

NEWSLETTER



INGREDIENTS

Your Long Term Partner

JUICE & BEVERAGE INGREDIENTS

Q3 2020

Dear Readers,

The summer of 2020 has been a challenging one for planet earth! With a global pandemic that shows no signs of abating and record high temperatures in various parts of the world the future certainly has some challenges in store. Without a doubt, human health and the environmental sustainability will play an increasingly important role in consumer decision making in the 21st century.

The summer has been a busy one for us as at FSL as we have earnestly been working to develop sugar replacer and healthier beverage solutions for our customers along with our Flavors and Innovation team. Our Innovation team is also working on a range of health drink concepts which we will share more information on in our next newsletter.

In this Q3 edition of our Juice and Beverage Ingredients newsletter we will be providing on the detailed report on the end summer crop situation for various key fruits and how this is affecting the market for certain key commodities.

Please contact us to discuss any of the information presented here or to learn more about our sugar replacer solutions.

Happy reading!



PINEAPPLE

The production of the summer crop has ended and most factories in Thailand are now closed. Factories are expected to re-open in October for the 2020 winter crop. Production from the recent 2020 summer crop was extremely poor and the high price for fruit is not allowing processors to offer competitive prices for PJC. The 2020 harvest forecast for Thailand is at the level of 0.8 to 0.9 million tonnes (the normal level is 2 - 2.2 million tonnes and last year it was 1 million tonnes).

Replanting has reportedly been slow for the past six months which means that there is unlikely to be any change in the poor supply from Thailand until the second half of 2021. Pineapples require 18 months for harvest, hence if the farmers start to replant now, the harvest period will be in the summer crop of 2022.

In terms of pricing, with the low supply, the price of PJC is unlikely to soften until the situation in Thailand improves. **This situation highlights the strengths of FSL's associate, PT Great Giant Pineapple who can offer fresh pineapple products year-round with their massive plantations in Indonesia.**

We have received information that some of the suppliers from Thailand are offering lower prices for old stock of PJC which contain nitrate content levels higher than AIJN standards.

News Alert: Gulfood Manufacturing 2020 has been cancelled due to COVID-19 and the restrictions on international travel. The show is now scheduled to take place from November 7th-9th 2021.





TOMATO

As of 15 August, 29% of the total crop in Spain has been harvested.

In the Andalusia region, 51% of the harvest has already been completed and factories have been running at capacity for several weeks.

In the Extremadura region, only 25% of the forecast has been achieved as the harvest so far has been slow and yields have not been good. Full capacity was only achieved this week. A hailstorm on 11 August caused some crop damage and rain has disrupted the harvest in certain areas. Temperatures are now back to normal after a very hot few weeks and the weather forecast is good. Fruit quality is very good with higher brix than normal and good color making the crop ideal for production of tomato dices. The forecast for Spain has been lowered to 2.9 million tonnes with a lot of uncertainty still looming, especially in Extremadura which is in need of good weather in September.

In Portugal, The weather has been strange and unstable with cool temperatures which are now getting better. The crop quality is generally very good with good color and high brix, but field yields are still very poor. As of 15 August, only about 20 - 22% of the forecast has been processed. Currently, factories are running at 1/3rd - 2/3rd of their capacity due to rains which forced a gap in the harvest. Larger volumes are expected to arrive next week and a large proportion of the crop will be harvested in September. The forecast remains at 1.3 million tonnes for the time being until there is enough data to revise the expectations.



In California, record high temperatures over the past week have threatened the crop and smoke from the various wildfires erupting around the state is further exacerbating the problem.

