

NEWSLETTER



JUICE AND BEVERAGE INGREDIENTS

Q1 2020

Dear Readers,

As the entire world suffers a global health crisis of an unprecedented scale, Food Specialities Limited has implemented various measures to ensure the continuity of our services and the safety of our employees, customers and society. We recognize the important role which FSL plays in managing the food industry supply chain during these critical times and we have Business Continuity Plans to ensure the consistency of our services to customers.

All of FSL's associates have taken the necessary pre-cautionary measures to prevent the spread of COVID-19 and to ensure the integrity of their supply chain. Even though most of our associates are working at low capacities, they are fully committed to serving our valuable customers.

Our associates have also taken all the steps to battle COVID-19 such as protecting farmer groups, implementing training and distributing masks, gloves and sanitizers. Special attention has been paid to trucks and container drivers and a special protocol for action has been developed by each of our associates. Please find the FSL COVID-19 Notice at the end of this newsletter for more information.

In this edition of the Juice and Beverage Ingredients Newsletter we bring you exclusive reports on the Grape, Mango and Pineapple market with relevant factors that may influence the growth of the market.

Towards the end of this newsletter we have also provided a brief overview of the orange market in light of the COVID-19 pandemic.



GRAPE MARKET:

1. Argentina. Principal Competitor

The 2020 grape harvest is already beginning to throb in some parts of Argentina and It is estimated that the harvest will be less than the previous year. The official harvest forecast of the National Institute of Viticulture is still expected and to be published for 2020. However, the forecast for Argentina in 2020 points to a decrease of between 6 and 15% compared to 2019.

The expected decline in the grape harvest would bring relief by decompressing the overstock which would raise the price of grapes. In 2019, exports increased 14% with respect to value, Argentine exports of wine and musts during 2019 were made for a total of US \$ 956.4 million, representing a decrease of -1.2% compared to the same period of the previous year.

2. Castilla La Mancha Region. Spain

The harvest of 2019 in Castilla-La Mancha has passed with absolute normality and has only been altered by the “cold drop” at the end of August 2019 and at the beginning of September which, in some cases, forced producers to stop the grape harvest.

The intensified rainfall favored the ripening of the fruit, but in certain areas severe storms caused a further decrease in production. According to the Spanish authorities, production oscillated between 30 and 40% less than the 2018 campaign and will reach 29 Million Hectoliters between wine and must.

3. Spain

The Agro alimentary Cooperatives have advanced a forecast of wine and must production in Spain of 36.65 million hectoliters in the current campaign of 2019/2020. This is 30 % and 13.7 million less than the previous campaign in which almost 50.36 million hectoliters were achieved.

4. Other parts of Europe

The European Commission has issued the second estimate of wine and must production in the EU, which as of October 2020, at 160.9 million hectoliters, represents 14.9% and 28.23 Mhl less than in the previous campaign, and 4.4% and almost 7.5 Mhl less than the average of the last five previous campaigns.



MANGO MARKET:

1. Alphonso:

This year the flowering has been delayed although the initial flowering seems very good. When the second flowering appeared, some of the initial flowerings were dropped due to excess heat. As of now the Alphonso crop is not excellent in the Southern regions of India. In Gujarat, on the West of the country, the crop is good and but in the Ratnagiri area the crop is not very promising.

However, it is too early to predict the situation accurately at this time. Summer rain will be needed to stabilize the crop situation and at the moment the crop seems to be a bit delayed this year. The crop won't be normal this year and is expected to be below the standard crop.

2. Totapuri:

Although the flowering has been delayed and scattered, as of now the crop seems to be good this year. Good summer rains are needed to stabilize the crop, but once again it is too early to predict the crop situation as climate changes are likely to affect it. Farmers expect a good crop of Totapuri this year, which may not be like the 2019 crop situation, but the Totapuri crop is also delayed (by a week or 10 days). However, it should be a normal crop.

3. Brazilian mango (Palmer):

The new palmer mango crop for 2019/2020 in Brazil, which started in mid Q4 2019 till Q1 2020 is smaller in quantity compared to the crop of 2018/2019. Due to the high local demand for fresh fruits, the available quantity for factories producing mango pulp and puree concentrates is scarce. Due to the high global demand for Brazilian mango puree concentrate there has been a significant price push compared with the prices for the same product Ex crop 2018/2019. Currently the uncontracted quantities are limited and there are rumors that the price will reach up to USD 950/mt FOB by later this year.



