NEWSLETTER

FSL INGREDIENTS
Your Long Term Partner

JUICE AND BEVERAGE INGREDIENTS Q4 2019

Dear Readers,

We would like to take this opportunity to wish everyone a happy & prosperous New Year 2020. FSL experienced an exciting Q4 during Gulfood Manufacturing 2019 where we showcased some of our innovative ingredients and product concepts in line with regional trends where health is becoming the key factor.

This newsletter brings to you an exclusive and detailed report of the Big Four Giant producers of Pineapple Juice with all the relevant factors which may influence the growth of the market. We have also provided a brief overview of the Apple harvest. The end of the year marks another feather in FSL's cap as we continue to expand, our wide range of suppliers with the addition of Medibel, an innovative producer of unique juice and beverage compounds. We have also included an interview with PKF UAE on the recently implemented excise tax on sugar-sweetened products. Read further to know more!

Please feel free to contact us with any queries you may have!

Happy reading!

Everything you need to know about UAE's Excise Tax on Sugar-Sweetened Products

UAE Excise Tax

The UAE government has announced new excise tax rates that will come into effect on December 1st, 2019 and which will further increase the price of certain categories of products.

The introduction of excise tax in the UAE has generated curiosity and concern for people and businesses who wish to know how it's going to affect them. Food Specialities Limited interviewed a representative of PKF, UAE to address some of these questions about the excise tax in the UAE.

1. What is the Excise tax and what is the structure of it as far as you know?

An Excise tax is levied on specific goods which are harmful to the health of the public. Excise tax was first implemented in UAE with effect from October 1, 2017 on tobacco and tobacco products, carbonated drinks and energy drinks. From December 1, 2019, it is proposed to be levied on electronic smoking devices and tools, liquids used in electronic smoking devices and tools and sweetened drinks.

2. When will the amended UAE Excise tax come into effect?

Excise tax on additional goods will come into effect from December 1, 2019.

3. Which sectors of the food and beverage industries is it being levied on and what is the amount per industry?

Following are the excise tax rates:

a. On carbonated drinks – 50%
b. On energy drinks – 100%
c. On products containing tobacco – 100%
d. On Electronic smoking devices and tools – 100%
e. On Liquids used in electronic smoking devices and tools – 100%
f. On Sweetened drinks – 50%

4. How much will a pack of juice that was priced at AED 10 cost after the tax has been levied?

Assuming that the juice was priced at AED 10 (excluding VAT and Excise), the new price will be AED 15.75 (Excise tax of AED 5 and VAT of 0.75) for sweetened drinks.

5. Which products are exempt from the Excise tax in the UAE?

The UAE follows an inclusive list for taxing goods under excise tax provisions i.e. it will only be levied on those goods which are specified in the Excise Law and Regulations read with Cabinet Decisions issued by UAE Government. If the goods do not fall in that category, no excise tax will be levied.

6. Which industries will be most affected by the tax?

Industries which are importing, producing and stockpiling above mentioned excisable goods will be affected. It will also affect warehouse keepers and persons who are releasing excisable goods from an excise tax designated zone.

7. Have other such taxes been imposed on other products before and how did those industries respond?

As mentioned earlier, excise tax in the UAE was initially on tobacco and tobacco products, carbonated drinks and energy drinks. Compliances have been undertaken by the covered industries.

8. What is your recommendation to companies whose products will be taxed?

Businesses need to evaluate the impact of excise tax on their goods and register the goods well in advance with the Authorities. Further, businesses should ensure that business is ready before the implementation date (i.e. December 1, 2019) by ensuring IT systems are ready, processes are defined, and staff is adequately trained.

9. Which are the GCC countries that are implementing the amended Excise tax?

KSA was the first GCC country to levy excise tax on sweetened / sugary drinks and electronic smoking devices, however, it has post-poned such levy to be implemented from December 1, 2019. The UAE introduced cabinet decision 52 of 2019 in the month of August 2019 proposing to implement such new levy.

10. If anyone has any questions or wishes to seek your company advice who should they contact?

For any further clarification or inquiries about registering excise tax in UAE, visit the official FTA website – this has detailed guides on the new excise tax law and how you can register for it as a business. You can also contact the FTA through the following channels:

Call on 600 599 994 or +971-4-777-5777
Email to info@tax.gov.ae

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Disclaimer: Please note that PKF's or FSL's views are not binding on any authority or Court, and hence, no assurance is given that a position contrary to the opinions expressed herein will not be asserted by any authority and/or sustained by an appellate authority or a Court of law. Further, unless specifically requested and agreed, we are not obligated to update the suggestions made herein for subsequent changes or modifications to the law, to the rules/ regulations, or to the judicial and administrative interpretations thereof.

