



# **AUSTRIA JUICE**

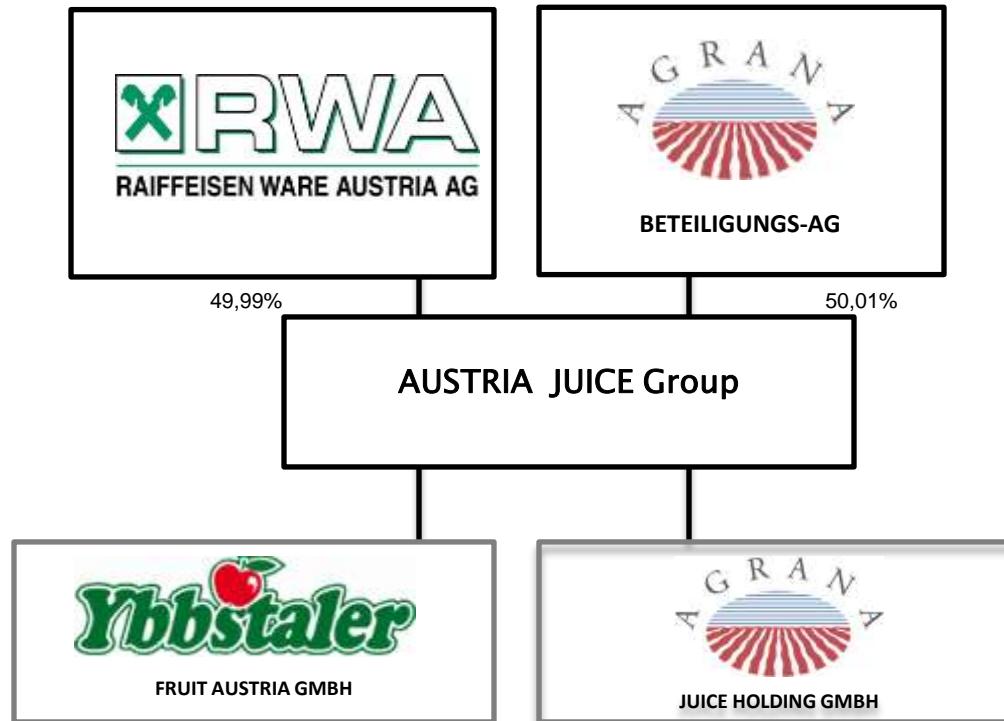
**Market mechanism for berry juice concentrates**

**Franz Ennser**

**COO**



# Company structure



# Production facilities in Europe

| LAND    | LOCATION         |
|---------|------------------|
| Austria | 1. Kröllendorf   |
| Denmark | 2. Koege         |
| Poland  | 3. Gora Kalwaria |
| Poland  | 4. Bialobrzegi   |
| Poland  | 5. Lipnik        |
| Ukraine | 6. Vinnitsa      |
| Romania | 7. Vaslui        |
| Hungary | 8. Hajdusamson   |
| Hungary | 9. Vasarosnameny |
| Hungary | 10. Anarcs       |
| Austria | 11. Gleisdorf    |
| Poland  | 12. Chelm        |
| Poland  | 13. Biala Rawska |
| Germany | 14. Bingen       |



# Market mechanism for berry juice concentrates

Expectations of involved players:

- Farmers
- (Raw material) Traders
- Processors
- Customers
- Consumers

.....do not necessarily meet each other







# Polish juice processors



## More than 40 plants for juice concentrates....

- Competing for raw material
- Supplies from farmers and traders
- Competing for customers
- Different strategies

