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Brazil

Citrus Semi-annual

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Report Highlights:
In U.S. MY 2011/12, the Brazilian orange crop is estimated at 467 MBx, down 63 MBx from U.S. MY 2010/11. The Sao Paulo and western Minas Gerais commercial areas should produce 365 MBx. Total FCOJ production (65 Brix equivalent) for U.S. MY 2011/12 is projected at 1.26 mmt (65 Brix), down 215,000 compared to the previous season. FCOJ equivalent exports for MY 2011/12 are projected at 1.23 mmt (65 Brix), up 20,000 mt compared to the previous marketing year.

There is a one year lag between the Brazilian (BR) Marketing Year (MY) and the U.S. Marketing year (MY). For example, BR MY 2012/2013 is equivalent to U.S. MY 2011/12. As such and to ensure data continuity, the current Brazilian MY 2012/13 will be referred to as U.S. MY 2011/12 throughout this report.

Commodities:
Oranges, Fresh

Production:

PS&D Tables

The following tables provide revised data for Sao Paulo and total Brazilian fresh orange production, supply and demand (PS&D) for *Brazilian (BR) marketing years (MY) 2010/11, 2011/12 and MY 2012/13 (July-June)*, which are equivalent to *U.S. MY 2009/10, 2010/11, 2011/12*, respectively.

Note: There is a one year lag between the Brazilian marketing year and the U.S. marketing year. For example, BR MY 2012/2013 is equivalent to U.S. MY 2011/12. As such and to ensure data continuity, the current Brazilian MY 2012/13 will be referred as U.S. MY 2011/12 throughout this report.

Brazil: Fresh Oranges PS&D (Jul-Jun)			
(1,000 ha, million trees & million 40.8 kg boxes)			
Item/U.S. Marketing Year	**US MY 09/10**	**US MY 10/11**	**US MY 11/12**
Item/Brazilian Marketing Year	BR 2010/11	BR 2011/12	BR 2012/13
Area Planted	800	810	808
Sao Paulo	600	610	608
Others	200	200	200
Area Harvested	724.6	734.6	732.6
Sao Paulo	532	542	540
Others	192.6	192.6	192.6
Bearing Trees	219	223	222
Sao Paulo	167	171	170
Others	52	52	52
Non-Bearing Trees	40	40	40
Sao Paulo	36	36	36
Others	4	4	4
Total Trees	259	263	262
Total Production	378	530	467
Sao Paulo	275	420	365
Others	103	110	102
Exports	1	1	1
Sao Paulo	1	1	1
Domestic Consumption	118	149	152
Delivered to processors	259	380	314
Sao Paulo (FCOJ + NFC exports)	247	360	298
Others	12	20	16

General

The Agricultural Trade Office (ATO)/Sao Paulo projects the total Brazilian crop for MY 2011/12 (July-June), at 467 million 40.8 kg boxes (Mbx), down 63 MBx compared to the previous marketing year. The commercial area of the state of Sao Paulo and the western part of Minas Gerais are expected to produce 365 Mbx, down 55 MBx from the previous crop (420 MBx). *Note that this figure takes into account the four major varieties of citrus used for processing orange juice (Hamlin, Pera Rio, Natal and Valencia) plus a limited volume (12 million boxes) of other citrus varieties such as Lima, Bahia, Murcorte and Poncan which are used for processing juice.*

The likely drop in production for MY 2011/12 in the Sao Paulo and Minas Gerais commercial areas is mostly related to the off-year of the biennial cycle for some orange varieties. Note that good citrus prices during last season contributed to good crop management, therefore, partially offsetting the expected drop in the crop size.

Approximately 70 percent of the crop should result from a large second blossoming and the bulk of harvest should start in July. Production from other states is projected at 102 MBx, according to updated information provided by the Brazilian Geography and Statistics Institute (IBGE).

The Sao Paulo and the western Minas Gerais production estimate for MY 2010/11 has been revised to 420 MBx, up 20 MBx from the previous number, based on updated industry information. According to industry, the size of the fruit was larger than previously expected and the harvest season extended further than initially predicted.

The National Supply Company (CONAB) at the Ministry of Agriculture, Livestock and Supply (MAPA) has not released the first orange crop survey for the 2012/13 crop. In May 2012, the Brazilian Association of Citrus Exporters (CitrusBR) announced that the 2012/13 orange crop in the citrus belt of the state of Sao Paulo and Minas Gerais is projected at 364 million 40.8 kg boxes, down 64 MBx compared to the revised figure for 2011/12 (428 MBx). CitrusBr reports that the projection was individually made by each associate and the final result was consolidated by an independent audit company.

