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Global orange juice outlook 2024/25

No supply relief ahead

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Summary

High global orange juice prices reflect expectations for ongoing supply constraints, as a smaller harvest (250m to 270m boxes) looks likely in Brazil for 2024/25. This would mean a decline of around 15%, compared to the 305m boxes estimated for 2023/24. Fruit prices have continued to surge with limited supply, resulting in rising producer costs for juice companies and limited discounts for buyers. Fruit quality must be monitored, as worse than expected juice yields and low Brix levels could indeed limit supply in Brazil and further boost prices. Farmers will be incentivized to harvest early, due to growing citrus greening infection rates, which could mean lower juice yields and limit any potential relief in inventories at the end of the 2024/25 harvest. However, juice demand is expected to continue declining at close to 20% YOY in volume terms during 2024. This should limit the possibility of another significant rise in prices, as long as the harvest hits the expected level of around 260m boxes with reasonable juice yields.

Fundamentals supporting elevated prices

Futures remain at high levels in Q2 2024

Frozen concentrated orange juice (FCOJ) futures are currently trading at around USD 3.50/lb, following a brief correction in January. After a strong rise to all-time highs in late 2023, futures rebounded quickly and have been well supported since. Some speculative buying in late 2023 and subsequent liquidations in early 2024 caused a brief correction from record-high levels above USD 4/lb, sending futures all the way back to USD 3/lb. However, once prices declined, market participants went back into buying mode to take advantage of the lower prices, helping futures recover swiftly (see Figure 1).

Figure 1: FCOJ futures trading at elevated levels in 2024



Source: Macrobond 2024

Listed European prices have remained at record highs in 2024, above USD 6,000/mt, with some contracts reportedly closing at USD 6,500/mt for smaller buyers, and especially from periphery markets outside the EU and North America. Current conditions reflect an acute lack of product availability, with depleted inventories across the supply chain. This is after a slightly smaller than expected harvest in 2023/24, which failed to replenish stocks.

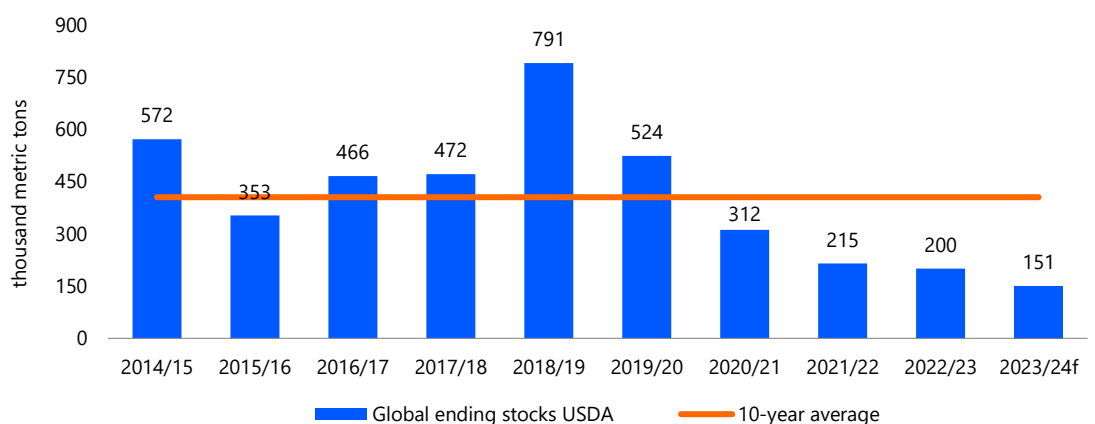
Disappointing fruit quality in Brazil resulted in a lower 2023/24 output than expected, which sustained elevated prices over the past six months. Record-high temperatures during the harvest year, and a delay to the rainy season in São Paulo back in Q4 2023 as a result of El Niño, impacted the fruit maturation of the 2023/24 harvest, ultimately reducing OJ output. Rabobank estimates that around 295 boxes of fruit were required to produce one metric ton of FCOJ in 2023/24, compared to a historical average of 270 boxes per metric ton. This resulted in the production of around 900,000 metric tons (FCOJ equivalent) in Brazil, 9% lower than the 984,000 metric tons produced back in 2022/23.

