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CITRUS SEMI-ANNUAL

Citrus Semi-Annual Report

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Report Highlights:
The Brazilian orange crop for MY 2009/10 is estimated at 407 MBx, down 6 MBx from MY 2008/09, due to adverse weather conditions and reduced investment in crop management. The Sao Paulo and western Minas Gerais commercial areas should produce 310 MBx. Total FCOJ production (65 Brix equivalent) for MY 2009/10 is forecast at 1.24 mmt (65 Brix), similar to the previous MY. FCOJ equivalent exports for MY 2008/09 are projected at 1.226 mmt (65 Brix), a 6 percent decrease compared to the last crop.

Commodities:
Oranges, Fresh

Production:
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 marketing years (MY) 2007/08, 2008/09 and MY 2009/10. (July-June)

Brazil: Fresh Oranges PS&D (Jul-Jun)			
(1,000 ha, million trees & million 40.8 kg boxes)			
Item/Marketing Year	2007/08	2008/09	2009/10
(Bloom/Harvest)	(06/07)	(07/08)	(08/09)
Area Planted	832.0	845.0	840.0
Sao Paulo	632.0	645.0	640.0
Others	200.0	200.0	200.0
Area Harvested	727.6	729.6	727.6
Sao Paulo	535.0	537.0	535.0
Others	192.6	192.6	192.6
Bearing Trees	217.0	218.0	218.0
Sao Paulo	165.0	166.0	166.0
Others	52.0	52.0	52.0
Non-Bearing Trees	39.0	43.0	44.0
Sao Paulo	35.0	39.0	40.0
Others	4.0	4.0	4.0
Total Trees	256.0	261.0	262.0
Total Production	453.0	413.0	407.0
Sao Paulo	360.0	315.0	310.0
Others	93.0	98.0	97.0
Exports	1.2	1.0	1.0
Sao Paulo	1.2	1.0	1.0
Domestic Consumption	111.8	122.0	116.0
Delivered to processors	340.0	290.0	290.0
Sao Paulo (FCOJ + NFC exports)	325.0	277.0	275.0
Others	15.0	13.0	15.0
Source: USDA/FAS/ATO/São Paulo			

General

The Agricultural Trade Office (ATO)/Sao Paulo estimates the MY 2009/10 (July-June) Brazilian orange crop at 407 million 40.8 kg boxes (Mbx), down 6 MBx from the previous season. The commercial area of the state of Sao Paulo and the western part of Minas Gerais are expected to produce 310 Mbx, down 2 percent from both the previous figure and the revised estimate for MY 2008/09 (315 Mbx). Note that this figure takes into account only limited volumes of citrus other than the 4 major orange varieties used for processing orange juice (Hamlin, Pera Rio, Natal and Valencia). Other growing regions should contribute 97Mbx, similar to MY 2008/09 (98 Mbx) , according to updated information provided by the Brazilian Geography and Statistics Institute (IBGE).

The projected decrease in production for MY 2009/10 in the Sao Paulo and Minas Gerais commercial areas are mostly a consequence of adverse weather patterns during blossoming and fruit development and below average crop management. The first and second blossomings (September and October 2008) were affected by warm weather, which reduced fruit setting. The late third blossoming in December 2008/January 2009 developed well and should partially contribute to the total size of the crop.

The industry expects a late crushing season for the Sao Paulo orange juice processing plants. Although crushing started in May (Hamlim variety), orange juice plants are likely to fully operate only as of June/July with the harvest of the Pera variety. Moreover, as a consequence of irregular blossomings, a good volume of fruits is likely to be harvested only as of September/October with the picking of the second and third blossomings of Pera, followed by Natal and Valencia varieties.

The Sao Paulo State Institute of Agricultural Economics (IEA) released the results of the first orange crop survey (February 2009) for the 2008/09 crop (MY 2009/10). The IEA 2008/09 crop estimate covers production from 2008 blossoming which is harvested in 2009. This corresponds to USDA'S MY 2009/10 production estimate. The Sao Paulo crop, including both commercial and non-commercial areas, is estimated at 352.57 MBx, down 2.1 MBx compared to MY 2008/09 (354.7 Mbx). Note that IEA takes into account the entire state of Sao Paulo, while ATO estimates follow the citrus industry methodology with production estimates limited to the commercial production area of the state plus the western part of Minas Gerais. IEA also reports that the state of Sao Paulo orange tree inventory is estimated at 221.2 million trees (191.9 million bearing and 39.7 million non-bearing trees).

Area, Tree Inventory and Yields

The MY 2009/10 Brazilian agricultural yield is estimated at 1.87 boxes/tree, a 1 percent drop compared to MY 2008/09 (1.89 boxes/tree). The Sao Paulo commercial grove yield for MY 2009/10 is projected at 1.87 boxes/tree, down 2 percent from revised MY 2008/09 yield (1.90 boxes/tree), due to adverse weather patterns during blossoming fruit development, disease related problems and reduced investment in crop management.