Area, Tree Inventory and Yields

In MY 2011/12, the Brazilian citrus yield is estimated at 2.1 boxes/tree, down 12 percent relative to MY 20010/11 (2.37 boxes/tree). The Sao Paulo commercial grove yield for MY 2011/12 is projected at 2.14 boxes/tree, down 13 percent from the previous crop (2.46 boxes/tree).

Total citrus area for MY 2011/12 is estimated at 808,000 hectares (ha), similar to MY 2010/11 (810,000 ha). Total Brazilian tree inventory for MY 2011/12 is estimated at 262 million trees. Tree inventory in the Sao Paulo and Minas Gerais commercial areas are estimated at 206 million trees (170 million bearing and 36 million non-bearing trees). Sao Paulo is the only state that compiles data on trees planted and tree inventory. ATO/Sao Paulo estimates report stable areas and tree population for "Other" states based on uniform production figures provided by IBGE.

Producers' Prices

The Orange Index price series published by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) for the fresh domestic market in the state of Sao Paulo follows. The series tracks orange prices from September 1994. Prices for the fresh market are for fruit on the tree.

Orange Prices received by Producers in the Domestic Market (Pera Variety, average prices in Reais - R$, 40.8 kg box, fruits on the tree).						
Month	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Jan	15,08	15,38	10,00	10,89	22,86	8,43
Feb	17,10	16,95	9,82	17,22	25,33	8,41
Mar	19,02	17,03	11,13	19,17	26,32	12,72
Apr	16,60	14,65	10,46	16,50	19,62	12,82
May	13,82	12,04	9,13	14,49	14,78	
Jun	11,28	11,39	7,66	15,13	12,17	
Jul	10,98	11,38	6,48	14,90	11,05	
Aug	11,06	11,01	6,47	14,94	10,15	
Sep	10,48	10,64	7,04	16,83	9,75	
Oct	11,48	10,83	7,58	19,17	10,20	
Nov	13,45	10,24	8,48	19,93	9,92	
Dec	14,10	9,70	8,94	20,15	9,13	
Source : Center on Advanced Studies on Applied Economics (CEPEA)/ESALQ.						

The vast majority of growers have not set contracts with the juice processors for the upcoming crop. Citrus growers have been under pressure due to the beginning of the harvest for the early season varieties, especially Hamlim. According to post contacts, orange juice processors have been slow to purchase a good part of the Hamlim production, which caused prices to drop to R$ 7.00/box in the last couple of weeks.

Citrus growers have requested that the Brazilian government, through the Ministry of Agriculture, Livestock and Supply (MAPA) mediate a new agreement to set a reference price for the 2012/13 crop and also double the resources used in the Special Credit Line (LEC) to finance storage for juice industry suppliers. Total funds available in 2011 were R$ 300 million. The proposals have been under discussion.

In mid-April, representatives of the Brazilian Rural Society (SRB) and the Brazilian Association of Citrus Exporters and CitrusBR created the Brazilian Council of Orange Producers and Orange Juice Processors (Consecitrus). The Consecitrus statute will set the reference price for oranges in the future taking into account orange juice and byproduct prices, production costs to grow oranges and process orange juice, technical coefficients of agricultural and industrial efficiency along the production chain, and investments made by the citrus chain. However, Consecitrus will have no influence on contracts for the upcoming season.

Consumption:

Total Brazilian orange consumption for MY 2011/12, is estimated at 152 MBx, slightly above MY 2010/11 (149 MBx). These figures include actual domestic consumption plus losses from natural drop, harvesting, transportation and packing.

Fruit delivered to processors for "not from concentrate (NFC)" orange production for the domestic market is also included in these figures. Domestic consumption estimates are taken as the difference between production and the volume of oranges delivered to processors for FCOJ and NFC production for exports.

Trade:

The total fresh orange export estimate for MY 2011/12 is estimated at 1 Mbx, similar to the previous crop. The table below shows official fresh orange exports (NCM 0805.10.00) by country of destination, according to the Secretariat of Foreign Trade (SECEX).

