Canned and Tomato 2017

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Contact:
Héctor Arriagada
Export Manager
harriagada@aconcaguafoods.cl
www.aconcaguafoods.cl

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Tough trading

But organics have good potential.

The tomato paste sector is expected to suffer the effect of sluggish demand and high level of inventories during the 2017 season which opened with a downturn trend for raw material prices. In spite of the projected difficult economic background, the canned tomato sector should go through the coming season unscathed thanks to low inventories and stable demand. Several sources in Portugal, Greece and Italy (among the main producers of canned tomato in Europe) claimed to be sold out or able to cover the orders just until the beginning of the new season.

Organic food is having its moment of glory both in the fresh and processed market. Also the tomato sector has earmarked a growing share of raw material to organic, in particular in the US and Italy, respectively first and second largest producers of tomato for processing in the world. However, a substantial shift toward this kind of production is yet to come, because it is not seen as the solution to some of the main problems of the tomato industry: low prices and flat demand, in particular in the Western countries.

Some processors are looking beyond the present crisis, studying solutions that could help their growers to cut production costs while helping the environment. A tomato processor in the south of Italy will launch a project to study a more efficient use of water in agriculture in order to tackle the risk of desertification of the area.

In other canned foods, the problem areas include pineapple, where Thailand’s traditional boom-and-bust cycle is now entering a severe ‘bust’ phase, with raw material prices at break-even level for the farmers (or below, if the farmers’ protestations are to be believed).

European peach harvests are not far away, and Greece should bounce back happily with an excellent harvest this year. However, weather incidents have spoiled all manner of European fruit forecasts already this year, and nobody is going to feel 100% safe until maybe the middle of June.

Finally, we urge you to read John Nutting’s article on development of the new plastic can. We doubt that it will ever replace the conventional steel can, but for premium products it is an interesting proposition, and would add value to a traditionally low-margin category.
The fruit and vegetable canning business is so large and so well entrenched – in 130 years it’s grown to around 80 billion units a year globally – that it’s no wonder that plastics packaging manufacturers have long tried to get in on the act.

And yet despite having a homely and traditional image, the metal container has prevailed against those who have predicted ‘The end of the can’.

It’s hardly surprising. Huge increases in productivity have enabled the tinplate can to maintain an edge in commodity markets such as tomatoes, beans and soft fruits. It’s a cheap, robust and easy-to-handle container. It’s also high-tech: over the years production speeds have jumped to more than 1,500 a minute for the average half-kilo can, while at the same time metal gauges have been halved and easy-open ends have made them more convenient for the average user to access.

But while all this has been going on, the can looks much the same. A modern can of fruit could be placed on a supermarket shelf alongside one dating from the late 19th century and the average consumer wouldn’t be able to distinguish them apart, both having the same round container with a dull paper label.

So what’s a keen marketing type at a fruit packer to do when management calls for a relaunch that means the product has to jump out from the shelf at the consumer?

First was to take a cue from products that have been packed in glass. According to research, consumers respond positively to being able to see the product. But glass has always been heavy and brittle. Why not a clear plastic then? It’s been tried of course, many times, but until recently was unable to withstand the high pressures and temperatures of retorts, even though they are less challenging for fruits than meats.

But plastics packaging manufacturers haven’t been standing still, and recent...
developments with oxygen barrier materials such as EVOH, a copolymer of ethylene and vinyl alcohol, have provided significant increases in shelf. Keeping the oxygen out of a product is key to reducing colour deterioration.

Since 2014, US injection-moulding machine manufacturer Milacron has been developing its Klear Can, a co-injected one-piece plastics container that was designed to use the same filling, seaming and retorting machinery as metal cans, so that the minimum of downstream investment was required. The idea was that packers could injection mould their own plastics containers and seam them with conventional metal lids on site.

Field tests were carried out with vegetables in Belgium during which the compatibility of the plastics and the seaming of the metal lid were evaluated, before market trials could be started. Sampling tests were also carried out with fruit.

News that a commercial application was imminent came in May 2016 when Milacron’s general manager co-injection systems Steve Morris revealed at the Thin Wall Packaging Conference in Chicago that Del Monte Pacific would be the first customer for the Klear Can.

Since then not much has been heard about the Klear Can, although Milacron’s Morris stated, “We are extremely pleased with the progress of our Klear Can product. It continues to make impressive strides towards market readiness with major end users now getting involved in marketing tests. We feel this product and our equipment is another example of powerful, reliable solutions that meet unique customer needs.”

The Milacron had, however, paved the way and later in 2016 another contender was launched by packaging giant Sonoco, better known for its paper-based and cartonboard products, as well as composite cans.

Sonoco said the can featured its patented Fusion Freshlock Technology, with the body made of a transparent multilayer plastics substrate.