PINEAPPLE MARKET:

Supply

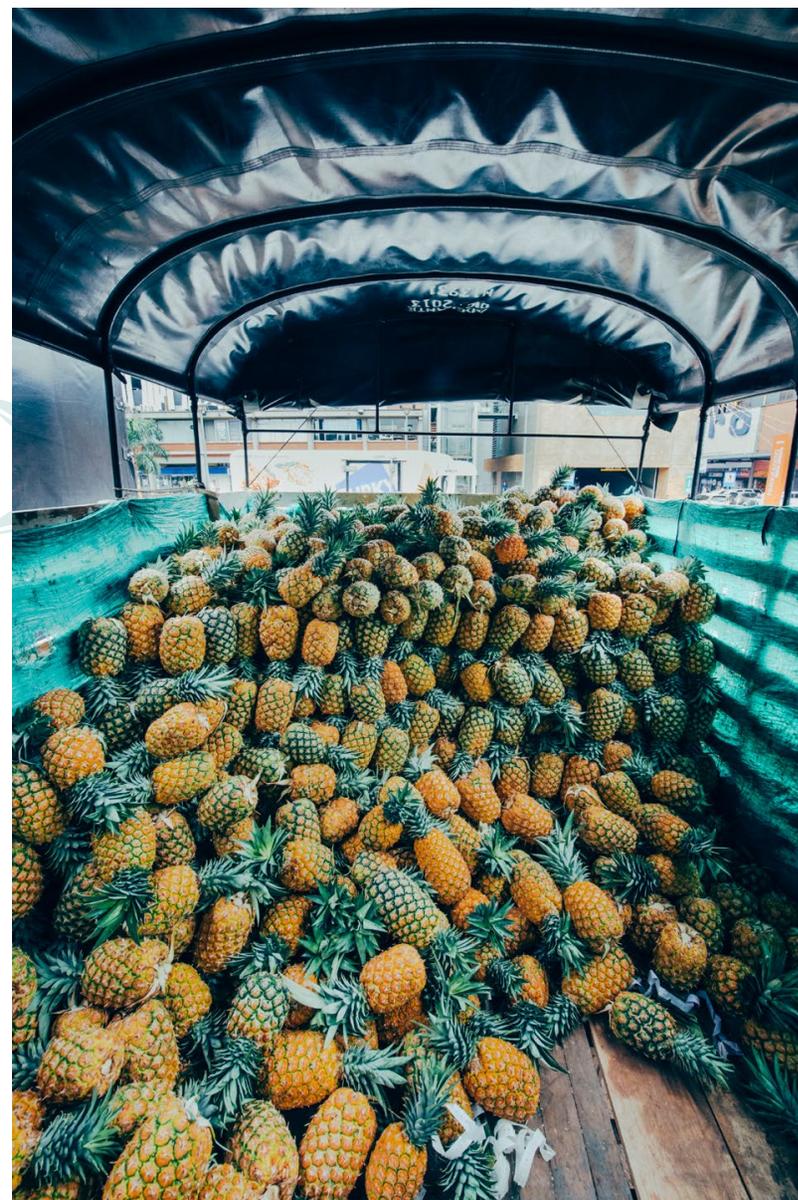
- Industry associations in Thailand state that production in 2019 only reached 1.0 million tonnes – the lowest in at least 40 years.
- The outlook for this year does not look like it will improve much with forecasts currently standing at 1.2-1.3 million tonnes
- While there are forecasts from local newspapers that suggest a drought has started in Thailand, growing conditions are favourable for the moment and there is enough rainfall even during the current dry season.
- There are confirmed reports of a shortage in Indonesia, which would be problem - Thailand and Indonesia are the two biggest players on the pineapple juice market.

Demand

- Traders in Europe fear the market could be about to return to the same scenario from four years ago, when price levels climbed until the market collapsed.
- Demand is not strong at the moment and the recent hike in pricing is unlikely to encourage an increase in uptake.

Fruit Price

- Due to competition amongst processors fruit pricing is expensive at THB10-12/kg, compared with THB10/kg last month. Pineapple Juice Concentrate, manufacturers have raised asking price to USD 2000 – 2500 / Mt 60/65 brix FOB



ORANGE MARKET:

1. Overview:

Global orange juice production for 2020/21 is forecast to fall by 17% to 1.7 million tonnes (65 brix) due to lower output from Brazil. Consumption is projected to be flat and global trade is forecasted to be lower with smaller imports for the US and a sizable drop in Brazil's exports.