Exclusive Report on the Big Four Pineapple Juice Producers

Overview

The Big Four Pineapple Juice Producers: Thailand, Philippines, Indonesia and Costa Rica (85-90%)

Pineapple Juice Production Countries in PJC and NFC based on Tonnage (Philippines* in PJC equivalent)

(volume in '000 MT)

	Processed Volume					PJC Export					NFC Export				
	2015	2016	2017	2018	2019F	2015	2016	2017	2018	2019F	2015	2016	2017	2018	2019F
Thailand	1,522	1,590	1,811	1,650	1,105	85	85	105	110	85	*	*	*	*	*
Philippines*	989	1,000	1,120	1,100	1,050	53	54	60	59	56	*	*	*	*	*
Indonesia	657	530	762	730	780	22	14	30	32	34	*	*	*	*	*
Costa Rica	416	440	458	494	444	59	35	30	27	27	121	165	171	148	148
Kenya	230	210	200	250	210	12	12	11	11	10	*	*	*	*	*
South Africa	90	90	100	100	100	11	13	11	10	13	*	*	*	*	*
Others	345	385	300	260	255	18	20	11	7	7	*	*	*	*	*
Total	4,249	4,245	4,751	4,584	3,944	262	233	258	257	232	121	165	171	148	148

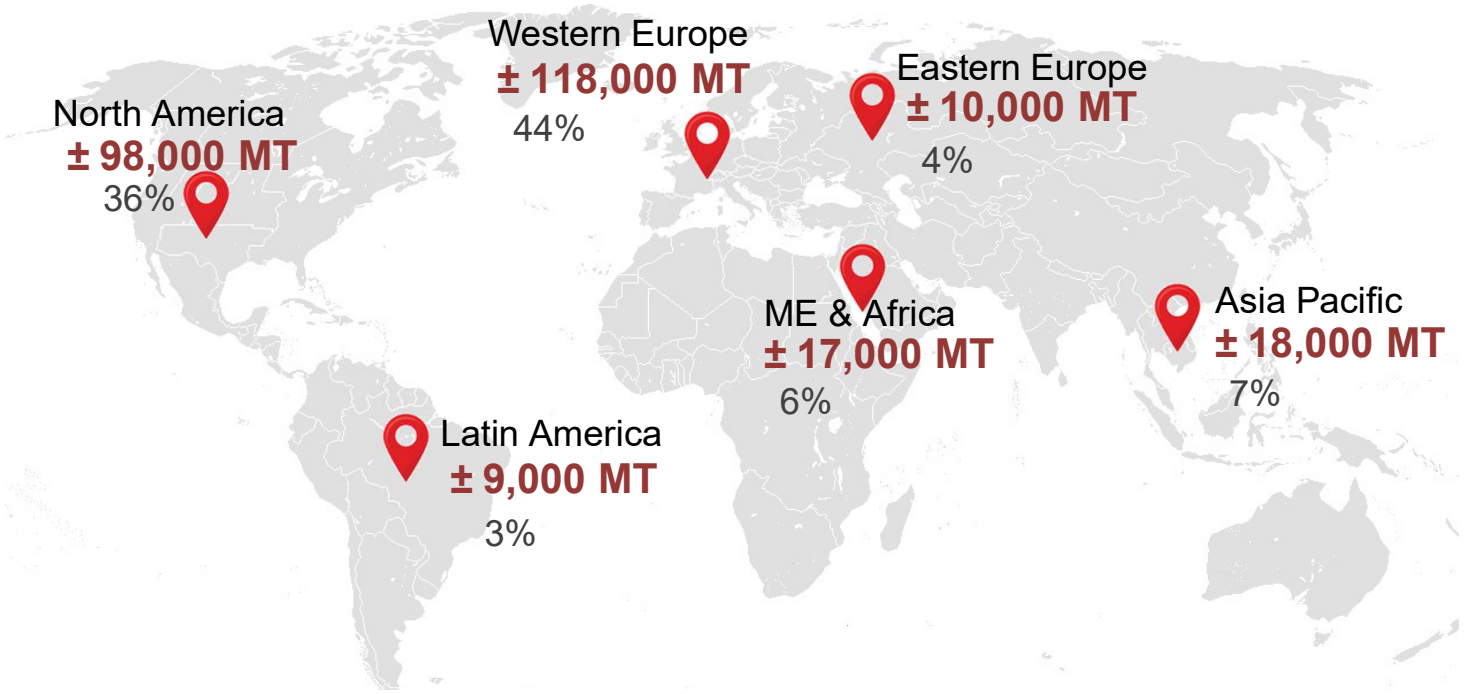
Others : Brazil , Vietnam, China

* : Quantities are not significant

Pineapple juice producers highlights :