Jack Sanders, chief executive of Sonoco, said: “With more than 47,000 products competing for attention in the average supermarket, standing out from the crowd is increasingly important.

“This is especially true for processed and shelf-stable foods like soups, sauces, fruits and vegetables and even wet pet foods – products traditionally sold in a metal can in the centre of the store, an area which is losing share to fresh products found on the perimeter. This new solution creates multiple placement opportunities around the store, including high-traffic areas like the perimeter.”

With an easy-open lid, TruVue was claimed to be the first clear plastics can to be designed to withstand the rigours of continuous retort systems without overpressure, performing in high-temperature and high-pressure environments. The package is BPA-NI for food contact, said Sonoco, meaning that it didn’t use epoxy phenolic coatings.

The TrueVue can does not use the double seams found on conventional metal cans. The ends, made at Sonoco’s plant at Henderson in Kentucky, are heat sealed to the plastics body.

It runs in canning plants on what are said to be fully-depreciated equipment used for traditional metal cans, thereby minimising any additional capital investment, while delivering what Sonoco sees as a true marketing and merchandising advantage for canned food companies.

“Changing consumer demands are driving the need for innovation among premium brands promising freshness, authenticity and improved quality from simpler ingredients,” Sanders added. “We have
developed a revolutionary alternative to the traditional metal can that provides our customers the unique opportunity to reinvent their brand, without reinventing their production process.”

Brian Risinger, communications director at Sonoco, explained the technology: “The TruVue can’s flangeless plastic body eases challenges commonly associated with the double-seaming of flanged two-piece plastic containers at brand-owner filling and closing sites.

“Sonoco Fusion FreshLock sealing technology exceeds the strength performance of conventional two-piece plastic container double seams in high temperature/pressure cook processes, allowing for use in hydrostatic and continuous rotary retort operations.

“Traditional, double-seamed plastic packages have been limited to batch retorts with overpressure. The temperatures of retort and internal pressures that packages experience soften the materials and increased internal force create an unravelling of the double-seam.

“Fusion Freshlock is our approach to an improvement over the double seam for plastics packages in retort. We use a crimp seam to first attach an end to the can. Our end and can geometry, combined with the use of a laminated, heat-sealable film as part of the end versus a conventional coating used on steel, creates a tight fit providing intimate contact between sealing surfaces. We follow up with an induction heating operation that seals the end to the can body.”

First commercial application for the TruVue can was announced in November 2016, with US fruit and vegetable producer McCall Farms adopting it for its Glory Farms Slow Cooked Vegetables. Seven varieties of the product went on sale in Harris Teeter (owned by Kroger) and Ingles Markets stores in south-eastern US states.

For Annie Ham, director of marketing at McCall Farms, the launch represented a landmark moment in a long-term relationship with fellow South Carolina firm Sonoco.

“The TruVue can conversation started about two years ago and we were intrigued,” she said. “This new idea was not only perfect for us introducing a new line of premium beans/vegetables but also how it could bring new packaging innovation and consumers to the canned vegetable aisle of the grocery store.”

The Glory Farms product line is a premium offering of beans, slow-cooked three times longer than the normal canned vegetables (to lock-in flavour, it’s said) and Ham is keen to emphasise the product’s premium position with the see-through package: “Consumer research prior to launch told us that seeing the product communicated strong perceptions of fresh and high quality. They liked seeing what they were buying.”

The can itself runs on McCall Farms’ current filling lines with minor modifications, including to the closing process. The suggested retail price is USD1.49, which is slightly higher than other similar offerings, but again it supports what Ham calls the “premium positioning of the brand”.

Canned food manufacturers have long been grappling with the challenge of ‘premiumising’ their product as the taste of consumers changes. In Fortune magazine, the chief executive of Campbell’s Soup Denise Morrison saw this change as a growing interest amongst consumers to understand the impact of what they’re eating and where it’s sourced. There is, she said, a “mounting distrust of so-called Big Food, the large food companies and the legacy brands on which millions of consumers have relied upon for so long”.

A report from Mintel showed that transparency, as a concept and well as literally, was important to consumers of all ages, but more so among those aged less than 34.

Sonoco and its customer McCall are banking on the assumption that the shopper’s desire for transparency – being able to view the product and therefore trusting the brand – will justify the higher investment necessary to bring the TruVue canned products to market.

Dissenters will point out that plastic cans such as TruVue aren’t quite as transparent as they are claimed, particularly when a less-than-clear plastic label is also applied. Maintaining the integrity of the soft fruits after they have been shaken about may also spoil the premium look.

So far, ‘see-through’ cans have been confined to products that require less processing, and for products such as fruits that are already colourful and attractive to look at. The experiment in creating a premium appearance is to be welcomed, even if it may ruffle the feathers of the traditionalists. That is a move which is long overdue.
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Another volatile year

The uninterrupted, fast-raising price trend of skipjack raw material recorded in the last three months has come to an end as raw material is now trading at USD1,750/tonne cfr in both Thailand and Ecuador.

