NEWSLETTER

FSL INGREDIENTS
Your Long Term Partner

JUICE & BEVERAGE INGREDIENTS Q3 2021

Dear Readers,

FSL is looking forward to welcoming you at **Gulfood Manufacturing** from the 7th – 9th of November 2021.

This year FSL is hosting the largest stand at the show and our key Juice and Beverage Ingredients partners will be exhibiting and present at the show. This exhibition is always a prime occasion for all of us to meet together in person and discuss good business opportunities – especially after a very quiet 2020.

This year, we are very proud to introduce **Citrosuco**, FSL's new partner for Orange Juice Concentrates and NFCs from Brazil in addition to **All Juice Med / GAP Fruits**, our White Grape Juice Concentrates supplier from Spain.

Agrana our trusted and long-term partners for juice and beverage compounds will also be exhibiting with their style and flare along with **Austria Juice**, our well-reputed and leading supplier of Apple Juice Concentrates.

Conesa, one of the world's largest supplier of Tomato ingredients will also be present along with **Medibel** – our Juice Innovation partner and supplier of Tropical Fruit Compounds.

It has been two years since the last major Food and Beverage Ingredients event took place in the region and we are looking forward to a safe and active Gulfood Manufacturing show this year.

In this newsletter we will be sharing our usual quarterly crop updates followed by a taste of our Innovative Juice and Beverage concepts to sample in our innovation room at Gulfood Manufacturing.

Please come sample our products at our stand located at the entrance to Sheikh Saeed Hall #1 (Stand # S1-A36).

IMMUNITY BOOSTING JUICES

In response to these market dynamics FSL and Medibel have co-developed a range of no-sugar added Immunity Boosting Juices which are tailor made to the taste profiles of the GCC region. These range of juices contain natural ingredients such as **Ginger, Turmeric, Ginseng, Vitamin B and Ashwagandha** which provide a healthy boost to the immune system and a wide range of other health benefits.

However, taste will always be a key motivator for repeat purchases and these juice blends are carefully designed to suit the local taste profiles of GCC consumers offering delicious and refreshing new taste and flavor profiles. Combined with a daily dose of healthy ingredients in a single serving, this new range of juices adds value to the consumer and can hence command a premium on the shelves. When it comes to their immune systems and health, we can safely estimate that a large majority of consumers would be willing to spend a little extra.

TURMERIC ORANGE PASSION

Immunity boosting **Turmeric** drink with juices of orange, apple, pineapple, mango puree, carrot puree and passionfruit.

> *"A unique tangy orange profile with a spicy zing that makes it a perfect way to build immunity and kickstart your day."*

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF 275/007A - Orange - Turmeric	11.87	0.5	225.99

ASHWAGANDHA GOODNESS

Immunity boosting berry juice with **Ashwagandha** and juices of apple, grape, pomegranate, cranberry, aronia and cherry.

> *"A mellow berry flavor with a soft sweet finish which tantalizes the taste buds."*

> *"Appreciated by adults and children making it an easy way to make sure the whole family get their vitamins and ashwagandha goodness."*

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF075/136A - Red - Ashwagandha	12.92	0.4	204.16

VITAL GREEN JUICE

Immunity boosting juice made of pear, kiwi, apple, lemon, kalamansi juices and banana puree - fortified and enriched with **Vitamin B**.

> *"A green and earthy profile which will appeal to women and adults inclined towards a healthy lifestyle and who are seeking alternatives to sweet taste profiles."*

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF 075/135A - Green - VitBx	12.39	0.5	251.97

ROYAL PURPLE GINGER

Immunity boosting **Ginger** drink with apple, carrot, sweet cherry, blueberry, blackcurrant, black carrot and banana puree.

"A sophisticated taste profile with a bold ginger finish and the right balance between sweet and sour."

"This one will be appreciated by adults and beverage connoisseurs, offering them a daily dose of healthy ginger and vitamins as they read a book or watch their favorite TV show."

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF 275/013 - Purple - Ginger	11.34	0.46	239.6

GINSENG YUZU INFUSION

Immunity boosting juice with **Ginseng,** banana puree, grape, pear, apple and yuzu juice.