- **Thailand's production in 2019 expected to drop to 1.1 million MT.**
- **Philippines remains stable over the years.**
- **Costa Rica produces more in NFC.**
- **Indonesia's production keeps growing steadily. But increase in Indonesia's production will not be able to substitute the shortfall of other countries.**

Global Demand for Pineapple Juice Concentrate in the last 5 years



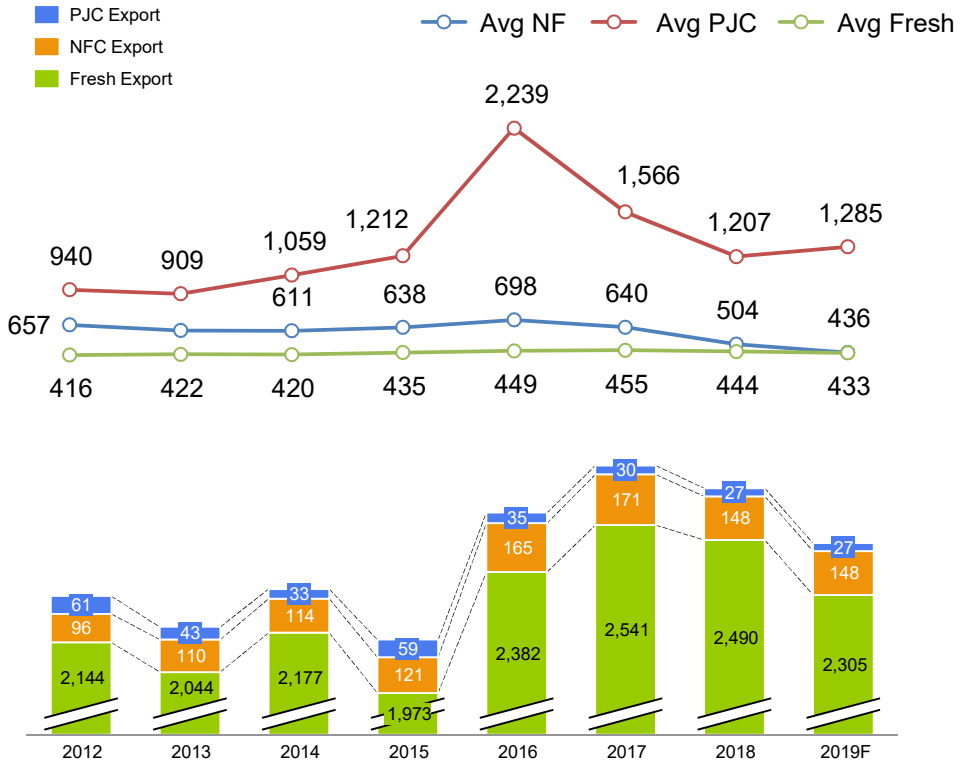
World Wide : **270,000** MT

* Demand based on PJC Equivalent

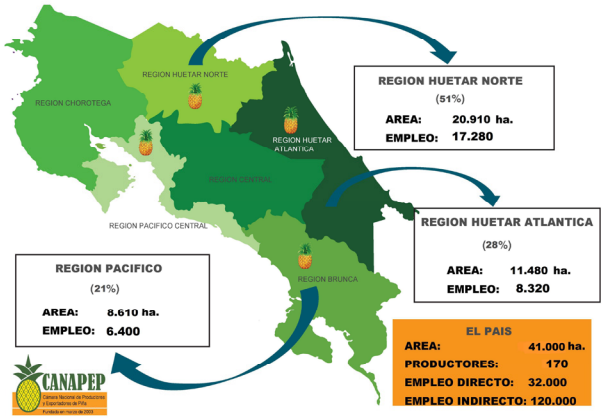
Source: ITC Trade Map, GGP Analysis

Costa Rica Pineapple Landscape

Costa Rica Pineapple Market Figure (2012-2019)
(Export Tonnage in million MT; Price USD/MT)



