

ORANGE MARKET REPORT EL NIÑO & CITRUS GREENING STRIKES AGAIN

ORANGE OIL BRAZIL

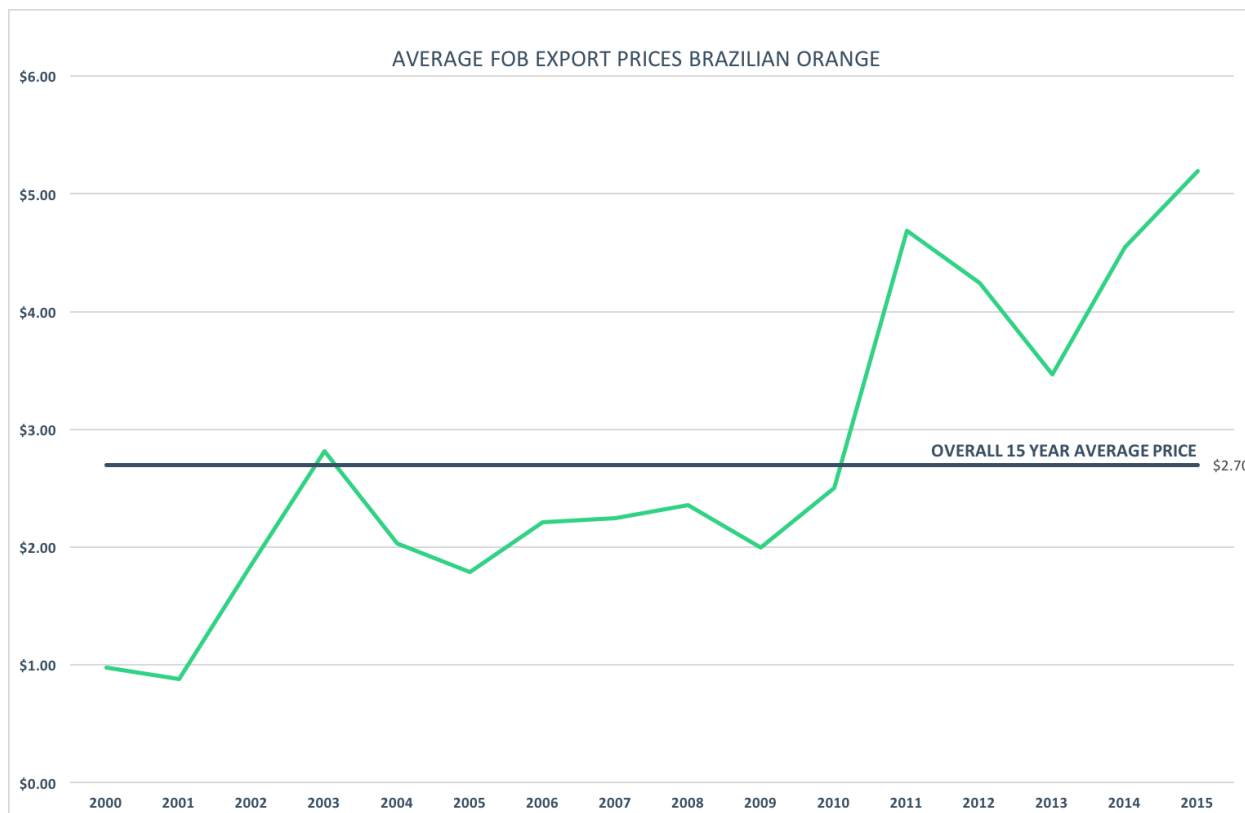
In 2014 Orange Oil exports from Brazil became a **100-MILLION-DOLLAR BUSINESS** as average prices hit historical highs. Now in 2015 those trends have continued but while total exports maybe down on last year, average export FOB prices continue to rise.

The highest monthly average export FOB price ever recorded was in July 2014 at **\$6.56** but the average yearly prices peaked in 2015 (based on averages up to the end of Q3). Again in July the average prices were at their highest at levels of **\$6.25**. Since then average prices have fallen slightly but regardless of this 2015 will end showing historical high averages.

The fear at the moment comes with the stories emanating from South America which don't make for happy reading. So as we look towards 2016, what are the experts advising?

