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# FR*ui*TROP

English edition

## Close-up Citrus

[www.fruitrop.com](http://www.fruitrop.com)

**Peruvian  
grape**

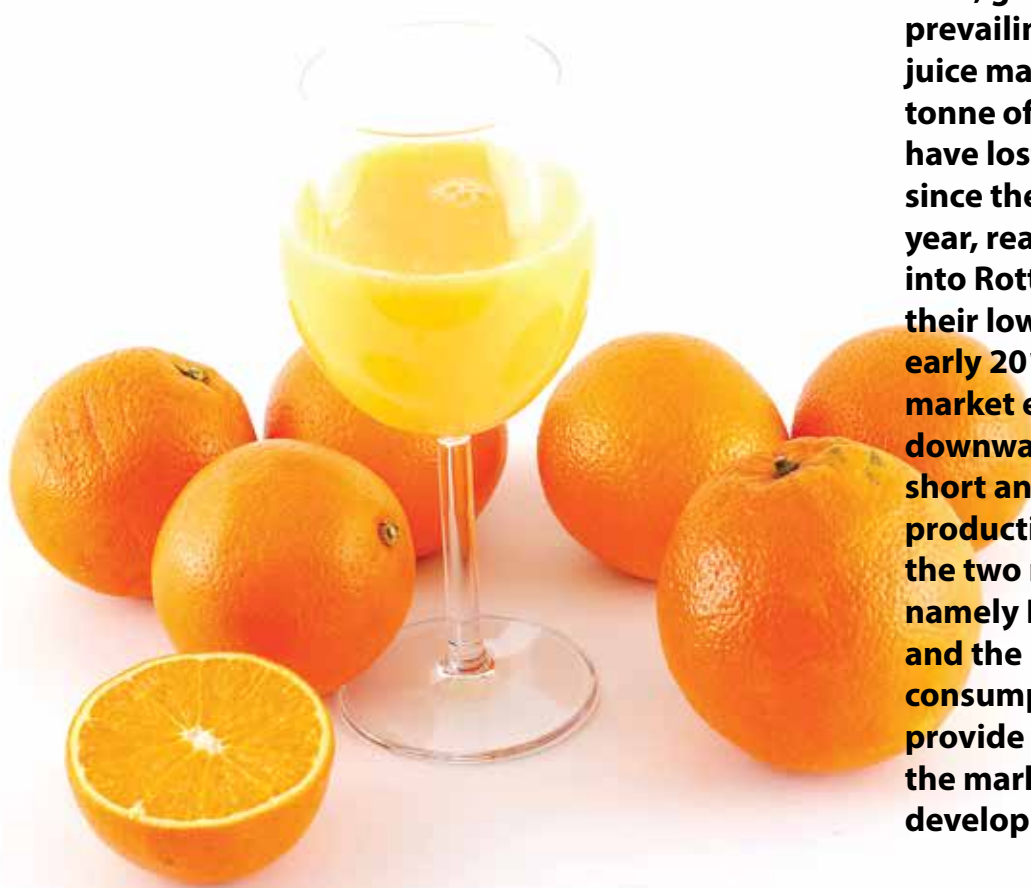
**Showing  
potential**



## World orange juice market

A fall in rates against the trend?

**After several years of near bliss, gloom is once more prevailing on the orange juice market. Prices per tonne of concentrated juice have lost nearly 400 USD since the beginning of the year, reaching 2 000 USD into Rotterdam in October, their lowest level since early 2010. Has the market entered another downward spiral? The short and medium-term production forecasts of the two main protagonists, namely Florida and Brazil, and the latest worldwide consumption statistics, provide a clearer picture of the market's medium-term development.**