Source: GGP Analysis, www.sistemas.procomer.go.cr

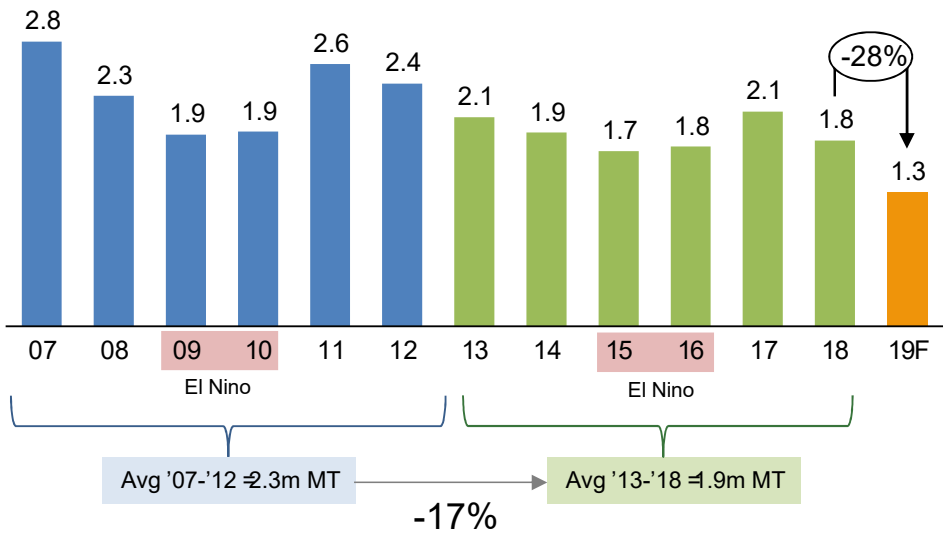


Highlight

- **Fresh Pineapple Export Price remains stable.**
- **NFC Price had reached the lowest point. Current NFC Price is bounce back to a reasonable price level at USD 600/MT.**
- **Competing for raw material.**
- **Fresh USD 350-400/MT**
- **Processed USD 50-100/MT**

Thailand Pineapple harvest tonnage (Fresh + Processed) is decreasing by 17%, compared to previous cycle

Thailand Pineapple Harvest Tonnage
(in Million MT)



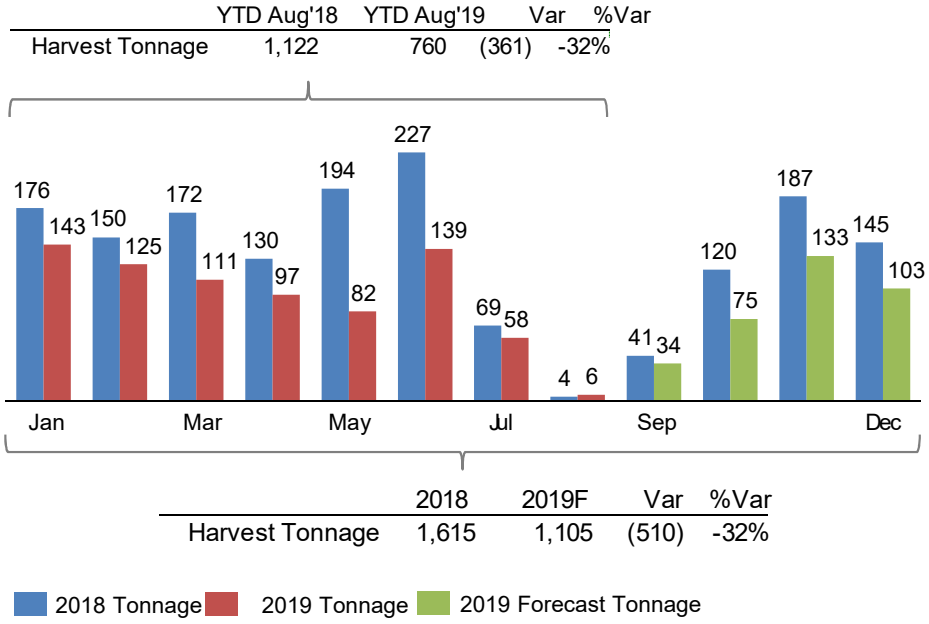
Source : FAO, Thai Statistic Office, GGP analysis

Pineapple harvested tonnage trend in last 2 cycles:

- **Pineapple cultivation in Thailand has a 6 year cycle.**
- **Average volume in the last cycle (2013-2018) drop by 400kMT (-17%) compare to the previous cycle.**
- **2019 drop in volume is not because of El Nino.**
- **The downtrend in volume is likely to continue because unlike other popular crops such as mango, jackfruit, rubber, etc., pineapple is more labor intensive.**
- **Consolidation of pineapple industries in Thailand:**
  23 Canneries (2011) → 19 Canneries (2017) → 18 Canneries (2019)

Summary Thailand: Lowest Tonnage in last 20 years

Thailand Harvest Tonnage for Processed Pineapple
(Harvest Tonnage in 000 MT; Price in Baht/Kg)



