FCM Orange Juice Update
By Bob Barber
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With the March estimate right around the corner and trees just entering the bloom cycle for next season's crop, this is a rather tricky time for an outlook update. The outlook for next season's crop could have a larger than normal influence on retail pricing, movement and carryout stocks this season.

Movement so far this season has encountered troubles on several fronts:

Retail sales data has been indicating weakness in underlying demand most likely associated with the weakening economy and high rates of inflation for basic goods that is squeezing consumer budgets.

Retail prices through mid-January were still running near the peak levels reached in response to last season's short crop. Although the drop in fruit prices will eventually work their way through to the consumer, the process could be somewhat of a slow grind downward as processors and retailers allow Florida inventories to rebuild and wait for clear signs of an ample crop next season. Considering that retail prices were just starting to reach peak levels at this time last season, any declines in retail prices from here on out should see improved year to year movement comparisons, especially for NFC OJ.

Reflecting the severe early season supply shortage in Florida, imports from Brazil are up significantly this season. It appears that a lot of this additional product came into Florida and went right back out the door in blended products as All Fla. FCOJ was very scarce from late summer up until the point that plants really got cranking this winter. Although the attached PS&D factors in that a higher than normal share of Brazilian imports will continue to come through Florida, it is expected that import volumes into Florida will slow down significantly as supplies of Florida juice increase. The increased availability of "normal" quality juice from Brazil (as opposed to the low ratio problems of the past two seasons) will likely keep upward supply pressure on import volumes outside of Florida as the season progresses and that could will put some drag on FCOJ movement even as retail prices decline.

However, anti-dumping considerations appear to be putting at least a temporary floor underneath the market as the sharp appreciation of the Real vs. the US$ has been raising Brazilian production and fruit costs in US$ terms. Recent exchange rates of 1.8 Reais per US$ are much stronger than the 2.95 rate seen during the 2003-04 season. Equating to about US$.90 - $.95ps at current exchange rates, spot prices for processed fruit in Brazil plus tariff and transport charges of about $.33ps would put the fair value price for this juice at around $1.25ps before any processing cost is figured into the equation. Unknown prices for contract fruit and processor owned fruit makes it impossible to tell where the floor may be exactly but it does appear that futures prices in the $1.20 - $1.30 range could represent a caution area for Brazilian exporters.

Overall, it is expected that average retail prices will be down only slightly from last season and that Florida OJ movement will be down about 1.3% from last season. Increased production and imports however will push carryout stocks up by 170 million SSE gallons to the equivalent of 24.5 weeks of supply compared last season's extremely low inventory of 363 million SSE gallons or 16.5 weeks of supply.

Table 3. **Florida Pack, Imports, Movement and Inventories of Orange Juice (Oct. - Sep. Season)**

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Forecast 2007-08
NFC OJ (Million SSE Gals.)									
Carry-In	86.7	163.4	152.3	154.4	179.7	181.5	167.5	175.0	152.5
Pack from Fruit	558.8	543.3	531.3	561.7	559.1	556.9	575.1	487.8	510.8
Imports and Other Supplies	9.1	7.9	14.6	13.4	19.1	17.4	25.4	39.4	65.0
Movement	491.2	562.3	543.8	549.8	576.3	588.4	592.9	543.2	546.8
Carryout Stocks	163.4	152.3	154.4	179.7	181.5	167.5	175.0	152.5	181.5
Weeks of Supply	17.3	14.1	14.8	17.0	16.7	14.8	15.3	14.6	17.3
FCOJ (Million 42 Brix Gals.)									
Carry-In	105.2	112.7	128.3	126.7	124.0	151.8	107.8	67.2	52.1
Pack from Fruit	207.7	196.1	215.1	156.8	218.3	86.0	84.6	79.1	129.6
Imports and Other Supplies	39.4	45.6	27.9	40.5	26.5	45.4	36.3	55.1	49.7
Movement	239.7	226.0	244.6	200.0	217.0	175.2	161.5	149.2	144.3
Carryout Stocks	112.7	128.3	126.7	124.0	151.8	108.1	67.2	52.1	87.1
Weeks of Supply	24.4	29.5	26.9	32.2	37.1	32.1	21.6	18.2	31.4
Total OJ (Million SSE Gals.)									
Carry-In	511.6	618.4	670.4	665.9	680.6	794.8	602.8	446.3	363.1
Pack from Fruit	1397.7	1335.1	1399.9	1195.1	1440.8	904.3	916.8	807.1	1034.1
Pre-Import Availability	**1909.3**	**1953.5**	**2070.3**	**1861.1**	**2121.4**	**1699.0**	**1519.6**	**1253.4**	**1397.1**
Imports and Other Supplies	168.2	192.1	127.3	177.0	126.1	200.7	172.0	261.9	265.6
Movement	1459.2	1475.1	1531.6	1357.6	1452.7	1295.8	1245.2	1145.8	1129.6
Carryout Stocks	618.4	670.4	665.9	680.6	794.8	604.0	446.3	363.1	533.2
Weeks of Supply	22.0	23.6	22.6	26.1	29.0	24.2	18.6	16.5	24.5
Juice Price Data ($ per SSE Gal.)									
All OJ Retail	$ 4.33	$ 4.37	$ 4.39	$ 4.43	$ 4.35	$ 4.42	$ 4.69	$ 5.69	$ 5.68
Brazilian FCOJ FOB Santos	$ 0.56	$ 0.49	$ 0.52	$ 0.65	$ 0.55	$ 0.59	$ 0.81	$ 1.41	$ 1.06
FCPA Canners' Avg. ($ per lbs. Solids)									
Early-Mids	$ 0.85	$ 0.70	$ 0.75	$ 0.87	$ 0.65	$ 0.80	$ 1.16	$ 1.95	$ 1.40
Valencias	$ 1.00	$ 0.90	$ 0.94	$ 1.03	$ 0.77	$ 1.03	$ 1.47	$ 2.23	$ 1.50
Combined	$ 0.91	$ 0.76	$ 0.84	$ 0.94	$ 0.71	$ 0.91	$ 1.33	$ 2.10	$ 1.46