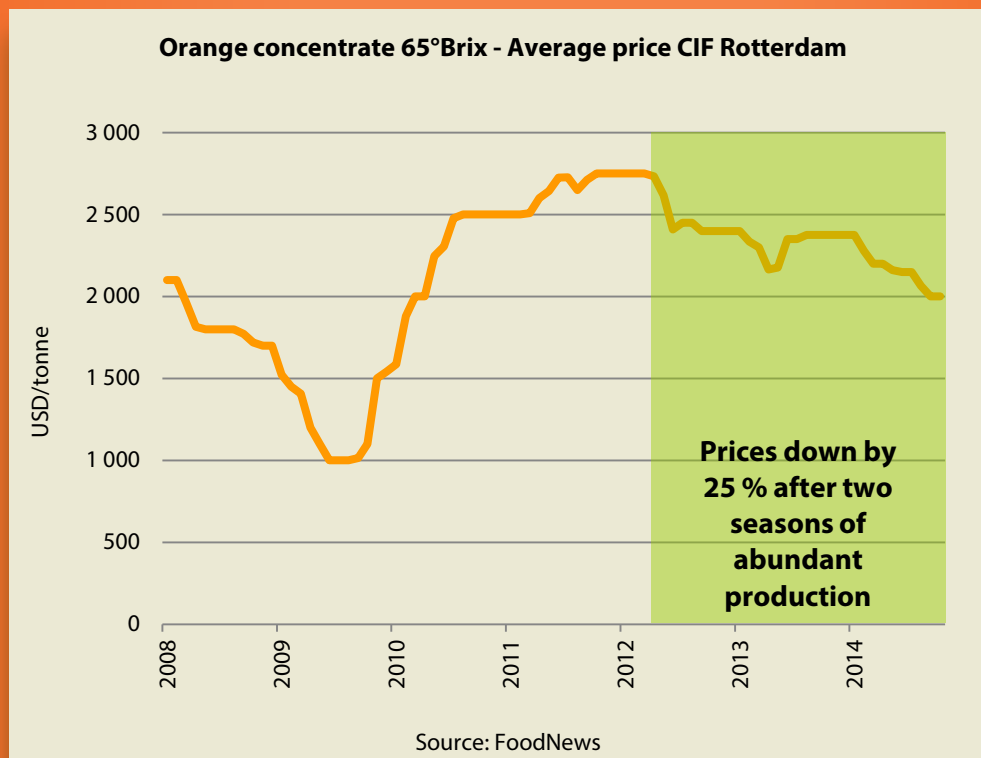


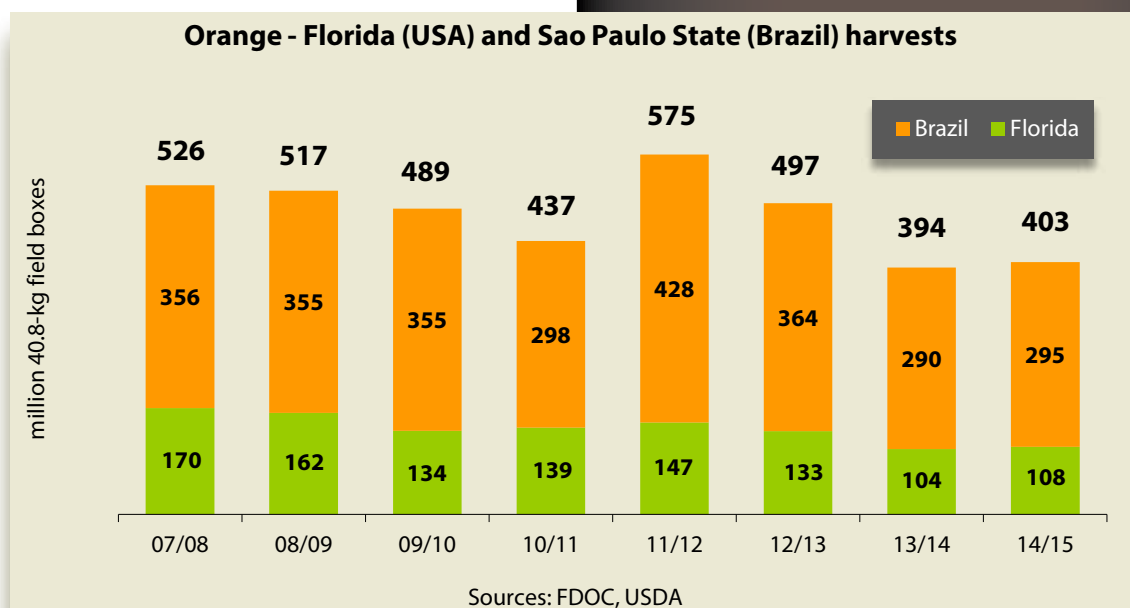
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## Floridian production at its lowest level for 50 years