By Lorena Ruibal

The tuna market is getting used to sailing through storms not preceded by calm periods, most recently after the price of skipjack raw material landed in Bangkok rose in the last quarter of 2016 against the historical downtrend and, hence, all projections.

Frozen round skipjack tuna cfr Bangkok began a price uptrend in late November following a two-month impasse that caused prices to stagnate at USD1,400/tonne cfr during September and October. It peaked in February at USD1,750/tonne cfr, a fish purchase from a vessel operating in the Indian ocean attributed to Thai Union.

Improved catches and falling demand from canners, however, put an end to the consecutive, fast-raising prices recorded in the last three months. For most canners, the ceiling would have been at USD1,730/tonne cfr, as the USD1,750/tonne-mark was not followed.

During this time, tuna canners competed fiercely in pricing in the finished goods market, as they strived to maintain (or recover) their share in the largest consuming markets, amid added pressure from climbing raw material costs.

Prior to the price increase, some canners from different origins, and the Philippines in particular, were said to have tried to anticipate the market by offering aggressively in October and November, when most of the contracts in Europe are said to have been signed, at prices reflecting falling raw material costs.

A Philippine source noted that there was a five-dollar spread between the initial price asked for a carton of 44x185gr solid skipjack in brine fob Philippines in November and that of February.

“It seems that at the beginning buyers were sceptical that the first price increases would consolidate into an upward trend.
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and bid down,” the source noted. “Most buyers eventually agreed to a higher price than their original bidding price,” he added.

Foodnews was informed that the Philippines and Ecuador were ‘selling’ cartons of 48x185gr (dw 130gr) solid tuna in brine at USD45 for the Asian origin and at USD46 for the South American product.

Some sources claimed that Ecuador could have closed sales to Europe at USD42-43 per carton to Europe, which European sources dismissed by saying: “We haven’t seen those prices.”

“I don’t believe the Philippines is selling at USD45 per case.”

“I don’t believe the Philippines is selling at USD45 per case,” he said adding that he was told directly by a German importer that his trading company bought canned tuna from PNG and the Philippines at USD36 per case. This source claimed that Lidl bought some containers from Ecuador at USD41/case.

In the US market, Thai canners were asking USD27 for a carton of 48x170g (dw120g) chunk tuna in brine fob and USD25.5 for the same product but with a drain weight of 113g.

The drop in raw material prices came as a relief to canners, which found themselves between a rock and a hard place, as they claimed to not be able to close deals reflecting high raw material costs, which presumably prompted that many had to sacrifice profitably in order to get orders.

“Most factories must buy fish at [this] level, even if they cannot sell [canned tuna], to run the plants,” commented one Asian source.

Manta, the world’s second largest tuna hub after Bangkok, has enjoyed considerably cheaper raw material than its rivals in Asia and Europe since the price up trend broke out. Although Ecuadorian industry players take Bangkok’s quotes as a reference, skipjack landed in Manta remained steady, fluctuating between a USD1,500-1,600 per tonne range. Ecuadorian canners are worried at the prospects of Bangkok raw material trading at a lower price than in Manta. One Ecuadorian source noted that the new price decrease in Bangkok had not yet influenced transactions in the Latin American country.

The main reason driving and keeping the price of raw material at above last year’s levels during the same period remains the lack of fish, ruling out other hypotheses brought up repeatedly such as fishermen hiding fish or Thai Union trying to outplay competitors.

In the short-term, one industry professional pointed to the most agreed outlook so far: “No one wants high prices for June 2, when the FADs-ban in the Western Pacific Ocean is due to begin, so I reckon the price will stay stable until April and then it might come down a little bit to enter the fishing closure with a reasonable price.” However, prices are at USD1,720 per tonne and rising.

![Graph of Skipjack price, Bangkok and Manta, USD/tonne](image)
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If there has been a volatile market this year, it’s pineapple. Raw material production has been low, and the raising of the maximum permissible nitrate limit meant that the Thai industry rushed into juice production at the expense of canned, with unsuitable fruit being harvested too early.

Foodnews received reports in January saying that heavy rain and flooding in some pineapple production areas “looked very serious” and that some canneries, including Tipco’s, were forced to shut down. Thailand’s wet season usually ends in late November and heavy rain and flooding are rare in January. Unseasonably heavy rain hit 12 out of 67 provinces.

Some of the canneries located in the south are: Dole, Thai Pineapple Canning Industry Corp, Tipco, Kuiburi Fruit Canning, TKI, QPP, Pranburi Hotel Co, Sifco, NFC, Thai Yod Thip, Samroiyod, and Praft.