Earlier in the year *Fundecitrus* produced figures disclosing the fruit estimates for the year, covering the growing areas along the citrus belt comprising the state of São Paulo and the Minas Triangle region in Minas Gerais. They calculated:

- Total number of oranges bearing trees is **174.13 MILLION TREES**
- Average projected productivity for the 2015/2016 season is 1.60 boxes of 40.8 kg per bearing tree
- Estimated total production of oranges in the 2015/16 season: **278.9 MILLION BOXES** of 40.8 kg each



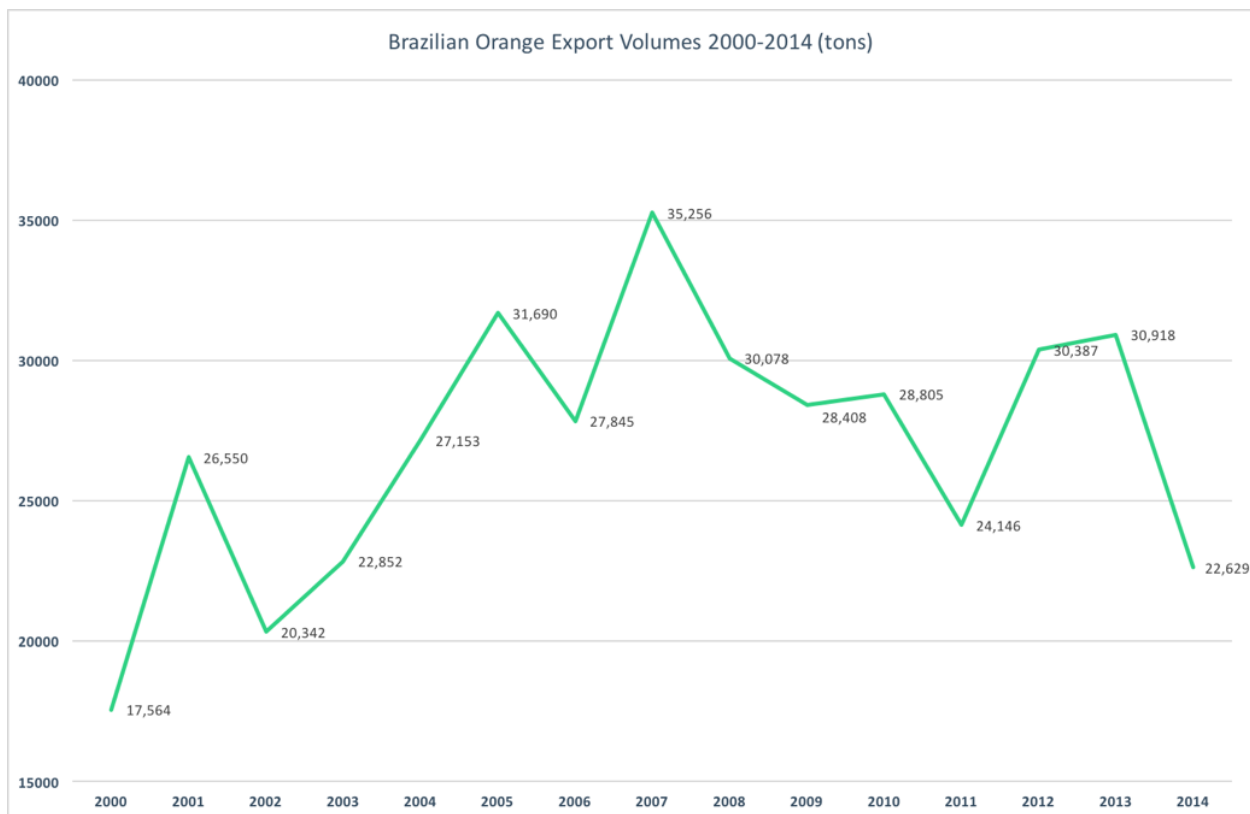


Harvest collection in Brazil's Sao Paulo state

This estimate of 278.9 million boxes produced, is greater than the USDA's estimated earlier in the year at of 245 million boxes but significantly down on previous years.

Unfortunately, 30% of the blossoming happened in fruits from the third and fourth blooms which means a large part of the 2015/16 crops will be from late fruits which have low juice and yields. Most of these are **COMMERCIALY UNSUITABLE FRUITS** for processing which may be why there has been so many delays or mixed messages from producers at origin as they come to terms with these changing conditions?

