Economic Factors Affecting the U.S. Juice Business

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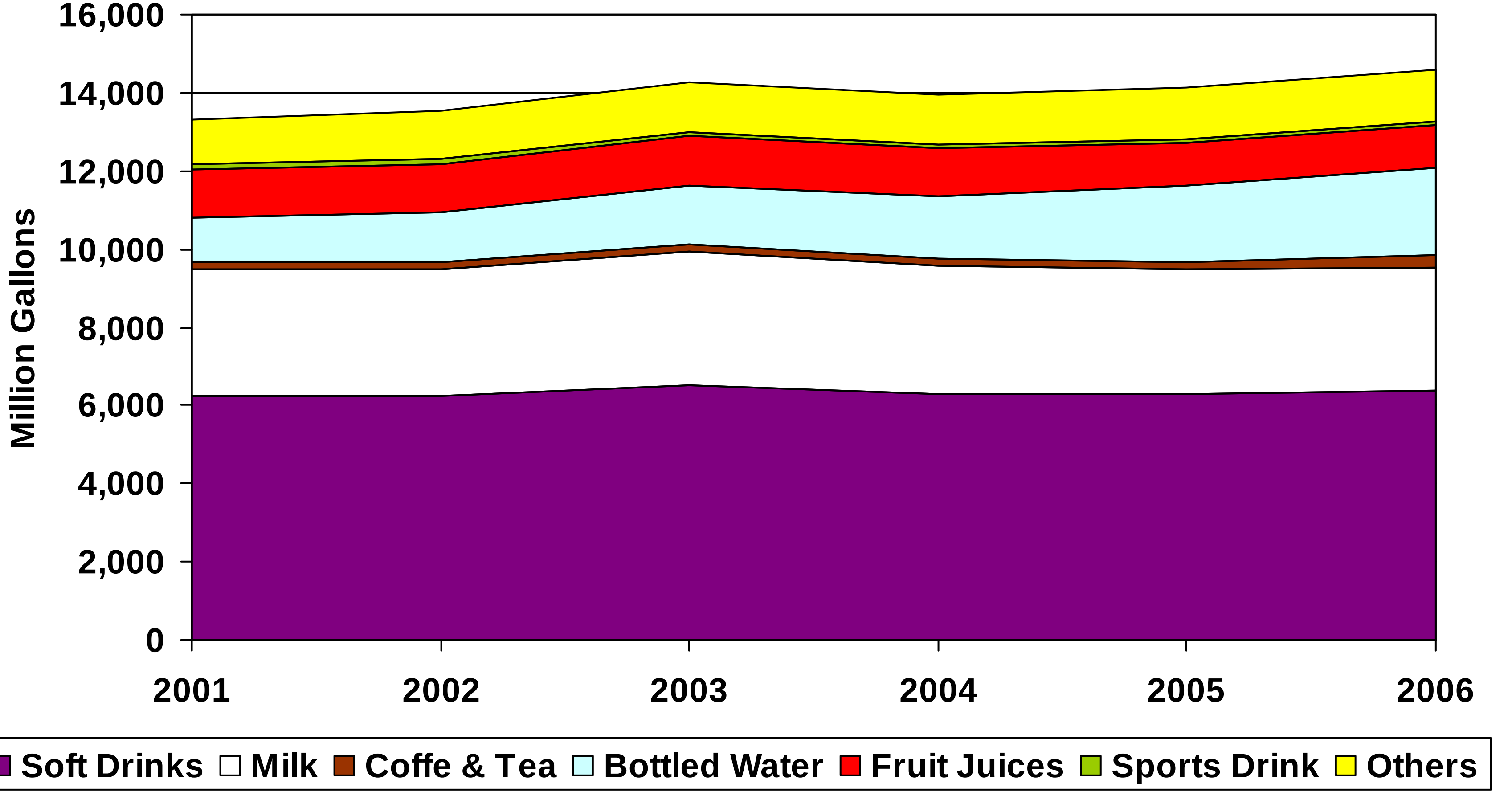
- The last five years have seen the U.S. fruit juice market buffeted by a number of events.
- The Adkins diet (and its other low carb cousins) cast doubt on the consumption of fruit juices.
- Hurricanes in Florida in 2004 and 2005 adversely affected both U.S. orange and grapefruit production. A major freeze in California resulted in a low 2006-07 citrus crop.

- The food retail market in the U.S. continues to consolidate with the top six retailers now controlling over 80 percent of the market.
- Rapid increases in energy prices have increased the cost of producing and transporting fruit juice products.
- The weak dollar has had a positive effect on U.S. exports.

- In this presentation, the discussion will focus on four topics: (1) the evolution of the market for beverages in the United States, (2) real price changes for fruit juice products, (3) marketing margins for orange juice, and (4) U.S. demand for orange juice.