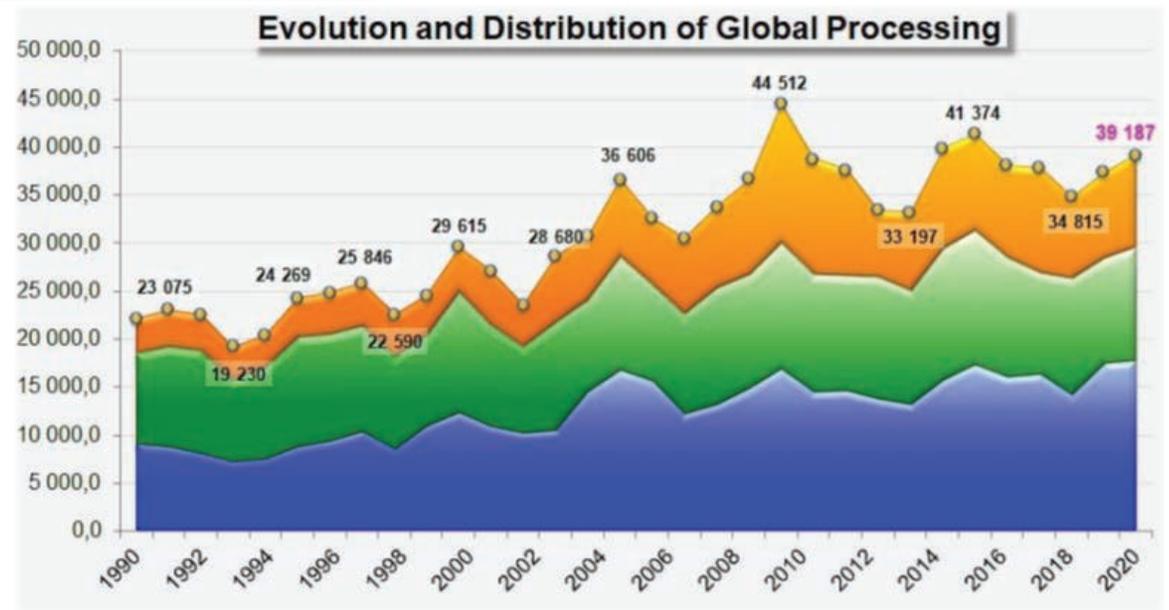
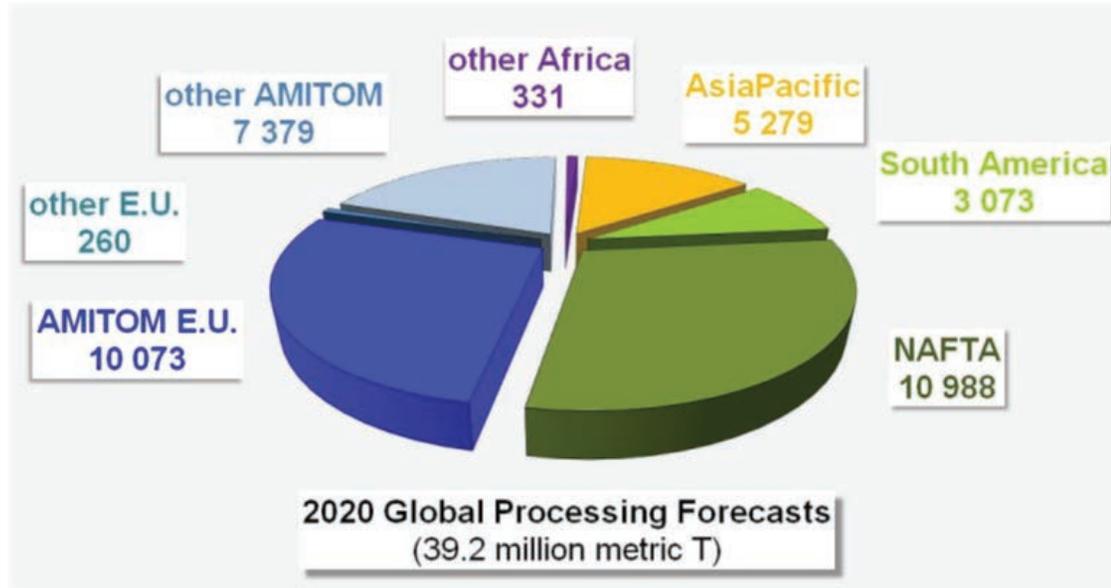
The estimate is to process 1,020,428 MT but the actual production is 925,630 MT this week. As of 15 August, the estimation is to process 5,063,430 MT while the actual is 4,593,037 MT. Yields in the south continue to perform below contracted levels and solids continue to be doing well.

In the Northern part of the state, overall yields are at contract at this time. There is some concern about the acceleration of the crop.

In the US Midwest, the tomato season has begun and the weather has been close to ideal for the start of the season resulting in a well-developed crop. The quality is above average for the beginning with yields as expected and slightly higher than the contracted amounts. The crop has moved forward a little in maturity and will help with some of the slower harvest to begin the season due to some of the planting delays .

The crop in China has also been affected by the climate this year as the production period has been delayed by 7-10 days compared with previous years. The specific production situation will not be clear until August 25th.

2020 GLOBAL PROCESSING



PEACH

The new 2020 peach crop in Greece seems to be fairing well in terms of quality but not in quantity. Due to COVID-19, manufacturers have to take preventative measures which lead to an increase of production cost by at least 3%.

Our partner, Intercomm is currently running the second half of the campaign and it seems that it will be finalized by the first week of September.





