

THE JUICING DYNAMIC

The juicing dynamic had a big influence on the South African citrus industry in 2024. Brazil is the dominant player in the orange juice world, accounting for over 70% of the world's orange juice trade and producing some 20 million tons of juicing oranges per annum. Production of oranges in Brazil has been on a downward trajectory for a few years, which has resulted in dwindling orange juice stocks. Stock levels are almost non-existent, dropping from 785 000 tons of 66 brix equivalent in 2013 to 84 000 tons in 2023. When the experts announced that orange production in Brazil was to fall by approximately a quarter, the impact was felt around the world. Processing plants globally ramped up production - in South Africa working around the clock with three shifts operating to maximise output. Prices for oranges destined for the processing plants increased six-fold.

The million-dollar question now is what will happen in the short, medium and longer term? The person who knows this for certain could make a fortune trading on orange juice futures. To try and unpack this dynamic further, the CGA Board invited experts to the Strategic Planning session held earlier this month.

There is an adage that people prefer a one-armed economist, as economists are forever saying "on the one hand this may happen, on the other hand this may happen". Unfortunately, this two-armed economist will outline the case for continued elevated orange juice prices, and the case for an easing of prices. The CGA will continue to research this dynamic and will keep industry informed of the findings. In addition, Professor Marcos Neves from Brazil will be a speaker at the CGA Citrus Summit in March 2025 - register on <https://cgasummit.co.za/registrations/>. Professor Neves is one of the authors of the annual Brazilian orange crop forecast.

The case for elevated juicing orange prices. There are a number of factors that will result in extending high prices:

- The low inventory of orange juice means that stocks will need to be built up again so as to buffer against shortfalls in the future. Experts do not expect the same level of stocks as in the past, but some reserves will definitely be preferable.
- This is the lowest juicing orange production in three decades. Brazil decreased from 450 million boxes to 320 million boxes, Florida from 250 million boxes to 15 million boxes.
- Asian Greening (HLB) remains a problem in Brazil. The vector (Asian Citrus Psyllid) has developed resistance to some pesticides and a large percentage of orchards have the ACP present.
- Production costs in Brazil have increased and labour issues are problematic.
- Egypt (and other supplier countries) will not easily replicate the extensive infrastructure and network that Brazil has.

The case for easing of juicing orange prices. There are also a number of factors with downward pressure on prices:

- Higher orange juice prices could lead to consumer resistance and a shift to other beverages.
- Processors could shift to other fruit juices to blend.
- Better weather conditions could result in a recovery in Brazilian production. Weather experts indicate a shift to the La Nina phenomenon which would be good news for Brazilian producers.
- Profits from better orange juice prices allows producers to move to new areas, planting ahead of the greening disease. However, this does lead to higher logistics costs as these areas are further from processing plants.
- Investments in research seeking solutions to the Asian Greening disease are having success in some innovative solutions.

Most experts expect the present elevated juice prices to remain in place for two to three years, with some extending that to five to six years. Thereafter, it is difficult to predict. However, the Brazilian orange juice sector is a massive network of know-how, infrastructure, logistics and systems: it should continue to dominate the orange juice sector.