Fruit Juice Market – March 2015

OVERVIEW:

In our last report, we discussed what we described as strong headwinds for the fruit juice industry. Many of these still persist, namely a strong US Dollar, negative public comment on sugar in fruit juices, political instability particularly in relations with Russia, etc.

However, while talking to our friends in the industry, I feel a return of some optimism. Maybe it is the spring in the Northern Hemisphere and the improved consumption that usually accompanies it. Maybe it is a raft of new innovative fruit juice products that are being launched. Maybe it is because many new products offer perceived functional benefits. Maybe it is the growth in consumption in so many emerging markets, particularly in the Africa, the Middle East and Asia. Maybe it is a relative lack of supply in some of the key variants. Maybe it is my correspondents’ recognition that they are in an industry with bounce and resilience. Probably it is a cocktail of all the above!

If you look at each category below, you will notice that while demand is under some pressure, there are very few fruit categories that are oversupplied. The words ‘normal’ and ‘balanced’ appear quite frequently in this report. Maybe this is from where a small measure of optimism emerges. Maybe at a lower level than in the past, but a kind of equilibrium is the best that we can hope for at the moment!

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 largely failed due to the cold weather during the blooming phase of the productive cycle. Most fruit will go to the fresh market or canning and jam production so there is little or nothing left for concentrate puree production.

In Europe the market is almost completely sold out. 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. Southern hemisphere production has not bought any relief.

BANANA:

Ecuador, ss aseptic, 22 brix, US$625-675/mt CFR Rotterdam
The market seems to be calm at present, but prices have fallen by approximately 10% in the past three months. Demand is reported to be quite weak.

**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$1700-1800/mt CFR Rotterdam (ratio 9.0+)

Florida, white, frozen concentrate, ratio 9.5<, 58 brix, US$2600-2800/mt CFR Rotterdam (ratio 9.5+)

The market for white grapefruit juice has changed quite dramatically in the past three months. Prices have fallen due to ever weakening demand.

For red and pink varieties, the market is weakening 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 has widened further since our last report at the end of 2014.

**GUAVA:**

South Africa, pink, concentrate puree, 19 brix US$1250-1350/mt CFR Holland

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

Demand for guava puree continues to be very strong as supply is rather compromised, however an improving situation in India due to a delayed harvest peak has ameliorated supply. South Africa is now sold out of pink guava but will come back on stream in April 2015 at the price levels above.

**LEMON:**

Argentina, frozen concentrate, cloudy, 500gpl US$4500-4750/mt CFR Rotterdam

Argentina, frozen concentrate, clear, 500gpl US$5200-5500/mt CFR Rotterdam

Lemon juice prices have fallen substantially in the past few months and with Argentina expected to have a 'normal' harvest, this trend is tipped to continue. There will be a lag of a few weeks while stocks arrive in the major markets so prices may remain firm.

The Mediterranean crops started slowly due to strong demand for fresh fruit. Low stocks have held prices to the above levels but the first outturns from Argentina suggest that prices are likely to come down further over the next few months

**MANGO:**

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

India, Totapuri, aseptic concentrate, 28 brix, US$1300-1400/mt CFR Rotterdam
Mexico, Tommy Atkins, aseptic concentrate, 28 brix, US$1350-1450/mt FCA Holland

The market for the Alphonso variety is firm and while there are still some stocks available, Western Alphonso is now sold out. Some of the available stocks are not the ‘real’ Alphonso variety and this could explain the discounts that are reported.

Due to a very poor harvest for Tommy Atkins in Latin America, Mexico is now sold out and Peru is reporting a 30-40% drop in its harvest which started at the beginning of the year. This has helped the price of Indian Totapuri to firm. We will have to wait to the middle of 2015 to see how the new harvest will come out.

**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

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 Paulo. 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. At this stage it is still too early to accurately assess the Brazilian harvest although it has been raining. It will need more rain to reverse the drought particularly in the Sao Paulo province. Florida is looking for a stable crop according to the latest USDA projections.

The Italian blood orange crop started in February 2015 and is reported to be up only slightly down on 2014. Prices above are therefore stable.

**PASSION FRUIT:**

Ecuador, frozen concentrate, 52 brix, US$5000-5500/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 nine months. The next peak in Ecuadorian production is in April 2015 and price above reflects the present spot market for immediately delivery. Prices could tighten in the short term if the April peak is less than expected, but the long term price trend is for a stable to slight decline, 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$1350-1450/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 July 2015.
However this has been balanced by reports of good harvests coming up from Chile and South Africa. South African production is still in full swing and reported as ‘normal’.

**PINEAPPLE:**

Thailand, Smooth Cayenne, frozen concentrate, 60 brix, US$2050-2150/mt FCA Holland

Thailand, Smooth Cayenne, aseptic concentrate, 60 brix, US$2050-2150/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 overtaken 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 from any significant origin 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 12 &13 2015