Brazilian Fresh Orange Exports (MT and US$ 1,000 FOB)						
	Jan-Dec2011		**July2010-April2011**		**July2011-April2012**	
Country	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**
Netherlands	5,092	10,772	4,167	9,103	4,324	8,997
Spain	4,201	8,363	5,061	12,306	4,201	8,363
United Kingdom	2,801	5,942	1,746	4,906	2,585	5,557
Portugal	1,628	3,205	1,722	3,764	1,628	3,205
Saudi Arabia	653	1,319	489	1,017	158	417
Russia	363	893	67	149	336	844
Thailand	331	7	359	8	69	2
Ireland	254	549	455	1,220	254	549
Italy	248	469	0	0	248	469
Denmark	238	434	0	0	167	304
Others	557	1,356	246	706	638	3,186
Total	16,364	33,311	14,312	33,178	14,607	31,892
Source : Brazilian Foreign Trade Secretariat (SECEX), NCM 0805.10.00						

Production, Supply and Demand Data Statistics:

PS&D Orange, Fresh - Official

Oranges, Fresh Brazil	**US MY 2009/2010**		**US MY 2010/2011**		**US MY 2011/2012**	
	Market Year Begin: Jul 2010		**Market Year Begin: Jul 2011**		**Market Year Begin: Jul 2012**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	800,000	800,000	810,000	810,000	0	808,000
Area Harvested	724,600	724,600	734,600	734,600	0	732,600
Bearing Trees	219,000	219,000	223,000	223,000	0	222,000
Non-Bearing Trees	40,000	40,000	40,000	40,000	0	40,000
Total No. Of Trees	259,000	259,000	263,000	263,000	0	262,000
Production	15,422	15,422	20,645	21,624	18,155	19,053
Imports	0	0	0	0	0	
Total Supply	15,422	15,422	20,645	21,624	18,155	19,053

Exports	41	41	41	41	41	41
Fresh Dom. Consumption	4,814	4,814	6,365	6,079	5,384	6,201
For Processing	10,567	10,567	14,239	15,504	12,730	12,811
Total Distribution	15,422	15,422	20,645	21,624	18,155	19,053
HECTARES, 1000 TREES, 1000 MT						

Commodities:

Orange Juice

Production:

PS&D Tables

The following tables provide revised data for Sao Paulo and total Brazilian orange juice production, supply and demand (PS&D) for *Brazilian marketing years 2010/11, 2011/12 and MY 2012/13 (July-June)*, which are equivalent to *U.S. MY 2009/10, 2010/11 and 2011/12*, respectively.

The tables include Not From Concentrate (NFC) production for exports converted to Frozen Concentrate Orange Juice (FCOJ) 65 Brix equivalent using the following conversion factor: 1 metric ton of FCOJ 65 Brix equals 5.6 metric tons of NFC 11.6 Brix.

Brazil: FCOJ PS&D (Jul-Jun)			
(Million 40.8 kg boxes, TMT, 65 degrees brix)			
Item/U.S. Marketing Year	**US MY 09/10**	**US MY 10/11**	**US MY 11/12**
Item/Brazilian Marketing Year	BR 2010/11	BR 2011/12	BR 2012/13
Delivered to Processors	259	380	314
Sao Paulo (FCOJ + NFC exports)	247	360	298
Others	12	20	16
Beginning Stocks *	128	15	240
Total Production	1095	1475	1260
Sao Paulo FCOJ	870	1205	1000
Sao Paulo NFC (FCOJ equiv)	185	190	195
Others	40	80	65
Total Supply	1223	1490	1500
Exports	1173	1210	1230
Sao Paulo FCOJ	948	940	970
Sao Paulo NFC (FCOJ equiv)	185	190	195
Others FCOJ	40	80	65
Domestic Consumption	35	40	42
Ending Stocks	15	240	228
Total Distribution	1223	1490	1500
* Sao Paulo FCOJ equiv stocks only.			

Production

General

ATO/Sao Paulo estimates total Brazilian FCOJ 65 Brix equivalent production for MY 2011/12 (July-June) at 1.26 million metric ton (mmt), down 215,000 metric tons from the previous season, due to expected lower availability of fruits for processing.

The Sao Paulo industry is projected to process 298 MBx of oranges for FCOJ and NFC production, yielding 1.195 mmt of juice (1 mmt and 195,000 metric tons of FCOJ and NFC, respectively). Other producing states are expected to deliver 16 MBx for processing. Processing plants began operations in June, but the bulk of processing should start in July.

ATO/Sao Paulo has revised total Brazilian FCOJ 65 Brix equivalent production estimate for MY 2010/11 to 1.475 mmt, up 380,000 metric tons relative to the previous marketing year, due to higher availability of fruit for processing. The Sao Paulo industry has crushed 360 MBx of oranges for FCOJ and NFC production, while other states contributed 20 MBx.

Note that orange juice figures include NFC production for exports converted to FCOJ 65 Brix equivalent. There is no official estimate for NFC supply and demand in Brazil.