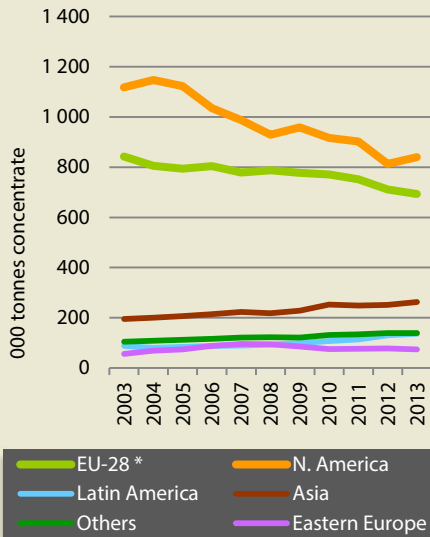
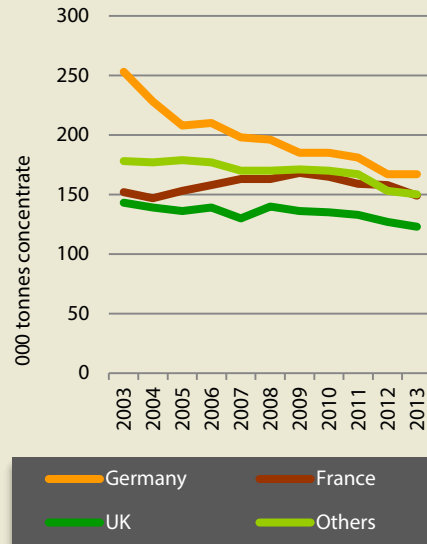
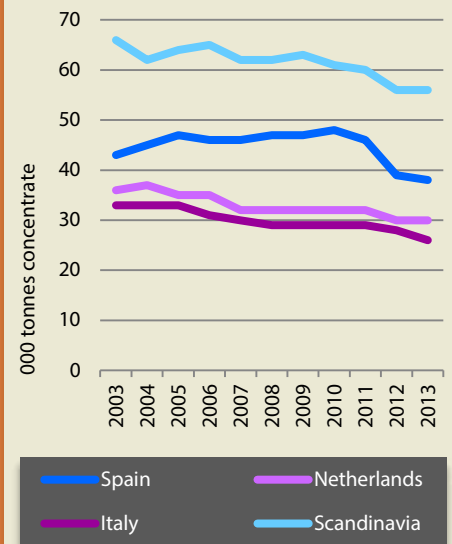
There is no risk of Floridian production, estimated at 108 million ninety-pound field crates (i.e. approximately 4.4 million tonnes) by the USDA, weighing down the market in 2014-15. Despite a slight rise of 3 % from last season, the production of the Sunshine State is still 20 % below average for the past four years, and is even approaching its lowest level for 50 years, a poor record largely due to the increasingly heavy consequences of greening. And the performance of previous seasons is even leading to questions whether this already very gloomy estimate is actually over-optimistic: the differences between initial forecasts and final harvests have exceeded 20 million boxes in recent seasons, because of the extent of physiological dropping occurring during autumn and winter.





## Recovery expected in Brazil, at least on paper

The initial forecast distributed by Citrus BR in early May was reckoning on a production from the Sao Paulo region of approximately 309 million field crates (just over 12.5 million tonnes) – nothing to celebrate despite a small increase of 6 % from last season. Firstly, this level is still 10 % below average for the past four seasons. Secondly, it seems increasingly clear that it will never be reached. The drought, deemed “unprecedented” by some, which is ravaging in particular the centre of the Sao Paulo region, could lead to a considerable revision of the forecast, since fewer than 20 % of Brazil’s orchards are irrigated. Furthermore, the GCONCI consultancy group is already reckoning on a reduced harvest of 258 million field crates (10.5 million tonnes). In any case, even in the more than unlikely event of the Brazilian harvest meeting the higher estimate and zero physiological dropping in Florida, the combined production of the two leaders would register a level 13 % below the four-year average!

