Fruit Juice Market – September 2015

OVERVIEW

At the end of next week (Friday 9 October) the ANUGA Fair will start in Cologne. Your Market Insider has never known a more significant ANUGA, where, traditionally, marketing plans and prices have been either announced or agreed in many of the fruit juice categories. With so much uncertainty surrounding all sides of the supply chain, this will be a very important occasion.

Let’s consider the big issues. EL Nino is predicted to be as big as any in the last 30 years. Its effects are already being felt and are covered under some of the individual fruit juices in this report. It would be irresponsible to overstate the dangers but equally it would be irresponsible to ignore them. The main areas presently under threat are Latin America and South and South East Asia, but as it gathers strength, its reach will spread.

Another major issue is the global economic situation. When the last report was issued just three months ago, global economic growth was underpinned by strong reported Chinese results and the major threat was that the Federal Reserve in the United States of America might have raised interest rates. All that is but a distant memory as Chinese growth and business confidence has crumbled and currency fluctuations have changed prices and costs dramatically. Nowhere is this more noticeable than in Brazil which is such an important player in the world of fruit juices.

It would probably have been a good idea to wait before producing this regular report until the decisions and announcements from ANUGA are known. However we consider that it will be helpful for participants to know where things stand before ANUGA. The Market Insider platform will pass on the outcomes and our next report in late December will wrap them all up. We wish everyone a safe and successful visit to the fair!

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$1200-1300/mt CFR Holland
Greece, puree, 30-32 brix, €1450-1550/mt FOT Northern Europe

South Africa is now sold out and China only produced limited quantities which will also be sold out shortly. The Turkish crop suffered badly during the winter so that non-EU stocks are low. It will be December 2015 before further Southern Hemisphere supply will come on stream.

In the EU, Greece is already sold out and remaining stocks in Spain are low.

Hence prices will remain firm for the remainder of 2015. A reduction in demand from Eastern Europe, and in particular from Russia, is keeping a lid on the prices but it will be well into 2016 before we will see a clearer picture of future 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**

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 were expected to remain in force until the last quarter of 2015 when new supply comes on stream from Cuba, but continuing falls in demand mean that opening Caribbean prices will be a bit lower.

For the pink variety, the market is has also stabilized, whereas the price is dependent on the ratio in the red variety. The price gap between the ratios for red varieties has remained wide. High ratio from Florida is now matched by higher ratio production from South Africa, where the crop has been good with even higher ratios than normal.

**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. For pink guava puree, South African supply is slowing down as the end of harvest approaches.

**LEMON**

Argentina, frozen concentrate, cloudy, 500gpl US$3950-4200/mt CFR Rotterdam
Argentina, frozen concentrate, clear, 500gpl US$4700-4950/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 towards the end of 2015 and is expected to be average. This will keep prices at or slightly below present levels.

**MANGO**

India, Alphonso, aseptic puree, 17 brix, US$1750-1850/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

The market for the Alphonso variety remains firm. Prices have risen steadily throughout the season but there are no further stocks available of authentic Western Alphonso as the crop was significantly lower than expected. The Southern crop was not much better but there are some quantities of blended puree available. 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 2015 season’s crop for Totapuri was badly affected by the extreme heat in India over the season. There are a few parcels still available but the price has risen and may continue to do so for the remainder of the year.

The Mexican Tommy Atkins crop size and quality was normal. Latin American prices are almost at the same level as Totapuri even though there is a shortage of the Indian variant. This is significant as it is probable that only a few years ago, prices would have been far further apart.

**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 for Frozen Concentrated Orange Juice (FCOJ) continues to fall 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.

Predictions of the Brazilian harvest have settled on a 2015/6 out turn of around 288 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. They appear to have escaped significant hurricane damage. Their inventories are reported to have moved out to nearly 8 weeks.

Federal Reserve

The Italian blood orange crop is reported to be sold out. Fresh production will not be available until February 2016.

**PASSION FRUIT**

Ecuador, frozen concentrate, 52 brix, US$6000-6500/mt CFR Holland

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

The August peak in Ecuadorian production is 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 end of the first quarter of 2016 and these could be affected by El Nino. Once again, buyers of passion fruit juice are being asked to keep the faith in face of yet more wild prices and supplies. How long can this continue, we ask?

**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 predicted disappointing crop in Europe (especially Greece where there was a 35% reduction due to the extreme heat) has meant that the good quality Yellow Cling variety sold out at the prices shown above. South Africa now also sold out at these price levels.

Prices of raw materials have now risen by 15% in 2015 over the prior year. Quality was good and the prospects for this category are looking better for 2016.
PINEAPPLE

Thailand, Smooth Cayenne, frozen concentrate, 60 brix, US$3300-3500/mt FCA Holland
Thailand, Smooth Cayenne, aseptic concentrate, 60 brix, US$3300-3500/mt CFR Rotterdam
Costa Rica, MD2, aseptic ss, 12 brix, NFC, US$750-800/mt DDP London

The supply side for pineapple juice is still 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 Pineapple Juice Concentrate (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 33% 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 during 2015. New crops will become available at the time of writing.

Pomegranate is now perceived as a super fruit and its juice has become most popular as a result. Globally, demand for both fresh fruit and juice can be expected to grow and the big unknown factor will be how this new demand will be met.

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 38 & 39 2015