Consumption:

The ATO/Sao Paulo estimate for FCOJ domestic consumption for MY 2011/12 is 42,000 mt, 65 Brix, slightly up from MY 2010/11 (40,000 mt, 65 Brix).

Trade:

Total Brazilian FCOJ exports for MY 2011/12 are projected at 1.23 mmt(65 Brix), up 20,000 metric tons compared to MY 2010/11 (1.21 mmt), due to relatively stable world demand for orange juice. The Sao Paulo industry is expected to contribute 970 mmt of FCOJ (65 Brix) and 195,000 mt of NFC (converted to FCOJ equivalent), whereas other FCOJ producing states are expected to export 65,000 mt. Major destinations include Europe and the United States.

The tables below show official FCOJ exports (NCM 2009.11.00, NCM 2009.12.00 and 2009.19.00) by country of destination, according to the Secretariat of Foreign Trade (SECEX). Note that the "Others" category includes both FCOJ and NFC exports. Post considers the average monthly price by country of destination for the "Others" category as a criterion to distinguish between FCOJ and NFC exports.

Brazilian Frozen Concentrated / Non-Concentrated Orange Juice Exports (MT and US$ 1,000 FOB)						
	Jan-Dec2011		**July2010-April2011**		**July2011-April2012**	
Country	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**
Belgium	260,963	137,598	200,599	127,925	256,457	128,992
USA	152,768	77,817	47,378	27,830	136,668	69,297

Japan	133,645	62,712	110,813	60,860	119,253	51,278
China	113,886	53,948	94,423	55,529	82,433	36,627
Netherlands	74,106	37,266	34,799	21,751	96,018	46,017
South Korea	31,385	15,339	22,147	12,594	17,999	8,121
Switzerland	20,127	10,261	19,070	12,267	38,946	18,939
Israel	13,420	5,953	3,904	2,019	24,451	10,873
Chile	12,447	5,107	9,753	4,432	11,736	4,719
Australia	10,419	5,099	9,789	6,192	12,635	5,251
Others	64,505	29,831	50,617	29,326	68,625	30,203
Total	887,673	440,930	603,293	360,724	865,221	410,317
Source : Brazilian Foreign Trade Secretariat (SECEX), NCM 2009.11.00						

Brazilian Orange Juice Exports, Not Frozen and Brix under 20 (MT and US$ 1,000 FOB)						
	Jan-Dec2011		**July2010-April2011**		**July2011-April2012**	
Country	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**
Belgium	191,730	494,491	132,019	390,555	151,259	372,752
Netherlands	124,602	296,785	95,874	228,644	81,124	198,874
USA	96,258	249,501	92,143	258,082	97,182	249,299
Australia	102	139	102	139	0	0
Greece	59	26	0	0	59	26
Japan	45	43	72	76	11	10
China	20	26	0	0	41	52
French Guyana	11	11	9	9	10	10
Paraguay	5	4	2	2	6	5
Morocco	2	2	0	0	0	0
Others	0	0	1,856	5,836	2,655	6,932
Total	412,834	1,041,028	322,077	883,342	332,347	827,960
Source : Brazilian Foreign Trade Secretariat (SECEX), NCM 2009.12.00						

Brazilian Orange Juice Exports, Others (MT and US$ 1,000 FOB)						
	Jan-Dec2011		**July2010-April2011**		**July2011-April2012**	
Country	**Value**	**Quantity**	**Value**	**Quantity**	**Value**	**Quantity**
Belgium	506,502	247,671	383,384	236,819	454,984	204,408
Netherlands	303,157	148,883	332,334	167,588	201,479	103,545
USA	95,158	44,349	30,199	19,826	81,171	36,123
United Kingdom	94,474	47,370	73,908	41,539	82,576	39,537
Australia	23,041	11,635	11,716	9,012	16,954	7,029
Japan	18,266	7,705	3,974	2,208	26,416	10,549
Switzerland	16,729	7,858	7,833	4,019	18,770	8,980
Puerto Rico	12,904	6,127	8,085	5,387	10,879	5,033
Ireland	664	374	0	0	1,122	631
Venezuela	816	344	70	12	741	332
Others	3,953	2,230	3,063	1,880	1,263	804
Total	1,075,663	524,546	854,565	488,289	896,355	416,969
Source : Brazilian Foreign Trade Secretariat (SECEX), NCM 2009.19.00						

Carbendazim

The Environmental protection Agency (EPA) has not registered carbendazim for use in U.S. oranges since June 2009. The Food and Drug Administration (FDA) tested samples of Brazilian orange juice, both FCOJ and single strength (not from concentrate – NFC) as of late December 2011 and detained some shipments with carbendazim levels of 10 ppb or greater.

