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## Orange juice futures sharpen up

By Javier Blas in London  
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Orange juice futures prices hit their highest levels for a year on Wednesday, after a 45 per cent rise in the past six weeks, amid concerns over Florida's disease-hit citrus crop and signs that juice demand is improving.

The rise marks a turnaround for Florida's citrus industry, the world's second-largest, behind Brazil's São Paulo state, following seven consecutive years of falling US orange juice retail sales. The declines had pushed prices to a 4½-year low in February.

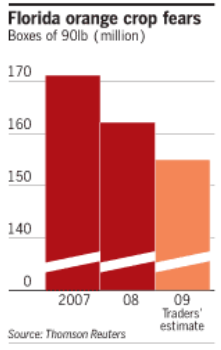
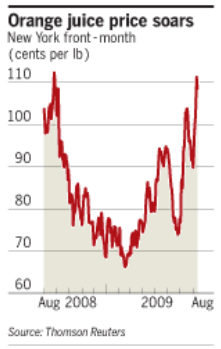
Although a small corner of the commodities market, orange juice prices are important for some investors via indices such as the Rogers International Commodity Index, and for drinks companies such as Coca-Cola. The market was given high visibility by the 1983 film *Trading Places*, with Eddie Murphy and Dan Aykroyd.

As in the movie, the market is now focused on the new crop forecast, with bulls betting on a sharp fall in citrus production. New York's frozen concentrated orange juice futures for delivery in September yesterday rose to \$1.1215 per pound, the highest level since last August.

Traders are betting that Florida's crop will drop in the 2009-10 season, which starts in October, to 150m-155m boxes, down from this season's 162.1m boxes. In 2007-08, the crop was 170.2m boxes. Each box weighs 90lb, or 40.8kg.

Jack Scoville, a broker at Price Futures Group in Chicago, said the market was full of "talk of fewer trees producing a smaller crop".

The first glimpse of next season's output will arrive on Friday as the influential forecaster Elizabeth Steger, of Citrus Consulting International, is expected to release her outlook. Next week, leading trading house Louis Dreyfus, one of the world's three largest processors of orange juice, is expected to release its own estimate. The US Department of Agriculture will not release its official estimate until October.



The expected drop in output is due to the spread of the so-called "greening" disease, which forces farmers to uproot trees, and also to dry and cold weather early this year. Growers were using aerial and ground spraying to reduce the citrus psyllid population, the insect that spreads greening, the USDA said yesterday.

In spite of the price rally, orange juice prices are still well below the record high of \$2.095 per pound set in March 2007 after two years of smaller crops owing to hurricane damage. The price rally of 2005-07 forced Coca-Cola, which owns the popular Minute Maid orange juice brand, and PepsiCo's unit Tropicana to raise retail prices. Those increases hit demand just as production was recovering, setting in motion a drop in prices that is only now starting to reverse, say analysts.

Roy Royce, executive director of the Highland County Citrus Growers in Florida, said the industry was seeing an uptick in demand. "Some of the processors have started to pay higher prices to the farmer," he said. But he added that it was too early to say if retail prices for the drink would rise.

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