

# NEWSLETTER



JUICE & BEVERAGE INGREDIENTS

Q2 2020

Dear Readers,

We hope that you are all healthy, well and safe.

The COVID-19 pandemic continues to sweep across the globe and its impact has been felt by every person and every industry in every part of the world. While some countries are easing lockdown measures and returning to the “new normal,” others like the USA, India and Brazil, are experiencing case numbers rising to new peak levels.

This pandemic has brought human and public health to the fore and arguably made them the most important issues of the 21st century. Perhaps the silver lining to this grey cloud will be a change for good with the creation of a healthier and safer future for our children.

**Our mission at FSL will be to manufacture this reality with innovative and healthier solutions for our industry and the people it feeds.**

In this Q2 edition of our newsletter we will be sharing key information on the global crop and harvest situation and forecasts for apple, mango, pineapple, tomato, apricots and peaches. We will also be sharing some local regulatory news as Oman becomes the next GCC country to introduce a sugar tax.

Production of some crops, such as mango, have been directly impacted by the pandemic for reasons explained below while other crops have been affected indirectly due to a rise in transport and labor costs. Meanwhile poor weather situations in other parts of the world are compounding issues further and affecting the output of other key fruit crops this year.



However, all of FSL's suppliers are world-class organizations with excellent safety protocols in place. FSL always safeguards our customers interests by diversifying our supply chain and we are committed to ensuring a consistent supply of ingredients through any challenge. FSL's global network of suppliers spans the entire globe which allows us to hedge against geographical supply fluctuations.



We hope you find this newsletter informative and if there are any topics you would like us to cover in our next newsletter, please do let us know. If you have concerns about price rises in any of the juice commodities you are currently purchasing from us, please contact us to discuss.

## LOCAL NEWS

### Arabian Business

#Banking & Finance #Construction #Education #Energy  
#Retail #Technology #Transport #Travel & Hospitality

#### Oman set to introduce 50% tax on sweetened drinks

Oman is set to introduce a tax on sweetened drinks from October 1 this year, according to the Secretariat General for Taxation.

Any drinks that contain sugar or any of its derivatives or any other sweeteners, as well as concentrates, powders, gels, or preparations that can be converted into sweetened drinks will be subject to the levy, according to the sultanate's tax authority.

The authority said products excluded from the tax include fresh fruit juices (100% natural fruits), nutritional supplements, milk and its derivatives containing a ratio of not less than 75% of milk and laban, special dietary drinks and drinks that are for medicinal use.

Oman introduced a 100% tax on tobacco, alcohol, pork meat and energy drinks on June 15 last year. It also introduced a 50% tax on carbonated drinks. The tax on alcohol was later reduced to 50%, but will now be restored to 100% from July 1, according to local media.<sup>1</sup>



Reference: 1. <https://www.arabianbusiness.com/banking-finance/448444-oman-set-to-introduce-50-tax-on-sweetened-drinks>

## GLOBAL CROP UPDATES

### APPLE

It is still too early to give a firm report on the apple market but the initial glance on the major producers is as follows.

The apple crop from Poland (the main European supplier for AJC) does not look spectacular. There was some damage due to frost but thus far it looks like an average crop. Although it is too early to give precise details, we will have to wait to see whether a “June drop” will affect some regions when trees drop their young fruit due to a lack of rain to protect the remaining fruits.

Photos from mid-May from Polish orchards:



**Hungary** is another important country for AJC in Europe which is already reporting losses of about 30% due to a severe frost situation in April.

The apple crop in the rest of Europe is slightly affected due to frost. In the Lake Constance area of Germany, the production of fresh apples used for NFC have also been affected by frost.

Italy, Ukraine, Moldova, Serbia are stable thus far but to get a clear picture we still have to wait. Fortunately, there is no negative impact on production in **China** thus far.

## PINEAPPLE

Pineapple Juice Concentrate (PJC) supply is likely to be fairly restricted in 2020. The summer crop in Thailand has been weak with the estimated harvest from Jan to May 2020 down by 25% versus 2019. As a result, we estimate that the volumes from Thailand will be below 1 million MT this year - a record low in volume in more than 10 years.