U.S. Beverage Consumption



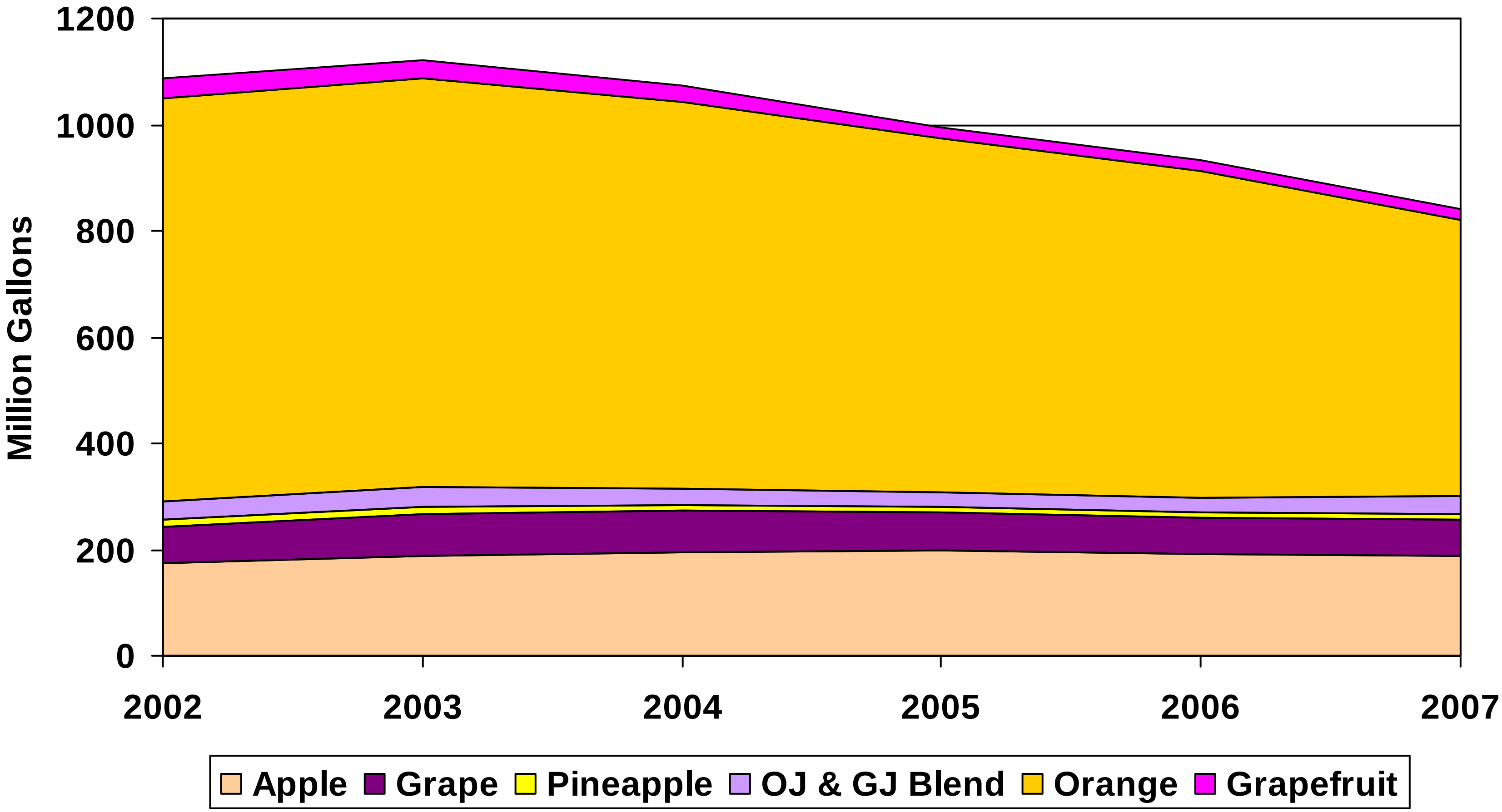
Source: AC Nielsen

Market Share of Major Beverages

Year	Soft Drinks	Milk	Coffee & Tea	Bottled Water	Fruit Juices	Sports Drink	Others
2001	47.04	24.21	1.32	8.49	9.32	0.95	8.68
2002	46.13	23.98	1.34	9.40	9.07	1.10	8.98
2003	45.56	23.95	1.41	10.56	8.79	0.73	9.00
2004	45.22	23.44	1.38	11.35	8.61	0.70	9.31
