



Q1 2019

JUICE & BEVERAGE NEWSLETTER



1. Welcoming the New
Mango Season –

2. FCOJ from Mexico in
2019

3. Pineapple : A Fruit in
Focus

1. Welcoming the New Mango Season

Western region-Alphonso Comparative report:

<i>Region</i>	<i>February 2019</i>	<i>February 2018</i>
Ratnagiri <i>Temp:H:32°CandL:18°C</i> <i>Precipitation: 0 mm</i>	Limited fruit formation observed. however, farmers expect the fruit availability to be better compared to last year	Flowering was delayed at this time.
Devgad <i>Temp:H:32°CandL:18°C</i> <i>Precipitation: 0 mm</i>	Flowering has just begun. The season is delayed and farmers expect fruit availability to be on the lower side compared to last year	Flowering was delayed at this time.
Dapoli <i>Temp:H:32°CandL:17°C</i> <i>Precipitation: 0 mm</i>	Flowering has begun. The season is delayed compared to last year.	Flowering was delayed at this time.
Varsad <i>Temp:H:32°CandL:17°C</i> <i>Precipitation: 0 mm</i>	Flowering has begun. Though the temperature has a large differential and farmers expect a good season when compared to last year	Initial flowering had begun in February.

Southern region-Alphonso Comparative report:

<i>Region</i>	<i>February 2019</i>	<i>February 2018</i>
Chittoor, Kodur, Kadapa, Dhamalacheruv & Irala	The season is not looking favorable. Farmers are expecting only 30 – 40%	Flowering has commenced.

<i>Temp:H:32°CandL:23°C</i> <i>Precipitation: 0 mm</i>	fruit availability compared to last year	
Krishnagiri & Karnataka Region <i>Temp:H:35°CandL:25°C</i> <i>Precipitation: 0 mm</i>	Flowering is completed. It looks like fruit availability might be lower compared to last year	Flowering was close to completion

Southern region-Totapuri Comparative report:

Region	February 2019	February 2018
Chittoor, Kodur & Kadapa <i>Temp:H:32°CandL:23°C</i> <i>Precipitation: 0 mm</i>	Flowering is visible. The fruit availability is likely to be like last year subject to timely rain before harvest.	Flowering has commenced.
Dhamalacheruv & Irala <i>Temp:H:32°CandL:24°C</i> <i>Precipitation: 0 mm</i>	Good fruit setting observed. Farmers expect a good crop from this region.	Flowering has commenced.

Crop Influence:

Western Alphonso:

- Bearish Scenarios – The Western region has seen higher temperatures over the last one week. If the temperature consistently crosses 35 °C or even 40 °C in February or March, this might cause an early drop of flowering or small fruits. Manufacturers have given an indication about the possibility of the GCC banning fresh Indian Alphonso due to lack of pesticide control. This will leave the retail and processing market with an excess of fruits.
- Bullish Scenarios – Conducive weather with minimum temperature differential (high and low) could lead to a bumper crop of fruits for both quality and availability.

Southern Alphonso:

- Bearish Scenarios – Due to the poor quality of the southern Alphonso in 2018, manufacturers are expecting a lot of customers to shift to western Alphonso, which could lead to excess Alphonso fruit in the South. Additionally, if there is not enough rainfall in this region, this could negatively affect the crop.
- Bullish Scenarios – if there is timely rain before the season, farmers expect a good crop.

Southern Totapuri:

- Bearish Scenarios – Last year manufacturers and farmers have got the support from the government for pricing. We might see the same situation if there are additional fruits this year.
- Bullish Scenarios – if there is timely rain before the season, farmers can expect good crop.

Overall Summary: Summary of 2019 is key to the economy due to the general elections. This might cause disturbance in fruit and cash availability for the local farmers and traders. In related news, the current Indian government is exerting pressure on banks to increase lending to small and medium enterprises. This should ease the working capital situation for the industry.

