Season Update – MARKETS

August 2005 Report

At the start of the year the Australian citrus processing industry was expecting the availability of Valencia fruit, the variety used for domestic NFC juice production, to be next to zero by August. However, there is still a good deal of fruit on the trees, particularly in the Riverina region of NSW. Industry sources estimate that while South Australian (SA) groves have just 2,500 tonnes to be picked, the Riverina areas hold more than 2,000 tonnes of fruit.

The processors have reached saturation point in terms of uptake - most contracts were fixed six months ago when a shortage of fruit was forecast. Growers are now fairly keen to shift the surplus and as a result spot prices have plummeted. The incorrect forecast by the growers is a sensitive point for processors who are currently crushing contracted fruit at, at least double the price they could buy it for now.

“We can’t buy up anymore fruit because sales are down. Sales are down due to the high price of contracted fruit and subsequent high price for juice. The unclear forecast has also meant we spent money on storage unnecessarily – this money could have been passed on to the farmers,” explained one processor.

Riverina Valenica is now offered at $120-200/tonne farm gate, compared with contracted prices earlier in the season of up to $300/tonne.

Brix levels are still low with SA brix at 8/9 and Riverina fruit at 10 or below. The juice yield is also low and continues to drop but processors point out that this is normal during an extended season.

Growers are now harvesting the 2005 navel crop, most of which will be sold on the fresh market. There are a few reports of cosmetic quality problems with some volumes of fruit which could steer more to the processing industry this season.

The 2005/06 Valencia crop will begin in September and is expected to be ‘back to normal’ after three years of poor production. The crop is forecast to reach 297,000 tonnes, compared with 228,000 tonnes in 2004/05. Due to the larger crop it is reportedly difficult to determine the quantity that will be processed, but with demand for fresh fruit down there will certainly be enough to go around. Due to the current surplus of fruit and the healthy 2005/06 crop processors expect that once again there will still be Valencia fruit on the trees this time next year.

“There needs to be a meeting of heads between growers and processors so accurate data on consumption and production can be reconciled – we need to work together to minimise the surplus,” commented one processor.

Market
Sales for domestically produced NFC are down mainly due to the disparity in price levels between imported concentrate and NFC. Industry sources suggest that concentrate can be imported for $0.20/litre (single strength equivalent), while NFC juice costs are around $0.70/litre (single strength equivalent).
Processors are hoping that the higher price of FCOJ on the world market in 2005/06 coupled with the lower prices for domestic Valencia fruit will bring the price of the two end products closer and lead to lower imports of Brazilian juice and higher sales of Australian NFC juice next year.

Business
Coke are back on the market with Fruitopia – their repackaging of the brand is apparently competing in the chilled juice category.

In addition, The Age has reported on speculation that Australia's biggest juice company Berri may merge with dairy producer National Foods. Both companies are now under the umbrella of Philippines food and beverage giant San Miguel.

Statistics

Import - January to May (tonnes)		
	2004	**2005**
FCOJ	12,400	15,278
Other OJ	130	150
Note: Brazil supplied 92% and EU 15.6% in 2005		
Export - January to May (millions litres)		
Other OJ	4.20	5.29

Sources: Australian Bureau of Statistics and www.juicemarket.co.uk