2005	44.48	22.37	1.48	13.67	7.97	0.71	9.33
2006	43.54	21.74	2.05	15.35	7.40	0.73	9.19

Source: AC Nielsen

Juices



Million Gallons
1200
1000
800
600
400
200
0
2002
2003
2004
2005
2006
2007
Apple
Grape
Pineapple
OJ & GJ Blend
Orange
Grapefruit

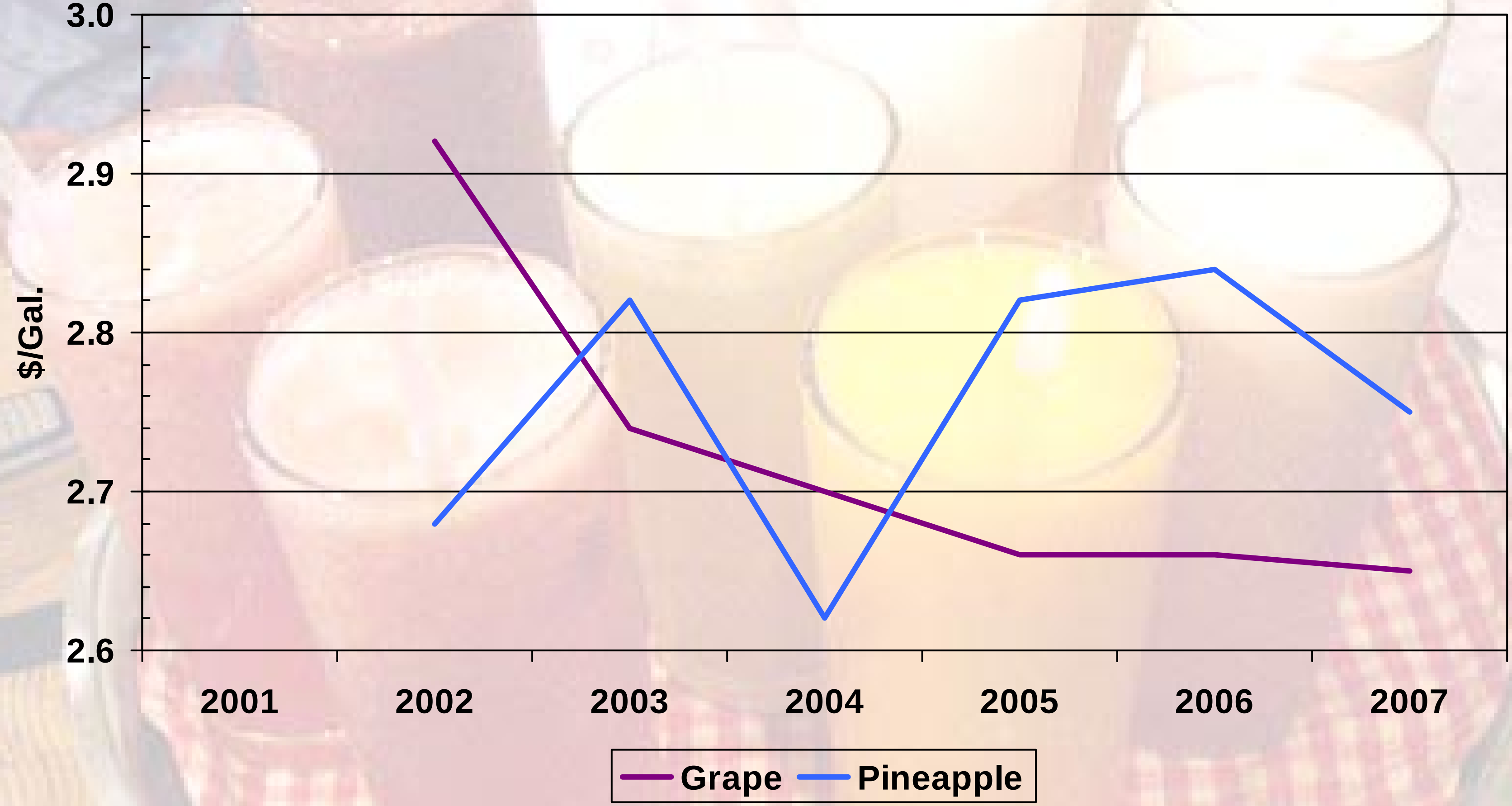
Market Share of U.S. Fruit Juice Consumption