Most pineapple plantations are located in hillside areas, so damage was caused not only to current crop plants but also newly planted plants for next year.

The other problem was that the rain made it difficult for harvesting machinery and vehicles to reach the flooded areas, and transport of finished products to the ports was also disrupted.

One European importer of Thai canned pineapple noted that there was a delivery delay of two or three months on contracted orders, which mean that most buyers were still waiting to receive product before taking positions on the upcoming spring/summer crop.

Most canners were reportedly working at full capacity following some interruptions caused by flooding in the southern regions. The source noted that the only impact that...
he has noticed following the incident is that it has delayed shipping further, or so some suppliers claimed.

Thailand’s GTIS/customs data show that canned pineapple deliveries in November more than doubled to 41,411 tonnes compared with the previous month, yet this is still a volume 1% lower than last year and makes it the eighth consecutive month of export volume falling behind the same months of 2015.

Interestingly, the average fob price recorded in November fell for the first time in the last three months and it represents the highest consecutive month of export volume falling behind the same months of 2015.

In February, importers and packers agreed that market activity was sluggish, regardless of very competitive offers from Thailand.

Raw material processing fruit in February was priced at THB7.5 (USD0.21) per kilo, which is THB0.75/kg lower than last month’s average price. One Thai packer noted that he was offering product, but not in large volumes, and acknowledged that the price of end product had come down from the highs of the previous months, as a result of the significantly lower price of raw material, which had climbed to THB14.00/kg and higher.

In May, the raw material price was down to THB5.00/kg. This is close to the break-even point for farmers, and processors and farmers are in talks because the fear is that if that happens, then the farmers will switch to other crops and there will be a shortage of fruit in another year or so, prompting another price rise.

“The farmers want to avoid a bumper crop and a low fruit price,” commented a well-placed source. However, given the weather outlook, a bumper harvest seems unlikely (see below), but the farmers may decide that enough is enough for the next year or two and plant less pineapple.

Prices of canned product have seemingly varied wildly, depending on who one talked to. The Thai packers complained that buyers were speculating on the price and deliberately trying to drive down prices (but buyers do this anyway) and their fob quotes of USD17.50 per carton of 24x20oz canned pineapple choice rings in juice were two dollars higher than buyers’ price ideas.

Slices or rings are a premium product and utterly dependent on the fruit size. If the fruit is too small for the rings to fit nicely in the cans, then it will be used for other canning forms – or for juice. FoodNews understands that, right now, slices/rings are fully booked and perhaps even over-booked, so anyone looking for available stocks on the spot market will probably have to pay the packers’ asking prices. On the other hand, bits and crush are readily available and prices are quite low: the latest quote to FoodNews, in early May, was USD16.00 per carton 6x10, drained weight.

Certainly, European and US buyers have been less active than usual in the early part of this year.

“Thailand has fallen out of bed. Speculators are leading the market lower on the packers, who are not happy about it,” commented an American trader. “No-one on this side is buying as yet”.

**Pineapple crop**

Total fruit production in 2016 topped 1.78 million tonnes, of which 1.48 mln tonnes went into processing, according to data from the Ministry of Agriculture sent to FoodNews. This represents a year-on-year increase of 0.3% and 3% respectively, though still far below the figures recorded five years ago. Thai packers count on a steady supply of raw material of 8,000 tonnes per day until at least March.

“Frequent rain during June and early November helped to stabilise volumes from November 2016 to early February this year,” a Thai professional noted, adding that this was due to La Niña, whose wet weather effects disappeared in January.

A second Thai executive noted that the 2016 winter crop was good and that the focus now was on the output the summer crop will yield.

“The weather at the moment is neutral but there are several forecasts pointing to a dry summer,” another source commented in February. As February and March were quite hot and dry, this long-term forecast would presage reduced production and higher prices later in the year.

**Crop outlook**

“We are expecting the tonnage of fruits to increase by around 20% during January-May this year, compared with the same period in 2016,” he said, “but crop conditions after April are likely to be unstable due to the nature of fruits harvested during that period”.

He explained that fruits harvested after April will only be from natural flowered plants without forcing treatment, because of flowering during dry season. Also, rainfall during this month is paramount in order to achieve a better tonnage figure in the later part of the summer crop as well as the following winter crop.

“We foresee that the annual tonnage of raw material for the canning industry will be in the range of 1.5–1.8 mln tonnes, depending on the weather,” he noted.

**Nitrates issue**

This persists. The problem for canners is that excessive nitrate levels in canned fruit turns the fruit very pale after quite a short time. Thai processors have been happily processing fruit with a highish nitrate content into juice, only to find that European buyers have been reluctant to accept a nitrate content of over 25 parts per billion (the old maximum limit) and supplies were diverted from canning to juice.