Carbendazim is a fungus-killing chemical used in Brazil and some other countries to preserve agricultural crops. In Brazil, the fungicide is particularly useful to control the "black spot" disease in oranges groves, which is endemic, and occurs virtually in all citrus areas of the Sao Paulo commercial citrus belt.

On January 26, 2012, the Brazilian citrus industry requested that the limit of 10 ppb of carbendazim be applied solely to the single strength juice, which is how it will be consumed. The request was rejected by FDA.

The citrus industry commenced a voluntary ban of the product in Brazil in order to regain normalized orange juice export levels to the U.S. in the shortest possible timeframe. The current processing season for orange juice (2011/12) is over and the majority of orange juice stocks are likely to have carbendazim at levels greater than 10 ppb. Therefore, only samples of orange juice that are tested negative for the fungicide will be shipped the U.S.

The industry estimates that during the January-August 2012 period, Brazil will not be able to supply approximately 60,000 metric tons of orange juice (FCOJ equivalent) to the U.S. given that shipments will be sporadic and mainly NFC. Concurrently, the industry has already identified and segregated citrus groves that did not receive any spray of the fungicide. The amount of fruit under these conditions should be sufficient to supply the U.S. market as of September 2012 and reestablish normalized levels of exports.

Fundecitrus, a well known research institution on citrus diseases with a very broad extension program in the state of Sao Paulo, has banned carbendazim from their Citrus Integrated Production (PIC) list. The list includes all chemicals allowed to be used in citrus with an integrated system of production. Although, MAPA has the official and sole authority to include/exclude the use of any chemical in agricultural products, the PIC list is well respected and adopted by citrus growers.

Stocks:

Total ending stocks for U.S. MY 2011/12 are estimated at 228,000 mt, 65 Brix, down 12,000 mt relative to the revised MY 2010/11 stocks. Note that these figures include only stocks in the storage tanks of orange juice processing facilities. Actual stocks data for the aforementioned inventories are not available.

In May, CitrusBR announced that global Brazilian orange juice inventories were 932,000 metric tons, 65 Brix, in December 31, 2012. Global Brazilian inventories include stocks in the tanks, at the port, on vessels and juice processors' storage facilities worldwide. Note that the aforementioned figure includes 311,000 metric tons of FCOJ contracted under the Special Credit Line (LEC) and that cannot be sold before June 30, 2012.

Production, Supply and Demand Data Statistics:

PS&D Orange Juice – Official

Orange Juice Brazil	US MY 2009/2010		US MY 2010/2011		US MY 2011/2012	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	10,567,200	10,567,000	14,239,200	15,504,000	12,729,600	12,811,000
Beginning Stocks	128,000	128,000	15,000	15,000	205,000	240,000
Production	1,095,000	1,095,000	1,440,000	1,475,000	1,245,000	1,260,000
Imports	0	0	0	0	0	0
Total Supply	1,223,000	1,223,000	1,455,000	1,490,000	1,450,000	1,500,000
Exports	1,173,000	1,173,000	1,210,000	1,210,000	1,245,000	1,230,000
Domestic Consumption	35,000	35,000	40,000	40,000	42,000	42,000
Ending Stocks	15,000	15,000	205,000	240,000	163,000	228,000
Total Distribution	1,223,000	1,223,000	1,455,000	1,490,000	1,450,000	1,500,000
MT						

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
January	2.22	2.12	1.76	2.32	1.87	1.67	1.74
February	2.14	2.12	1.68	2.38	1.81	1.66	1.71
March	2.17	2.05	1.75	2.25	1.78	1.62	1.82
April	2.09	2.03	1.69	2.18	1.77	1.57	1.89
May 1/	2.30	1.93	1.63	1.97	1.81	1.57	2.01
June	2.16	1.93	1.64	1.95	1.80	1.56	--
July	2.18	1.88	1.57	1.87	1.75	1.56	--

August	2.14	1.96	1.63	1.88	1.75	1.59	--
September	2.17	1.84	1.92	1.78	1.69	1.85	--
October	2.14	1.74	2.12	1.74	1.70	1.69	--
November	2.17	1.78	2.33	1.75	1.71	1.85	--
December	2.14	1.77	2.34	1.74	1.66	1.88	--

Source : Gazeta Mercantil and BACEN (as of October 2006) 1/ May 2012 refers to May 18.