fruit juice consumption and its attendant sugar content. This trend shows no sign of abating. If Florida and Brazil were to have massive harvests in 2015, a price collapse could happen. At this stage, early assessments of the Brazilian harvest suggest that the 2015/6 out turn will be around 279 million boxes. Our contacts expect up to 33% fewer oranges going to processing which, when combined with up to 10% lower yield, will see a much lower crop. The lower yield is due to the detrimental effects of greening, canker and drought. There are very low carry-over stocks which could lead to a firming of prices going into the end of this year. 2015 is an ANUGA year in October and traditionally FCOJ prices have been announced at this event. This year could be no different. Florida is looking for a lower crop according to the latest USDA projections. On the moving average of the past three seasons, it is down by between 25% and 33%. This is really a blessing in disguise as consumer demand in the USA is matching the reduction in American supply.

The Italian blood orange crop started in February 2015 and is reported to be almost sold out as quantities were lower towards the end of the season.

**PASSION FRUIT:**

Ecuador, frozen concentrate, 52 brix, US$5750-6200/mt CFR Holland

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

The next peak in Ecuadorean production is in August 2015 and the prices above reflects the present spot market for immediately delivery. Prices could tighten in the short term if the August peak is less than expected, but the long term price trend is for a stable to slight increase, if ever there is anything ‘slight’ about passion fruit pricing movements!

**PEACH:**

Greece, yellow puree, 30-32 brix, €1200-1300/kg EXW Pireus South Africa, puree, 30-32 brix, US$1200-1300/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. There will be no more production until next month but reports suggest a ‘normal’ crop of average quality.

South Africa is now sold out at these price levels which turn out to be lower than we had expected in our last report.

With peach puree’s market being so strong in Eastern Europe, EU producers have been shut out of this market due to sanctions imposed on many exports from the EU to Russia. This is distorting the market between EU and non-EU production.
PINEAPPLE:

Thailand, Smooth Cayenne, frozen concentrate, 60 brix, US$2550-2650/mt FCA Holland
Thailand, Smooth Cayenne, aseptic concentrate, 60 brix, US$2550-2650/mt CFR Rotterdam
Costa Rica, MD2, aseptic ss, 12 brix, NFC, US750-800/mt DDP London

The supply side for pineapple juice is justly being described as a total disaster. Harvests have been very poor and by the time fresh and canning obligations have been satisfied, there is very little production of any quality left over for PJC sales. Pundits suggest that this situation could last for some time (even years) while at these prices demand will collapse.

In the past, industry insiders have drawn a comparison between the PJC and the FCOJ prices. Right now at the time of writing, PJC is 25% ahead of FCOJ on a like for like brix level. Can this be sustained? Probably not, but if so little PJC product is available, can anything else happen? Marketing companies that we have spoken to, suggest that pineapple references will not be reinvented but dropped. This could play badly for PJC in the long term.

POMEGRANATE:

Turkey/Iran, aseptic clarified concentrate, 65 brix, €2700-3000/mt FCA Rotterdam.

Demand is increasing and prices have firmed since our last report. New crops will become available in the last quarter of this year.

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 26 & 27 2015.