The other problem affecting canning fruit is the issue of brown marbling of the fruit. This is only visible once the fruit has been canned, and FoodNews has heard that about 5% of fruit has been affected by marbling, which is unusually high.
China’s asparagus season this year may have started some 10 days later than usual, but sources from the country’s canning industry expect it to end in late June, as usual.

“This week, Chinese asparagus finally reached its regular yield,” an industry professional told Foodnews, adding that the expectation is for the total output to be “very similar” to the 2016 crop, if no surprises emerge, especially relative to sudden weather variations.

During the first week of the season, farmgate raw material prices reached highs of up to USD2.0 per kilo, or almost twice the price agreed with large farmers during the CAF 08 (8th China Asparagus Forum), but these days they have fallen to USD1.2-1.5 per kilo, [which is] similar to the 2016 crop level. As of early May, according to a local source, they had fallen further, to CNY8.0/kg (USD1.15/kg).

The latest estimates put the volume of final product this season close to the 2016 crop size, or 4,500 full container loads (fcls), “but it still will depend on weather, as last year all Chinese producers suffered a lot from the effects of cold and rain in May”, said the Chinese industry source, adding this could punish packers that offered lower prices in March and April.

Price-wise, the CAF price index agreed on in March amounted to USD9.6 per case [12x370ml white in glass jars] fob Chinese ports, slightly higher than the USD9.2 per case level from last year.

This agreed price level has seemingly been accepted by buyers “from the high-quality demand area like France/Swiss/Spain, as there are more contracts transferred from Peru to China, even though normally these countries buy from Peru, especially for their private label high quality brand”, the source told Foodnews. However, prices have weakened since then and the latest prices for this product (fancy grade) is now put at USD8.50/carton.

Some traders in Europe and elsewhere reckon that prices are still unchanged, while another trusted Foodnews source acknowledged that USD8.00-8.30/carton (depending on grading and shipping terms) was an accurate benchmark, pointing out that the yuan has fallen by about 7% against the US dollar in the last 12 months, and this must inevitably be reflected in the price of finished product.

The asparagus crop has not been affected by the flooding that has been hitting Peru since March, sources confirmed. According to the latest report from the USDA, over 7,000 km of roads and 5,700 km of irrigation canals along the Peruvian central and northern coast are damaged, delaying or hindering the movement of foodstuffs to and from the market.

White gold

Asparagus is one of the most eagerly-awaited canning vegetable crops, especially the large production from China.

By Neil Murray

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Last year’s crop was pretty rough for all the Greek packers. Given the rapid decrease of raw material quantity, exports have been heavily affected as well.

The upcoming season looks more fruitful for Greek canned peaches and since for the time being weather is favourable, we expect to have a medium-sized crop.

The market’s fluctuations are dependent upon the continent the Greek packers are targeting. It’s common knowledge that the European retail market has been influenced by the increase of fresh fruits exports. This similar type of business is being assisted by the fact that EU commerce comes without any customs duties attached to it and most import countries are really close, so the products can travel and arrive to their destination in a very short delivery time.

On the other hand, countries from different continents that include peaches in their everyday diet keep providing strong demand. It’s almost unnecessary to mention that Chile suffered from a decreased crop, bearing small fruits, that led to a price increase compared with Greece, whereas Argentina had few quantities to deliver regarding exports and only nearby countries to trade with, with a nominal price of USD11.00 per carton 12x30oz for standard quality peach halves. It should be noted that this situation got worse with Chilean quotations not being competitive towards Greek packers with nominal offers at USD12.50/carton fob Valparaiso for good standard to choice quality in 18-20° brix juice. Chilean packers are even less competitive in foodservice sizes, with offers around USD21.00/carton 6xA10 fob.

China remains the top competitor for Greek peaches and although for several years Chinese packers have shown a ready will to penetrate the European market, they are still far away from succeeding, given the quality differences in terms of colour, taste, transport costs and of course customs duties. Most Chinese quotations are about USD9.00/carton 12x30oz for peach halves in 14-17° brix juice fob Qingdao port.

We are still less than two months away from price announcements, with a degree of certainty given that price might be affected by the weather conditions till late June. Therefore, it is also difficult to comment regarding margins without having a full and clear picture of the new crop. As usual the market aspects that any buyer and producer alike should consider is a combination of several factors, including available quantities, the price of raw material, the exchange rate between the euro and the US dollar, the customs duties with the parallel efforts from EU to lower them in several parts of the world and finally competition on a global scale that restricts or allows the strengthening of Greek canned peach exports.
Tomato moving from red to blue crop

Tomato processor La Fiammante will take part in a three-year project of the National Research Council (CNR) of Ercolano, near Naples, aiming to cut by 30% water consumption for the cultivation of tomato in the south of Italy, an area that is at high risk of desertification.