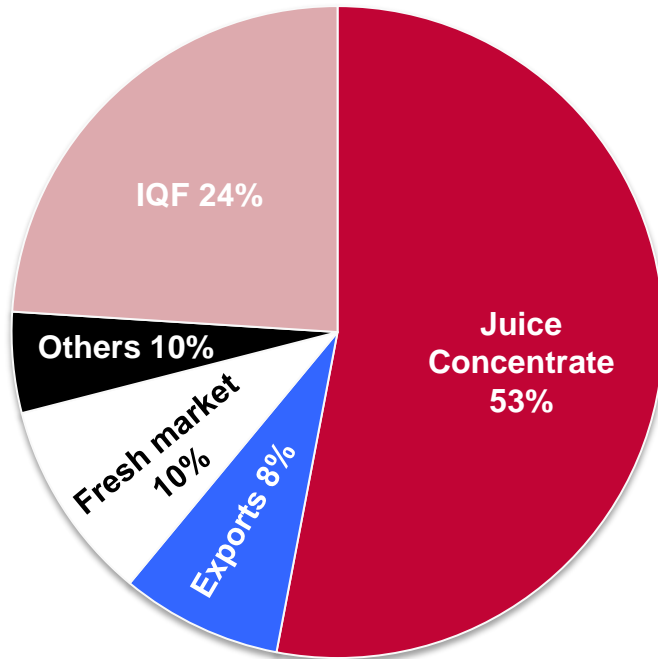
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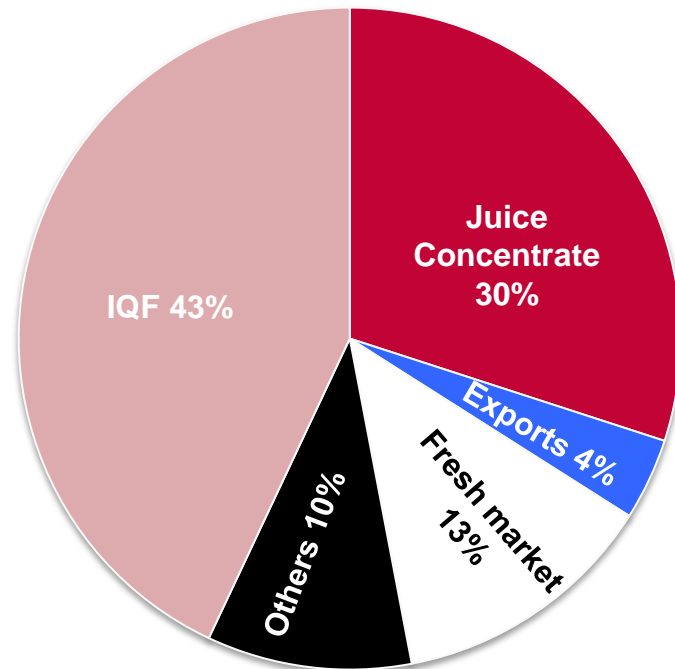
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# Split of raw material usage