Diseases

According to a recent survey conducted by Fundecitrus, approximately 0.868 percent of the citrus trees of the commercial areas of the states of Sao Paulo and Minas Gerais show greening symptoms, up 49 percent compared to 2008.

Producers' Prices

The Orange Index price series, published by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ), for both the fresh domestic market and product delivered to orange juice processing plants in the state of Sao Paulo follow. Both series track orange prices since September 1994. Prices for the fresh market are for fruit on the tree. Dollar based prices varied between US$ 2.49 – 6.99/box (spot prices – industry) along the MY 2008/09 processing season.

The Center for Advanced Studies on Applied Economics (CEPEA) reports that contract negotiation for MY 2009/10 has moved extremely slowly. According to CEPEA, 74 percent of the citrus growers interviewed by the institution in April 2009 had not set fruit contracts for the upcoming crop. Contracts that have been negotiated were set between US$ 2.90 and 4.50/box for MY 2009/10.

Citrus growers report that approximately 40 percent of the fruit for delivery to the industry still has not been contracted. The late crushing season and the uncertainties with regard to the international orange juice market as a consequence of the global financial crisis could explain the delay in contract negotiation. In addition, the amount of fruit from processing sourced at orange juice processors' citrus groves has increased, thus reducing the need to contract third party fruit.

Increased production costs and the low prices for fruits delivered to processors during the off-season create more uncertainties among producers' profitability to remain in business. Indeed, prices paid by Sao Paulo industry in the spot market during March-mid June 2009 were the lowest since 2001.

Orange Prices paid by Sao Paulo industry - spot market (Pera, Natal, Valencia varieties, average prices in Reais - R$, 40.8 kg box, fruits delivered to the processing plant).

Month	2004	2005	2006	2007	2008	2009
Jan	9.87	7.08	12.13	15.46	13.46	6.80
Feb	7.05	6.83	9.90	15.50	12.39	5.92
Mar	5.29	6.01	8.66	13.68	9.66	4.95
Apr	4.91	5.85	7.58	8.79	8.38	4.50
May	5.03	6.10	7.21	7.88	8.27	4.05
Jun 1/	4.99	7.14	8.10	7.97	9.72	3.57
Jul	5.51	8.71	10.06	10.93	10.95	
Aug	6.22	8.44	10.76	10.16	9.71	
Sep	5.98	7.94	11.04	9.78	9.33	
Oct	6.39	7.86	11.52	9.89	9.57	
Nov	7.23	9.70	12.51	11.77	8.63	
Dec	7.31	11.53	14.26	12.61	7.27	

Source: CEPEA/ESALQ 1/June 2009 refers to June 12.

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	2004	2005	2006	2007	2008	2009
Jan	11.29	9.13	15.68	15.08	15.38	10.00
Feb	10.43	9.78	19.53	17.10	16.95	9.82
Mar	9.42	12.64	19.08	19.02	17.03	11.13
Apr	8.95	11.66	13.72	16.60	14.65	10.46
May	8.68	9.36	10.68	13.82	12.04	9.13
Jun 1/	7.86	8.79	9.38	11.28	11.39	7.88
Jul	6.97	8.97	10.12	10.98	11.38	
Aug	6.78	9.13	11.47	11.06	11.01	
Sep	6.85	9.73	12.51	10.48	10.64	
Oct	7.91	11.04	12.60	11.48	10.83	
Nov	8.62	12.51	12.76	13.45	10.24	
Dec	9.00	13.85	13.48	14.10	9.70	
Source: CEPEA/ESALQ 1/June 2009 refers to June 12.						

Consumption:
Total Brazilian orange consumption for MY 2009/10 is estimated at 116 MBx, a 6 Mbx drop from MY 2008/09. 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. Note that 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.

Trade:

The total fresh orange export estimate for MY 2009/10 remains unchanged from previous forecast at 1 Mbx. The table below shows official fresh orange exports (NCM 0805.10.00) by country of destination, for Calendar Year (CY) 2008 and MY (July-June) 2007/08, and MY-to-date (July-May) 2008/09 (July-May), according to SECEX.