By Cristina Nanni

The tomato processor, based in Campania, is planning to earmark for the project 20-25 hectares which currently yield 2,400-2,500 tonnes of fresh tomato. “We want to protect our territory as the industry is consuming the surrounding environment,” Francesco Franzese, chief executive of La Fiammante told Foodnews.

He added that the growers were happy to take part in the project because the implementation of these alternative irrigation methods should reduce their water bill by 30-40%.

The project, which should start in 2018, is the brainchild of Dr Giuseppe Sorrentino of the CNR-Institute of Agriculture and Forestry Systems in the Mediterranean, a department studying climate change and its effects on agriculture. He explained that the Mediterranean basin is expected to have an increase of temperature and a reduction in rainfall, so the areas suitable for cultivating will shrink.

“Less rain will dry up groundwater on which hinge traditional water-intensive crops of the south of Italy like table grapes, rice, sweetcorn, pomegranate and tomato,” Sorrentino said.

In particular, tomato remains under scrutiny for the high volume of water usage on the area. In a study published in 2010, researchers M.M. Aldaya and A.Y. Hoekstra of the University of Twente (Netherlands) calculated the water footprint of a Margherita pizza, summing up the figures gathered for each of its ingredient: tomato, mozzarella and dough. The water footprint topped 1,216 litres where the largest contribution to the total came from mozzarella (890 l), followed by bread wheat flour (288 l) and tomato purée (38 l).
The study pointed out that tomato is an intensive crop and its water footprint is higher when calculated in relation to the planted hectares. Apulia’s water footprint for growing tomato is estimated at 23 m³/tonne of green water (rainwater stored in soil) and 71 m³/tonne blue water (ground or surface water), while in Emilia Romagna, the ratio is 40 m³/tonne for green, but only 34 m³/tonne for blue water.

This means that tomato is cultivated in Apulia using mostly groundwater and then it is transported to processing plants in Campania where about 70-80 million litres of drinkable water flow in the production plant; water that cannot be reused.

This vicious circle is likely to lead to slower depletion of water resources increasing the risk of salination of ground water. This phenomenon is already occurring in Apulia, where underground saline water was detected as far as 15 kilometres from the coast.

**The methodology to be applied**

The project will apply three different methods of water-saving irrigation to the tomato planted area, to analyse which of the best suits tomato production in the south of Italy. The first method is the phenological irrigation, which consists in providing more water only in the phase when the tomato is developing the fruit. The second method is known as partial root irrigation (PRD): only half of the plant is watered alternatively so instead of using two drippers there is only one that is moved from one side to the other. The plant is under a controlled stress so that it can absorb more CO2 in relation to water consumption.

The third and last method to be tested is called watering deficit. The plant receives just 60-70% of the water that it would generally get.

The CNR’s research is also thinking of launching a label linked to the project, called ‘blue drop’, because of the similar sound to ‘blue crop’, indicating crops grown using water-saving techniques and to summarise the idea of the water-saving production.

This is something new in the south of Italy, while in the north the tomato processor Mutti was a pioneer in introducing in 2012 sustainable producing methods in the tomato industry. According to some data forwarded to Foodnews, the Italian processor could save about 34.5% of water through the introduction of an innovative system for the monitoring of the soil moisture to avoid unnecessary use of water.

The problem of more efficient use of water in agriculture affects several crops, but in Italy the focus is on tomato because it is one of the most produced commodities. In 2015, the US-based Pacific Institute think tank published a report on the use of water by the agricultural sector in California, a state affected by chronic drought. According to the Institute, processing tomato sector uses around 0.7 million acre-feet of applied water against the 5.2 mln acre-feet of alfalfa, 3.8 mln acre-feet of almond-pistachios and 1.6 mln acre-feet of vineyard.

**Consumers ask for it**

The environmental impact of food production is a reason of concern for Western consumers. In 2015, the New York Times added to the lexicon of food-related words the term climatarian, referring to a diet whose primary focus is to reverse the climate change. This new class of consumers will choose locally sourced and produced food (to reduce the energy expended on transport), prefer pork and poultry to beef and lamb (to cut on CO2 emissions) and use any part of the food (apple cores, peels and so on) to curb food waste. “These ideas can easily spread because they cross different kind of diets, foods and countries,” Sorrentino said.
The food industry has shown a growing interest in organic products, which are driving up demand and supporting prices both for growers and processors in some sectors like frozen fruit. The tomato industry is eying this opportunity, but a shift toward this segment seems harder to achieve.

Chilean processor Sugal announced, in an interview to Foodnews, its intention to expand the organic segment in a country with lots of virgin land that has never seen pesticides or fertilisers. Spanish processors producing canned tomato also expressed their intention of investing more in a segment that in the country is still niche.