Poland: Black currant



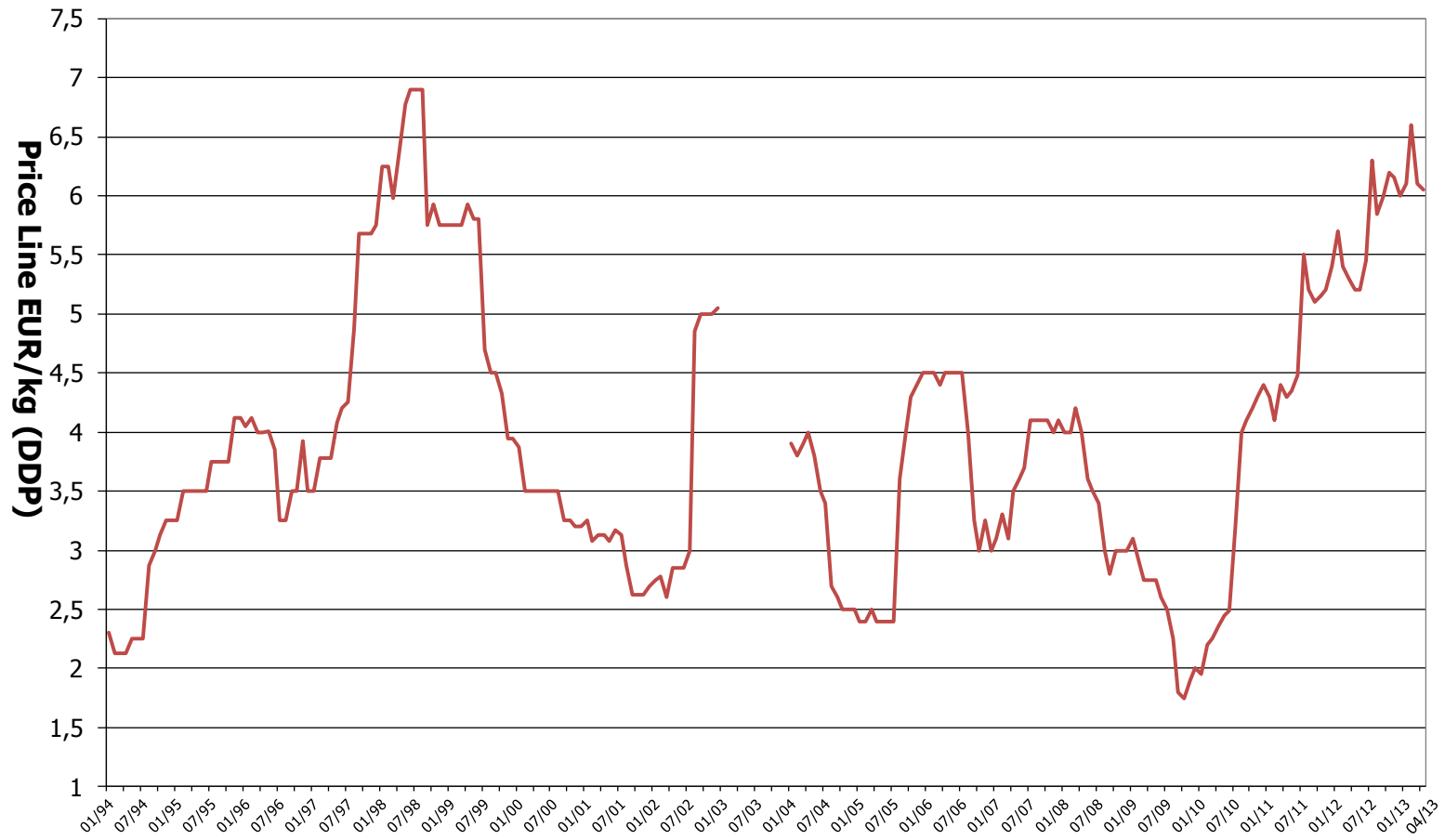
Poland: Sour cherry



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# Sour cherry juice concentrate