Year	Apple	Grape	Pineapple	OJ & GJ Blend	Orange	Grapefruit
2002	16.15	6.18	1.22	3.22	69.71	3.52
2003	16.85	7.02	1.17	3.31	68.64	3.02
2004	18.24	7.28	1.05	2.71	67.89	2.83
2005	19.82	7.20	0.96	2.72	67.33	1.97
2006	20.48	7.25	1.06	3.05	66.17	1.99
2007	22.42	8.32	1.16	3.80	62.19	2.10

Source: AC Nielsen

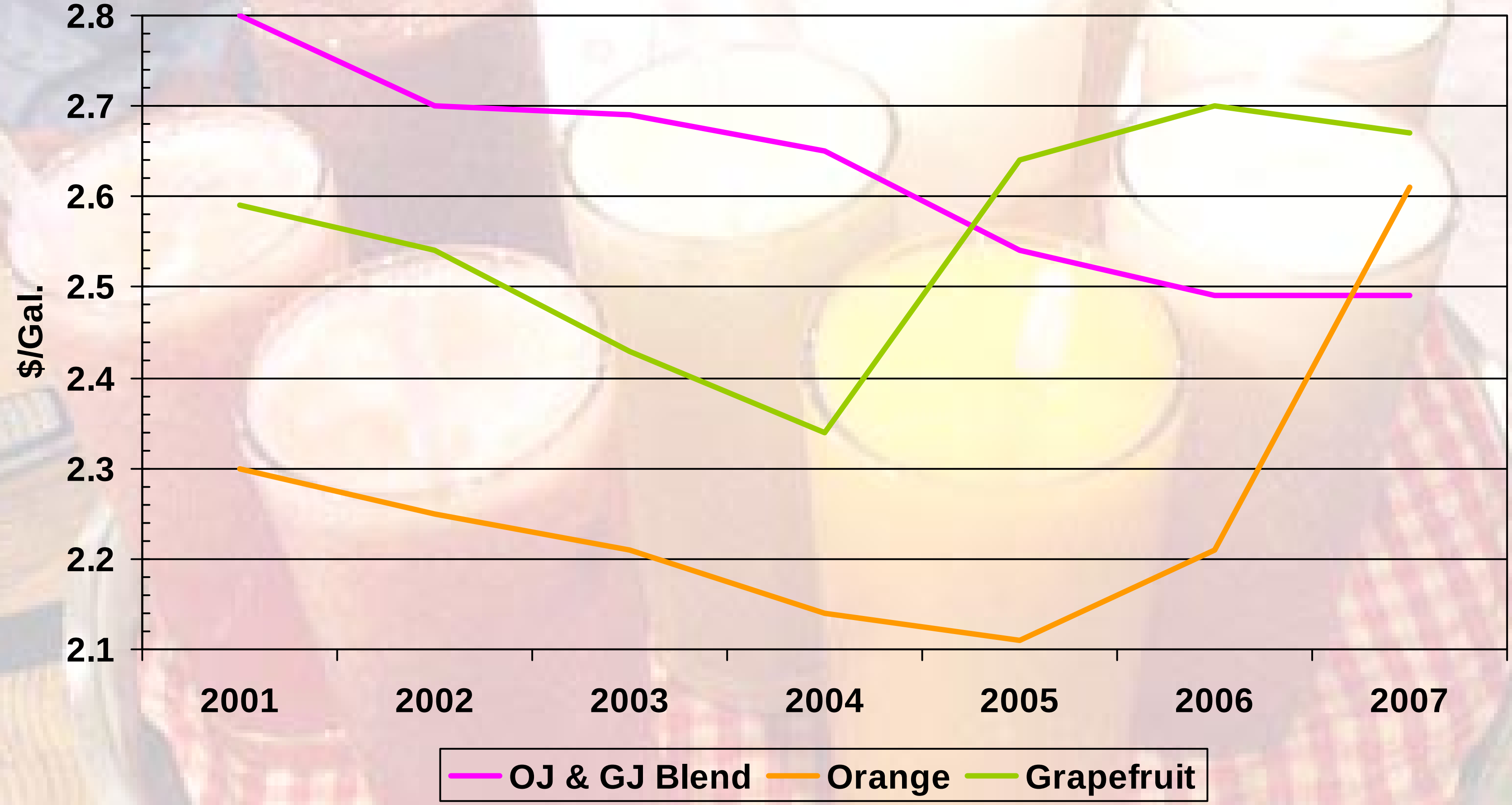
Deflated retail grape and pineapple juice prices

