

## **Season Update – PROCESSING**

### **July 2005 Report**

Processors are now running the last of the Valencia fruit for not-from-concentrate (NFC) juice. Processors in South Australia (SA) claim the frost earlier in the season has resulted in lower-than-usual brix levels; 8.5 brix compared with 9.5-10.0 brix in an average year. Processors in the Riverina region of NSW are not experiencing any such problems and are currently producing 10-11 brix juice. The juice yield in SA is also down at 41-43%, again the yield in the Riverina region is fine at 45%.

Contracted raw material price levels neared \$300 tonne farm gate at the peak of the season – a historical high. Processors claim the price of oranges this season has eroded profit margins to the extent that it is almost not worth running the fruit at all. In an average year processors could expect to pay around \$180t. Last year farm gate prices were over \$200t due to the short 2003/04 harvest.

Nevertheless, processing volumes are up on last year due to the larger crop; 446 000 tonnes in 2004/05 compared with 394 000t in 2003/04. The previous two seasons have been negatively affected by drought.

As usual, almost all the juice produced is consumed domestically although limited volumes are exported to regions such as the Philippines and Malaysia.

The United States Department of Agriculture (USDA) expects exports of orange juice to increase 5% to 2,100 tonnes in 2004/05, driven by the increase in orange production and subsequent rise in fruit deliveries to processors.

Retail sales (consumption) of chilled orange juice has declined by 2.6% so far this year to 114.4 million litres, while demand for shelf-stable juice is registering a 10.4% growth to 272.2 million litres.

This split trend is attributed to the high price of domestic oranges combined with the strong Australian dollar against the US dollar which has made imports of Brazilian concentrate an attractive option for end-users. The USDA estimates annual Australian orange juice consumption at around 45,000t (concentrate equivalent). The drift towards importing higher volumes of Brazilian concentrate is reportedly damaging the industry. The imported concentrate is apparently blended with local juice and accepted by consumers.

“It is sad to see what’s been happening to the citrus industry. The Valencia’s are inconsistent year-on-year in terms of ratio and supply which causes problems. Combined with the competition from Brazilian imports – it is hard to build a solid business. There needs to be a big investment at the grower level,” commented one processor.

Nevertheless, the rise in domestic production this year and next should help to stem the flood of foreign juice reaching Australia.

The 2005/06 season began in June with the navel crop, 90% of the processing volumes will be crushed for concentrate. Growers are expecting 274,000t from the navel crop and a further 297,000t from the following Valencia harvest. The marked

increase in production next season is expected to allow raw material prices to ease and processing volumes to climb.

In December 2004, the USDA predicted that orange juice production during the 2005/06 season would rise 5% to 16,153t (concentrate equivalent).

In 2003/04, approximately 200,000t of fruit were delivered to processors.

The USDA forecasts imports of orange juice in 2005/06 at 31,000t, down slightly from the previous year, which was up sharply from 2003/04. Lower domestic supplies due to the drought contributed to the strong increase in juice imports in 2004/05. Virtually all Australia's orange juice imports are sourced from Brazil.

#### **Australian imports of orange juice (Jan-Apr)**

		<b>2003</b>	<b>2004</b>	<b>2005</b>
FCOJ (200911)	Tonnes	10224.0	9189.7	12896.3
NFC (200912)	Kl	31.4	14.0	29.1
Aseptic orange concentrate (200919)	Kl	36.1	95.9	110.1

Source: [www.juicemarket.co.uk](http://www.juicemarket.co.uk)