Source : GGP Analysis, Thai Statistic Office

Highlight

- **Due to the very low prices of fresh pineapple in Q4/2017 and 2018, the farmers did not take care of the plantation. Hence total production, fruit quality and fruit size were adversely affected.**
- **The impact of low quality and smaller size of the fruit during H1/2019 has resulted in lower production volume.**
- **The peak season for summer Crop is May – Jun, however the fruit harvested in the month of May is less than half of normal volume. Tonnage for May 2019 = 82k MT; 2018 = 194k MT; 2017 = 181k MT.**
- **Foreseeing the low tonnage will continue during winter Crop 2019 (Q4/2019) and 2020.**
- **Farmer's normal yield per Rai is around 8 Ton (50 Ton/Ha), and now is only 4-5 Ton (25-31 Ton/Ha).**

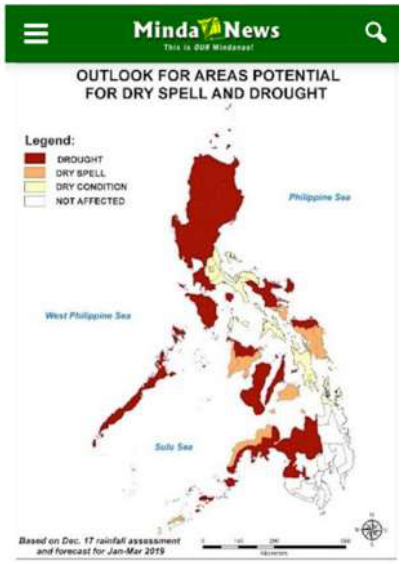
Summary Philippines: Dry Spells Impact in H1/2019

manilastandard.net

Mindanao—on the effects of El Niño, with summer charging in this month.

READ: El Niño impact heats up early, drought in 22 provinces seen

WRITING ON THE WALL. An unidentified farm hand looks forlorn while footslogging through his parched terraced land in the countryside during the weekend, with weathermen forewarning residents in many provinces in Luzon and Mindanao that 2019 may be the hottest year yet, spurred by El Niño and climate change, with temperature projected to hit over 40 degrees C, or 104 plus degrees F.



Source: PAGASA

In the North, the drought will hit Northern Luzon, Metro Manila, MIMAROPA Region and parts of Bicol Region.

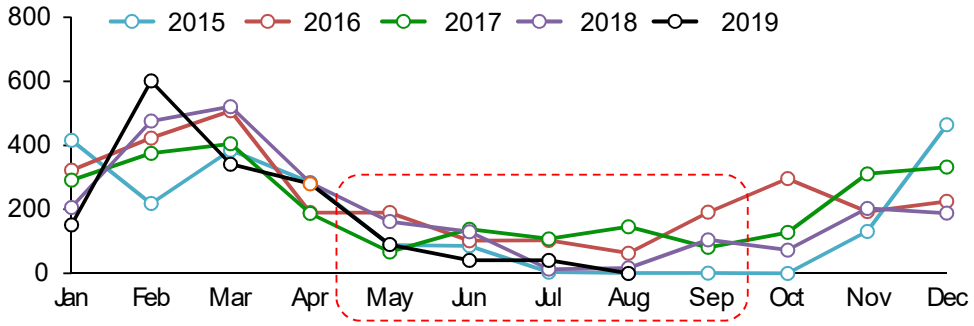
Children walk on a dried up river in Surallah town in the southern Philippine province of South Cotabato, March 29, 2019. [Jeoffrey Maitem/BenarNews]

Highlight

- **The Philippines have been facing the dry spells from March to May 2019.**
- **Weather in H2/2019 is expected to be normal.**
- **2019 production is slightly less compared to 2018.**

Summary Indonesia: Enduring drier weather in 2019

Rainfall Trend in Lampung (Indonesia)
(rainfall in mm)