Analysts suggest, that the industry in India will process much less this year due to high stock levels. They also expect that the raw material output will be lower following two good annual crops in a row.

2. USDA Update on Mexico's Orange Juice Market

Total production of frozen concentrated orange juice (FCOJ) in Mexico during the 2016/17 and 2017/18 seasons was good. The industry there took advantage of greater international demand and particularly the decrease in US juice production. FCOJ production in Mexico for 2018/19 is forecast to increase due to the expected ample supply of oranges and attractive international prices. Florida is unable to cover domestic demand and orange producers in Mexico say there is strong uptake from local processors as a result. The USDA forecasts 2018/19 orange juice production in Mexico at 210 000 tonnes based on information from industry sources. Based on expectations of higher exports to the US and orange grower reports of strong processor demand, orange utilisation by processors in 2018/19 is forecast at 2.1 million tonnes, compared with 1.9 million tonnes in 2017/18 and 2.1 million tonnes in 2016/17.

Consumption

Industry sources suggest that domestic orange juice consumption is relatively stable at 7500-8000 tonnes per year. Mexican consumers generally prefer fresh squeezed juice to commercially processed orange juice. However, the industry is observing the increase of orange juice-based drinks. Industry reports that stocks are approximately 2000 tonnes, as a certain amount is needed for blending during the production process.

Trade

Exports of orange juice for 2018/19 are forecast at 203 000 tonnes, based on early industry reports. Estimates for 2016/17 and 2017/18 are revised upward from previous estimates, due to stronger international demand brought about by the shortage of FCOJ in the US. The US is the primary market for Mexican orange juice, but exports to Europe continue.

Mexico imports a small amount of orange juice for the hotel, restaurant, and institutional sector. Mexico will import approximately 1000 tonnes of orange juice in 2018/19, the same level as the previous year. Most imports arrive from the US at zero duty.

MEXICO - ORANGE JUICE (65 brix equivalent) Tonnes

Season	2016/17	2017/18	2018/19
Beginning stocks	1700	1200	2000
Production	210000	195000	210000
Exports	203500	187200	203000
Dom. consumption	8000	8000	8000
Ending stocks	1200	2000	2000
Total distribution	212700	197200	213000

Source: USDA

3. Pineapple – a Fruit in Focus

Thailand is currently in between its Winter and Summer crops. There is still limited processing and fruit pricing remains relatively firm at THB4.50/kg, compared with THB2.60-4.50/kg last year. While it is not unusual for price levels to appreciate at this time of year, there are some signs that these higher raw material costs may continue into the summer crop. Some analysts suggest that raw material price levels could average THB5.00/kg for 2019. The eastern parts of Thailand are under a mild El Nino and the coming months are expected to be very dry. In addition, the lower rewards the farmers have been receiving for fruit for over a year now has probably led to lower investments in the plantations. These factors, say analysts, could result in smaller fruit and an overall lower level of production during the forthcoming Summer crop, which will begin after the Songkran festival in Thailand next month.

For the moment, price levels for concentrate are still under pressure from the second-hand stocks sitting in Europe, which are offered around USD1100 / ton. However, current offers out of Thailand are higher at USD 1250 - 1300 / ton 60/65 brix FOB Bangkok. Traders say that buyers could probably fix reasonable quantities for delivery until the end of the year at the latter price. Speculative old season stocks in Thailand are reportedly minimal.

Outlook

There are also problems with low ratio supplies from Costa Rica and processors are struggling to produce juice above 18 ratio due to excess rains. Ratios would usually be registering between 20-35.. The industry is now keeping a close eye on the new crop in Thailand and demand could pick up at the end of this month in anticipation of higher pricing. If prices do begin to climb it is expected to be a gradual process and there is unlikely to be a significant hike due to continued lackluster uptake from the key markets. Nevertheless, prices have been too low for too long, say analysts, who cite the sustained three-year boom-then-bust production cycle that the global pineapple juice market is subject to.

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