

Update on Southern Hemisphere citrus

Fair pricing and good movement define import citrus season

Back in June, the southern hemisphere citrus season was off to a good start and fruit is still moving well. "It has been a very stable season," says Miles Fraser-Jones with Sierra Produce. "Even the month of August – when demand is usually slower – is looking to be reasonable." This is partly driven by the fact that California's mandarin season ended on time at the end of May, creating an opportunity for June imports. In addition, California Navel oranges finished early, and the movement of import Navels started immediately. Altogether, it resulted in a strong start to the import season.

Supply and demand have been fairly balanced from the beginning. What has helped with controlling import volume is the very bad rain and flood events in South Africa. It created a delay of about seven to ten days in the loading of vessels. "The gap created during that time helped prevent an increase of inventory." The effects of the flooding are still being felt as no vessels from South Africa will arrive into the U.S. this week. However, the situation should normalize from next week on through the end of the season.



Tough sales of Peruvian mandarins

Out of Sierra Produce's total southern hemisphere citrus program, about 60 to 70 percent of the volume is brought in from South Africa, and the remaining 40 percent is sourced from Peru and Chile. Mandarins are a key item imported from all three countries. The availability of Peru's clementines and mandarins has been abundant, but the country has been struggling to meet the customer's specifications this season. "Unfortunately, the fruit is full of seeds," said Fraser-Jones. Customers prefer seedless mandarins, but the percentage of seeds can't exceed 10 percent for a mandarin to be considered seedless. While Peruvian shippers are aware, the arrivals into the U.S. reflect what they want to sell, not what the customer would like to buy. "As a result, sales are tough." In order to continue supplying the U.S. market, growers will have to either plant seedless mandarins or cover their orchards with nets to prevent cross-pollination and the development of seeds.

In Chile, the northern part of the country is just starting the harvest of mandarins now but was impacted by rain as well as a terrible windstorm last week. The southern part of Chile on the other hand was recently affected by a freeze. After having spoken to the team in Chile, Fraser-Jones believes about 10 to 15 percent of Chile's mandarin volume could be impacted by the storms while the impact of the freeze is yet to be determined. In South Africa, Nadorcotts (mandarins) just started shipping and volumes are expected to be normal through the end of the season.



Citrus orchards in Chile's Ovalle region.

Small oranges from South Africa and Chile

Taking a closer look at oranges, both South Africa and Chile have a very limited supply of large-size fruit. "The main challenge this season is that fruit is peaking on size 88 and as a result, large fruit is in high demand," said Fraser-Jones.

What's also impacting the dynamics in the orange category is a robust European market. Spain, Turkey, and Egypt have finished production, resulting in very high European demand for South African oranges. "The U.S. and Europe are now both competing for product, but the European market is more beneficial for South African shippers. There are fewer risks involved in shipping to Europe, and no cold treatment is required." Another challenge for oranges is a very strong juice market. Brazil, the leading supplier of juice oranges, is having production issues, making it attractive for growers to send fruit to processing facilities.

The import season has about 2.5 months left, and Fraser-Jones expects a stable and good end to the southern hemisphere program. "Pricing is at the right level to move volume and climatic events have created a balance between supply and demand. While volume has been sufficient, the challenge has been meeting the quality specifications for the customer."



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