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Strategic positioning study of the «Fruit juice» branch

FOREWORD

The Tunisian fruit juice industry took off only very recently, since Tunisians have traditionally consumed carbonated drinks. The first manufacturers of fruit juices were canners who processed fruit juices in small metal cans. Its share in agrofood production remains very weak, just 20 million TND in 2004 (0.3%), with added value at about 6.6 million TND (33%). It accounts for 3% of beverages in terms of volume. The main products in 2004 were juice-based drinks, nectars, 100% juice and processed concentrated drinks.

NATIONAL SITUATION

The branch is made up of **18** industrial units carrying out activities as categorized below:

Activity	Number of companies
Category 1: Using imported concentrates, manufacture of: 100% fruit juices, fruit nectars, juice-based drinks	8
Category 2: Processing of imported concentrates (to be diluted by industrialists)	3
Category 3: Drinks containing both dairy products and fruit juice	4
Category 4: Manufacture of fruit juice, nectars, etc. from fresh fruit	3
TOTAL	18

The industry employs 800 people, including 200 seasonal workers.

Trends in production of fruit juice (2000-2004) are presented in the following table:

Trends in production of fruit juice

(2000-2004)

Unit: million liters

Year	2000	2001	2002	2003	2004
Production	6	8	27	29.5	32

Source: Directorate General of Agrofood Industries

The average annual growth rate is 21%. This is due mainly to reduction of customs duty on imports of raw materials, as an incentive for industrial development:

- Starting in 1999 customs duty on packaging, originally 145%, was gradually reduced from 45% to 21% and finally to 10%.
- Customs duty on concentrates of orange, grapefruit, apple and pineapple juice meant for processing was charged at 73% (a rate that continues to be applied for imports not used for processing). It is now charged at 10%.

The reduction in customs duties has brought about a major decrease in the cost of raw materials, which has encouraged industrialists to launch production.

While consumption of carbonated drinks in Tunisia stands are some 41 liters a year per capita, that of fruit juice comes to just 3.2 liters a year per capita. (This compares to consumption of fruit juice in Europe at some 26 liters/inhabitant/year).

Overall, the branch posts low use of existing facilities, 22% on average, varying from one company to another and from one season to another.

Three dairy plants that manufacture dairy drinks with fruit juices have received ISO 9002 certification.
Two companies are certified HACCP and two are preparing for this certification.

In 2004 external trade was weak for both imports and exports:

- Exported tonnage came to 1400 tons, including 220 tons of orange juice worth 965,000 dinars, of which 158,000 dinars involved orange juice shipped almost exclusively to Libya.

- Imported tonnage came to 2322 tons, including 1335 tons of orange juice worth 4.2 million TND, of which 2.6 million TND was for orange juice from Morocco and the European Union.

INTERNATIONAL SITUATION

At this time, world production of fruit juice stands at about 40 billion liters. Over the past few years the average annual growth rate has been 3%. The main producing countries are as follows:

Country	Production in billion liters	Share in %
USA	8	20
China	5	12.5
Germany	3.5	9
Brazil	1	2.5
France	1	2.5
England	1	2.5
Spain	1	2.5

Source: AIJN-Brussels

Orange juice stands in first place with 36% of world production, followed by apple juice with 27%, and grape juice with 20%.

The main world actors in fruit juice are:

- Coca Cola — USA (Minute Maid)
- Pepsico — USA (Tropicana)
- Eckes, Granini, Joker, Rea — France and Germany
- Procter and Gamble — USA-GB (Sunny)
- Citrale — Brazil
- Refresco Holding — NL

The major part of production for juice and concentrates comes from citrus fruit, especially oranges. The market is dominated by Brazil, with 17,000,000 tons of oranges, especially in the State of Sao-Paulo. The US is in second place with 11,000,000 tons of oranges (mainly the State of Florida). But the US has been hit these past few years by adverse weather, leading to destruction of plantations. These two countries provide more than 70% of the world market for citrus. The main difference is that Brazil exports 99% of its production while 90% of Florida's production is consumed in the US and only 10% exported.

International trade in orange juice is handled in the form of frozen concentrated orange juice (FCOJ), thus reducing the volume to be transported. The European Union imports 80% of world supply, NAFTA 10% and Asia 6%.
Consumption by inhabitant and by year of fruit juice in the EU is 26 liters. Germany is the number one European consumer of juice, with 42 liters per inhabitant per year.

Country	Per capita consumption (liters)
USA - Canada	45
Germany	42
Austria - Finland	31
Benelux - Denmark	30
Spain	25
France – England	23

Source: AIJN-Brussels

INTERNATIONAL COMPARISON

An analysis of the benchmarking table comparing Tunisia to four other countries (France, Italy, Morocco and Turkey) shows that Tunisian industrialists:

- post higher costs than in other countries;
- have hourly capacity that is two to three times lower than in these other countries;
- use means of production of a different technological level.

ACTION TO BE UNDERTAKEN

To develop the branch, this study has established operational objectives in the areas of:

- supply
- production
- commercial aspects
- management
- institutional aspects

The total cost of the proposed action plan for the branch comes to **6.7 million TND,** with two aspects:

Tangibles (4.4 million TND)

Most of this budget goes for upgrading of infrastructure at units and better storage conditions for products.

Intangibles (2.3 million TND)

This category involves 22 activities involving various links of the chain (industrial, commercial, organizational and institutional).

NEW COMPANIES AND PARTNERSHIPS

The study has helped identify three project sheets to be promoted.