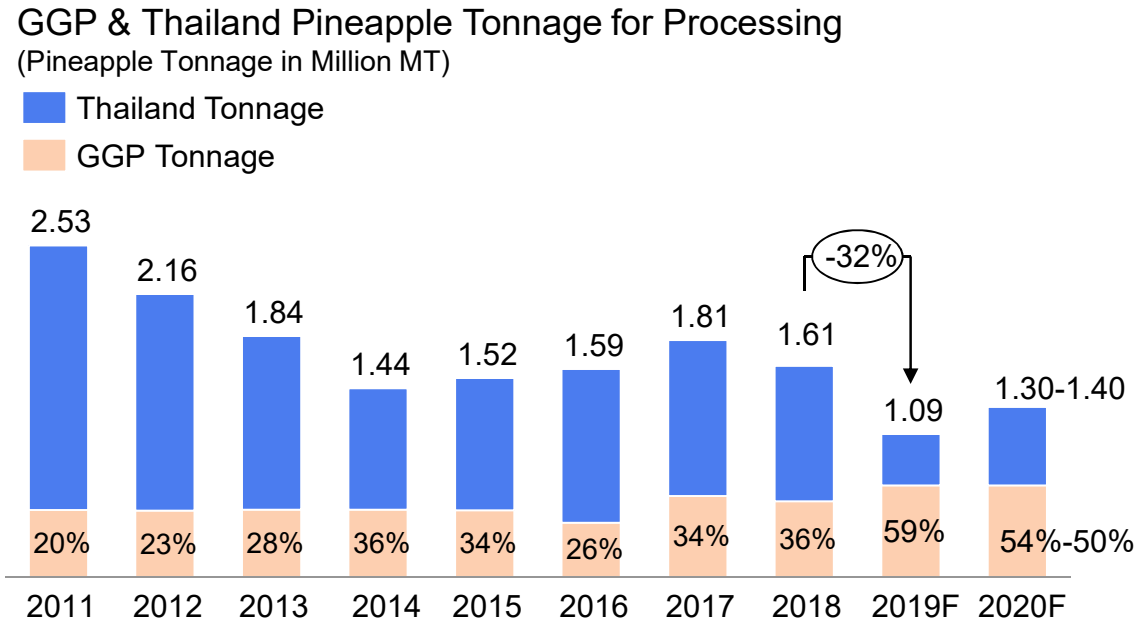


GGP' Deepened Water Reservoir

Highlight

- **The Dry season had turned to a 'long drought' continued until October 2019, with no rainfall in July & August 2019.**
- **Enduring the dry weather conditions, GGP has deepened some reservoir to anticipate the drought.**
- **The production in 2019 is expected to be 780,000 MT (2018: 730,000 MT).**
- **However, the increase of Indonesia's production will not be able to substitute the shortfall of other countries.**

Given the declining trend of Thailand Pineapple tonnage, GGP continues to grow its production volume



Source: ITC Trade Map, Thai Statistic Office, GGP Analysis

Highlight

- **Thailand's production is estimated to reach 1.3 – 1.4 million MT in 2020.**
- **GGP has reached more than 50% of Thailand's production.**
- **2019 = 650,000 MT**
- **2020 = 700,000 MT**

World's Processed Pineapple Producers

Pineapple Juice Concentrate Producers
(volume in '000 MT)

	Processed Volume						PJC Equivalent					
	2015	2016	2017	2018	2019F	2020F	2015	2016	2017	2018	2019F	2020F
Thailand	1,522	1,590	1,811	1,650	1,105	1,300	85	85	105	110	85	93
Philippines	989	1,000	1,120	1,100	1,050	1,100	53	54	60	59	56	58
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*Others	345	385	300	260	255	250	18	20	11	7	7	9
Total	4,249	4,245	4,751	4,584	3,944	4,240	286	266	292	286	262	273

