

What's next for fruit juice prices?

The popularity of fruit juices has grown in the last decade as consumers become increasingly aware of their associated health benefits. In fact, the juice sector saw 3% growth in volume and 1.5% growth in value in 2013. Global consumption reached 67 billion litres by 2015, says AMEFT guest author, Liliana Minton, Mintec Global.

While consumption in America and Europe has stagnated, demand in the Middle East and Asia has grown, driven by increased disposable income, with China experiencing the greatest growth over the past couple of years. In fact, juice is China's most important drinks category, growing by US\$3 billion per year and reaching US\$18 billion in 2013.

In the Middle East, demand for juices and nectars has doubled over the past couple of years, mostly for premium juice products. Consumption is rising, driven by the affluent Gulf States – mainly Saudi Arabia and United Arab Emirates. Higher demand for value-added products, such as juices containing vegetables, seeds and other ingredients has been seen in recent years.

Juice production

Globally, the most important juices in terms of supply and demand are orange and apple. Approximately 3.55 million tonnes of juices are produced every year, with orange juice being the most popular, accounting for 53% of global production. This is followed by apple juice with a 23% share of the global market.

Orange juice

On average, around 1.88 million tonnes of orange juice are produced every year. The market is dominated by Brazil, with 56% of global production, and the US, with 25%. A large proportion of production is exported – around 75% – with Brazil being the largest exporter (73% of global exports), followed by Mexico (8% market share).

Since Brazil is the main exporter, the development of the crop in Brazil is the main factor determining global prices. El Niño conditions seen during the latter part of 2015 and into 2016 have brought rain to the Sao Paulo region, and are likely to have an impact on fruit yield. Despite this, orange juice production in Brazil is expected to rise sharply by 12% y-o-y to reach 1.09 million tonnes as lesser quality is likely to result in larger amounts of fruit being available for processing.

Production growth in the US – once the world's largest producer – has been throttled by citrus greening and citrus canker disease, discovered in 1995, with production gradually declining over the past twenty years. In 2015/16, El Niño conditions brought warm and wet weather to Florida. This was detrimental for the development of the crop, as it affected bloom. As a result, juice production in the US is forecast to be down sharply by 26%, falling to 320,000 tonnes.

Global production of orange juice in the 2015/16 season is expected to rise slightly (up 1% y-o-y to 1.78 million tonnes), whereas consumption is forecast to decline by 5%. Despite this decline, consumption is still predicted to exceed production, causing a shortfall in supply.

Apple juice

Orange juice production is dominated by the US and Brazil, while China and the EU are the largest apple juice producers.

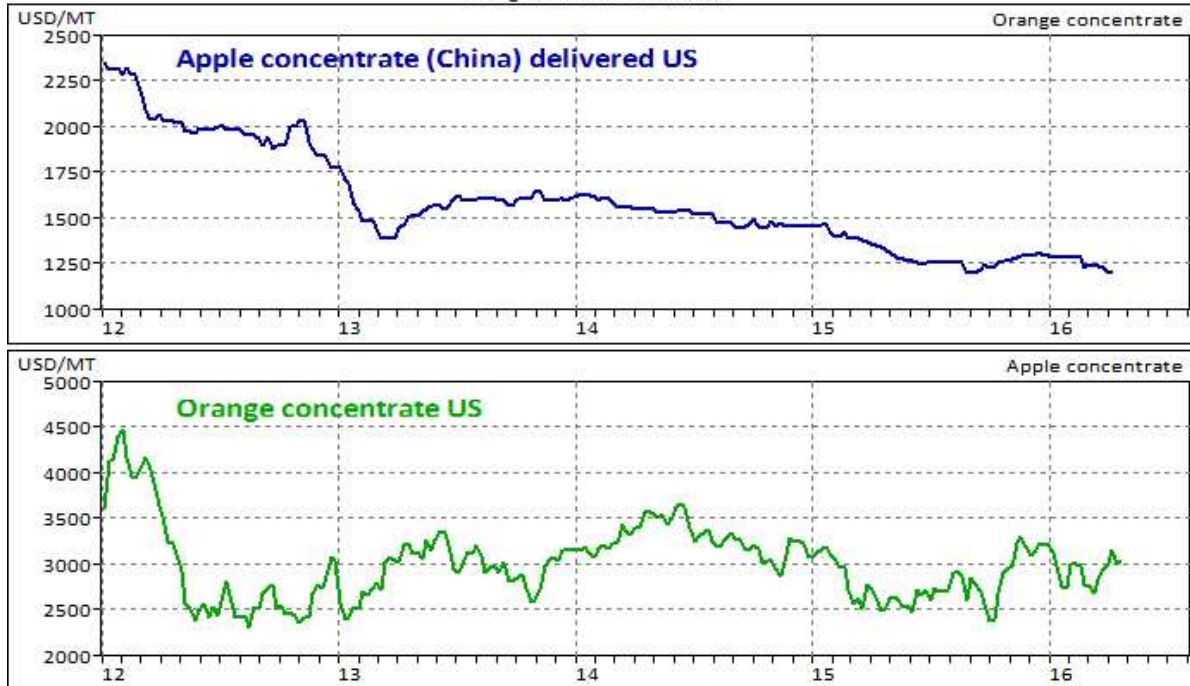
Approximately 0.83 million tonnes of apple juice are produced annually. China accounts for around 50% of global production, followed by the EU with 35%. Exports are dominated by China, which is responsible for 75% of global exports.

Chinese apple production increased 5% in 2015/16, with the amount of apples sent for processing expected to increase by 13% y-o-y to 3.60 million tonnes.

Larger quantities of apples sent for processing will lead to an increase in the amount of apple juice produced and this, in turn, will result in an increase in Chinese apple juice exports. These are expected to rise by 20% y-o-y, reaching 0.90 million tonnes, higher than production due to large stocks held from previous years. Global trade is experiencing an increase in demand from the US, following the low levels of apple juice production in the EU as a result of the low volumes harvested in 2015.

Prices for 2016?

Although market trends and production levels are important, what matters most is how they impact on prices.



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Orange juice prices are expected to rise in the next six months, driven by a significant decline in output in the US, which will lead to higher imports from Brazil and reduced availability of Brazilian orange juice globally.

Although lower than last year, global consumption will surpass production in the current season, leading to a decline in ending stocks. These factors will keep prices at high levels over the next few months.

For apple juice, prices are likely to rise as reduced production in the EU and US will leave China to fill the shortfall.

Robust growth for fruit juices is expected to continue in emerging markets, as disposable income increases in Asia. The affluent states in the Middle East will continue to drive demand growth of niche, high-value-added products.