CAPESPAN NORTH AMERICA

MARKET REPORT

Vol.: 2019 Week 17 Friday, 26 April, 2019

$1 U.S. Dollar Equal To:	
1.345	Canadian Dollars
0.896	Euros
0.773	British Pounds
14.357	South African Rands
674.1	Chilean Pesos
3.318	Peruvian Nuevo Sols
3.926	Brazilian Reals

WEATHER

Philadelphia	Montréal	Bakersfield
Low 10˚ C	Low 7˚ C	Low 18˚ C
High 15˚ C	High 11˚ C	High 33˚ C

California Citrus:

California's citrus season is entering its last semester and in spite of the brave face put on by its industry leaders few would disagree that it has been a difficult and complicated campaign.

The California navel orange crop was heavy but tended to smaller calibers, especially in the early weeks. A peculiarly wet winter slowed the pace of harvest which, combined with the small fruit size, forced many shippers to relegate their small caliber oranges to juice and processing. Pricing through the early and mid-season was lacklustre. Movement was unenthusiastic likely owing to quality that was hit and miss through much of the first half of the season.

Late navels are now in production and are offering the market a distinctly better piece of fruit. But extreme warm weather in the San Joaquin Valley is reported to be taking its toll on fruit quality. Some industry representatives say there are ample late navels to allow shipping to continue into July. But others insist that while the volumes are there – there seems to be no disagreement on that – acids are dropping and fruit quality and condition is unlikely to hold up beyond June.

With confidence in fruit quality softening, in the coming weeks shippers will slow down their exports and consequently put more pressure on the domestic market. This is causing some California shippers are setting up aggressive deals for May and June to move navels and avoid a late June or July "fire sale".

Today, pricing on late navels (Fancy) out of California is at US$ 18 – 20 for 48's and 56's, US$ 15 – 16 for 72's, US$ 11 – 12 for 88's and slightly lower for 113's and 138's. Choice grade is all over the map trading at US$ 2 – 4 off the Fancy price on the larger calibers and US$ 1 – 2 less on smaller fruit.

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California easy peelers have also had a tough go this season. Numerous retailers have reported that for the first time in years they have observed a decline in easy peeler movement at store level. The early clementines from California were impacted by the poor winter weather and, by most accounts, did not deliver consistent quality or taste. Customers, it seems, noticed.

The late mandarins, on the other hand, have shown far more consistent quality and have delivered a better eating experience. But the very warm weather in the San Joaquin Valley is expected to exact the same toll on the mandarins as it has on the navels. While many California shippers insist that they will have mandarins available for shipping through May, there are already concerns about fruit softness and eating quality. Indeed, many retailers have indicated that they plan to start their imported clementine programs by mid-May.

Today, California mandarins in standard sizes 4 and larger, packed in a 10 x 3 lbs bag configuration, are selling at US$ 25 – 27 with national brands selling US$ 2 - 4 higher. Smaller sizes are selling at US$ 18 – 22. Sales are brisk and we expect that shippers will continue to adjust prices to ensure steady movement with the view to getting as much of the crop packed before poor product quality and retailer rejection close the door on the season.

Imported Citrus:

Citrus growers in Peru and South Africa are closely watching the California late-season, but none quite as closely as Chile's growers. While Peruvian and South African shippers have markets in Europe, the United Kingdom and Asia, the Chilean citrus industry remains firmly and almost exclusively focused on the US. The recent announcement that Chilean pears will be admitted to China paves the way for the future entry of Chilean citrus into China, an initiative the Chilean industry has been eagerly awaiting as a means of diversifying its export portfolio. But the citrus approval is not expected in time for this year and Chile's reliance on the US market will continue for at least one more season.

So far this year, Peru has loaded 90 000 cases of soft citrus to the US and Canadian markets including satsumas (mostly Okitsu), Primasoles and early variety clementines. Indeed, the first product has already arrived in the market - perhaps a few weeks earlier than ideal.

The Peruvian industry is expecting a generally normal citrus crop and will be a factor in the North American market with early clementine varieties and satsumas though June. This will transition to its flagship product, late mandarins, in early July. Last season, Peruvian mandarins remained in the US late and got caught up in the glutted early autumn market. Peruvian shippers will want to avoid this late mandarin collision with Chile and will likely try to use its European and UK alternatives. But there it will face an increasing South African mandarin presence.

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Minneolas from Peru will be a factor in the market in July and August, but the crop is expected to be lighter than previous seasons as the process of converting orchards away from Minneolas continues .

South Africa's exporters from the Western Cape (the region that supplies the US with its South African orange and mandarin needs) are looking at the US market with optimism moderated by caution. We anticipate that South African navel volumes to the US will decline slightly from last season as receivers take a realistic and pragmatic view of the opportunities. The Western Cape's navel oranges are said to be sizing larger than normal which will enhance South Africa's ability to service its premium customers in the US and Canada.

South Africa's easy peeler loadings to the US will likely increase from last season's volume, although shippers will be cautious (like the Peruvians) to avoid a clash with the substantial mandarin volume expected from Chile. South Africa has dedicated and historically high-paying mandarin opportunities in the United Kingdom and Europe. But new production may start to equilibrate markets and make the US an attractive destination.

Chile is also expecting a sweet citrus crop that is not much changed from last season. The Citrus Committee of ASOEX, Chile's fresh fruit export association, has predicted an 8% decline in clementine shipments for the season. Most of this decline is due to an expected lighter crop in Chile's IV region (Coquimbo) where Chile's earliest clementines are grown. This will mean a lighter volume of clementines from Chile in May through mid-June. However, no other regions in Chile are reporting any dramatic changes in clementine production which means that July onward should be "business as usual" for Chilean clementines.

ASOEX's Citrus Committee is expecting Chile's mandarin (W Murcott) crop to be unchanged from last season's exports of 107 000 metric tons, of which 94% went to the US. But not everybody agrees with this forecast. While the late mandarin fruit set is said to be lighter than last season, new production continues to come on stream. Many exporters privately say that the late mandarin volume could climb by as much as 8% this year. Of course, winter weather will impact this. The good news is that the warm Chilean summer will serve to bring on the fruit earlier than last season affording the market an additional week or two to sell the crop.

This years Chilean late mandarin crop is sizing large and Chilean exporters insist they will not flood the market with the small, unsellable sizes that glutted the market last year. Hopefully the industry players understand that renaming a size 6 as a Size 5B will fool nobody.

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Chile's navel orange crop is expected to decline by 3% from last year's exported volume of 101 000 metric tons, 92% of which was shipped to the US. As in the case of mandarins, Chilean navel oranges enjoyed a warm summer and the expectation is for a crop that shows better sizing than 2018, especially the late varieties. The Chilean navel crop could come on stream earlier than last season. Whether this turns out to be a good or bad thing is entirely a function of the longevity of the California navel crop. In all events, Chilean navels will not arrive in the market in any significant volume prior to July 1 when the strictures of the USDA/AMS Marketing Order for Oranges are suspended.

We will all have our eyes on the weather this summer. Chile's winters have been observed to follow the pattern of the preceding California winter. If that is the case, Chile's sweet citrus harvest could be impacted by rain delays and all that that brings with it.

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Due to travel commitments, our next Market Report will not be published until Week 20.