

## US Counting on Brazil to Quench Its Orange Juice Thirst

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Brazil seems poised to increase its market share of oranges in the United States. In spite of the increase in this year's US harvest over the 2006/2007 crop, a new report projects that in the long-term "even the best case scenario" shows production will remain stagnant over the next 10 years.

According to a Rabobank report, "Brazilian Orange Juice: Opportunities and challenges in the global market," this stagnation will provide other orange producing countries the opportunity to expand orange juice exports to the United States.

"Stakeholders in Brazil's orange juice sector have a unique opportunity before them," says Rabobank Food and Agricultural Research vice president Stephen Rannekleiv. "Growing international demand for orange juice and decreased US production give Brazil the opportunity to step up and fill the gap."

In Florida, hurricanes and plant diseases - such as canker - have led to a decline in total acreage as well as a decrease in yields per acre. In addition, urban encroachment is raising land values for many growers, which is enticing many farmers to sell their land and to get out of citrus farming.

As there are few countries able to fill the emerging gap between declining output and consumer demand, there is an increasingly attractive opportunity emerging for Brazil.

However, "these pressures on the US orange juice market, teamed with disease and weather troubles in Florida's orchards, have created opportunities for the United States and Brazil to create strategic alliances," said Rannekleiv.

"Those alliances give US beverage companies a reliable and efficient orange juice supply, so that they can focus on domestic marketing and creating products that are more cost effective."

Besides being responsible for half of the world's supply of oranges, Brazil and the United States account for 85% of the world's orange juice processing capacity. While Brazilian companies focus on orange crushing and export logistics, US companies have been increasingly focusing on the domestic ready-to-drink and not from concentrate juice markets.

Although Brazil is theoretically well positioned to make up for declining production in the United States, it also faces its own set of challenges. Rising oil prices have increased demand for ethanol in Brazil, which has led to an increase in demand for sugar cane. Sugar cane is increasingly competing for land in the traditional citrus growing regions.

In addition, the declining US dollar has reduced the profitability of exporting to the US which has placed pressure on the margins of Brazilian growers.

"Given Brazil's dominance of global citrus production, it would seem to have a clear opportunity to increase its share of the US orange juice market." Rannekleiv said. "However, to do so will require Brazilian growers and processors to overcome their own set of challenges."