Fresh Orange by Country of Destination (MT & US$ 1,000 FOB)						
	CY 2008		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Netherlands	9,911	5,066	6,172	2,227	9,931	5,086
Spain	7,259	3,565	10,161	4,098	6,399	3,152
Saudi Arabia	4,945	2,457	3,437	1,406	3,553	1,771
Portugal	2,736	1,395	1,224	480	2,760	1,406
Ireland	1,763	885	1,067	410	1,812	913
United Kingdom	1,921	969	10,060	3,559	1,802	917
Russia	3,192	1,520	3,336	1,231	1,416	720
Belgium	1,296	648	203	139	1,272	636
U.E.A.	924	442	886	319	780	376
Kuwait	1,122	561	648	243	714	360
Others	3,188	1,610	9,009	3,613	2,280	1,063
Total	38,257	19,118	46,203	17,724	32,719	16,401
Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.11.00						
1/ Jan-Dec - 2/ July-May						

Production, Supply and Demand Data Statistics:
PS&D Table

Oranges, Fresh Brazil	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Planted	832,000	832,000	832,000	845,000	845,000	845,000	828,000	828,000	840,000
Area Harvested	727,800	727,800	727,800	728,600	728,600	728,600	724,600	724,600	727,600
Bearing Trees	217,000	217,000	217,000	218,000	218,000	218,000	217,000	217,000	218,000
Non-Bearing Trees	39,000	39,000	39,000	43,000	43,000	43,000	41,000	41,000	44,000
Total No. Of Trees	256,000	256,000	256,000	261,000	261,000	261,000	258,000	258,000	262,000
Production	18,482	18,482	18,482	16,320	16,320	16,850	16,730	16,728	16,606
Imports	2	0	0	2	0	0	2	0	0
Total Supply	18,484	18,482	18,482	16,322	16,320	16,850	16,732	16,728	16,606
Exports	50	49	49	41	41	41	41	41	41
Fresh Dom. Consumption	4,562	4,561	4,561	4,816	4,814	4,977	4,859	4,855	4,733
For Processing	13,872	13,872	13,872	11,465	11,465	11,832	11,832	11,832	11,832
Total Distribution	18,484	18,482	18,482	16,322	16,320	16,850	16,732	16,728	16,606

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 marketing years (MY) 2007/08, 2008/09 and MY 2009/10. (July-June)

Brazil: FCOJ PS&D (Jul-Jun)			
(Million 40.8 kg boxes, TMT, 65 degrees brix)			
Item/Marketing Year	2007/08	2008/09	2009/10
(Bloom/Harvest)	(06/07)	(07/08)	(08/09)
Delivered to Processors	340.0	290.0	290.0
Sao Paulo (FCOJ + NFC exports)	325.0	277.0	275.0
Others	15.0	13.0	15.0
Beginning Stocks *	15.0	166.0	72.0
Total Production	1,480.0	1,235.0	1,240.0
Sao Paulo FCOJ	1,240.0	1,010.0	1,000.0
Sao Paulo NFC (FCOJ equiv)	180.0	170.0	180.0
Others	60.0	55.0	60.0
Total Supply	1,495.0	1,401.0	1,312.0
Exports	1,298.0	1,295.0	1,220.0
Sao Paulo FCOJ	1,076.0	1,070.0	980.0
Sao Paulo NFC (FCOJ equiv)	162.0	170.0	180.0
Others FCOJ	60.0	55.0	60.0
Domestic Consumption	31.0	34.0	34.0
Ending Stocks	166.0	72.0	58.0
Total Distribution	1,495.0	1,401.0	1,312.0
* Sao Paulo FCOJ equivalent stocks only.			
Source: USDA/FAS/ATO/São Paulo			

To reiterate, 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.

General

ATO/Sao Paulo estimates total Brazilian FCOJ 65 Brix equivalent production for MY 2009/10 (July-June) at 1.24 million metric ton (mmt), relatively unchanged from the previous MY (1.235 mmt), due to similar volume of fruit for processing.

The Sao Paulo industry is forecast to process 275 MBx of oranges for FCOJ and NFC production, yielding 1.18 mmt of juice (1 mmt and 180,000 metric tons of FCOJ and NFC, respectively). Other producing states are expected to deliver 15 MBx for processing. Processing plants began operations in May, but the bulk of processing should start as of

July. The sector is highly concentrated with only four major processors: Cutrale, Citrosuco, Citrovita, and Louis Dreyfus.

Total Brazilian FCOJ 65 Brix equivalent production for MY 2008/09 is estimated at 1.235 mmt, down 245,000 metric tons relative to previous MY. The Sao Paulo industry has crushed 277 MBx of oranges for FCOJ and NFC production.

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:
ATO/Sao Paulo's estimates for FCOJ domestic consumption for MY 2009/09 and MY 2009/10 remain unchanged at 34,000 mt (65 Brix).

Trade:
Trade

Total Brazilian FCOJ exports for MY 2009/10 are projected at 1.22 mmt (65 Brix), down 75,000 metric tons relative to MY 2008/09 (1.295 mmt), due to reduced demand as a result of the financial crisis. The Sao Paulo industry is expected to contribute 980,000 mt of FCOJ (65 Brix) and 180,000 mt of NFC (converted to FCOJ equivalent), whereas other FCOJ producing states are expected to export 60,000 mt. Major destinations include Europe and the U.S. As reported by trade sources, current FCOJ export prices to Europe are reported at US$ 1,000 per metric ton FOB (bulk).