(Base 1982-84)

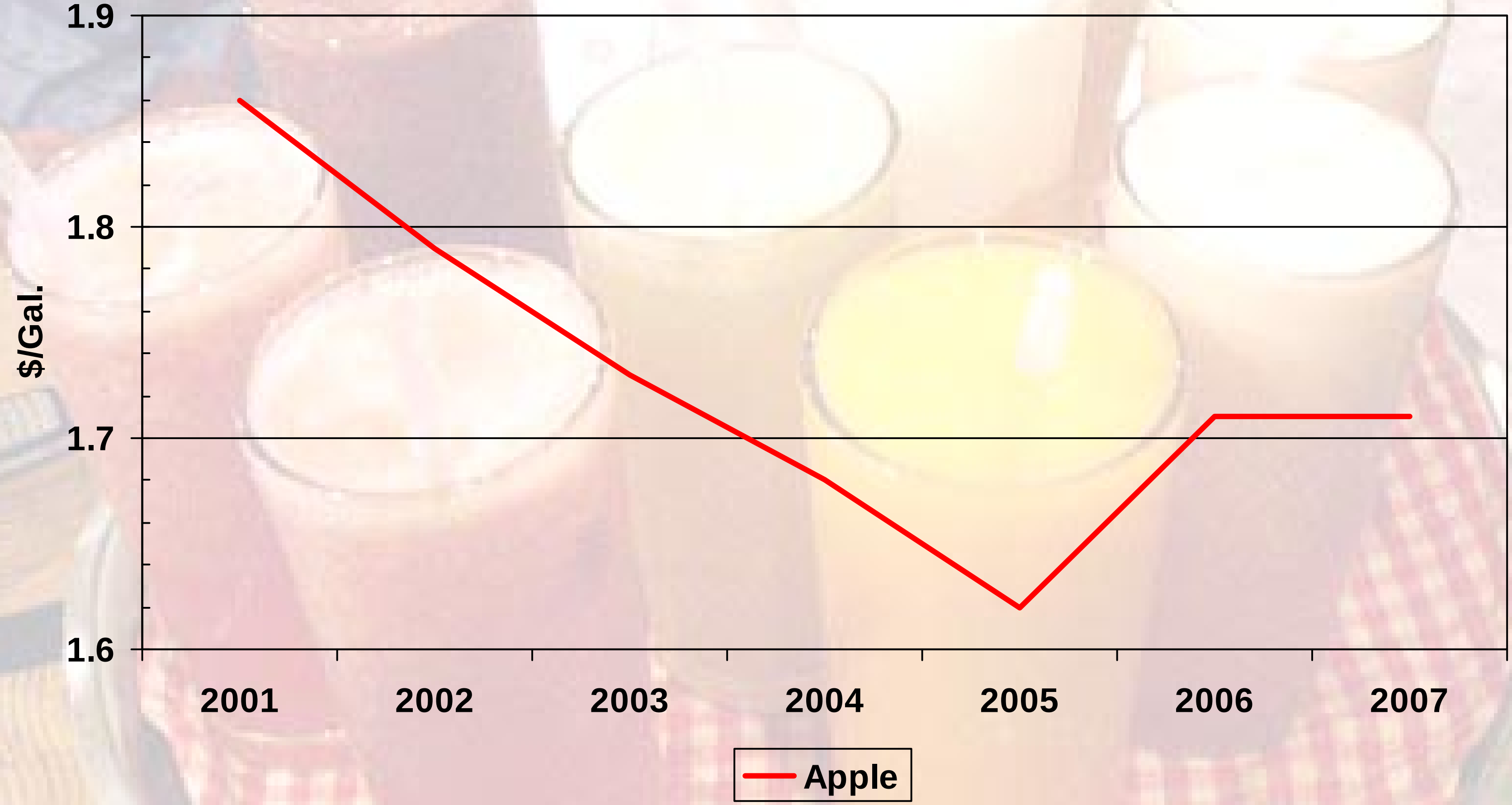


Deflated retail orange, grapefruit and orange-grapefruit juice prices

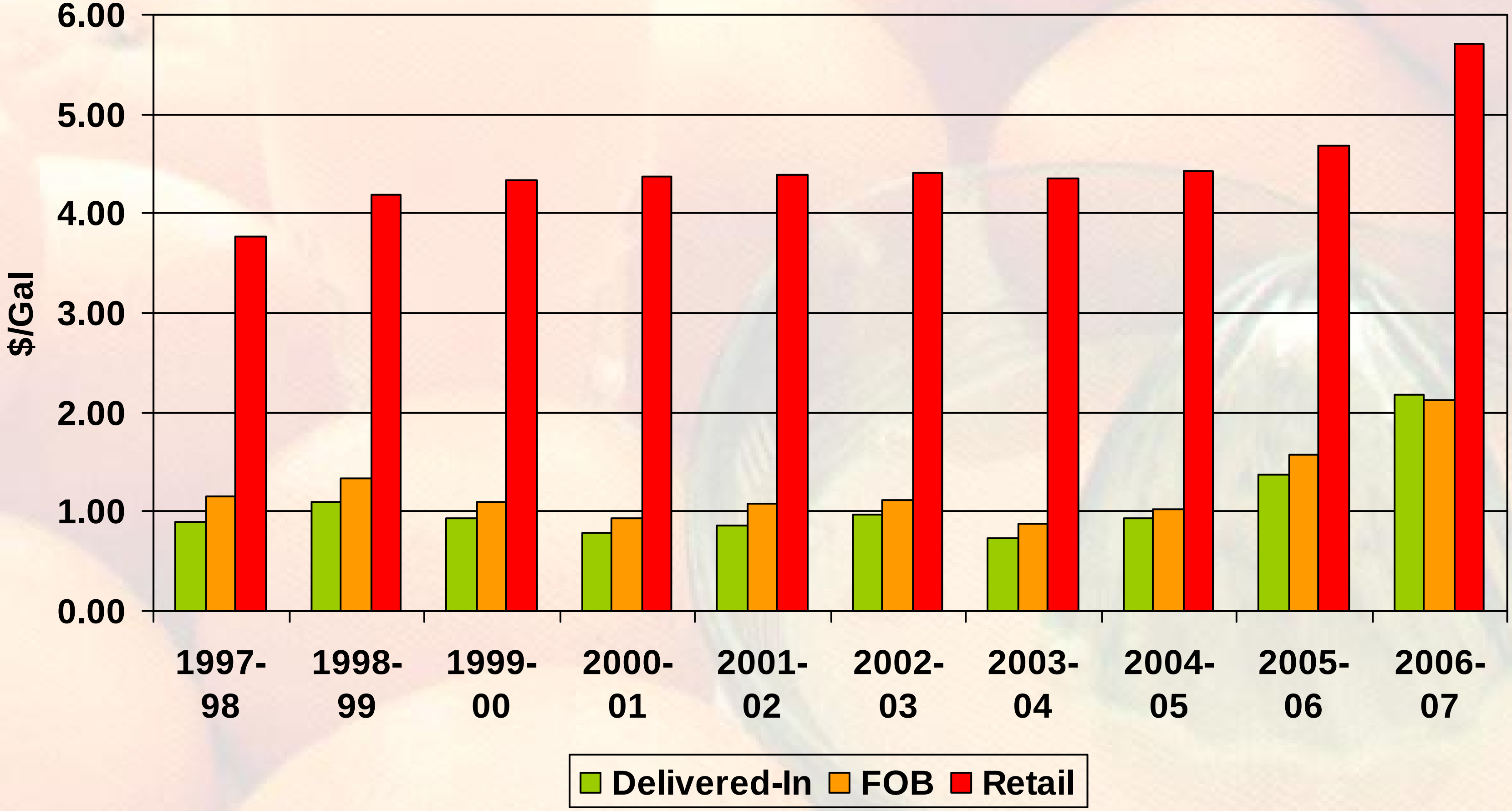
(Base 1982-84)



Deflated retail apple juice prices
(Base 1982-84)