Meanwhile, other regions have seen a slight recovery in output in 2023/24 (mainly due to fewer weather disruptions compared to last season), but not enough to compensate for lower production in Brazil. Florida’s production is estimated by the USDA at 105,000 metric tons for 2023/24, compared to 85,000 metric tons in 2022/23. Mexico is forecast to produce 160,000 metric tons in 2023/24, compared to 140,000 metric tons in 2022/23, and below the expectations earlier in the season that projected 200,000 metric tons. Estimates for the EU are unchanged at 48,000 metric tons this season. All other producers combined are forecast at 86,000 metric tons in 2023/24, compared to 82,000 metric tons in 2022/23. Overall, global FCOJ equivalent output for 2023/24 is therefore estimated at 1.3m metric tons, compared to 1.34m in 2022/23, a decline of 3%.

Inventories remain very low at the start of 2024/25

One of the key reasons for sustained high prices has been the confirmation that inventories will remain depleted for some time. According to estimates from the USDA, global ending stocks will close the 2023/24 harvest at just 150,000 metric tons (see Figure 2). For comparison, 2022/23 ended at 200,000 metric tons and the 10-year average for ending stocks is 400,000 metric tons. In Q3 2024, CitrusBR will report the end of harvest stocks for the 2023/24 harvest in Brazil, which last year closed at a record low of just 85,000 metric tons, and could see a similar level on June 30, 2024.

Figure 2: Global FCOJ inventories remain at record lows



Source: USDA, Rabobank 2024

Global supply on path to lower output in 2024/25

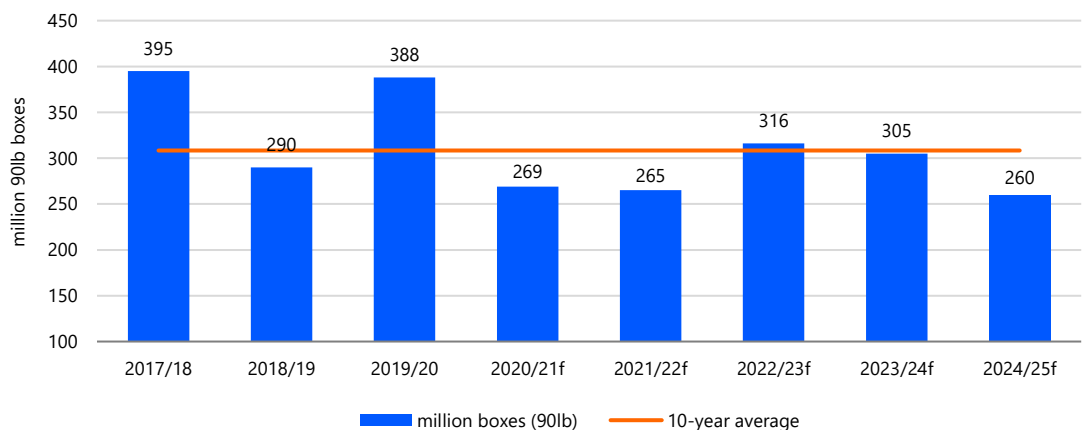
Upcoming 2024/25 Brazil Crop estimated at 250m to 270m boxes

All eyes are now on the upcoming 2024/25 crop in Brazil, which will begin in Q2 2024. The Fundecitrus crop forecast is expected to be published in May. As always, this will be a key report to understanding supply dynamics for the upcoming season. Rabobank expects a smaller harvest in 2024/25 in São Paulo and Western Minas Gerais, with an estimated interval of 250m to 270m boxes in the region, around 15% smaller than the 305m boxes estimated for 2023/24.

