

CitrusBR

The voice of citrus juice exporters

In order to establish a collective representation able to face the challenges of a new environment, the citrus export industry created its sectoral representation. CitrusBR, the Brazilian Association of Citrus Exporters, was founded on June, 2009, designed to defend collective interests of one of the most important industries of the Brazilian agribusiness.

BRAZIL EXPORT (BE) magazine interviewed the executive president of the new association, Mr. **Christian Lohbauer**, former executive director of the Brazilian Association of Chicken Exporters (ABEF), about CitrusBR objectives and the current scenario of world citriculture.

BE - What motivations led to the foundation of CitrusBR?

Christian - The Citrus Export industry has been represented by different institutions since it started exporting, forty years ago. Each one of these entities accomplished their mission and played important roles in the sector development. Throughout the last years the collective representation gradually lost its influence and representativeness and the moment to create a new association has come. Comparing today with some years ago, we will see that many things have changed: the world market, the production process, the production degree of sophistication, the reduction of margins, the impact of greening and other diseases, consumption habits and other challenges that the sector has to cope



Christian Lohbauer

with. The sector needed a kind of collective representation designed to deal with challenges of this new environment, and the companies decided that it was the moment to restart a work in this sense. CitrusBR is being founded by the biggest Brazilian producers and exporters of citrus juices and its secondary products: Citrosuco, from Fischer Group; Citrovita, from Votorantim Group; Sucocítrico Cutrale; and Louis Dreyfus Commodities. Our intention is to work for the sector as a whole, in the

national extent. We are open to the entry of other exporters.

BE - What will be the mission of the new association? In which issues do you intend to act and how?

Christian - Our main objective is to defend the collective interests of citrus exporters either in the national and international extents. For this purpose, it is necessary to monitor international trade issues, fight against trade barriers (tariff and non-tariff barriers); support technical studies to find solutions and alternatives for sector-related problems; Interact with other agribusiness entities; encourage orange juice consumption in Brazil and internationally, and, more importantly, promote the sector image, disclosing clear, updated and reliable information.

The Brazilian and international public opinions must know the richness generated by this industry and the massive investment necessary to build it, as well as the high technology involved, the growth of exports and its by-products, and the social benefit for hundreds of thousands of people in more than 300 cities, creating jobs, taxes and bringing foreign currency for Brazil throughout the last forty years. The image of "arrogant" industry does not correspond to reality. What we want is the full development of fruit and juice productions.

BE - How would you depict the citriculture today? What are the main challenges?



Christian - The world, Brazil and the citriculture have changed a lot. Comparing with the scenario twenty years ago, today we export, besides the frozen concentrate Orange juice (FCOJ), the NFC (not-from-concentrate), which has been growing, but whose production is more expensive and requires complex logistics. The production process has also changed: margins are lower and production costs are higher. In the main markets – the United States and Europe – which account for more than 80% of Brazilian exports, there was a significant decrease in consumption due to competition with other beverages, such as soft drinks, isotonic and juices from other fruits. In addition, there are new diseases affecting the groves, requiring from producers expenses with prevention and control. The challenge is to manage these costs maintaining the final product price, keeping the profitability. It is necessary to find alternatives and solutions for existing problems, reducing costs and adding value to everyone.

BE - There is a perception that the sector has enormous relationship difficulties among its actors. Is it true? Do you think that the foundation of CitrusBR brings positive perspectives for the future?

Christian - There are some myths which became rooted in people's opinions about the citrus juice industry. Added to the fallacy of price co-ordination, there is the myth that the relationship between processors and producers is bad, or that the industry wants to outweigh producers and "verticalize" the production. These affirmations do not make sense and are beneficial only to those who create it. The industry and the producers want to be free to conduct their business: it provides the companies with mobility to react according to the market movements. The same is valid for producers: they must be free to cultivate what they want in their properties, and if they want to sell oranges in



the spot market they can, and should do it. The risk is the essence of capitalism and the producer must have the right to take risks. If they want to close a deal to supply industries, they can do it with the company who offers better conditions, following the terms convenient to them. Today,

“The orange and citrus juices enterprises are a Brazilian vocation built throughout more than forty years of heavy investments, technical expertise and hard work”

more than 50% of producers have long-term contracts with the industry and it has been working well. For the industry (and for the market's sake) it is important to ensure that agreements are fulfilled since they work in a very competitive environment and assimilate the greater part of the risks in the production chain.