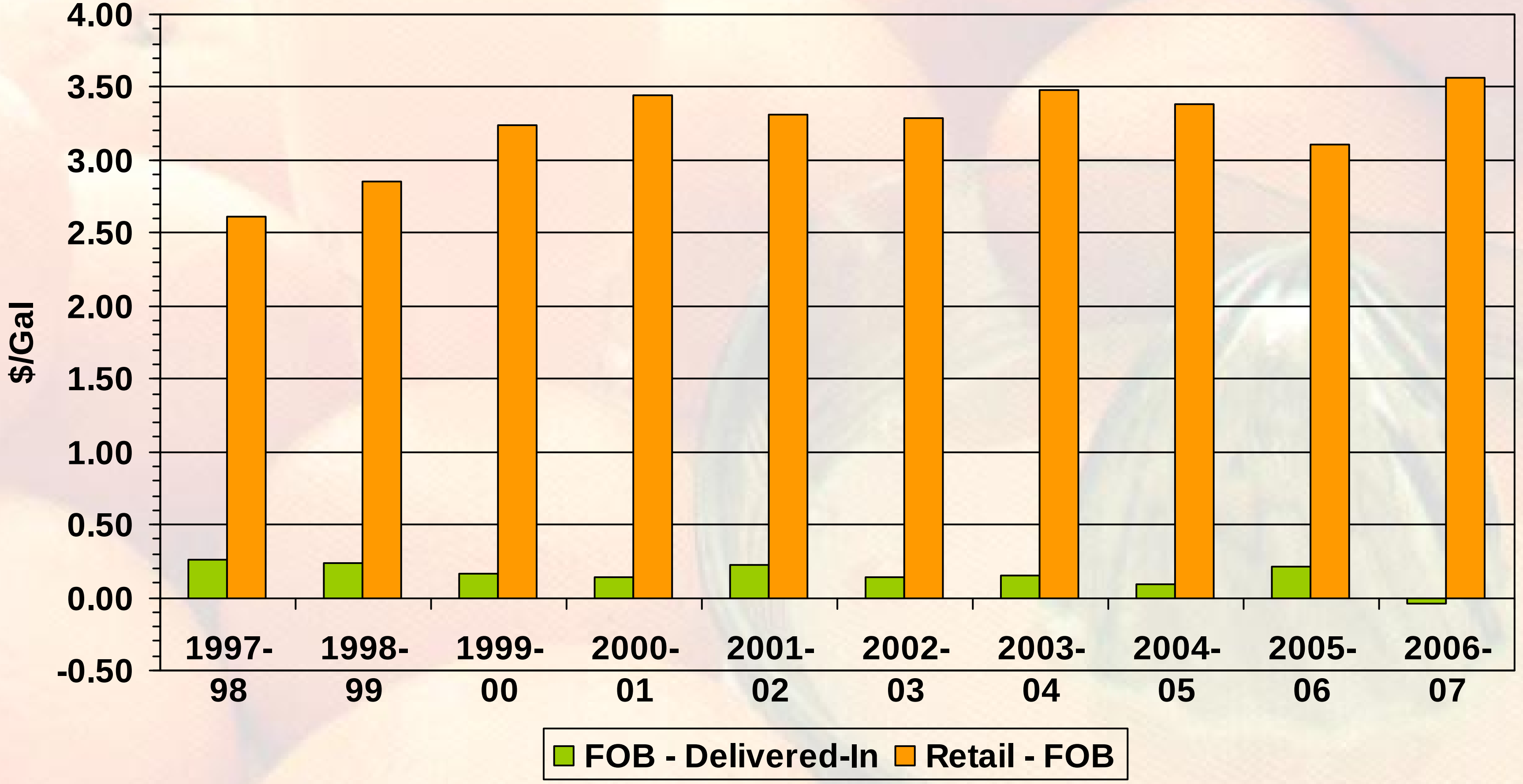
Florida OJ Prices



Florida OJ Prices

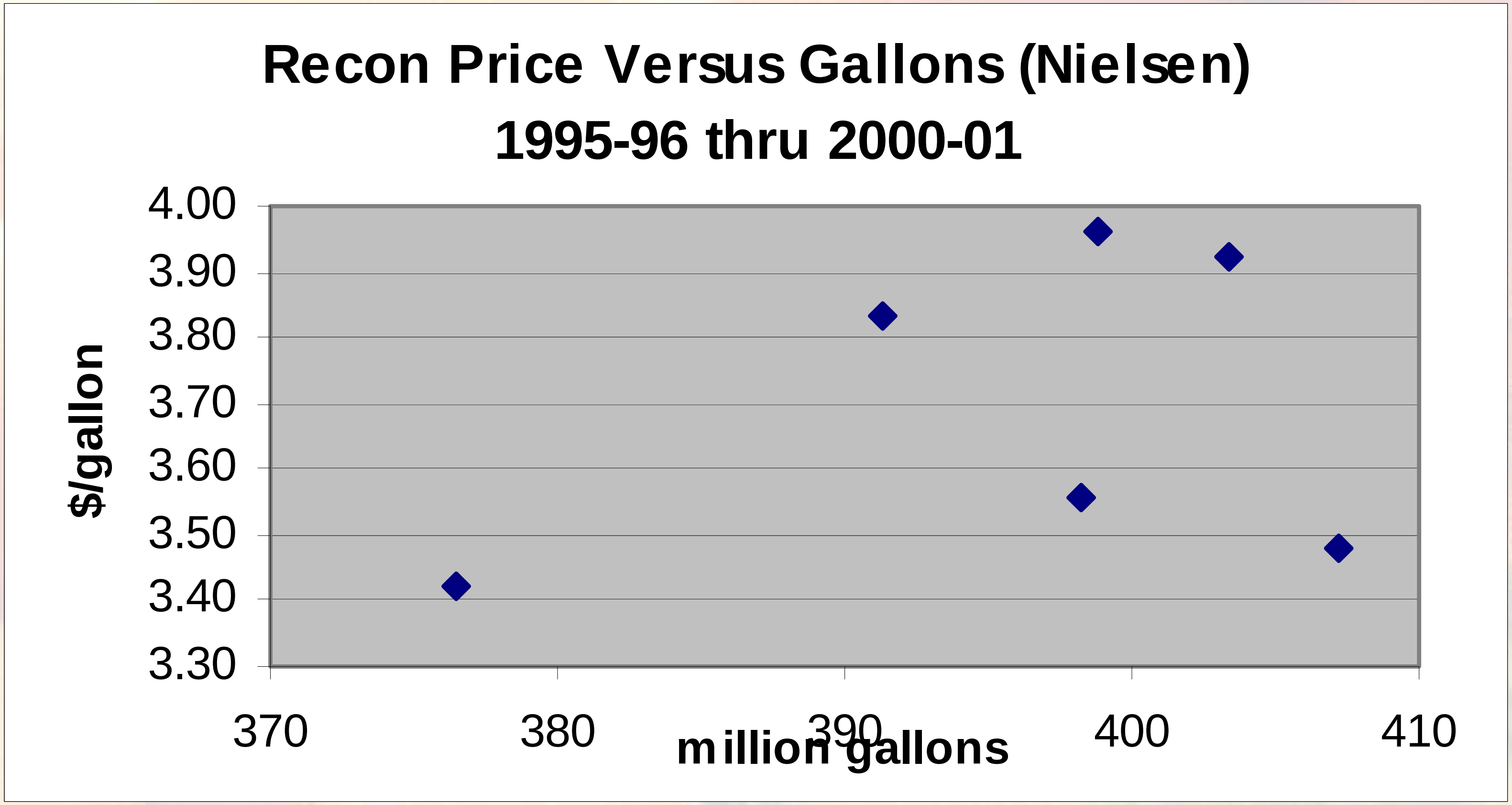
Oct-Sept Season	Delivered-In	FOB	Retail
	$/Gallon		
1997-98	0.90	1.15	3.76
1998-99	1.10	1.34	4.19
1999-00	0.93	1.09	4.33
2000-01	0.79	0.93	4.37
2001-02	0.86	1.08	4.39
2002-03	0.97	1.11	4.40
2003-04	0.73	0.87	4.35
2004-05	0.94	1.03	4.42
2005-06	1.37	1.58	4.69
2006-07	2.17	2.13	5.70