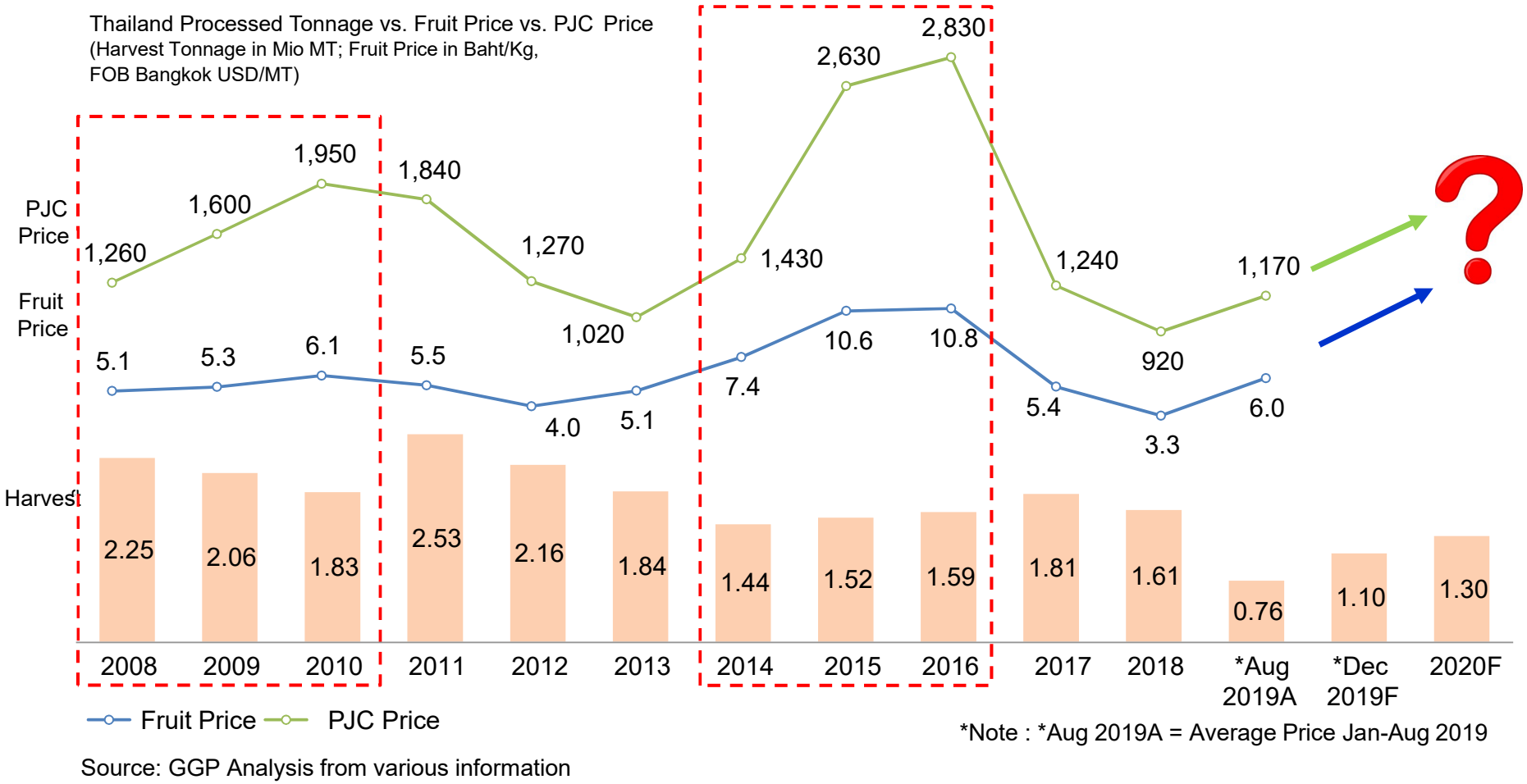
*Others : Brazil, Vietnam, China

Source: ITC Trade Map, GGP Analysis

Highlight

- **Thailand Harvest in 2020 expected to reach 1.3 million tonnes.**
- **Philippines Harvest remain stable over the years.**
- **Indonesia Harvest in 2020 will be the highest in history.**
- **Costa Rica, conversion of NFC to PJC is about 30,000 MT. Total Costa Rica's production in PJC equivalent is 60,000 MT per year.**

Thailand PJC Price & Fruit Price Trends



Source: GGP Analysis from various information

*Note : *Aug 2019A = Average Price Jan-Aug 2019

Apple Market Report - A rough summary of a challenging crop in 2019

What has become clear since early August is that the short crop in Europe and good crop in China is still affecting the AJC market. After the bad crop in 2018, China reports a good crop this year, resulting in the drop of AJC prices than compared to the crop of 2018.

Chinese producers are all set to supply substantial quantities to their target market being the USA from the crop of 2019 even after 25% duty implied on Chinese AJC in the USA.

Poland, the dominating apple producing country in Europe, accounts for about 30 % of this year's crop in Europe and it has been keeping a high price level for industrial apples throughout the harvest season.

Crop production in Europe has significantly dropped with very little quantities of apples arriving at the processing plants. Total AJC production in Europe significantly dropped compared to last year.

Production of AJC in spring 2020 from Polish warehouse apples cannot be estimated at present. Experience shows that most of the warehouse apples go into production of apple direct juice (NFC).

Price level for AJC in Europe is much higher than in the Middle East markets.

FSL Partners with Medibel

FSL & Medibel have joined hands to launch and distribute new and innovative blended juice and beverage concepts in the region.. Medibel was founded in 1960 and specialize in the creation of blended fruit juice concentrates (primarily multifruit) and blended NFC's. Their head office is in Belgium and their state-of-the art production facility and a lab – Labo Juice, located in the Netherlands.

Medibel's core values are environmental sustainability and innovation which is delivered through their creative and original blends which offer an excellent taste profile that is entirely unique and which pushes the boundaries of what the juice and beverage industry can offer consumers in terms of taste, sugar-reduction, stress relief and health benefits.

This new partnership with Medibel leverages FSL's strong distribution network in the region and synchronizes with FSL's decision to create their own innovation unit to develop entirely unique juice and beverage concepts for our customers which are customized to the taste profiles and consumer demands in the Middle East region.

