

'Whopping' rise in Brazil to lead world orange harvest higher

Global output of oranges is to soar, driving juice back into a production surplus, as a "whopping" rise in Brazilian volumes more than offsets a drop in the US harvest to the weakest in more than 50 years.

World orange output will rise by more than 2.5m tonnes to a three-year high of 49.6m tonnes in 2016-17, as top grower Brazil pulls out of a six-year decline in output, the US Department of Agriculture said.

Indeed, Brazil's harvest will soar 27% to 18.2m tonnes, thanks to a boost to yields from "favourable" weather, which encouraged "good bloom and fruit set".

This increase will more than make-up for an 8.8% drop in US output to 4.89m tonnes, the lowest figure on data going back to 1965-66.

Citrus greening, a bacterial disease spread by insects, "continues to reduce area in Florida", which is responsible for nearly 60% of US orange production, the USDA said.

Stocks to rise

The strong Brazilian crop will support a 44% rebound to 1.22m tonnes in the country's 2016-17 orange juice production, which last year fell to its lowest in three decades.

Despite a fall in US output, world orange juice production will gain 22% to 1.97m tonnes, exceeding consumption – which is in a long-term declining trend – and allowing an increase in inventories for the first time in four years.

World stocks "are expected up 15% as Brazilian stocks double", the USDA said, pegging global inventories at the close of the season at 515,600 tonnes.

Futures stabilising?

That would still represent relatively low figure by recent standards, ranking the fourth lowest in the past 20 years on USDA data.

US juice stocks were pegged at the close of this season at 300,000 tonnes, a six-year low, and the third smallest figure of the past two decades.

The report comes amid some evidence of a stabilisation this week in New York frozen concentrated orange juice futures, after a 30% slide from an early-November high, fuelled by a mild winter which has spared the Florida crop from frost damage.

While the "Florida harvest is active amid good weather conditions... the market has become overextended to the downside", said Jack Scoville at Florida-based broker Price Futures.

He flagged "some speculative buying" in orange juice futures this week "tied to ideas that the recent sell-off had been too much".

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