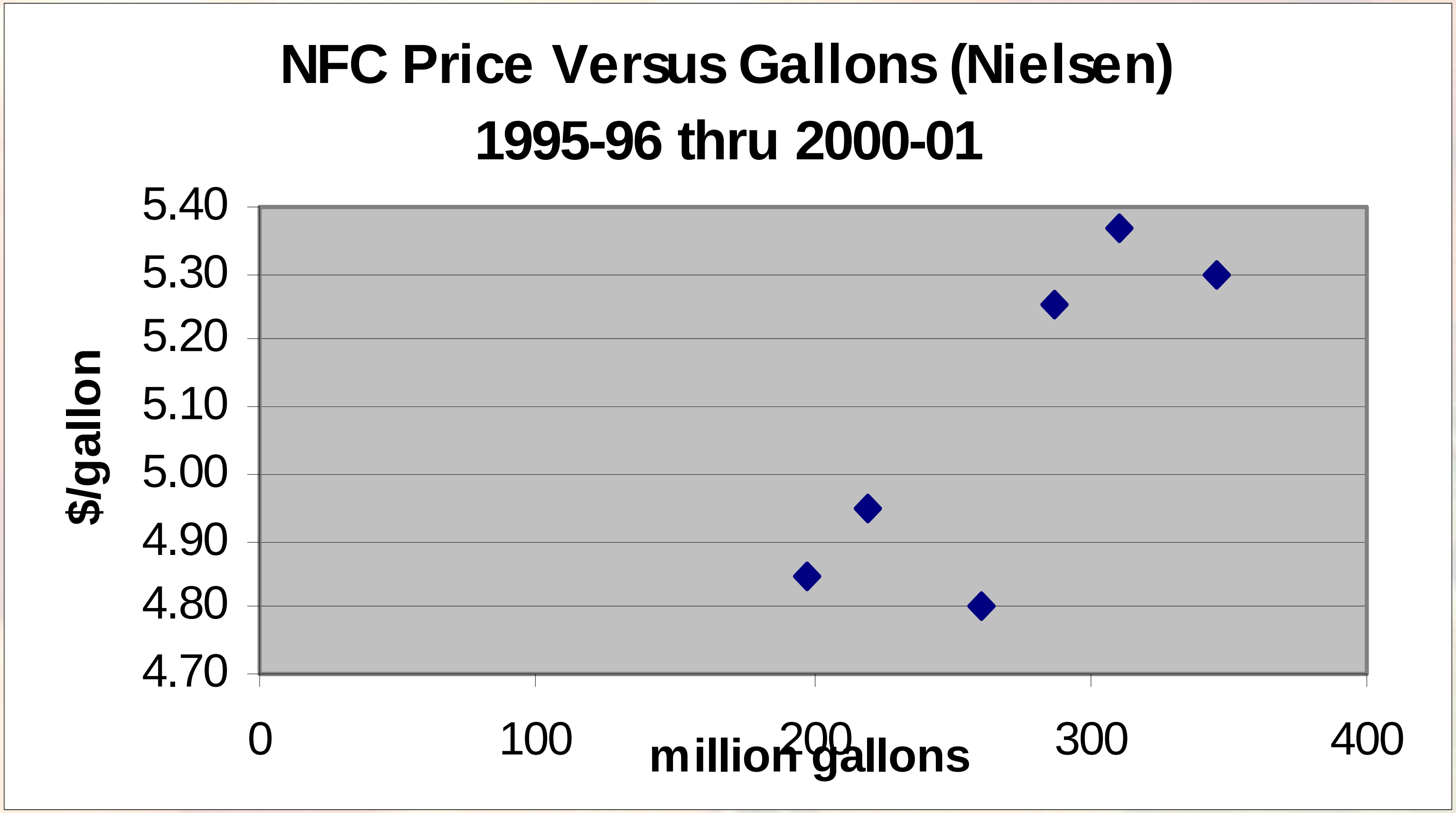
OJ Marketing Margins

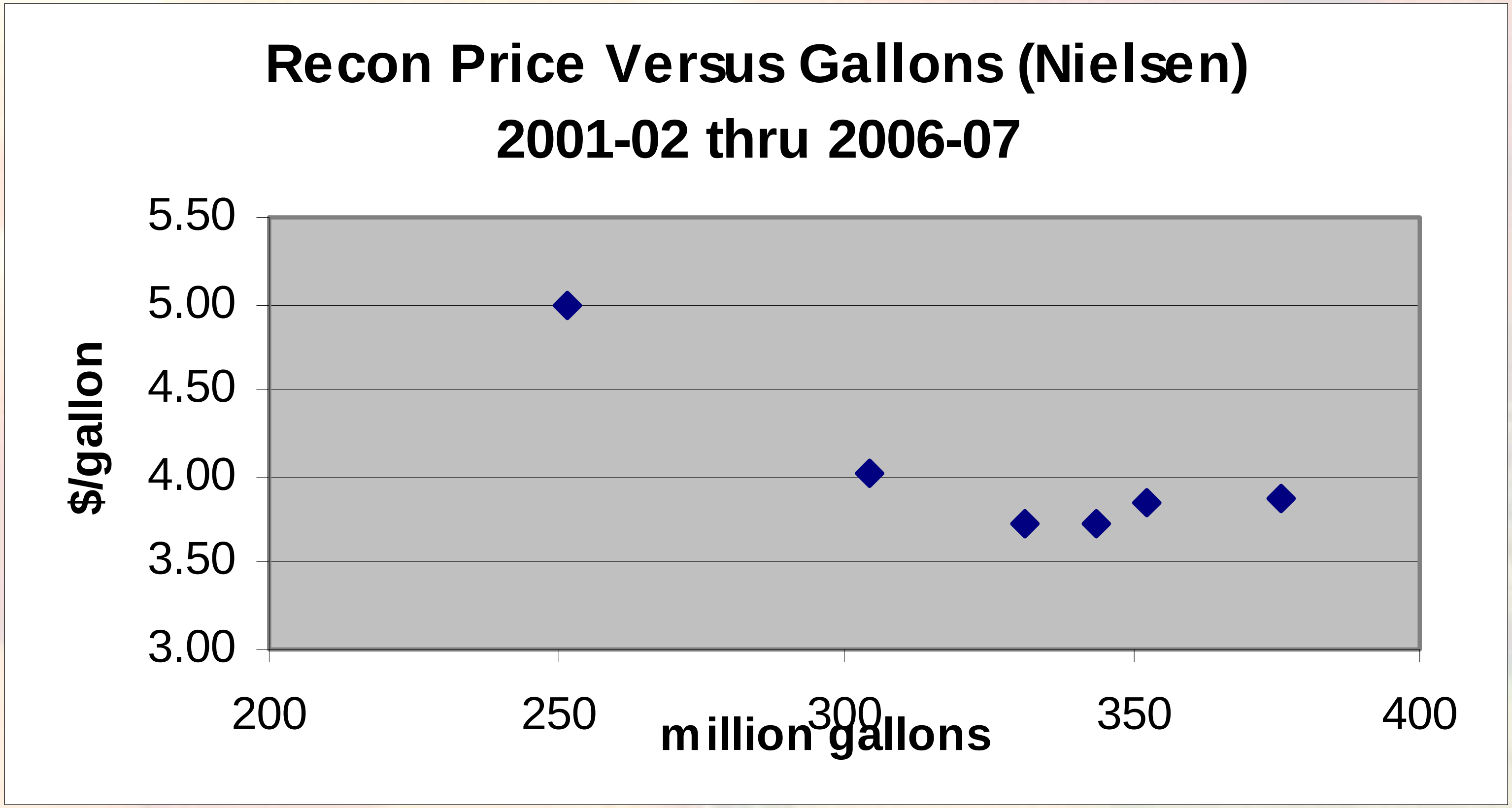


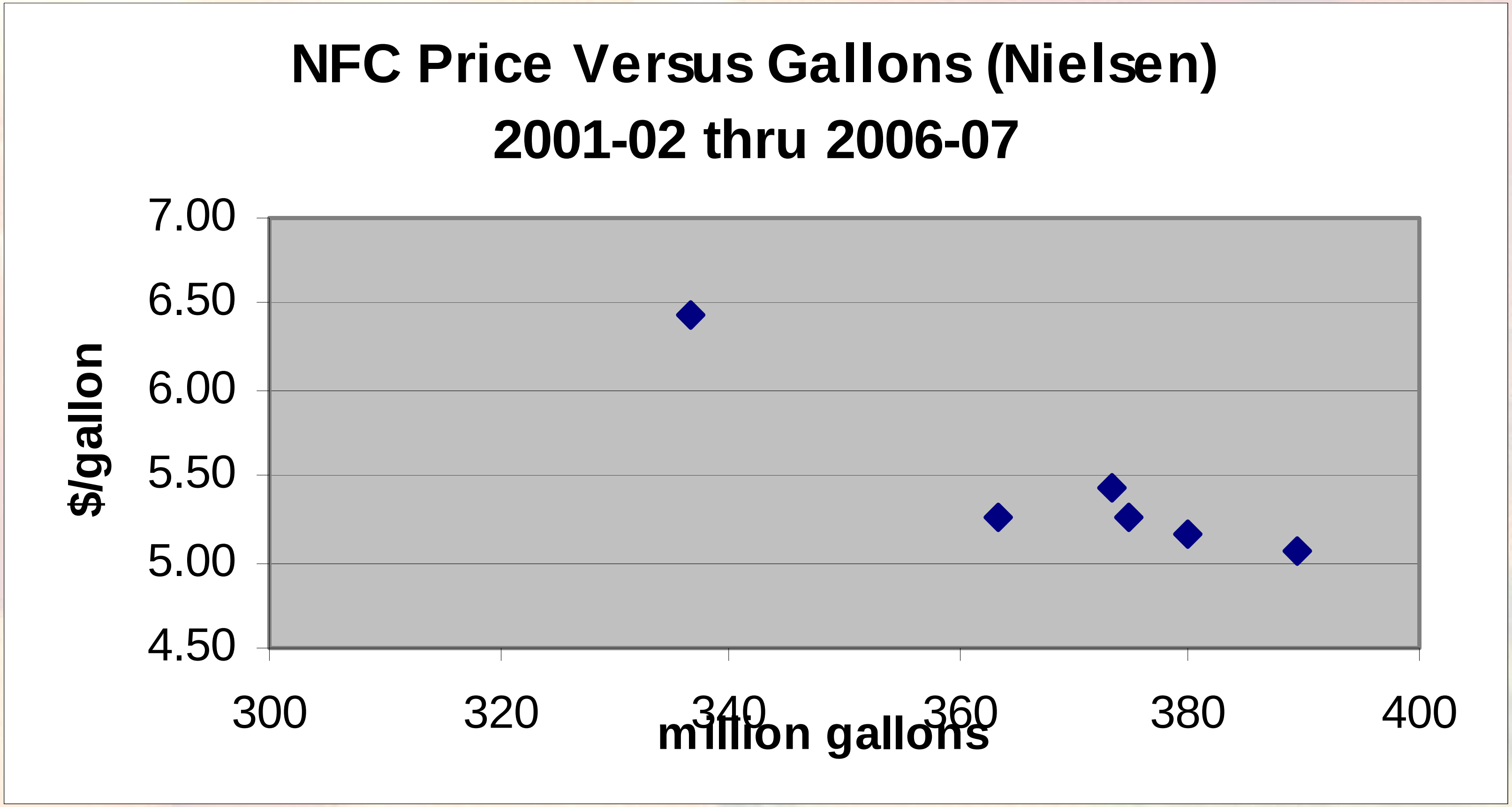
U.S. Orange Juice Demand

- Per capita consumption of orange juice in the United States has declined from 5.74 SSE gallons in 1997-98 to 4.13 SSE gallons in 2006-07.
- Has this occurred because demand has declined, is it a result of supply-side factors, or both?
- My answer would be a combination of both.


Recon Price Versus Gallons (Nielsen)
1995-96 thru 2000-01
$/gallon
4.00
3.90
3.80
3.70
3.60
3.50
3.40
3.30
370
380
390
400
410
million gallons


NFC Price Versus Gallons (Nielsen)
1995-96 thru 2000-01
$/gallon
5.40
5.30
5.20
5.10
5.00
4.90
4.80
4.70
0
100
200
300
400
million gallons


Recon Price Versus Gallons (Nielsen)
2001-02 thru 2006-07
$/gallon
5.50
5.00
4.50
4.00
3.50
3.00
200
250
300
350
400
million gallons


NFC Price Versus Gallons (Nielsen)
2001-02 thru 2006-07
$/gallon
7.00
6.50
6.00
5.50
5.00
4.50
300
320
340
360
380
400
million gallons

Concluding Remarks

- Fruit juice products face a wide array of competitors in the market for beverages.
- Orange juice has lost some market share while apple juice has gained.
- Real apple and grape juice prices have decreased, while real OJ prices have increased

- The farm-wholesale margin for FCOJ has remained fairly stable over the past decade.
- The wholesale-retail margin for OJ has fluctuated considerably over the past few years from supply shocks and increased marketing costs.
- There is evidence that price and consumption changes in OJ over the past decade has been a combination of demand shifts and supply changes.

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