China is venturing into organic tomato paste with factories in Inner Mongolia, in the north and in the north-east of Xinjiang for a planted surface of 500-600 mu, 700 mu and 500 mu respectively. The total volume of tomato paste produced annually is just below 1,000 tonnes. A well-informed source said: “Chinese organic paste is only the paste with BCS and JAS certificate, but it is not fully compatible with the organic standard. The soil nearby, plants around and all other elements are not in line with the standard of organic, but they are sold as such”.

Last year, California’s tomato production decreased by 1.7 million (short) tons year-on-year to 12.65 mln tons. Its organic output surged by an impressive 57% going from about 470,000 tons in 2015 to 736,800 tons of last year.

The same happened in the north of Italy, where the area earmarked for organic increased by 42%, shifting from the 1,316 ha of 2015 to the present 1,864 ha. In spite of the impressive increase, it still represents only 4.8% of the production nationwide. In the whole country, there are about 570 growers earmarking 2,774 ha for the production of organic tomato for industry. The average yield is 51.2 tonne/ha for a corresponding output of 142,288 tonnes, about 2.7% of the overall volume, estimated at 5.18 mln tonnes.

One reason why processors tend not to invest massively into organic is the yield, which is between 10-15% lower than conventional cultivations, some said. Federbio, the Italian organisation for organic agriculture, noted that this is true for areas with particularly high yields. They pointed out that in 2015, yields of organic moved in a wide range of 26-66.5 tonnes/ha across

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1.8 million tons of tomatoes processed yearly
2. 5 industrial sites (Portugal, Chile and Spain) and 2 R&D centers (Portugal and Chile)
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TOMATO PASTE

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In 2016, the tomato paste market had to absorb the shockwaves of the widely documented high level of inventories in the US and the suspected Chinese inventory, while prices struggled to bounce back up from a false start to the season. The canned tomato market – including chopped/diced tomatoes and crushed – moves on a different track. Nevertheless, this sector suffered a general price decline in 2016. Main market players in canned tomato (Italy, Portugal, Greece, Spain and the US) have recorded a 3% decline in value, from the EUR1.04 billion (USD1.14 million) of 2015 to EUR1.0 bln of last season. Spain recorded the steepest fall of 10% from EUR74.5 mln to EUR66.8 mln, followed by Greece at 9% to EUR18.4 mln, Italy at 2.37% to EUR868 mln and the US 1.78% to EUR42.8 mln. Portugal’s exports’ value increased by 5% from EUR12.0 mln to EUR12.6 mln because of a consistent increase in traded volumes.

Italy is the world’s biggest processor of canned tomato, representing about 78% of the movements on the global market. In 2016, the country recorded a 5% year-on-year increase in exported volumes to about 1.3 million tonnes. The growth was helped by a higher intake among the historical buyers from this origin. A peak of 137,600 tonnes was recorded in November, when the UK bought 36,810 tonnes of tinned tomato, well above the 19,000 tonnes topped in the same period in 2015. Probably, buyers rushed some contracts following the fall in the value of sterling last October when the prime minister Theresa May confirmed the intention to trigger Article 50, which meant that the government was committing to prepare the departure from the EU. Exports recorded a slight increase also in Germany, Japan and France.

The heavy rain that hit the south of Italy in September curbed by 7.85% the final downturn is the sting in the tail of a year marked by predatory pricing which could not be offset by a higher volumes sold. However, the recent upward trend at the beginning of 2017 means a light at the end of the tunnel.

By Cristina Nanni
Despite its more modest total volume, Portugal last year recorded a 15.5% increase in exports of canned tomato.

An exception is Australia whose Italian imports dropped by 5% in volume and 9% in value because of the protectionist measures of the government. Antidumping duties between 3.25% and 26.35% were introduced on Italian exporters of canned tomato (chopped/diced, crushed, peeled whole, with or without added ingredients in pack not exceeding 1.14 litres in volume) entering the Australian market and last year were temporarily extended to La Doria and Feger, to be revoked later on.

Despite its more modest total volume, Portugal last year recorded a 15.5% increase in exports of canned tomato topping 31,000 tonnes against the 26,700 tonnes of 2015. This was mostly due to an increase of the trading movement across the entire market and in particular in Belgium where exports trebled going from 500 tonnes to 1,500 tonnes, following a substantial fob price decrease (-20%) from EUR421/tonne to EUR336/tonne within a year. A similar trend was recorded in Sweden (+160%) with exports jumping from 595 tonnes of 2015 to 1,550 tonnes of last season. It is believed that in both these cases, Portugal inched its way back on market shares of the costlier Spanish products.

Spain's exported volumes dropped by 8% from the 145,200 tonnes of 2015 to 133,000 tonnes, mostly due to lower prices offered by Portugal and Greece.

