

The Crystal Ball • AUGUST 2016

C&A CITRUS MARKET REPORT



CITRUS and ALLIED ESSENCES LTD.

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Orange

Based on recent quotations from source, we expect pricing to reach historic highs

Orange production in the State of Florida in 2015 - 2016 was 81.5 million boxes, down 16% from the 2014-2015 crop. The percentage breakdown was 56% for Valencia oranges and 46% for Midseason varieties. The situation in Florida is tragic, as we once routinely saw box counts of 200 million boxes and considered 160 million boxes to be a "down year". The reason for the steep decline continues to be the HLB virus. As bad as this news is, last week, Elizabeth Steger, the respected citrus prognosticator, released her first estimate for next year. Ms. Steger forecasts the 2016-2017 orange crop will be 60.5 million boxes. If accurate, this represents a further decline of 26% from 2015-2016. It is clear that

the orange crop in Florida is very sick with the consequences of diminishing fruit size, fruit quality, box count and oil yields.

One of the beauties of citrus is that there is a high demand for fruit throughout the world and this demand has led to significant global production. In the case of orange, the largest producing country is Brazil. In 2016 the estimate for orange production is 246 million boxes, down 18% from last year making it the lowest production level in 28 years.

The conclusions we draw from this "double whammy" is that the availability of orange oil will be lower than last year and the price is going to be higher. In fact, based on recent quotations from source, we expect pricing to reach historic highs.

We are currently in a position to offer orange oils, both in single fold and concentrated form. It would be a good idea for you to consider covering at least a portion of your requirements for the next 6-12 months.



Lemon

Lemon prices to remain at current levels until the next crop in Spain is processed

In our last market report we reported that the reduced lemon crop in Spain had delayed an expected decline in lemon prices. Prices for lemon had eased last fall but those prices held throughout the winter and spring. This was all in anticipation of a larger lemon crop in Tucuman, Argentina. We recently visited Tucuman and were impressed by the large number of infrastructure investments undertaken by several companies. This significant investment has been made possible by the new pro-business government and its policies, which are rewarding capital investment while making it possible for companies to secure loans.

The increase in production capacity is not being met by an increase in available fruit because the first month of production was basically lost to bad weather. There are only so many days per year when lemons can be picked and processed, and inclement weather forced a delay for which the game of catch-up will be played for the rest of the season. At present, we do not expect production to increase to the point where prices will take a meaningful step downward. It appears that lemon prices will remain at current levels until the next crop in Spain is processed. That crop is forecast to be up in 2017 by over 20%.

C&A continues to source lemon oils from all over the world and this puts us in a strong position to meet the unique specifications of our customers. We invite your inquiries.



Grapefruit

Expect grapefruit oil prices to continue to be tight

Since Florida is a more important source of grapefruit oil for the world market than it is for orange oil, the reduction in the supply of fruit has had more severe consequences for the global availability of grapefruit oil. This situation has resulted in higher prices. In fact, we have never before seen the price of red, pink or white grapefruit oils at or above today's levels. As the trees continue to suffer from disease, we expect grapefruit oil to continue to be tight. The only relief will come when and if sources outside of Florida increase production sufficient to make up for the shortage, or, if the demand by consumer companies is reduced. For now, we advise our customers to stay 3 months ahead of their requirements with inventory on-hand.



Tangerine

Production is meeting demand

Tangerine production is meeting demand. That is due to the fact that for the most part, tangerine oil is used to modify orange flavors rather than as a stand-alone flavor. C&A works hard to source tangerine oils from a variety of sources and looks forward to receiving your inquiries. As with all of the other citrus oils reviewed in this market report, we advise all our customers to plan ahead and to advise us of potential changes to your historical demand.



Lime

It is time to secure lime oil for the coming year

In Mexico, year to date, we believe overall lime production is down approximately 25%. Prices for both distilled lime and expressed lime oils have increased by approximately 20%. The reduction in available fruit is due to colder temperatures during the winter that resulted in the delay of the blooms, and was further exacerbated by unexpected heavy rains. The shortage has pushed prices for all qualities of lime oils back to the same level of two years ago. We continue to see steady demand for all lime oils, and are producing both distilled and expressed lime oils at our factory in Colima. As with other producers in Colima, our production has been affected by the HLB virus. Less fruit dictates higher fruit prices both from the ranches and from packing house rejections. Basically, the entire crop will be processed by the end of October. If your company has a requirement for lime oils, it is time to secure oil for the coming year.