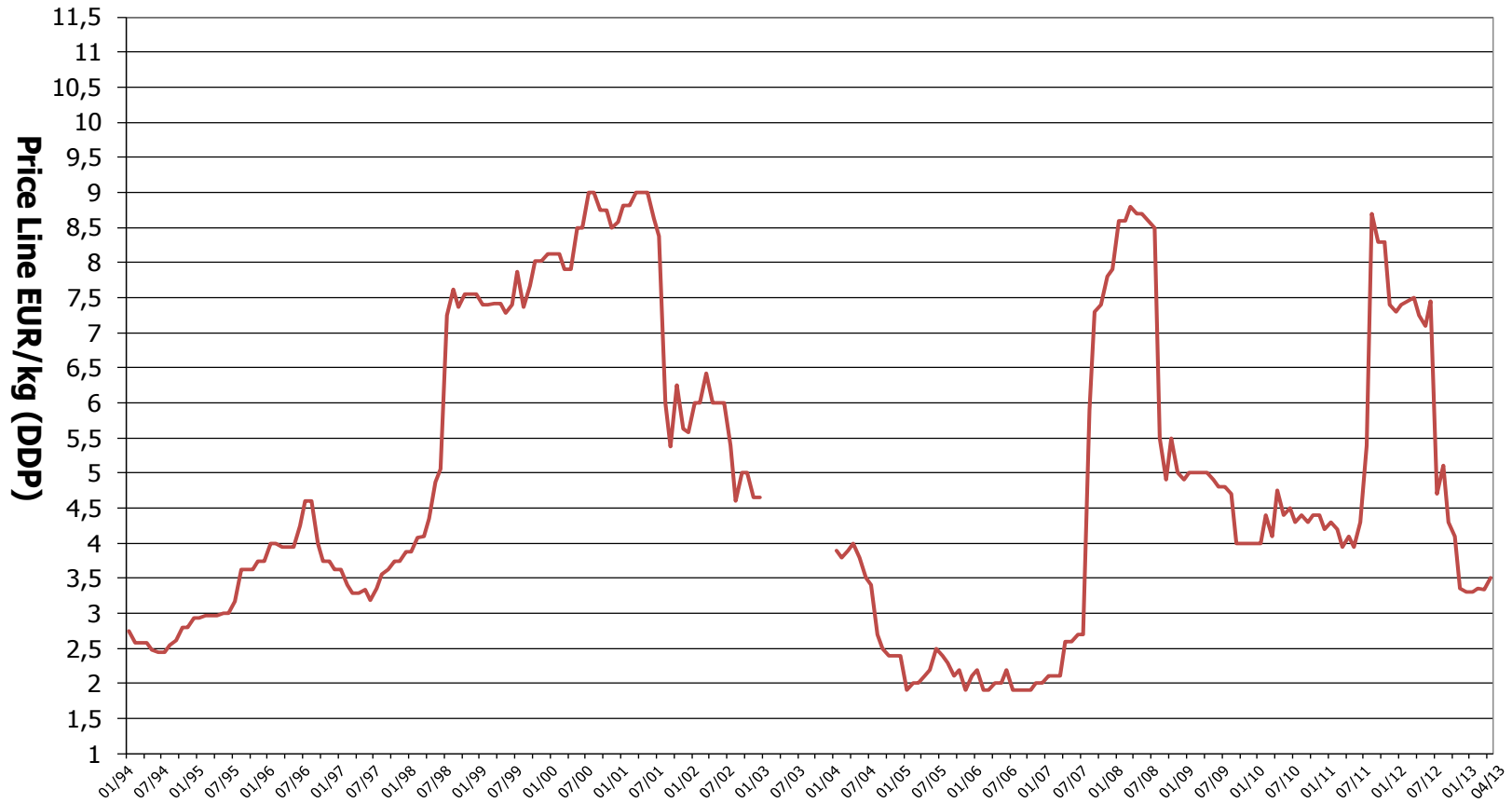


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# Black currant juice concentrate



# Key driver

- **Key driver for JC-prices = raw material prices**
  - Amounting for 60-90% of production costs
  - Starting prices mainly driven by
    - crop expectation (**CRUCIAL: CROP FORECASTS !!!!!!!!**)
    - stock-situation of various products in various sectors (IQF, juice concentrates, fresh market,...)
    - interactions of different markets for products (Poland, Turkey, China, Germany, France, UK, Ukraine, Iran, ....)
  - Buying-behaviour of customers (influenced by sales-opportunities for fruit juices)
  - Crop development (weather conditions)

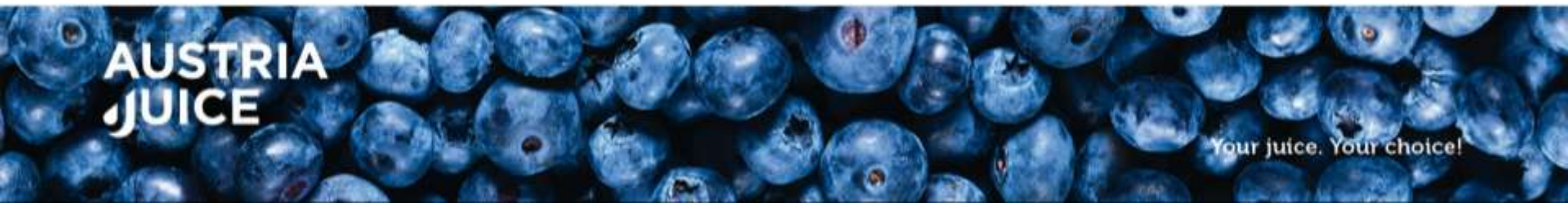


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# Harvesting periods

| CW            | 21 - 30 |  |  |  |  | 31 - 40 |  |  |  |  | 41 - 50 |  |  |  |  | 51-52 |  |
|---------------|---------|--|--|--|--|---------|--|--|--|--|---------|--|--|--|--|-------|--|
| Fruits        |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Apple         |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Strawberry    |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Raspberry     |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Black Currant |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Sour Cherry   |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Aronia        |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |
| Elderberry    |         |  |  |  |  |         |  |  |  |  |         |  |  |  |  |       |  |

