Orange supply is expected to grow significantly in 2019/20, with a large crop in Brazil and some recovery in Florida. The market is pricing in a recovery in inventories and weak demand this season.

Fundecitrus Forecasts 389m Boxes in 2019/20

On May 10, 2019, Fundecitrus, a private Brazilian citrus association – in conjunction with two universities and a consulting company (FEA-RP/USP, FCAV/Unesp, and Markestrat) – published its first crop estimate for the 2019/20 orange crop in São Paulo and western Minas Gerais. The forecast crop size came in above expectations, at 389m 90lb boxes, signaling an increase of 36% in production compared to 2018/19, when output stood at just 286m boxes. According to the report, yield per hectare is expected to increase significantly in 2019/20, to 1,050 boxes and 2.24 boxes per tree, which is considerably higher than the 756 boxes per hectare and 1.63 boxes per tree registered in 2018/19. The strong bloom and stable fruit set with favorable weather were key to increasing yield forecasts for the upcoming crop.

After a historically small crop of just 286m boxes in São Paulo, along with the smallest crop in Florida in 60 years last year (45m boxes), we will see a significant increase of supply in the world of orange juice during the current 2019/20 crop cycle, given Brazil’s outlook and a slight rebound in Florida during the recently completed harvest (see Figure 1).

Figure 1: Global OJ supply (FCOJ equivalent) rebounding in 2019/20

Source: USDA, Rabobank 2019

Actual Supply Figures Are Still Hard to Estimate

Global juice prices have been under some pressure in 2019, as the market is already anticipating more supply from Brazil and a continuation of weak demand in developed markets. However, it is still too early to know with more certainty whether the Brazilian crop will effectively reach current estimates and – even more importantly – the juice yields that will be obtained when processing fruit. Rain patterns and temperatures will be key in coming months, and as always, there is a good
degree of unpredictability. Also, some processors are concerned that very large volumes of fruit will be harvested around the peak of the crop – there was just one strong bloom in the current cycle. This means that a large proportion of the fruits will mature at the same time, which could put pressure on processing capacity and make it difficult to process the entire crop.

In any case, the current crop should help replenish stocks for the industry, after a small crop with low yields in 2018/19. Brazil should continue to see a gradual shift towards more NFC production to the detriment of FCOJ during 2019/20, which is more lucrative and helps improve margins. A larger crop in 2019/20 should translate into more affordable fruit for the industry, which will, in part, potentially compensate for lower juice prices derived from a growing supply. Demand remains weak for now, with an overreliance on developed markets and limited growth in emerging countries. However, consumption of NFC appears to be stable and beneficial to maintaining margins for processors during the upcoming crop.