Raw material prices in Thailand have been steadily increasing since the beginning of the year and are currently at a level of 12 baht per kg. With this raw material price, Thailand will need to quote at a level of USD 2400 FOB for 60 brix to cover their production costs. The supply situation in 2021 is still a big question mark as Thailand is currently experiencing a drought and with the COVID-19 situation still lingering, it is very unlikely for supply to recover in H1 2021. Supply will most likely will improve in H2 but we are not sure on how much improvement there will be at this stage.

As for Indonesia, due to a longer dry season, we expect their tonnage to be around 580,000 MT in 2020 (the early forecast for 2020 was



700,000 MT whereas the 2019 harvest was 625,000 MT). We are witnessing an improvement in supply in H2 2020 compared to H1.

For PJC prices, we do not foresee that the price will soften until H2 2021 and suggest that all our valued customers book orders early to secure their stocks.

## ALPHONSO MANGO

The Alphonso Mango season has just come to an end; the fruit started at INR 24 per kilo and escalated to INR 36 per kilo due to supply shortages and a significantly smaller crop than 2019.



## TOTAPURI MANGO

The Totapuri Mango crop also appears to be delayed like the Alphonso crop. The crop is at a flowering stage at the moment and the fruit stage soon is meant to commence soon. It appears that the harvesting of the fruit for the processing industry will commence towards the 1st week of June.



## COVID-19 UPDATES FOR THE INDIAN MANGO CROP



- Due to COVID-19 there has been a significantly lower movement of fruit into the export and domestic/fresh market. Interstate lockdowns, lack of labor and transporters are all factors restricting the steady arrival of fruits at the factory.
- Skilled laborers are no longer available since they have gone back to their villages due to the lockdown and it might not be viable for them to come back to the factory until the lockdowns are completely lifted. Even if they do come back, they will have to be quarantined and checked before coming into the factory which is certain to cause further delays in production.
- Freight transporters are also in a similar situation where they are finding it challenging to find drivers since they have also gone back to their villages and are unlikely to return. Even if drivers are available, state border clearance is not easy and even though the port is functioning it is difficult to get through customs and other clearances due to a lack of staff at the port.
- As operations are being scaled down production might not be at full capacity this season.
- Apart from the fruit price, we also expect labor and transportation costs to be much higher this year due to COVID-19.

## APRICOT & PEACHES

The new production of apricots will begin by the second week of June (2-3 weeks duration) and by mid-July for peaches.

The apricot crop for 2020 is smaller due to sporadic spring frosts in the plantations of the Peloponnese region in Greece. The estimations are of a drop by 10% to 15% compared to last year. In general, the apricot crop in Europe is an average 30% down compared to 2019. The prices for fresh fruit are expected to be higher due to the smaller crop and the increasing demand for fresh fruit in the consumer market due to consumers stockpiling and consuming more healthy foods.

The Greek peach crop for 2020 is expected to be good however it is too early to offer a precise estimate. On the other hand, the weather conditions have been peculiar, and the plantations are begging for summer heat. The temperatures are not high enough at the moment and hail and rains are expected throughout the whole summer period.

## TOMATOES

The transplanting of the tomato crop of 2020 has suffered a delay of approximately 15-20 days in the Extremadura region in Spain and Portugal due to an unexpected rainy period since mid-March. Rains vary from 119,60 to 157 l/m and the average was near 133 l/m. Typically, rains should be almost at zero or very residual. In this period there have been only 5 consecutive days without rain.

As of 21st April, Conesa has transplanted 13.5% of the surface in Portugal, when it should be at least 45% by this time. In Extremadura, Spain, Conesa has transplanted around 15% of their crop when it should be at 50%. This is the same situation in Vegas Bajas, Spain as well.



To have a normal crop, Conesa should harvest until beginning of October (around 10th October). Some farmers are refusing to transplant very late due to a risk of rains in late September and beginning of October. So, it is highly probable to have less surface area available and the yield in farms is likely to decrease starting September 15th. There will definitely be a reduction of the crop by about 15% as per Conesa's estimates.

To encourage the late transplanting, Conesa will need to pay a premium to farmers.

Spain is also likely to experience a shorter crop this year. Normally Conesa have a 60-day crop in comparison to around 50 days this year.

However, in the Andalucia region in Spain, the weather has been good, and transplanting is on track at about 88% as of April 22nd.