Today Citrus BR are reporting lower than average brix levels for current harvests due to **'ELEVATED RAINFALLS** observed during the summer and autumn of 2015 in the Brazilian Citrus Belt'. They also go on to warn the market about the current threat of El Niño with the following statement;



The weather forecast from several meteorologists are already predicting and weekly confirming that the influence of EL NIÑO will be observed in South America, from early September to January 2016. **EL NIÑO BRINGS HIGHER THAN THE USUAL AVERAGE PRECIPITATION FOR THE CITRUS BELT.** The 2015/2016 orange crop was influenced by severe weather conditions from October – December 2014, when draught and high temperatures were observed in the whole State of Sao Paulo, generating several blooms on the trees and also hampering a uniform development of the fruits.'

It is evident that we are suffering a period of uncertainty and with it high prices and a continuing lack of availability. Based on what we can see in today's market, depleted stocks at origin and the projections for the next 6 months we do not expect the situation to improve. In fact it may well get more difficult for those of us looking to secure our short to medium term oil supply of Orange Oil.

ORANGE OIL FLORIDA

We've been reporting for months of the prospects of a poor season in Florida and those pessimistic, but factual views have just been compounded with the latest set of results from the region.

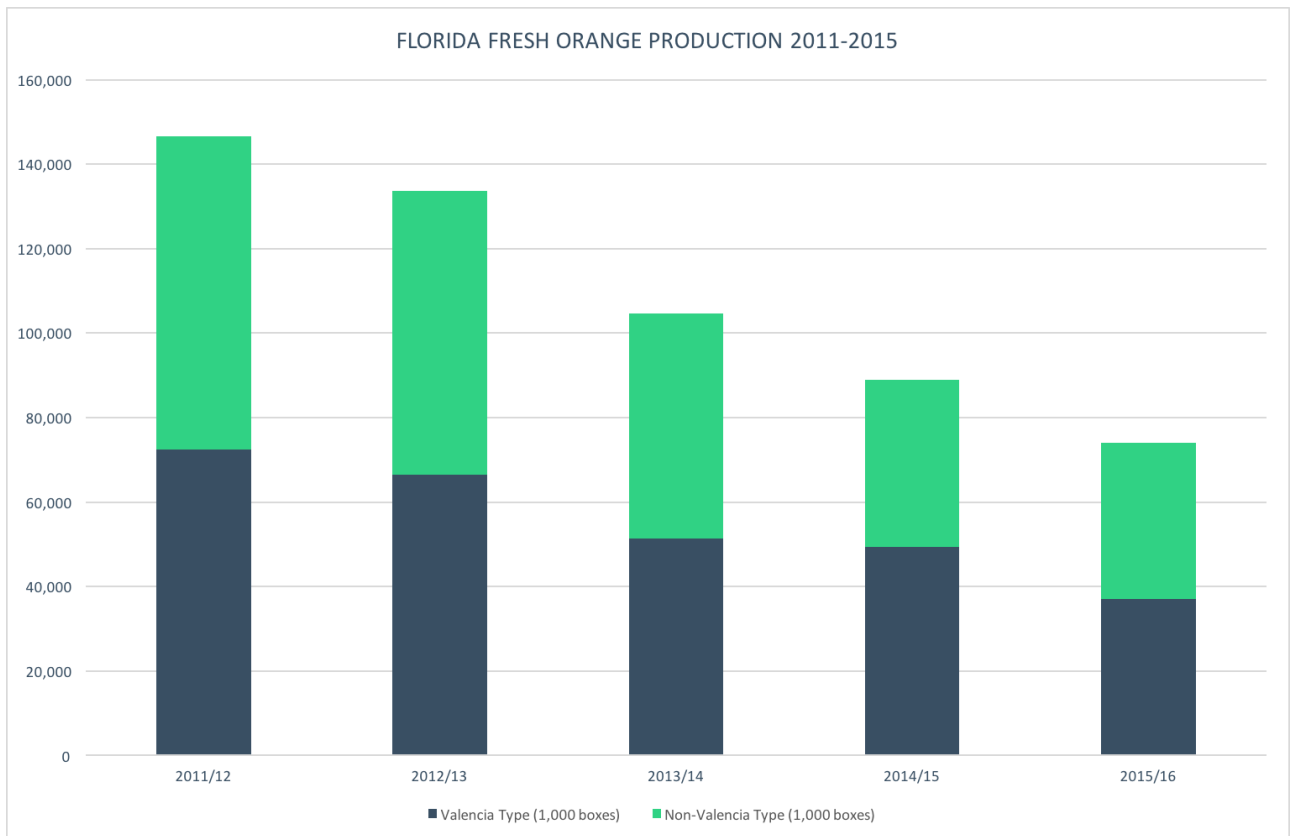
We did report that the crop is set to be the lowest in almost 50 years with an 8% reduction from last year and that this year's crop is expected to total 96.4 million boxes down from 104.7 million last year and 133.6 million boxes in 2012/13.