Brazil's orange juice production is forecast to drop by 25% to 992,000 tonnes with fewer oranges for processing. Consumption and stocks are both forecast to be slightly higher while exports are expected to be 27% lower.

Although US production of orange juice is forecast to be steady at 330,000 tonnes, increased carry-in stocks has boosted the total supply by 5%. In spite of the higher available supply, consumption is still expected to be flat and ending stocks are consequently forecast to rise. Production in the European Union is projected to be down by 16% to 81,000 tonnes. Consumption in the EU remains steady and imports are offsetting the decline in production.

2. Brazil situation:

There is still a limited volume of fruit being processed from the 2019/20 crop in Brazil. Following a longstanding drought towards the end of last year, the groves have received a lot of rainfall over the past two months and juice yields are poor as a result, coming in at 300+ boxes per tonne of FCOJ.

There is also some major flooding in some regions. The forecast for production from the current 2019/20 crop in Brazil is 385 million boxes.

Processors are currently paying BRL20+/box, compared with an already expensive BRL18-20/box last month. Nevertheless, it is not unusual for fruit prices to rise towards the end of the crop due to the reduced availability. In addition, some of the larger processors are currently running fruit to NFC, which has allowed them to pay slightly more for fruit.



3. 2020/2021 crop:

The next crop in Brazil will be derived from multiple blooms. The latest bloom is occurring now. As mentioned, growing conditions are very wet at the moment. While this is unlikely to have an impact on the fruitlets from the first bloom, it may reduce the flowering from the latest bloom. A multiple-bloom crop always creates a certain amount of problems with quality in terms of sizing, brix and juice yields.

Due to the wetter conditions, current indications on the size of the 2020/21 crop now range between 250-270 million boxes, compared with 260-280 million boxes last month. Getting a handle on this figure is very important for the industry. Analysts say that gauging whether the flowers from the latest bloom will convert to fruit is probably the most important factor in the medium term in order to better determine the size of the next crop. Future price direction for FCOJ will also depend on gaining a better idea on the size of the 2020/21 crop. Most industry sources expect prices to remain stable or move slightly higher over the medium term.

Orange juice prices are soaring on global markets.

The future price of orange juice has spiked by more than 20% this month as consumers look for healthy products during the coronavirus pandemic. While demand has risen, supply has been hit as producers struggle to export goods due to transport restriction.

This has caused a rise in the price of orange juice futures which indicate its cost for delivery in the coming months. Orange Juice futures are the best performing asset so far this year.

The Covid-19 outbreak is hitting both the supply and demand for orange juice. The immune boosting properties are pushing consumer demand while shortages of tanker spaces and operational airlines to transport the products to market is restricting supply.



COVID-19 NOTICE

As the entire world suffers an unprecedented and escalating health crisis, Food Specialities Limited has implemented various measures to ensure the continuity of our services and the safety of our employees, customers and society.

We are monitoring the Coronavirus (COVID-19) situation on a daily basis and have assigned a dedicated team to respond to the situation. We recognize the important role which FSL plays in managing the food industry supply chain during these critical times and we have Business Continuity Plans to ensure the consistency of our services to customers.

We are already experiencing a few unavoidable delays with shipments due to freight congestion, unavailability of vessels and a shortage of food grade containers. However, we are doing our best to service deliveries in a timely manner and are responding dynamically to ensure operations in these types of exceptional situations.

We are also aligning with directives from public health authorities in the UAE and the World Health Organization and taking the following additional steps in response to this situation:

- Restricting our employees and customers exposure with remote-work solutions and minimizing physical meetings with video-conferencing solutions.
- Securing our stocks of raw materials and working closely with our suppliers to ensure that they are also following all the necessary precautions.
- Restricting international travel, large events and meetings.
- Restricting non-FSL employees from entering any FSL premises.
- Enforcing social-distancing and other precautionary measures at all times.
- Increasing the frequency of deep cleaning in all our premises.
- Keeping our employees regularly informed of impeccable hygiene practices.

FSL's commitment to the well-being of all our stakeholders and the health of our society remains as strong as ever. We stand in solidarity with all our partners to overcome this challenge together.

We wish you and your loved ones safety and good health.

Sincerely,

FSL Management Team



Please contact us to discuss any of the content or products presented here.

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