Despite their fluctuations during the season, Spanish fob prices were less affected by the sector's deflation. Here, average fob prices shrunk by 3% across the season, settling around EUR498/tonne against the 7.3% of Italy to EUR673/tonne, 7.7% of Greece to EUR510/tonne and 9% of Portugal to EUR407/tonne.

Greece’s export volume was flat to 36,232 tonnes with a -1.8% decline compared with last year’s 36,927 tonnes. The increased volume sold in the UK (+9.6%) and in Belgium (+13%) could only partially offset the losses of market share in Sweden (-13.5%) and the Netherlands (-42%), which seemed to prefer alternative origins. Dutch imports of Turkish canned tomato grew threefold from 700 tonnes in 2015 to over 2,200 tonnes last year, while Sweden strengthened its trading bonds with Portugal.

Compared with its European competitors, Greece has a logistic disadvantage in exporting in Europe and the distances may weigh heavily on the final prices of its product, as a few local processors pointed out.

The US market of canned tomato has recorded a slight downward trend both for volume (-1.97%) and for value (-1.78%). This was the sum of a general decline in the intakes spread among some minor trading partners, a situation only partially offset by an increase of imports from others. Canada’s imported volumes remained anchored within the range of 37,000 tonnes for a corresponding value of EUR28.8 mln. An increase by 11% of the tomato in tins sold to Mexico did not result in a higher value of exports’ which decreased by 4.6% from EUR3.58 mln to EUR3.4 mln. The US canned tomato industry opened a gap in the Asian market doubling its exports to almost 3,000 tonnes on Japan and increasing by 14% the shipments to South Korea, now in the range of 4,000 tonnes.
The year to come

Some upward trends were recorded last January as fob prices grew by 6% in Portugal and by 9% in Greece. Here, stocks are “very limited, below average, but not so low as to raise any fears for market supply,” one said. Portuguese stocks should be even lower as few processors claimed to be sold out.

In Italy, stocks of canned tomato are low too: “We should be able to supply up to July, so just about before the start of the new season,” a processor explained, adding that prices of canned chopped tomatoes, 24x400g cans, easy-open (EOL), are now hovering around EUR6.30-6.70, corresponding to EUR0.26-0.28/unit. Processors hope that prices will climb to EUR0.30-0.32/unit given the current conditions, but the level of demand will play an important role in the future evolution of the market’s dynamics.

Several sources pointed out that higher prices would help to recover the losses caused by the adverse weather in the south of Italy. “The rain increased production costs that we could not offset through selling prices, given the speculative manoeuvres of some processors in the attempt of outpricing their competitors,” one said.

In addition, some European processors noted that they will have to pay 15% more for the steel containing the tomatoes and some price increases are expected for energy costs. This means that raw material prices will be fundamental in shifting the price pointer.

Canned tomato exports volume (tonnes)

Organic to remain the Cinderella of the tomato sector?

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the country, so well below the average 74 tonnes/ha estimated for the south of Italy, but not too far from the 67 tonnes/ha of the north.

Some processors started production of their own organic ketchup, and explained that it is still a small market with particularly high production costs and aggressive competition from supermarkets selling their own organic products. “The demand is mostly concentrated on pulp, passata, peeled and canned tomato, while it is much lower for tomato paste,” said Paolo Carnemolla, president of Federbio, talking about the Italian production.

The market share is still marginal at about 3-7% of the total, but it shows an upward trend: in one year demand has increased for pulp (+15%), passata (+21%) and peeled tomato (+33%). Most of the export produce is placed on the market directly by processors (39%): 28% is for private label, 14% for private label of brand specialising in organic and 17% as a by-product for the industry.

Next to an expected increase of the demand, another reason for interest in the organic market is the lower volatility for both the final product and raw material’s prices. Some Italian processors reported that in 2016, prices of organic tomato were 25-30% higher than conventional, paying between EUR130-150/tonne depending on the variety. Prices for organic plum tomato went up toward the end of the season because of the heavy rain which affected both quality and quality of the harvest in the south of Italy.

“Organic tomato is not spreading quickly within the market and it has to remain a niche product, because you cannot produce large volumes due of the low yields, high influence of the weather, but also a higher wastage rate because organic tomato can be less appealing than conventional,” Gianluca Manfuso, from Inserbo, a family business that in 1994 started to process organic that today accounts for 65% of the total processed volume, explained to Foodnews.

At the time of writing, there is still little information about production of organic tomato for 2017. According to the World Processing Tomato Council, France’s planted area and processed volume should remain stable at about 190,000 tonnes for 2,500 ha, “but the organic surfaces should increase”. However, on the other hand California’s positive trend could be overturned in 2017, following a general cut in production, which should fall from 2016’s 12.6 mln (short) tons to 11.6 tons, as highlighted by a report released in March by US food processor Olam Spices & Vegetable Ingredients.
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