> *"A tropical flavor explosion with a tangy twist. Contains revitalizing ginseng to power today's busy on-the-go consumers who forget to take their vitamins and need some energy in the middle of the day."*

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF 075/137A - White - Ginseng	14.2	0.44	340.08

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HONEY LEMONADE

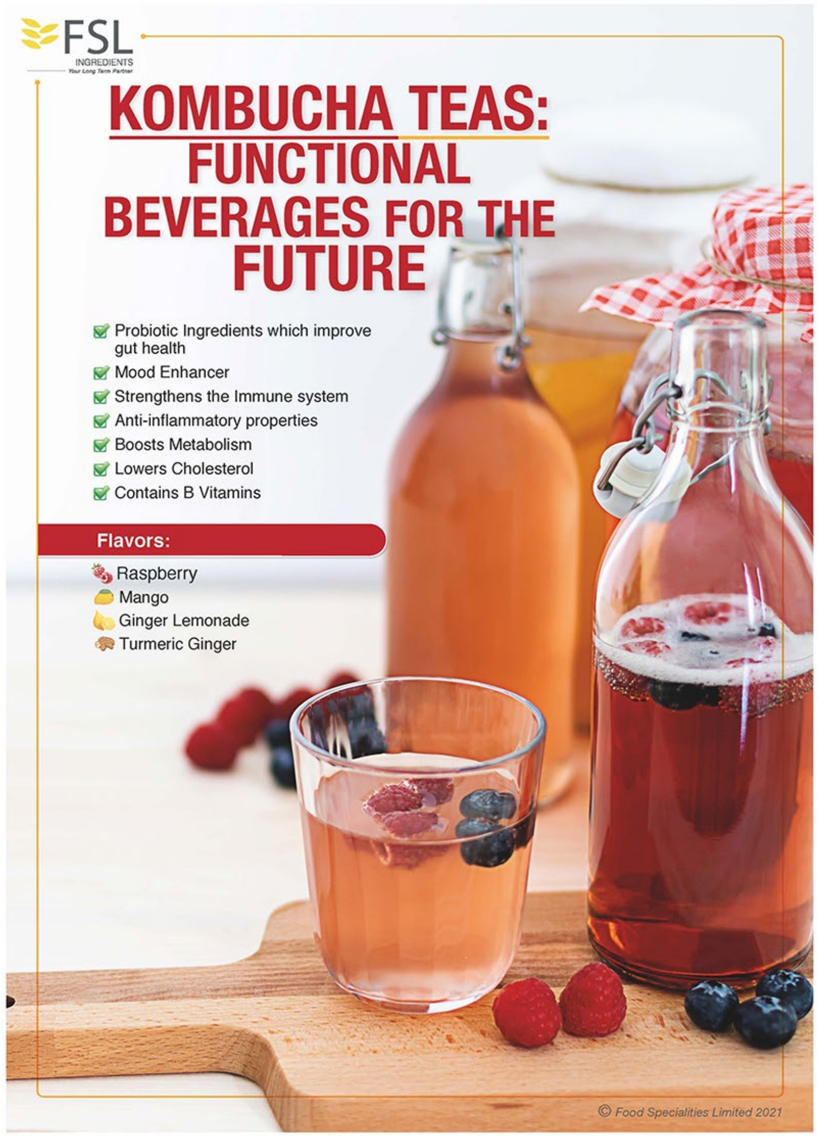
Immunity boosting lemon juice with orange and grape juice, safflower extract and healthy boosting **honey.**

> *"A tangy lemonade with the aroma of honey – a refreshing on-the go rehydration drink for active adults and kids – offering energy and an immunity boost in a single shot."*

PRODUCT	RTD Brix	Acidity % CAA	Dosage g/l
MFF 014/275A Yellow - Honey	15.86	0.77	255.93

INNOVATION FROM FSL & MEDIBEL'S PARTNERSHIP: NEW JUICE & BEVERAGE PROFILES WITH NO ADDED SUGAR

FSL'S FUNCTIONAL BEVERAGE CONCEPTS
KOMBUCHA TEAS: FUNCTIONAL BEVERAGES FOR THE FUTURE



INNOVATION CONCEPTS FROM AGRANA & AUSTRIA JUICE

AGRANA AUSTRIA JUICE

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CROP UPDATES & MARKET DYNAMICS

APPLE CROP

• Europe:

The 2021 apple crop in Poland is slowly commencing with processors running volumes of high acid (4%) fruit. Harvesting and growing conditions are fine in Poland, but the cooler Summer has resulted in lower brix levels and lower yields. In a usual year, it requires 7-8kg of fruit to produce 1kg of concentrate and at the moment processors are using around 9kg of fruit.

There is strong interest in the remaining sweet apples sitting in cold stores which can be blended with the high acid fruits at the start of the harvest. For this reason, sweet apples are commanding a premium price. Buyers are hoping price levels will come down further. Current price levels appear to be supported by buoyant demand from European end users, particularly due to the low transport costs from Poland, and rising interest from the North America market.

Traders say that buyers are looking to secure contracts for supplies into the fourth quarter of 2021 and will wait to make negotiations for 2022 until October, probably coinciding with the Anuga food fair.

With Poland being one of the most economical sources of apple concentrate on the market it is likely the US will look to import from Europe this season, as they have done in the past. Particularly when China, the US's usual supplier, is having major problems with the price and availability of shipping. This could put upward pressure on pricing from Poland as the season progresses. In addition, local pickers in Poland are reportedly looking for higher pay.