**Orange juice - World Consumption****Orange juice - EU Consumption****Orange juice - Details for other EU countries - Consumption**

## Status quo for demand in 2013, a deceptively reassuring year

So it is once more demand that explains the major slide in rates. It is true that the background trend remains very poor worldwide, despite a slight cyclical upturn in 2013. In ten years the market has dropped by 10 %, i.e. approximately 260 000 t concentrate equivalent. The blame lies with the United States, where the 2014 figures have extended the downward sales trend of the past decade, demonstrating that the recovery of 2013 was utterly temporary and fragile. It also lies with Europe, the world's number two consumption market, since the big countries on the Old Continent are without exception exhibiting falling consumption, clearly so in certain cases. Sales have fallen by one third in ten years in Germany, the number one market in the zone. In France, volumes consumed have gone down 10 % in four years, while sales were holding up well until the end of the last decade. As for the United Kingdom, a regular falling trend has brought down the volumes consumed by 15 % in ten years. The Spanish market has literally plummeted since the economic crisis, losing more than 20 % of its volumes in three years, while Italy seems to be following in its footsteps.



## Relays for growth, but too small-scale

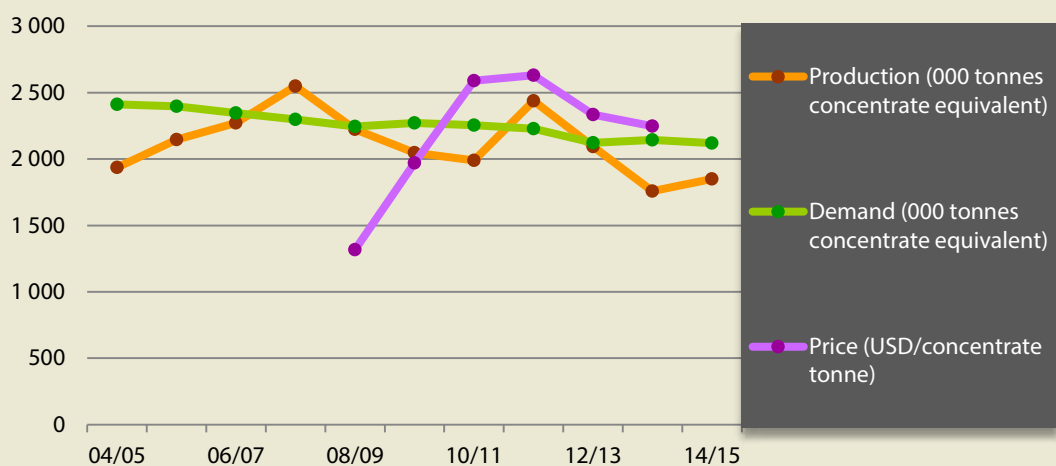


True, the dynamic on certain emerging markets remains lively. Despite falling sales in Japan, Asia is seeing rapid progress thanks to the booming Chinese market. Similarly, the sales invigoration programmes in Brazil are driving the South American market upward, whereas Argentina is rising just as steadily. However, these trends are completely unable to compensate for the decline of the North American and European giants, which on their own absorb 70 % of the world supply. Overall, consumption has been falling steadily by 26 000 t concentrate equivalent per year for the past decade.

## Concentrated juice production well below demand one year in every two!

Now it remains to consolidate supply and demand, a complex statistical task given the various sources available and the conversions to make to obtain consistent data, but oh how rewarding in terms of lessons. It appears that juice production exceeded demand just twice in the past ten years (in 2007-08 and 2011-12). There has been a major production shortfall (of between 200 000 and more than 400 000 t concentrate equivalent) one year in every two! The 2014-15 season also promises to be well in shortfall: even if we take the higher production estimates for the two giants, the shortfall would be around 270 000 t concentrate equivalent in 2014-15, assuming demand falling by approximately 25 000 t of concentrate per year (i.e. 230 000 to 280 000 t fresh fruit equivalent, depending on the yield counted).

