

season update

This publication has been facilitated by HAL in partnership with Australian Citrus Growers (ACG) and has been funded by the national citrus R&D levy. The Australian Government provides matched funding for all HAL's R&D activities.

PROCESSING – JULY 2006 REPORT

The severe frost that hit Australia's main orange growing areas in the middle of June will cut back the 2006/07 harvest. Initial estimations on freeze damage to the current navel crop were put at a 30-35% reduction. However, this has since been decreased to around 20% and industry sources expect further downward adjustments as the fruit regenerates itself. The current navel crop is apparently having problems in terms of raw material pricing and there are reports that prices are not even covering the cost of picking.

Industry sources say the Valencia crop, the most important to the processing industry, will be reduced by about 10% on pre-freeze forecasts. The industry is split as to whether this estimate will be increased or decreased. Some processors state that a frost this early on in the season could mean there is more damage to the young Valencia fruit than analysts currently state. Others, meanwhile, point out that the fruit has a history of resistance during freezes.

"The last time we had a frost as severe as this one was back in 1982," explained one processor. "The freeze was so bad then that trees died, but the Valencia made the best recovery of all the varieties."

While some growers have been assuring processors that they will be able to provide exactly the same volume of fruit as the previous season, others have been hit harder by the frost and have been forced to cancel contracts. Nevertheless, producers state that the freeze could result in a higher-than-usual volume of damaged fruit, which would only be suitable for the processing industry.

The Valencia crop will begin in October and so it will still be at least another month before the true cost of the freeze can be accurately assessed.

Meanwhile, the 2005/06 Valencia crop has wound up in all growing areas except the Griffith region which is just over 90% completed. Ratios are around 10.5-11.0 and spot prices for Valencia fruit are pegged at A\$80/tonne.

Juice sales in the Australian retail sector are steady and some packers suggest that movement is better than at the same time last year.

Overseas

The world frozen concentrated orange juice (FCOJ) market is steady with thin trading activity. The US Department of Agriculture (USDA) has revised its June estimate for Florida's 2005/06 crop downwards by two million boxes, but the adjustment had minimal effect on the market. Traders are apparently waiting to see what will happen with the hurricane season in Florida.

Current offers out of Brazil are at US\$1800/t and traders say there is very little risk for down side movement.

Australian importers have reportedly covered their needs for the rest of the year and are expected to fix more contracts in September for short term cover next year.

Australian imports of orange juice (first 4 months) – tonnes

Import	2004	2005	2006
Frozen	9,189	12,891	4,665
Not frozen	109	130	181

Australian retail juice/drink sales – chilled

		Total chilled juices/drinks	Total drink segment	Total juice segment
MAT to 19/06/05	Dollars (000)	337,828.4	74,326.5	263,501.9
	Litres (000)	182,627.8	61,730.0	120,897.8
	Dollars (000) Share of total chilled juices/drinks	100.0	22.0	78.0
	Litres (000) Share of total chilled juices/drinks	100.0	33.8	66.2
MAT to 18/06/06	Dollars (000)	349,665.7	68,808.6	280,857.1
	Litres (000)	184,668.5	55,315.5	129,353.0
	Dollars (000) Share of total chilled juices/drinks	100.0	19.7	80.3
	Litres (000) Share of total chilled juices/drinks	100.0	30.0	70.0

Australian retail juice/drink sales – shelf stable

	Total shelf stable juices and drinks	
	MAT to 19/06/05	MAT to 18/06/06
Dollars (000)	524,750.5	535,844.7
Litres (000)	359,234.9	358,828.9

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