The tables below show official FCOJ exports (NCM 2009.11.00, NCM 2009.12.00 and 2009.19.00) by country of destination for Calendar Year (CY) 2008 and MY 2007/08 and 2008/09 (July-May), according to 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.

Frozen Concentrated / Non-Concentrated Orange Juice Exports (MT and US$ 1,000 FOB)						
	CY 2008		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Belgium	384,805	552,126	379,259	567,874	274,122	379,477
USA	127,944	181,758	187,103	266,272	72,365	102,928
Japan	53,340	82,349	55,555	86,668	49,246	71,629
Switzerland	54,592	78,678	44,902	64,732	41,006	57,514
Netherlands	39,982	55,155	36,657	63,342	36,139	44,546
China	32,334	56,212	29,260	53,050	27,537	43,749
South Korea	16,141	26,011	12,539	20,724	13,594	20,445
Australia	14,542	24,793	18,608	34,059	9,104	12,980
Puerto Rico	11,244	16,869	10,241	15,362	7,178	10,457
Israel	7,365	10,620	7,851	13,162	4,728	6,082
Others	36,492	60,042	39,557	71,014	31,562	47,946
Total	778,781	1,144,612	821,531	1,256,258	566,580	797,753
Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.11.00						
1/ Jan-Dec - 2/ July-May						

Brazilian Orange Juice Exports, Not Frozen and Brix under 20 (MT and US$ 1,000 FOB)						
	CY 2008		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Belgium	357,747	94,276	272,767	68,192	325,514	90,580
Netherlands	364,597	129,320	262,865	91,859	310,216	119,205
USA	206,670	64,446	285,819	75,501	223,074	69,454
Switzerland	232	288	2,984	972	7,746	2,467
China	1,138	696	988	602	911	557
Singapore	781	478	630	396	527	307
Chile	563	394	524	345	502	384
Japan	237	99	0	0	237	99
Angola	97	89	48	31	91	84
Hong Kong	0	0	0	0	50	35
Others	24	20	354	345	9	8
Total	932,086	290,107	826,979	238,244	868,877	283,180
Source : Brazilian Department of Foreign Trade (SECEX), NCM 2009.12.00						
1/ Jan-Dec - 2/ July-May						

Brazilian Orange Juice Exports, Others (MT and US$ 1,000 FOB)						
	CY 2008		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Belgium	103,640	159,431	8,873	10,191	187,253	264,728
Netherlands	157,733	266,729	130,582	243,192	165,842	243,151
United Kingdom	48,084	83,353	43,013	82,489	48,237	65,885
USA	17,922	28,237	2,053	3,549	28,494	38,969
Australia	9,086	14,105	718	1,329	13,668	19,232
Switzerland	2,130	3,345	4,130	7,995	2,024	3,191
Puerto Rico	2,012	3,219	0	0	2,012	3,219
Japan	94	174	4,508	7,714	354	558
Argentina	211	646	376	1,197	272	583
Denmark	538	845	630	1,170	270	368
Others	1,599	2,043	7,991	10,528	1,091	1,514
Total	343,048	562,127	202,875	369,355	449,517	641,398
Source : Brazilian Department of Foreign Trade (SECEX) ,NCM 2009.19.00						
1/ Jan-Dec - 2/ July-May						

Stocks:
Total ending stocks for MY 2009/10 are estimated at 58,000 mt, 65 Brix, down 14,000 mt relative to revised MY 2008/09 stocks. Actual stocks data is not available.

Author Defined:
Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)							
Month	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
January	3.53	2.94	2.62	2.22	2.12	1.76	2.32
February	3.56	2.91	2.60	2.14	2.12	1.68	2.38
March	3.35	2.91	2.67	2.17	2.05	1.75	2.25
April	2.89	2.94	2.53	2.09	2.03	1.69	2.18
May	2.97	3.13	2.40	2.30	1.93	1.63	1.97
June 1/	2.87	3.11	2.35	2.16	1.93	1.64	1.93
July	2.97	3.03	2.39	2.18	1.88	1.57	--
August	2.97	2.93	2.36	2.14	1.96	1.63	--
September	2.92	2.86	2.22	2.17	1.84	1.92	--
October	2.86	2.99	2.25	2.14	1.74	2.12	--
November	2.95	2.73	2.21	2.17	1.78	2.33	--
December	2.89	2.65	2.26	2.14	1.77	2.34	--
Source : Gazeta Mercantil and BACEN (as of October 2006)							
1/ June 2009 refers to June 12.							