- **China:**

The crop in China has also begun and prospects look good for the 2021 campaign with production forecast at 45 million MT, compared with 44 million MT last year. The analysts say that shipping costs, which are particularly high in China, are likely to dampen the appetite of overseas buyers. Indeed, buyers in China's key market, North America, will probably fix contracts with producers in regions such as Europe and South America initially due to the high shipping costs from China. Nevertheless, there is not nearly enough production in Europe and South America to feed the annual demand from the North America market and so once the supply from other regions has been exhausted, North American buyers will then look to China to augment the remaining supply needed. Therefore, price levels in China are likely to stay relatively stable in the short term but could rise in the medium term if demand for apple concentrate from North America is strong.

GRAPE CROP

Spanish grapes growers expect 20% less production than last season. Due to the high demand, there is no inventory carried forward from last season to the new season.

The poor grape harvest from Argentina has opened new markets for Spanish product this year. Markets such as the United States, Japan, Korea and South Africa in addition to many others are being supplied from Spain at the moment. Furthermore, the Argentinian season is coming to an end. The available stock is not fresh and the quality in terms of So2 is not the best in the market right now.

Spain's main European competitor is France and the French have suffered severe frosts during the month of April which damaged 20% of their production. This has meant that the wine sector is also placing significant demand pressure on foreign crops and many suppliers are allocating more grapes for the wine sector rather than for the juice sector.

Last year there was a harvest in Spain of 45 MHL (Millions of Hectoliters) and this year it is expected to be around 39 MHL. Last year 15% of the total production was allocated for the juice sector and this year it may be only 10%.

In Spain, the total cultivating area for grapes is 944.478 hectares. The region of Castilla La Mancha has a total of 452.459 hectares which approximates to 50% of the national surface, 11% of the total surface in Europe and 6% of the global vineyard surface.

PEACH & APRICOT CROP

According to an HIS Market report on 6th of July, the Greek peach crop for 2021 was affected by frosts and hail in April. Greece is the major EU canned peach, pieces and puree processor, whose output for processing will be around 200,000 MT this year. This will be half of the volume harvested in a normal year and the lowest volume since 2003.

The apricot crop has been even smaller than the peach crop and was severely affected by the same weather bad conditions. The output of the apricot crop for 2021 was down by 60% compared to 2020 while demand was very high due to the apricot shortage in Spain and France as well.

TOMATO CROP

The 2021 harvest is now ending in most countries with the only major uncertainty remaining being the actual volume which will be processed in California.

• **Portugal:**
The tomato growing regions have avoided the worst rains but have slowed production. The brix which started very high ended quite low with the total volume processed expected to total about 1.5 million tonnes.

• **Spain:**
In Andalusia, the season finished on 20th September with the closure of the last factory. The end of the season was affected by some rains, but all fields could be harvested. Quality and brix were good.

In Extremadura, heavy rains on 14th September, especially in the Vegas Baja with more than 50 mm, lead to the closure of the factories for 3 or 4 days. Another heavy episode on Thursday 23rd September with 50-60 mm or more closed the factories again but they have not yet reopened.

More rain is forecast for the coming weekend. This succession of rainy episodes indicate that while the harvest looked promising with high yields, some tomatoes will be left in the fields. The brix which was very good at first, turned out to be very low in September. The production of dices will be reduced as a result.

In the north, it rained a lot in September with a total of between 100 and 150 mm so the harvest has been stop-and-go, with an expected 10% reduction of the forecast in the region.

Overall, the forecast remains 3.1 million MT, when it should have been higher if all fields in Extremadura could have been harvested.

• **Turkey:**
The Turkish season has now come to an end. Production for a few factories went on until this week with tomatoes from the Konya area. The production estimate remains the same as the initial forecast of 2.2 million MT.

• **California:**
A few factories in California have completed production and the industry expects to finish by end of October. With the recent declines in weekly delivered tonnage, it is highly unlikely that California will reach the 11,100,000 short tons (10.07 million MT) projection. Incoming brix is averaging 5.28% year to date vs. 5.24% last year at the same point in time. Quality and color continue to perform well.

• **China:**
There is no sign of a crop reduction compared with the forecast of 4.8 million MT.

PINEAPPLE CROP

The Winter crop in Thailand is slowly starting to commence with a few processing plants now running fruit. Growing conditions are favorable and production for the calendar year 2021 is still on target for 1.0-1.1 million MT. While this is better than last year, only a few years ago the Thai industry was producing 2.0-2.2 million MT. Producers are reportedly being cautious about building up stocks until they can gauge demand. While the global supply is limited in the medium term, there are concerns that the extremely high shipping rates will result in a certain amount of reluctance from buyers to fix contracts.

There is also a problem with a third wave of Covid in Thailand and there are widespread lockdowns, which could impact the labor force.