**Orange juice - World supply and demand and concentrate price**



Sources: USDA, Markestraat, FoodNews



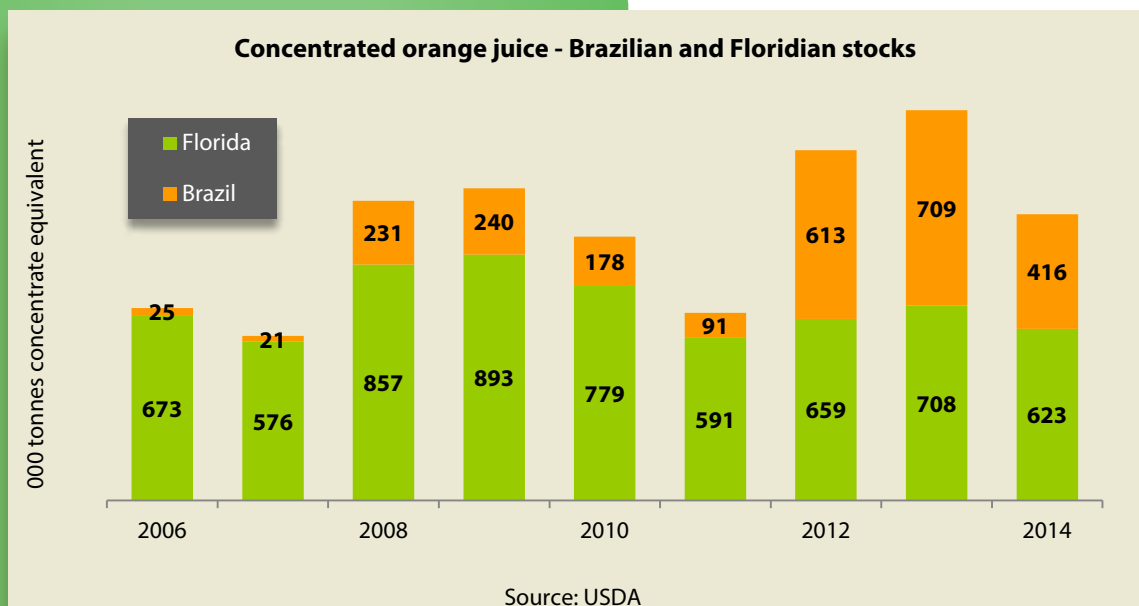
## Market still weighed down by heavy stocks

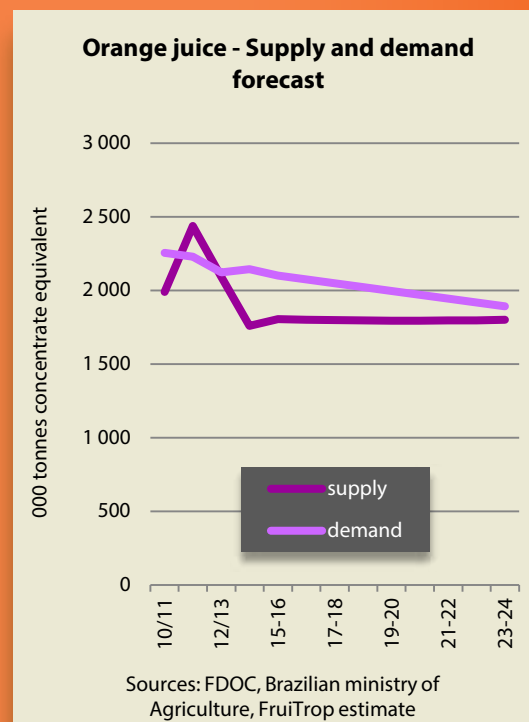
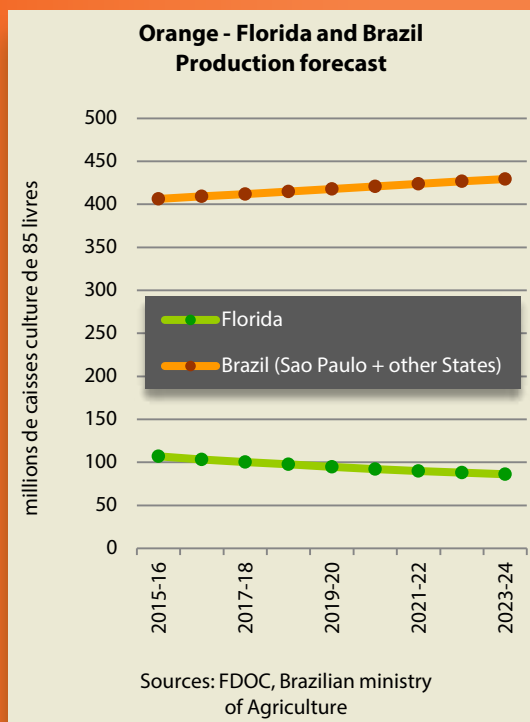
It is the weight of the stocks which explains the sluggishness of the market. For Brazil alone, they amounted to 766 000 t concentrate equivalent in summer 2013, after the country's last two big production seasons (2011-12 and 2012-13): a level corresponding to more than half a year of exports! Nonetheless, the situation seems to be clearing up. Stocks dropped by more than 230 000 t in 2013-14, and should do the same in 2014-15, given the expected production from the two leaders. Several sector analysts are forecasting a level of approximately 350 000 t at the end of the 2014-15 season.