Close up of a typical orange tree

However today (*press release from 10th November*) by the USDA paints an even worse than expected picture with the **2015-2016 FLORIDA ORANGE FORECAST AT 74.0 MILLION BOXES, DOWN 6.0 MILLION BOXES FROM THE INITIAL OCTOBER FORECAST**. If true, this forecast will represent **24 PERCENT LESS THAN LAST SEASON'S PRODUCTION AND THE LEAST SINCE THE 1963-64** season of 58.3 million boxes (including Temples). The forecast consists of 37.0 million boxes of the non-Valencia oranges (early, midseason, Navel, and Temple varieties) and 37.0 million boxes of the Valencia oranges.

The forecast of non-Valencia production is lowered to 37.0 million boxes. Current size is below the average and projected to be near the minimum at harvest. Current droppage is above the maximum and is projected to continue above the maximum until harvest. The Navel forecast, included in the non-Valencia forecast, is unchanged at 1.1 million boxes. If realized, this utilization will be the **LOWEST IN A SERIES DATING BACK TO 1979-1980** when separate Navel forecasts began. Current Navel size is about average and droppage is above the maximum.



TYPE / SEASON	2011/12	2012/13	2013/14	2014/15	2015/16
Valencia Type (1,000 boxes)	72,500	66,500	51,300	49,400	37,000
Non-Valencia Type (1,000 boxes)	74,200	67,100	53,300	39,500	37,000

The forecast of Valencia production is down 3.0 million boxes to 37.0 million boxes. Current fruit size is slightly below the average and is projected, at harvest, to be near the minimum recorded last season. Current droppage is above the maximum and projected to be the highest on record since 1960-1961 for a non-freeze or non-hurricane season.

Much of these decreases can be attributed to the **DAMAGING EFFECTS OF THE BACTERIAL DISEASE CITRUS GREENING** (HLB). Citrus greening in Florida remains the biggest challenge, as the impact on its citrus market is devastating. Greening's most significant effects on the crop are smaller fruit sizes and an increase in the amount of mature fruit that drops to the ground before it can be harvested.

Huanglongbing (HLB; citrus greening) is thought to be caused by the bacterium, *Candidatus Liberibacter asiaticus*. HLB has seriously affected citrus production in a number of countries in Asia, Africa, the Indian subcontinent and the Arabian Peninsula, and was discovered in July 2004 in Brazil. Wherever the disease has appeared, citrus production has been compromised with the loss of millions of trees. HLB has not been reported in Australia or in the Mediterranean Basin. In August 2005, the disease was found in the south Florida region of Homestead and Florida City. Since that time, HLB has been found in commercial and residential sites in all counties with commercial citrus.

University of Florida

These historical lows have come as some surprise and is a sorry sign of the Florida citrus markets. Today market prices remain firm and may increase following these new sets of figures.



Collecting oranges in Florida

ORANGE OIL SOUTH AFRICA

News just in from South Africa is disappointing to say the least. After many years of modest growth, it looks like this year could be very different.

Recently we have come to expect around 400MT per year of South African orange oil however the current droughts being experienced in the citrus growing regions are having a devastating effect. **BELOW AVERAGE RAINFALLS AND ABOVE AVERAGE SUMMER TEMPERATURES** during the past season, especially during the fruit-sizing period has had a negative impact on fruit sizes.

As a result, early indications are suggesting as much as a **35-40% DECREASE IN FRUIT PRODUCTION** which whilst this may not reflect in the same decrease of oil produced, it will certainly have an impact.

It is very early to fully assess the true impact, especially on the processed markets but already prices have started to rise and are likely to continue to do so into the New Year as the harvesting period progresses.