Pricing:
Raw material pricing in Thailand is high and there does not seem to be any major competition for fruit at the moment, which would indicate that price levels will stay stable in the near term. Buyers appear to be covered until the end of the year and will probably begin to start negotiations for deliveries for 2022 at the time of the Anuga food fair.

Offers out of Costa Rica on a CFR basis have climbed significantly over the past month as a direct result of the higher shipping rates. There are very limited volumes available there anyway due to the low production period. The producers in Kenya are sold out until Q2 of 2022.

MANGO CROP

• **Alphonso Mango**:
The 2021 Alphonso mango campaign wound up in July and the latest estimates on the volume of puree produced remains at 40,000 MT. Last year the Indian industry produced just 15,000 MT and output reached 50,000 MT in 2019.

The industry in India has managed to build up stocks which are expected to last until March 2022.

• **Totapuri Mango:**
The 2021 Totapuri harvest finished at the start of August. The fruit quality was good and the latest forecasts on juice production from the crop are unchanged on last month at 300,000 MT of puree and 30,000 MT of concentrate.

• **Pricing & Logistics:**
The pandemic is impacting logistics in India but the shipping crisis is more of a problem as shipping companies are reportedly aggressively pushing freight rates higher. Outward shipments have slowed down and may soon come to a grinding halt.

Some Indian producers who fixed contracts on a CFR basis earlier in the year are now looking to renegotiate the prices due to the current situation. Producers in India, say the long-term solution can only be found with the intervention of governments and if the situation is allowed to continue unchecked it will lead to insolvency of suppliers. Financial pressure due to unshipped stocks will make a bad situation worse for suppliers.

ORANGE CROP

- **Brazil: Poor weather results in lower production estimates from Brazil**

Estimates for the 2021/22 orange season in the Brazilian citrus belt (São Paulo and the Triângulo Mineiro) have been revised down, due to severe drought and frost in Brazil. Data released by Fundecitrus (Citrus Defense Fund) in September 2021 estimated the harvest to be 8.9% lower than that the initial forecast released in May 2021 at 267.87 million boxes. In light of this, the output may be similar to that in the previous season (268.63 million boxes). Although the 2021/22 season is a positive biennial cycle, oranges have been smaller, which explains lower production.

Although the estimates from May considered rainfall below the average, weather issues have continued to persist and negatively affecting the crop yield. Between May and August, rainfall accounted for 30% of the average for the period indicating a severe shortage of rainfall.

As a result, the drought has damaged most of the crops in the dryland, however, agents from Fundecitrus highlight that even irrigated orchards (which account for 30% of the trees in the citrus belt) have been incapacitated by the drought, due to the limited availability of water at reservoirs. It is important to mention that the scenario has worsened since the frosts in late July.

Besides the smaller size of the oranges, the rate of premature fall of fruits is one of the highest ever witnessed. As the weather is forecast to continue unfavorable until the end of the season, the scenario is not expected to change, raising expectations for low production in 2021/22. Also, the chance of La Niña phenomena to occur until late 2021 is high, which may result in lower rainfall in southeastern Brazil in the second semester. This scenario would limit the growth of late varieties.

Brazilian Forecast:
With the probable lower harvest of oranges in the 2021/22 season, the number of fruits allocated to processors is supposed to be lower too. CitrusBR (Brazilian Association of Citrus Exporters) has not revised processing estimates yet, but Cepea forecasts the industry to purchase around 225 million boxes of oranges (40-8 kilograms each) this season. If this is confirmed and sales of orange juice are near the usual, juice inventories are expected to decrease steeply, to less than 200 thousand tons (Frozen Concentrate Orange Juice Equivalent), even with higher yield at processing plants, which usually happens in years of low rainfall.

This context will demand high orange production in the 2022/23 season (higher than 330 million boxes) so that ending stocks are replenished with no risk of world shortages. This situation may favor the prices paid to farmers in Brazil.

USA: Florida Citrus Farmers Cautiously Optimistic
The coming Florida citrus season is holding some promise. Later this month, the U.S. Department of Agriculture will issue its first outlook for the 2021-22 season. The 2020-21 orange harvest topped out at 52.8 million boxes, down from 67.4 million boxes (one box equal to 90 pounds of fruit) in 2019-20. Growers on the ground continue to approach their legacy in citrus growing with cautious optimism.

Although 2020-21 marked one of the lowest harvests in recent memory, Florida Citrus Commission Chairman Steve Johnson said grove conditions are "encouraging" for the upcoming season.

Year-over-year orange production in Florida has increased only four times in the 16 years since citrus greening was discovered in the state, according to USDA data. While local growers await their harvests, citrus researchers remain committed to the long-term survival of Florida citrus.

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

Tanvir Ahmed
Juice & Beverage Ingredients
tanvir@foodspecialities.com
+971 4 8069 607 | +971 50 4810958