The combination of above-average temperatures and below-average rainfall in all key producing regions of the Brazilian citrus belt throughout the past 12 months, is a key reason for slightly lower productivity. On average, rainfall during 2023/24 has been 24% lower than in 2022/23 (July 2023 to March 2024) in the 10 largest producing municipalities, compared to historical average levels. It is important to consider that only around a third of all productive hectares have irrigation in São Paulo, so the combination of lower rainfall levels and elevated temperatures can have a significant impact on productivity. Even irrigated groves struggled to cope with intense heat waves over the past six months. A late flowering in March 2024 could provide some additional fruit later in the season. Regulating rain patterns since the second half of February, probably as a result of the weakening of El Niño, could provide some additional volume to the 2024/25 harvest in Brazil.

High incidence of citrus greening is another variable that should limit productivity. According to the Fundecitrus survey for citrus diseases in 2023, the number of infected trees reached 38.1% for the citrus belt as a whole, compared to 24.4% in 2022. However, it is worth highlighting that greening is more prevalent in smaller groves, where farmers often have limited resources to pulverize and remove infected trees at the rates required to keep the disease under control. Larger farmers tend to have lower than average greening prevalence, and their contribution to overall production is significantly higher, which means that despite high average infection rates, total production is less impacted. Also, citrus farmers have stepped up their actions against greening in Brazil in recent months, and industry associations are working on spreading information and educating farmers on best practices. Higher awareness could slow down infection rate growth in 2024/25, but the new report will likely reveal a figure above 40%. Another effect of citrus greening is that farmers will be incentivized to harvest early, reducing the potential for higher fruit drop rates, which could have a negative effect on fruit quality, and potentially diminish juice yields.

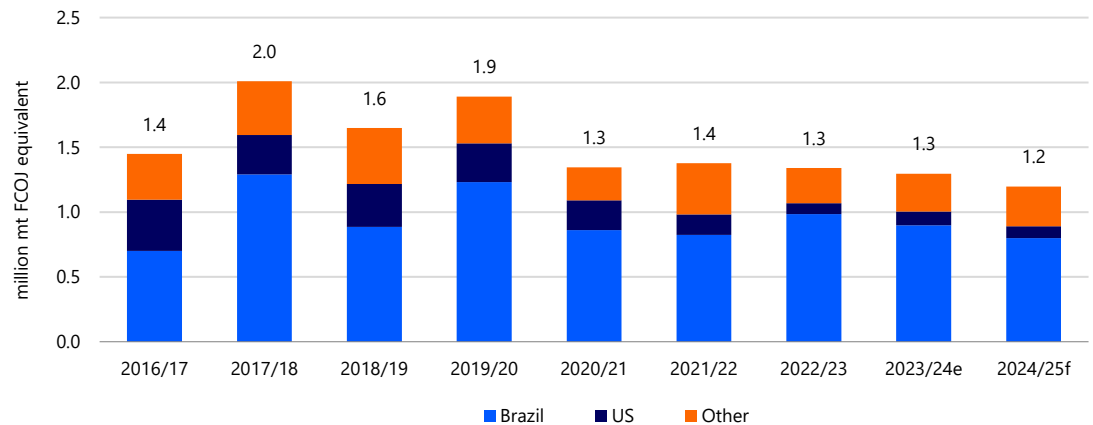
Figure 3: Orange harvest in São Paulo and Western Minas Gerais



Source: Fundecitrus, Rabobank 2024

No significant changes in production are expected at this stage for Florida or Mexico, nor for the sum of other producers, including the EU, for 2024/25. It is too early in the cycle to have a sensitivity about production in the northern hemisphere for the next crop, but for now, there is no evidence that any region will have significant growth in production above what is being harvested in 2023/24. Citrus greening remains a significant threat across all producing areas, and weather volatility will also limit potential growth in the upcoming 2024/25 harvest. As a result, in our view, the main changes to the forecast come from a smaller harvest in Brazil, and suggest total production of around 1.2m metric tons of FCOJ equivalent in 2024/25, a reduction of 8% in output compared to 2023/24 (see Figure 4).

Figure 4: Global supply of OJ (FCOJ equivalent)



Source: USDA, Rabobank 2024

Will demand continue to weaken?