Another stigma is that the industry suffocates the producer. Actually, the person who is suffocating the ineffective producer is himself, and the same is true for every economy and agribusiness sector, not only citriculture. The citriculturist who invested ▶

► in irrigation, resistant trees, denseness, new Technologies, greening management and control and large-scale production is rewarded by the market. We understand that the fruit producer must undergo a hard adaptation process, including massive investment in the last years. The ones who modernized their production are ready to face the new scenario and will endure in the market. However, the ones who wasted their energy accusing external factors for their failures will find difficulties. The citriculture is a very expensive activity and requires professionalism and high investments.

BE - Is the consolidation in the industry harmful to the market?

Christian - The reason that leads to the consolidation in the industry and existence of few citrus processing companies is simple: Brazil exports 98% of the Orange juice produced internally. The importers are at least 10 thousand kilometers away from processing plants. It is necessary a high investment and technology acquired throughout many years in the market, and today a few groups are able to take such a risk. The production costs are known, but the commercial costs are not. Here lies the explanation for most of the misunderstandings between a small group of orange producers and the processing industry. The commercial costs belong to each company and should not be open since they

are part of their business plans. It is important to remember that although these industries are founding an association to foster a collective representation, they are competitors, disputing their share either in the fresh fruit or juice markets.

The perspective with the creation of CitrusBR is positive, once we intend to promote the sector as a whole, bringing benefits not only to the founding members. We intend to disclose reliable and clear information about the sector as much as possible, using sources recognized by the citriculture sector. By increasing the reliability of information, the possibility of contradictions and misunderstandings diminishes is reduced.

BE - In terms of International Trade, what are the issues currently being discussed?

Christian - Since 2005, the Brazilian Orange juice export industry has been accused of dumping by USA producers. The authorities of commercial defense of the Brazilian Ministry for Development and Foreign Trade must stand up for these accusations, with the support of export companies and according to their interests. The United States have been protecting their market from foreign products by accusing other countries of dumping for many years. The case of Brazilian steel before the acquisition of plants in the United States is well known. Our understanding is that the high inven-

tory of orange juice in the USA led their producers to work in the Congress to contain the entrance of Brazilian juice. Moreover, the calculation method used by American authorities, the zeroing, is outdated. This issue was taken to the World Trade Organization (WTO).

On another front, we intend to work within the official organs to fight against non-tariff barriers which affect the markets in the United States, European Union, China and Korea, substantially increasing the prices of Brazilian juices.

BE - What are the perspectives for the market in the next years, in Brazil and in the world?

Christian - In the short term, the perspectives for the citrus export sector are not the best, since the scenario is not positive. There is a consumption reduction in the main world markets while the production has recovered. It means that inventories increased, pushing the prices downwards. The relation between inventories and demand, according to data from Florida Department of Citrus (FDOC) is one of the highest of the last years, therefore there is too much juice available. The industry will face a difficult year but will comply with its contracts. This must be perceived by public opinion. On the other hand, in the medium and long terms the perspectives are good. The orange and citrus juices enterprises are a Brazilian vocation built throughout more than forty years of heavy investments, technical expertise and hard work. The Brazilian orange juice industry is a Brazilian asset and the Brazilian society should be proud of it.

BE - What could be done to reduce the impact of the negative market scenario on producers likely to be more vulnerable?

Christian - CitrusBR has a positive agenda. At least two aspects are part of our agenda and have a direct correlation with the current market scenario. We want to develop a project to increase orange juice consumption in Brazil and in the world. The Orange juice is a very good and healthy product, and shouldn't be losing a market share for less healthy drinks.

We are also interested in finding solutions to help more vulnerable producers to preserve their assets. A project to aid citriculturists with government support or a program to regulate the market by encouraging national consumption of orange juice, also with governmental assistance and with consent of other parts involved, may be interesting alternatives.