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Table 1. **Florida Round Orange and Specialty Fruit Utilization**

(Million 90-lbs. boxes)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Forecast 2007-08
FRESH	**13.10**	**12.05**	**10.95**	**11.60**	**10.55**	**10.85**	**8.20**	**8.35**	**8.10**	**8.4**
Oranges	8.65	6.95	6.70	6.95	6.25	6.15	4.90	4.55	4.95	5.1
Specialty	4.45	5.10	4.25	4.65	4.30	4.70	3.50	3.80	3.15	3.3
CONCENTRATE	97.95	135.20	124.60	137.10	103.05	140.55	54.80	52.35	48.30	80.4
FCOJ	**97.25**	**134.20**	**124.05**	**135.95**	**102.10**	**139.70**	**54.30**	**52.00**	**48.00**	**80.0**
FCTJ	0.70	1.00	0.55	1.15	0.95	0.85	0.50	0.35	0.30	0.5
CHILLED O.J.*	**80.10**	**90.1**	**89.55**	**85.85**	**92.50**	**93.40**	**88.50**	**90.25**	**75.25**	**80.1**
OTHER**	1.65	3.80	3.60	2.55	2.15	1.90	1.70	1.10	1.25	1.25
NON-CERTIFIED	**2.50**	**3.00**	**3.55**	**3.20**	**3.90**	**4.20**	**3.05**	**3.45**	**1.95**	**1.9**
Oranges	1.95	2.50	2.95	2.55	3.35	3.55	2.50	2.90	1.55	1.5
Specialty	0.55	0.50	0.60	0.65	0.55	0.65	0.550	0.55	0.40	0.4
TOTAL	195.30	244.15	232.25	240.30	212.15	250.90	156.25	155.50	134.85	172.10
Oranges	**186.00**	**233.00**	**223.30**	**230.00**	**203.00**	**242.00**	**149.60**	**147.90**	**129.00**	**166.0**
Specialty	9.30	11.15	8.95	10.30	9.15	8.90	6.65	7.60	5.85	6.1

* Utilization by FCPA members

** Includes canned utilization and utilization by non-FCPA members.

*** High (Low) Range - Florida production roughly 5% higher (lower) than October Estimate.

Table 2. Sao Paulo Orange and FCOJ Production/1

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Est. 2006-07	Forecast 2007-08
Oranges - Million Boxes										
Production	342	**395**	355	280	365	290	390	320	355	365
Fresh	62	103	81	44	51	42	55	38	37	38
Domestic	60	101	79	41	50	40	53	36	35	36
Export	2	2	2	3	1	2	2	2	2	2
Processed	280	292	274	236	314	248	335	282	**318**	**327**
NFC Export	0	**4**	4	6	9	14	17	21	28	32
FCOJ/2	280	**288.0**	270	230	305	234	318	261	290	295
FCOJ - 42 Brix Gals.										
Yield per Box	1.424	1.468	1.477	1.494	1.480	1.559	1.447	1.519	1.481	1.481
Pack	398.6	422.7	398.9	343.6	451.2	364.8	460.3	396.5	429.3	436.7
Carry-In Stocks	108.4	117.9	135.1	116.8	106.2	136.8	67.6	83.1	54.4	53.5
Total Availability	507.0	540.6	534.0	460.4	557.5	501.6	527.9	479.5	483.8	490.2
FOB $/MT 66 Brix	**$1,125**	**$975**	**$700**	**$775**	**$875**	**$ 825**	**$ 775**	**$ 850**	**$ 1,375**	**$ 1,500**
Total Exports	382.7	400.0	412.0	349.0	415.5	427.8	437.9	417.2	422.4	416.5
Domestic Use	6.4	5.5	5.2	5.2	5.2	6.2	6.9	7.9	7.9	7.9
Ending Stocks	117.9	135.1	116.8	106.2	136.8	67.6	83.1	54.4	53.5	65.8
Weeks of Supply	16.3	17.6	14.7	15.8	17.1	8.2	9.9	6.8	6.6	8.2

1/ FCM Estimates - July-June Season

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