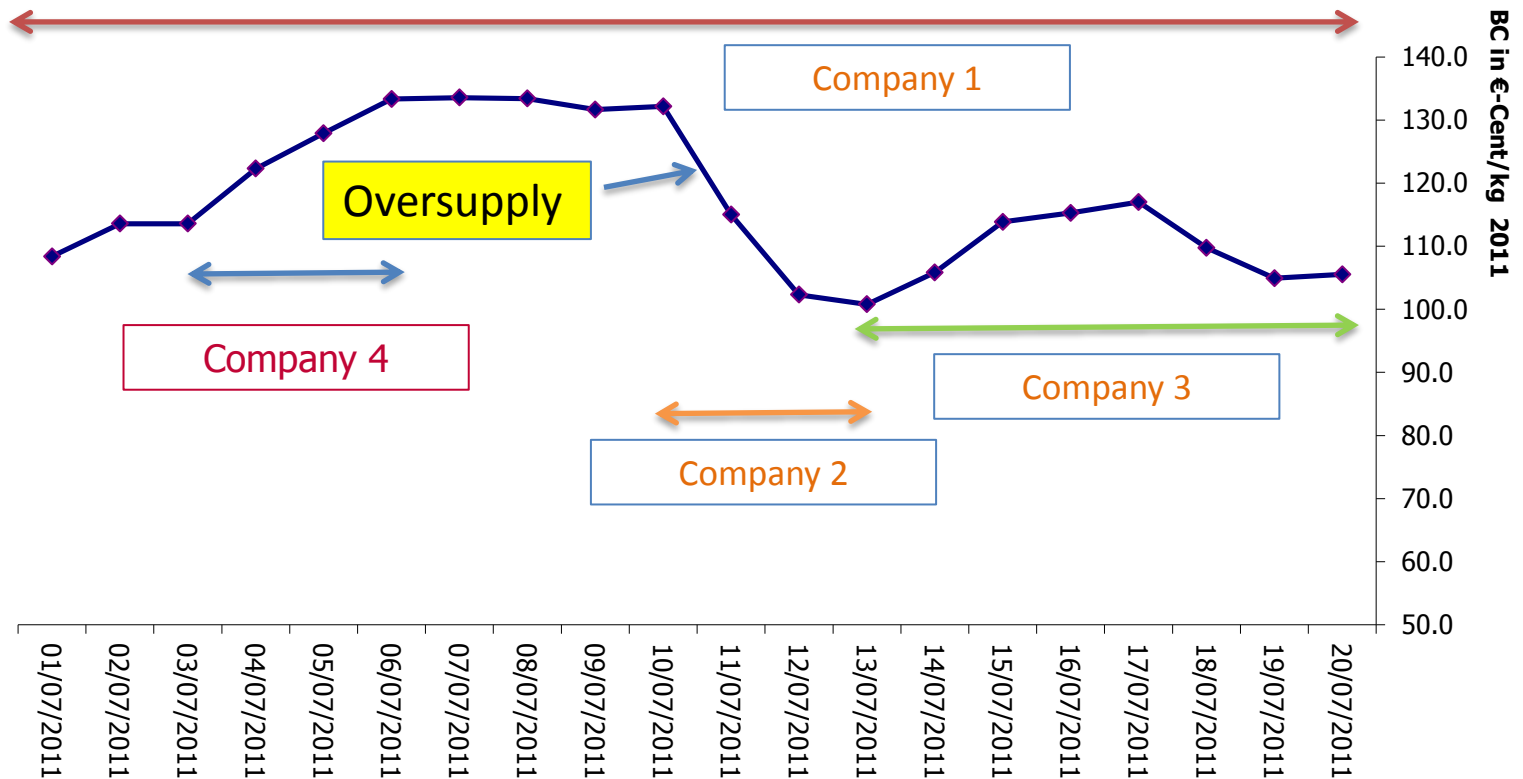


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# Raw material price development