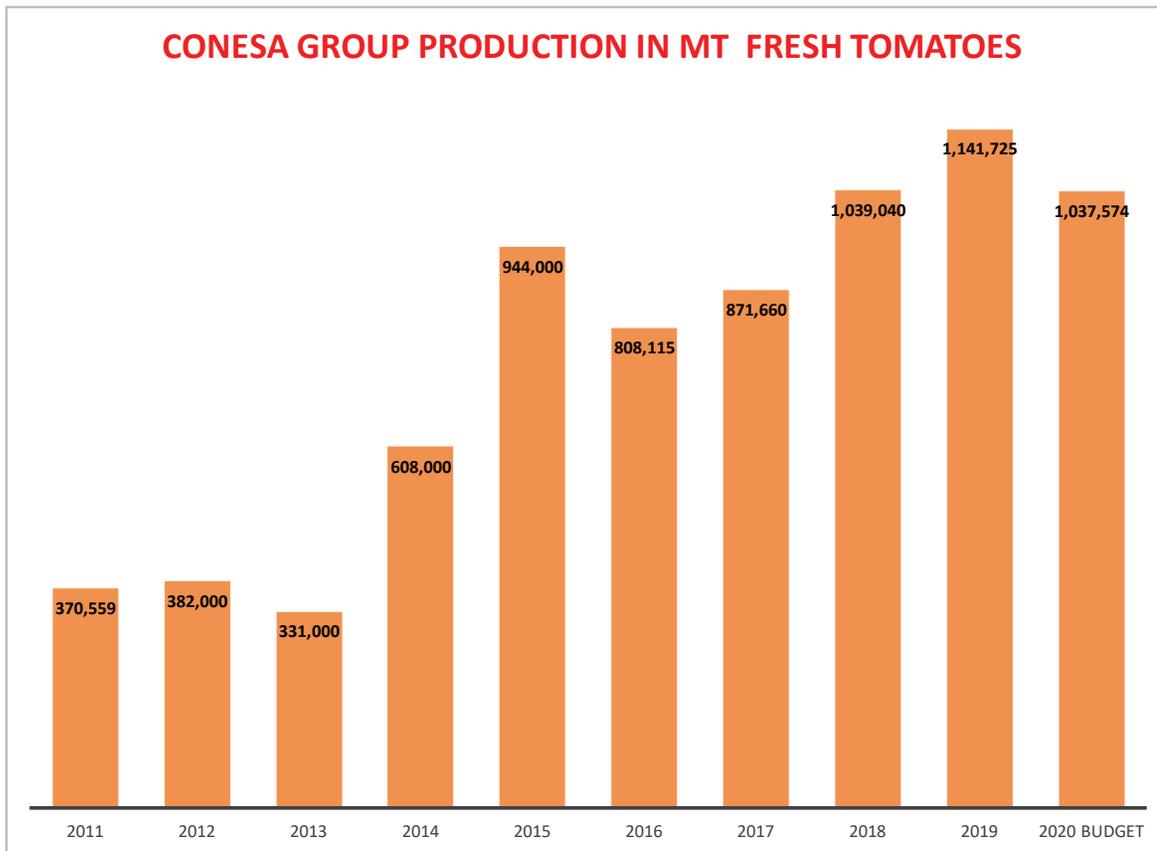
Tomato prices are going to increase due to several compounding factors:

- Compromise with farmers to pay more for tomatoes in the next crop (2021)
- Lack of stock in the market
- Uncertainty of the crop in the Extremadura region of Spain and Portugal
- Increase in logistics costs (due to COVID-19)
- Higher labor costs (due to COVID-19)

Considering the above factors, we expect prices for the 2020 crop to be at the level of the 2015 crop, if not higher.



Below is Conesa Group's annual production of fresh tomatoes for the past decade and their revised forecast for 2020:



FACTORY	2020 Initial budget	2020 Budget 30 06
CONESA BA	304.025	278.907
AGRAZ	204.442	198.117
CONESA VA	173.200	150.182
TRAVIR	300.000	281.677
CONESA PT	124.015	110.000
TOMATAG	23.000	18.691
FAB ESPAÑ	981.667	908.883
FAB PORTU	147.015	128.691
<b>TOTAL</b>	<b>1.128.682</b>	<b>1.037.574</b>
SPAIN	3.100.000	2.950.000
PORTUGAL	1.400.000	1.300.000
IBERIAN PENINSULA	4.500.000	4.250.000
% OVER SPAIN	32%	30,81%
% OVER PORTUGAL	11%	9,90%
<b>% OVER IB. PENIN.</b>	<b>25%</b>	<b>24,41%</b>



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

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