MANGO

Initially the Totapuri mango crop was expected to be similar to last year as favorable weather conditions prevailed during the development of flowering and fruit setting. However once Coronavirus numbers started going up in April the situation completely changed. Under these circumstances and due to high raw material price, increased labor wages and fruit scarcity very few factories have processed Totapuri in India which has resulted in under production by 40-50%. This will significantly impact the Mango season of 2021 as the demand and price may go up.



GRAPE

The global area for grape cultivation this year is approximately 7.5 million of hectares of which Spain takes a share of about 950,000 hectares which produces 5.1 million of tons of grape.

Traditionally, in Spain 51% of the cultivated area is for the red grape variety of which the most important variety is **“Tempranillo”** which represents 41% of total red grape production.

When it comes to white grape, Spain cultivates about 47% white grape from the total production of grape in the country. The most important white grape variety is **“Airen”** which represents 47% of the total white grape varieties.



SPANISH PRODUCTION

2017: 35.37 Million Hectolitres

2018: 50.36 Million Hectolitres

2019: 37.73 Million Hectolitres

2020: Spain expects approx. 43 Million Hectolitres due to good weather conditions.

Normally, Spain allocates about 10% of its grape harvest for the production of juices and concentrates while the rest of the crop is sold into the wine industry.

This year the expected production in Italy is about 46 Million of Hectolitres and in France the expected production is around 44 Million of Hectolitres which are the other 2 important grape producing countries in Europe.

After an average 2020 harvest in Argentina, the exports for grape have now recovered back to normal levels. Argentinian production for 2020 is about 14 Million Hectolitres of which 5 Million Hectolitres are designated to grape juices.

The Middle East market has been very important for Argentina this year due to a large demand for WGJC in 100% fruit juices. Traditional markets such US and Canada are taking product at regular levels. Despite the ongoing pandemic, most of the facilities are running at in full production capacity. If these demand levels persist for the rest of the year, Argentina will be short on inventory as the new 2021 crop harvest is still far away. However there is speculation on the impact of frost next month that could effect the new harvest from the northern hemisphere.

APPLE

It is expected that EU origin of 2020 AJC crop will be at the same level of 2019.

Please refer to the table below which shows the forecasted quantity in the major EU countries:

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	F2020
Austria	199	157	155	188	177	40	67	184	146	121
France	1,701	1,169	1,576	1,444	1,674	1,515	1,424	1,477	1,651	1,431
Germany	953	972	804	1,116	973	1,033	597	1,093	991	951
Greece	305	242	236	245	242	259	231	301	276	289
Hungary	301	750	585	920	522	498	530	782	452	350
Italy	2,293	1,939	2,122	2,456	2,280	2,272	1,704	2,264	2,096	2,080
Netherlands	418	281	314	353	336	317	228	267	272	234
Poland	2,500	2,900	3,170	3,750	3,979	4,035	2,870	4,810	2,910	3,400
Portugal	265	221	284	272	329	263	314	267	354	301
Romania	412	351	387	382	336	327	230	425	327	343
Spain	507	391	464	505	482	495	480	476	555	467
UK	226	162	204	206	243	239	207	219	205	207
Total (MT):	10,080	9,535	10,301	11,837	11,573	11,293	8,882	12,565	10,235	10,174

Poland (Europe's leading AJC producer) expects a good crop while Hungary (the second largest AJC producing country) is expecting a crop close to a disaster due to bad weather.

China expects a reduction in their apple crop of around 40 million MT (very roughly half the world's apple crop). China's focus is the US market and their pricing will follow a line to supply a share of up to 60% of American demand which, is approx. 500,000 MT per year.

The US expects a crop of approx. 4.8 million MT this year (slightly less than 2019), however their production of AJC is relatively small.

Turkey is becoming a more important player in the AJC market. The country is now amongst the big 5 producers with roughly 3.5 million MT of apple produced in recent years. In 2018 Turkey exported about 80,000 MT of AJC.

The Southern Hemisphere produces about 5 million ton of apples annually of which Chile makes up 1/3 of the regions production as the largest apple producing country. Chile's focus for AJC is the US market.

What this will mean for European apple prices for juicing is still uncertain. Thus far we know that prices for the first crop of apples are unusually high which was not expected due to the relatively good crop in Poland.

Our associate, Austria Juice is expecting tough negotiations with apple growers this year to bring prices for processing apples to a level at which large quantities of AJC can be sold.

At present it is too early to indicate a price level for European AJC for the whole crop which usually goes until mid/end November.



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

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