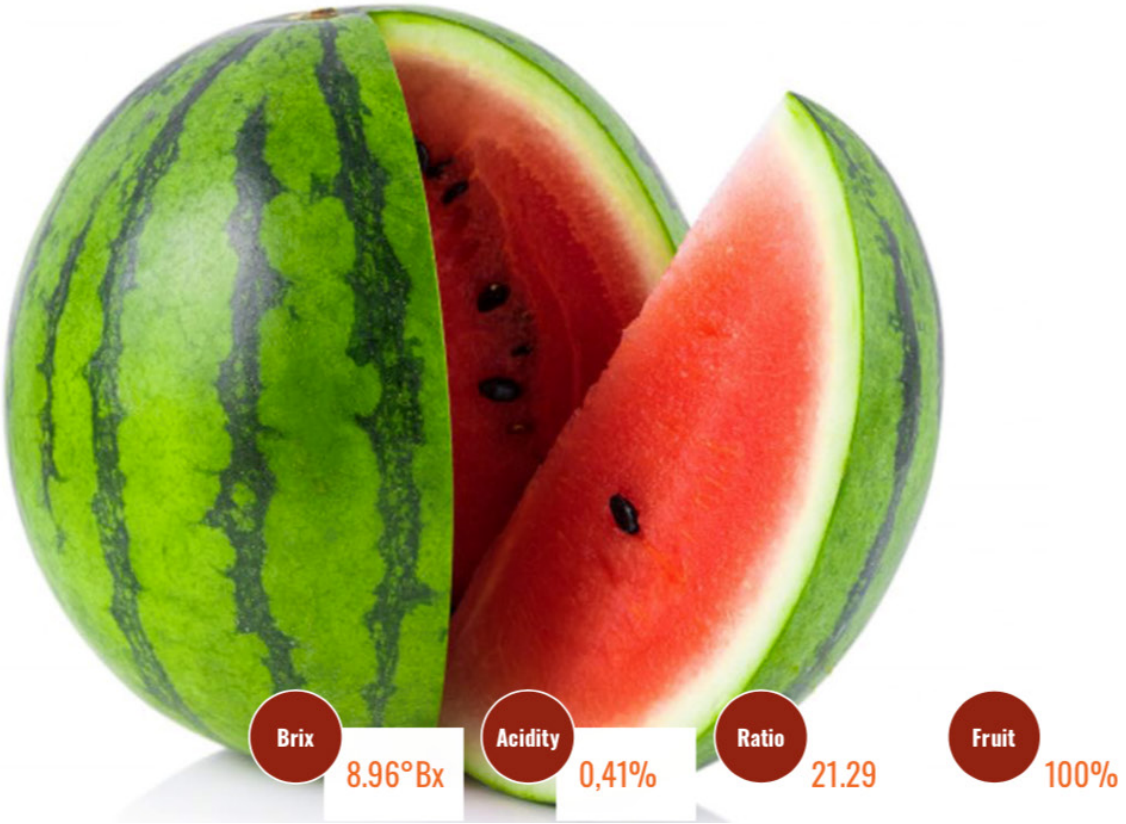
Please see some of Medibel's innovative and sugar reduced juice and beverage offerings in next page:

Refreshing Watermelon Drink

Energy reduced fruit drink

INGREDIENTS:

Water Melon Juice from Concentrate and NFC
Orange Juice from Concentrate
Apple Juice from Concentrate
Lime Juice from Concentrate
Black Carrot Juice from Concentrate
Lemon Juice from Concentrate
Natural Flavouring



Cacao Juice

Cacao doesn't always meen chocolate

INGREDIENTS:

Cacao Fruit Juice

Citrus-Green Tea

Hybrid of fruit with green tea infusion

INGREDIENTS:

Water
Apple Juice from Concentrate and NFC
Grape Juice from Concentrate
Lemon Juice from Concentrate
Lime Juice from Concentrate
Concentrated Infusion of green tea
Natural Flavouring
Colouring food (concentrates of apple, safflower, lemon)
Anti oxidant: Ascorbic Acid

Tropical Syrup

Dilutable for children, no sugar added

INGREDIENTS:

Grape Juice from Concentrate
Water
Orange Juice from Concentrate
Mango Juice from Concentrate
Natural Flavouring
Acidifier: Citric Acid
Colouring Food:
(concentrate of carrot and apple)
Stabilizer: Tara gom
Sweetener: Steviol glycosides

Blackberry-Mint-Birch Water

Near Water Concept

INGREDIENTS:

Birch Sap
Apple Juice from Concentrate
Grape Juice from Concentrate
Blackberry Juice
Natural Flavouring
Acidifier: Citric acid

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

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