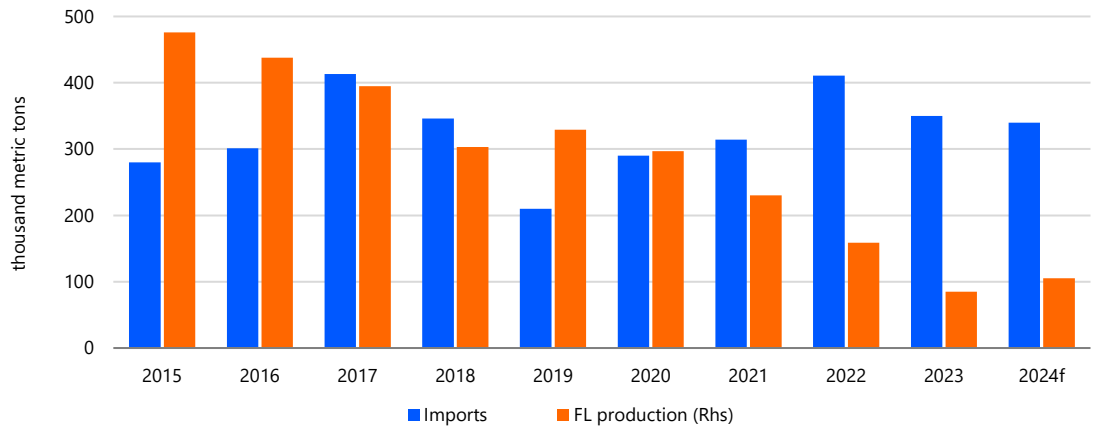
High prices leading to lower consumption in 2023/24

Retail data suggests that consumption has continued to decline across all major consuming juice markets at rates of 15% to 25% in volume terms over the past 12 months. Rising FCOJ and not from concentrate (NFC) prices have resulted in higher retail prices for OJ products globally, which is negatively affecting sales in most markets. Premium brands are suffering significant declines in volume, with IRI data pointing to a decline of around 8% in value for premium juice brands in the US market in calendar year 2023, which translates to an estimated 20% drop in volume for the wider premium juice category. NFC prices have jumped from just USD 650/mt to over USD 1,500/mt over the past 12 months. This means that many pure OJ products and premium juices have also seen a significant increase in raw materials and additional price hikes will be implemented in coming months.

FCOJ and NFC shortages are not just bad for costs, but quality is often also compromised. A lack of available stocks often means that it is much harder for juice companies to arrive at ideal Brix levels, meaning that brands will often have to alter taste profiles and increase the acidity profile of their ready-to-drink (RTD) products. This can also be detrimental to consumption, especially at high prices.

It is expected that US imports of OJ will continue at elevated levels in 2024, as has been the case since 2022, with each of the past three years (including 2024) projected to surpass 350,000 metric tons of imports. A slight recovery in production in Florida (with better weather this season), could mean a slight increase in domestic output. However, the US market will remain heavily dependent on imported OJ (see Figure 5).

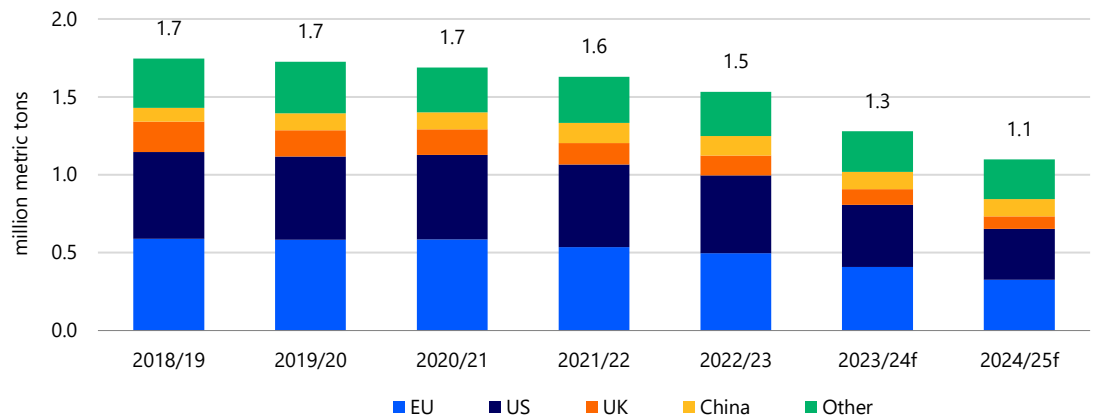
Figure 5: US FCOJ imports to remain at high levels in 2024



