

season update

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PROCESSING – NOVEMBER 2005 REPORT

Juice ratios are still rising as the 2005/06 citrus harvest gets in full swing. Riverland processors are now crushing at over 11° ratio and juice from Sunraysia is around 10.5° ratio. Both regions are running good volumes of fruit through the processors. Riverina which is usually slightly behind other regions, has not yet reached 10° ratio and are only taking on small volumes of fruit. Ratios in the Riverina and MIA regions are still a bit low at around 9.5°.

Overall, brix levels are fine, but the acid content could still do with coming down a little in most areas. Ratios are expected to reach around 15 in February/March and then tail off again as the acid climbs and brix levels drop off.

In contrast to last month industry sources in most citrus producing areas state that there are very limited volumes of 2004/05 (old season) Valencia fruit left in the groves – most have been crushed, stored or dumped.

Some processors state that there has been a slight over-run of Valencia over the last month and that many factories are struggling to find a home for the juice.

Prices

The price spread for new season contracted fruit has narrowed to AUD230-240/tonne farm gate for delivery until July 2006, compared with AUD200-240/tonne last month and up to AUD300/tonne last season. Uncontracted fruit is offered around AUD85-100/tonne, similar to last month. According to packers domestic not-from-concentrate (NFC) juice is trading for AUD0.60/SSE litre.

Overseas

There have been some important developments on the international citrus juice market over the past month which will almost certainly have an impact on the Australian market. A hurricane in Florida has significantly reduced the orange and grapefruit crop there sending prices sky-high. Brazilian operators, meanwhile, have hiked their offers by around 15-20%.

The supply from Florida looks like it may not recover for 2 or 3 years. The spread of canker and other citrus diseases in both Brazil and Florida means there could be a prolonged period of tight supply on the global market for the next two years.

While there is likely to be a reduction in shipments to Australia as a result of the bullish world market, the Brazilian concentrate, at AUD0.28-0.30/SSE litre, is still twice as cheap as domestic NFC juice. Nevertheless, industry sources point out that the two products (concentrate and NFC) need to be treated totally separately.

"People will still import juice concentrate and the reduction (in imports) can only go down so far. Australia can not compete on the concentrate market. Once the domestic fresh market is full the growers need to look at selling to the NFC producers. The whole industry needs to focus on this," commented one processor.

The reduction in imports will probably come in the first or second quarter of 2006.

Outlook

Over the last month there has reportedly been a push for processors to take a look at the opportunities the cheap uncontracted Valencia fruit could provide come next year. There is strong support from the big supermarkets to market domestic NFC juice and if the growers can get AUD30-40/tonne for fruit from the processors at the end of the season then this is better than dumping it. At this price processors could probably compete with Brazilian juice on the spot market.

Retail

Retail juice sales so far this season have not been as good as anticipated, say processors. However, some packers claim that the higher cost of juice on the world market will soon have a bullish impact on retail prices for ambient juice (the main end-use for imported concentrate). This should bring NFC juice and from-concentrate/ambient juice price levels closer together and subsequently support NFC sales.

Retail scan data for MAT sales to 23 October 2005 shows the total chilled juice and juice drinks category at 182.1 million litres (-3.2%), worth AUD341.4 million (+1.5%). Chilled drinks dollar sales are down -10.1% to AUD71.1 million and volumes are down -12.1% to 58.1 million litres. The chilled juice category has improved +5.1% in dollar terms to AUD270.3 million and volume sales are marginally up to 124.0 million litres (+1.6%). Meanwhile, the ambient/shelf stable juice and juice drink sector is up +1.9% in value to AUD526.4 million and +0.6% in volume to 356.0 million litres.

Australian orange juice trade (tonnes)

IMPORT Jan-Sep (third quarter)	2004	2005
Orange Juice, frozen	35,709.4	35,499.4
Orange Juice, not frozen	3,187.9	1,298.5
EXPORT Jan-Sep (third quarter)	2004	2005
Orange Juice, frozen	1,274.8	293.1
Orange Juice, not frozen	10,803.1	14,337.9

Source: Stefan Worsley, www.juicemarket.co.uk