season update

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PROCESSING – FEBRUARY 2006 REPORT

Ratios continue to improve as the 2005/06 Australian Valencia orange harvest progresses. Processors are now receiving fruit at 14-15+ ratio in the Riverina and Riverland regions. Ratio levels will begin to deteriorate from next month until they reach around 10-11 as the crop winds up in July. The 2006 navel crop will then commence. Approximately 25% of the contracted Valencia oranges for this season has been harvested and run through the processors so far. Yields are reportedly around 475 litres of not from concentrate (NFC) per tonne of Valencia oranges.

In contrast to last month, industry sources agree that there is hardly any Valencia being put to concentrate at the moment due to the high price of contracted fruit. Processors are already struggling to take on their contracted supplies due to static sales and therefore can not take advantage of the cheap offers on the spot market.

"We will not put down any concentrate unless we have an order for it – we won't be speculating this season," said one of the major processors.

The surplus of fruit at the moment in some regions has put significant downward pressure on spot prices and there are rumours that one processor in the Riverina region has negotiated to take on fruit at zero cost, thus saving the grower the cost of dumping the fruit. However, spot Valencia prices in the Mildura region, where there is apparently less surplus fruit, are seen as high as $150/tonne. Generally the Valencia spot market is trading between $60-80/t. Contracted fruit prices for the season were fixed towards the end of last year at $200-240/t, compared with $280-300/t the previous season. Offers for Australian NFC are $0.55/litre, marginally higher than last month.

Overseas

Market prices out of Brazil have been rising steadily for the past six months, which is good news for those involved in the domestic market due to the high volume of imported juice reaching Australian shores over the past year. During the last two weeks Brazilian offers have bounced off a ceiling of US$1800/t delivered Australia and are now seen between US$1700-1750/t. Traders do not anticipate any significant change in price levels over the next few months. In litre terms this is around $40-0.41/L (single strength equivalent). Australian Valencia fruit is still slightly too expensive on the spot market to be crushed into concentrate and compete with Brazilian imports at the moment.

Retail

Retail sales across the board are fairly flat, say industry sources. There was a boost in consumption in early January but this has since tailed off. Nevertheless, a couple of big marketing promotions have just started which are expected to lift consumption over the next month and hopefully beyond.

According to trade sources, there has been a degree of growth in the NFC sector at the expense of the reconstituted juice category.

The industry is now waiting to see what will happen with branded juice in the supermarkets this year. There is speculation that the supermarkets are keen to stock fewer brands which would have serious implications for the smaller packers.

"The bottlers lower down in the chain are going to find it very hard and we could see further consolidation in this part of the industry as a result," commented one industry source.

ACG Australian Citrus Growers

Labelling
Two issues with labelling are reportedly a focus for some bottlers at the moment. End-users have been hoping to use the 'Aussie Grown, supported by Australian Citrus Growers' logo on reconstituted juice made with 100% Australian concentrate.

Moreover, the country of origin labelling issue is still on-going. A group of citrus growers have been lobbying for orange juice labels to state the exact countries the juice is sourced from and not, as is the case at the moment, just that it is made from imported juice. Manufacturers are resisting this move due to the cost of re-labelling all their products.

Retail chilled juice and juice drinks consumption – National

		Total chilled juice/drinks	**Total drink segment**	**Total juice segment**
Moving annual total (MAT) to 30/01/05	Dollars (000)	337,855.0	77,896.2	259,958.8
	Litres (000)	186,333.8	65,225.5	121,108.3
	Dollars (000) Share of total chilled juices/drinks	100.0	23.1	76.9
	Litres (000) Share of total chilled juices/drinks	100.0	35.0	65.0
MAT to 29/01/06	Dollars (000)	344,925.3	69,622.6	275,302.7
	Litres (000)	182,797.5	56,331.2	126,466.2
	Dollars (000) Share of total chilled juices/drinks	100.0	20.2	79.8
	Litres (000) Share of total chilled juices/drinks	100.0	30.8	69.2

Retail shelf stable juices and drinks consumption

		MAT to 30/01/05	**MAT to 29/01/06**
National	Dollars (000)	524,690.3	523,985.9
	Litres (000)	360,290.8	354,751.1

Australian orange juice trade – Full 12 months (tonnes)

IMPORT	**2003**	**2004**	**2005**
Frozen	25,341	40,558	33,970
Not frozen	202	4,197	274
EXPORT	**2003**	**2004**	**2005**
Frozen	1,405	691	295
Not frozen	11,264	11,962	13,560

Source: Australian Horticultural Exports Association (AHEA)