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# Effects I

High raw material prices lead to:

- ❖ Risk of price fluctuation during crop-period (+/- 25-30% within several days)
- ❖ High production costs -> high product prices (fruit juice concentrates)
- ❖ Different effects for different sectors (IQF, juice, exports, fresh market)
- ❖ Different buying behaviour of customers (long vs. short, different origins, ....)
- ❖ Risk of breach of (high-priced) contracts
- ❖ Delayed deliveries of contracted volumes lead to lower demand in coming year



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# Effects II

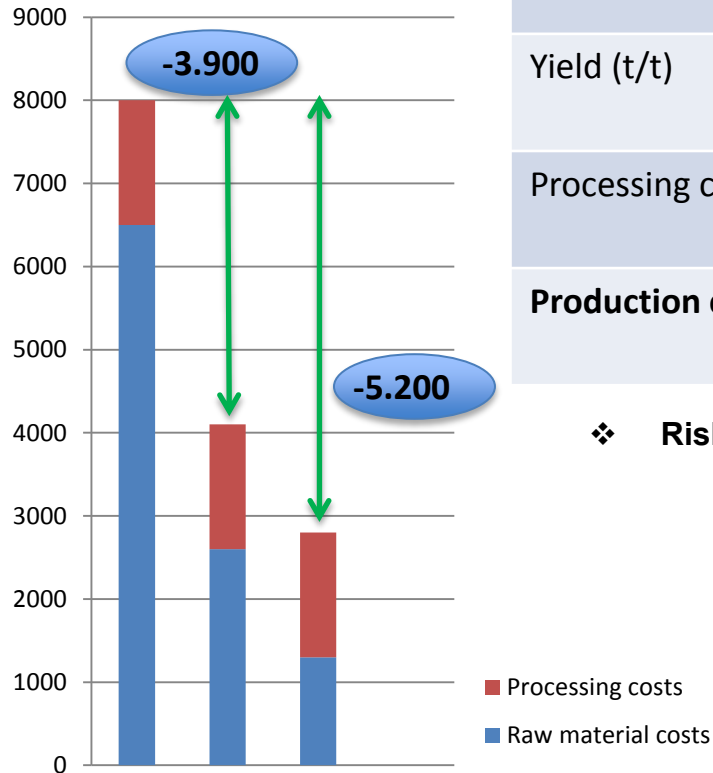
- ❖ Change of recipes for different kind of applications (fruit juices)
- ❖ Limited number of retail-promotion activities
- ❖ Change of buying-behaviour of households, preference for (cheaper) alternative products (CSD, other fruit juices, flavoured water,.....)
- ❖ Sales of non-contracted volumes below production costs in order to avoid risks of further devaluation -> downward price spiral -> new equilibrium on the market for fruit juice concentrates
- ❖ FX-development (PLN, USD, HUF, ....)
- ❖ Possibility for completely new price situation one year later

All those effects need to be taken into account in order to get the real understanding





# Examples



| In EUR                    | Year 1       | Year 2       | Year 3       |
|---------------------------|--------------|--------------|--------------|
| Raw mat. Price/t          | 1.000        | 400          | 200          |
| Yield (t/t)               | 6,5          | 6,5          | 6,5          |
| Processing costs/t        | 1.500        | 1.500        | 1.500        |
| <b>Production costs/t</b> | <b>8.000</b> | <b>4.100</b> | <b>2.800</b> |

❖ Risk of devaluation of not-contracted volumes:

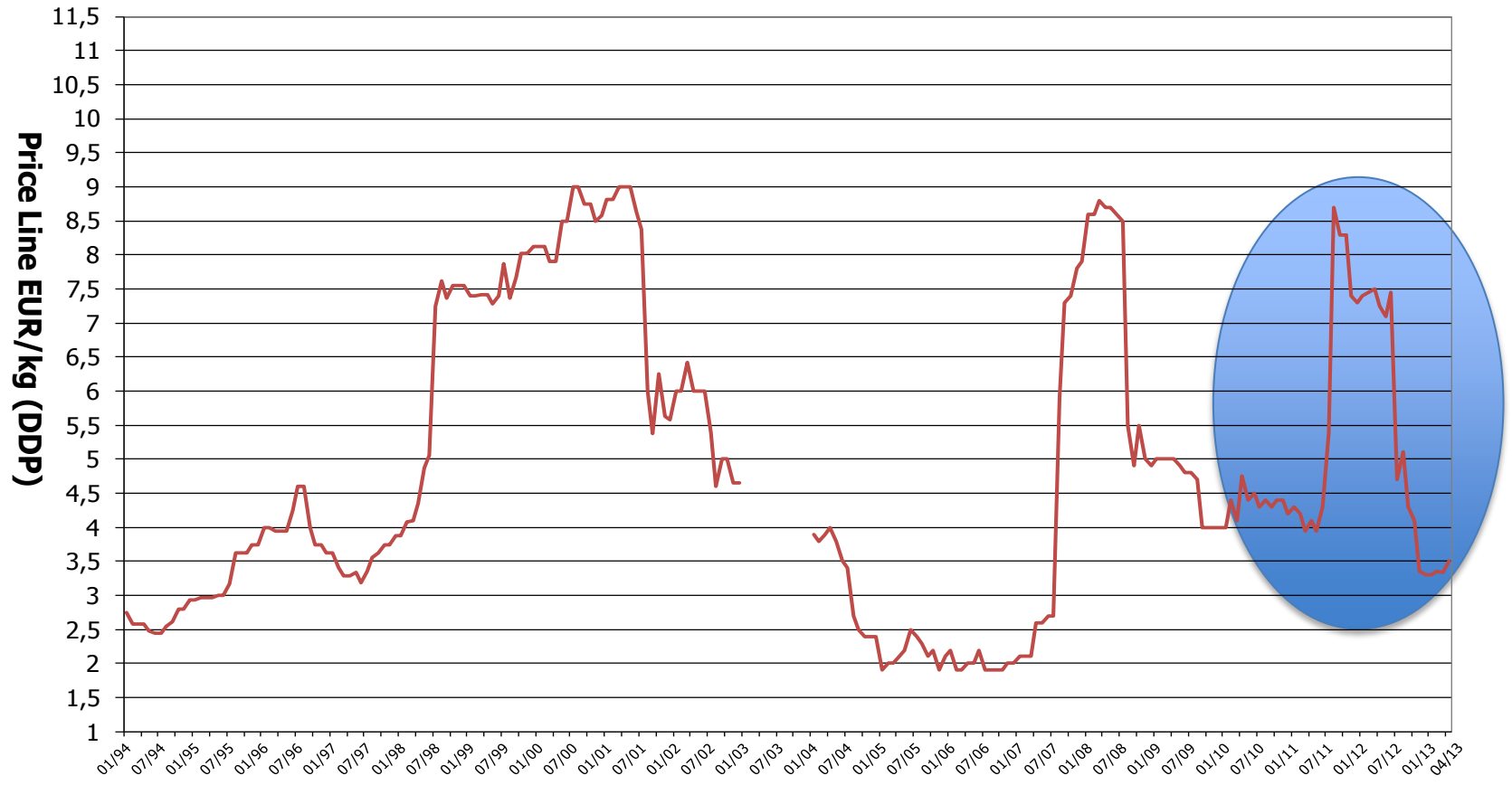
e.g.: 200 t (= 1.300 t of raw material) of concentrate, not contracted

Option 1: 200 t x 3.900 EUR/t = 780.000 EUR/t

Option 2: 200 t x 5.200 EUR/t = 1.040.000 EUR/t



# Black currant juice concentrate



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# Summary

- Raw material prices for berries are very volatile
- Production and raw material prices need be to decided within short period of time (max. 4-5 weeks)
- Prices for berry juice concentrates are highly sensitive and are reacting on any changes of raw material prices immediately
- Overall market for berry juice concentrates is stable or shrinking (Europe) and shows limited growth rates outside Europe
- Sales/raw material market is driven by expectation, customer- and consumer-behaviour
- Global view necessary (supply, demand, FX, .....)
- Key element for all involved player: **RISC MANAGEMENT**