Source: USDA, Rabobank 2024

Global OJ consumption is clearly being impacted by higher prices and more price readjustments are looming, not least in European supermarkets, which often adjust juice prices in May. Global consumption is on track to close the 2023/24 harvest year with a decrease of around 17% in volume terms and a similar contraction is expected for 2024/25. Volume sales could contract to just 1.1m metric tons during 2024/25, considering additional price increases at retail level, consumer pressures from ongoing high living costs, and changes in consumer habits. This would result in a significant decline of over 35% in volume terms, compared to 2018/19 before the pandemic struck. In addition to high prices, the common themes of high sugar content, intense competition from other beverages for share of throat, and lack of engagement from young consumers are three factors that continue to contribute to weaker OJ demand in developed markets (see Figure 6).

Figure 6: Global demand set to contract to 1.1m metric tons



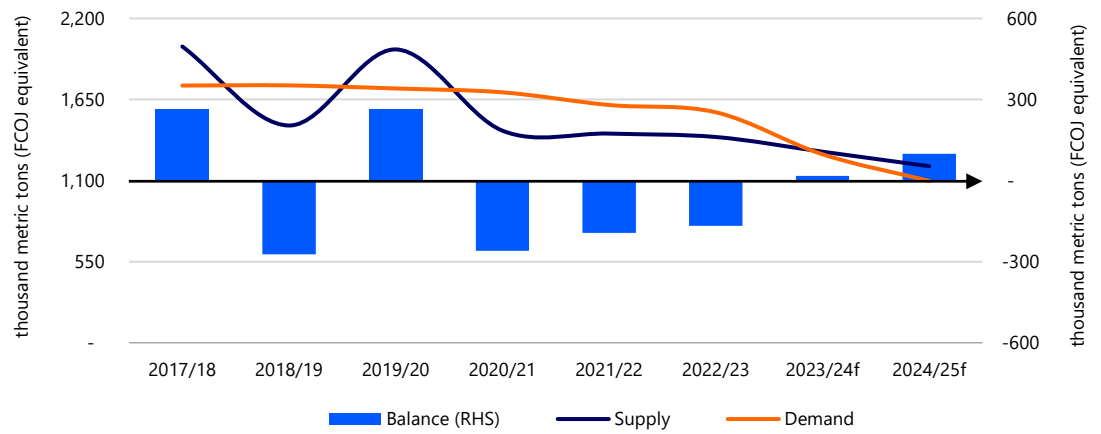
Source: USDA, Rabobank 2024

A fine balance hinges on lower demand

Supply/demand balance in small surplus after three deficits

After three consecutive deficits in the global supply/demand balance that drained global stocks from 2020/21 to 2022/23, the global market is heading toward equilibrium in 2023/24 and could potentially see a small surplus in 2024/25. This is unfortunately not the result of a relief in supply as we have explained, but is a consequence of significant demand destruction that results from higher prices. A more balanced market will mean that prices will have less space for a potential upshoot, as seen over the past harvest year, but will also have limited downside with restrained product availability and fruit scarcity (see Figure 7).

Figure 7: Global supply/demand balance FCOJ equivalent



Source: Rabobank 2024

However, the lack of inventories and very high fruit prices pose a significant risk to this outlook. If harvest expectations for Brazil turn out to be worse than expected and below our estimated range of 250m to 270m boxes for 2024/25, as a result of weather instability and greening, prices would need to climb again to find a new equilibrium.

Imprint

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