It is difficult in this context to understand the current trend in rates. How can we explain a fall of 15 % since January, and a market continuing to drop over the long term, while a clear shortfall between supply and demand will remain in 2014-15, and the weight of stocks will be considerably eased from last season? It has to be observed that the markets are once more giving much more weight to falling demand, with the message hammered home by most of the professional press, than to the supply. Should we see in this a desire by the handful of sector giants to keep rates low in order to force small producers out of the trade, in order to even further dominate the supply and eliminate the orchards with the lowest sanitary controls? The multi-million dollar takeover bid for Chiquita by the Cutrale/Safra consortium indicates that the business is still highly profitable for the juice manufacturers.

## Less and less from Florida, pending the results of the research efforts

The medium-term production projections are clear, showing that volumes available for processing should remain very limited over the next ten years. There is no bounce-back expected in Florida. According to the latest scenario put forward by FDOC, production should continue to drop for the next ten years at least, reaching 86 million field crates in 2023-24 (as opposed to a forecast of 108 million this season). Maintaining a good level of economic returns for the producer has only slowed down the phenomenon of cultivation area shrinkage. The planting rate remains very low (approximately 2 % per year), and half that of cultivation area shrinkage (approximately 3.5 % per year). Yet the major consequence of greening, which has become omnipresent (between 40 and 70 % of trees affected), is the collapsing trend in volumes produced, because of the small fruit size range and a dropping rate which has gone from 10-15 % to 25 %, depending on the varieties. Massive efforts are still being made to find resistant varieties, thanks to massive State budgets (30 million USD programme announced this summer), producers and also the support of big groups such as Coca Cola (500 000 USD per year since 2011). These efforts are starting to bear fruit: five rootstocks exhibiting good resistance in certain soil types (though not the sandy soils of central Florida) were just released in early October by the USDA. However, it will take years before they have been reproduced, planted and have borne their first fruits. Furthermore, the resistance of the rootstock does not mean resistance of the fruit-bearing part.





## Brazilian production heading for stability as things stand

Brazil's production potential is just as seriously afflicted. The inspection methods developed in recent years are helping contain greening, but the small producers cannot afford them. Hence the latter are continuing to leave the business en masse: reportedly 4 000 in the past two years. Consequently, the cultivation stock lost more than 60 million trees between 2010 and 2013, and is increasingly concentrated in the hands of the big producers (plantations of more than 200 000 trees reportedly represent more than 40 % of total surface areas). In this context, the ten-year production projection, just issued by the Brazilian Agriculture Ministry, is reckoning on only a slight production rise of less than 1% per year. According to this document, the country's total harvest should hold up at between the 400 million field crates from 2013-14 and the 430 million expected this season.

## Juice production to maintain a considerable shortfall in the medium term

If we accept the projections for Brazil and Florida, assuming demand maintaining its very steady rate of fall of recent years (- 26 000 t concentrate equivalent per year), juice production should remain well below world demand. Considering stable production by the rest of the world, it would fluctuate around a level of approximately 1.8 million tonnes throughout the period, with demand gradually waning by 2.1 million tonnes in 2015-16 to just under 1.9 million tonnes in ten years; which is reason to continue large-scale destocking over the coming years. True, these are rough projections, and the Chinese production trend in particular is still to be incorporated (see **FruiTrop** 216). However, they at least have the merit of showing that the balance is, currently and over the coming years, tilting towards a shortfall of fruits for processing than lack of demand, and that the pressure from stocks should automatically ease as time goes on. This hypothesis argues in favour of an upturn in rates! In any event, this is a necessity for Brazil's small and medium producers ■

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