

# INFORMATION TO THE MARKET

## AUDITED INVENTORIES ON JUNE 30, 2018:

A survey conducted by independent auditing firms with each of CitrusBR members and consolidated by external independent auditing firm, showed that global inventories of Brazilian Orange juice converted into Frozen Concentrated Orange Juice Equivalent (FCOJ 66° Brix) on hands of its members on June 30th, 2018, amounted to 342,967 tons, representing an increase of 219,37% when compared to the existing 107,387 tons from the same date in the previous year (June 30<sup>th</sup>, 2017).

## INDUSTRIAL YIELD ON FRUIT ESTIMATED FOR SEASON 2018/19:

A survey also conducted individually and confidentially by an independent auditing firm with CitrusBR members estimated the average industrial yield on fruit for the 2018/2019 season at 258.78 boxes of oranges required to produce 1 metric ton of FCOJ equivalent to 66 ° Brix. The improvement in yield on fruit can be attributed to the 120 days of drought observed in most of the citrus belt.

The table below contains historical data of juice yield on fruit since the 2000/2001 season:

HISTORICAL DATA OF FRUIT PROCESSING YIELDS OBTAINED BY CITRUSBR MEMBERS (Included Pulp/Core-Wash, excluded Frozen Cells)			
Season	40.8 kg Boxes Per Ton of FCOJ 66 Brix Equiv.	Pounds solids per box of orange	Variance To Previous Season
2000/01	246,87	5,89	NA
2001/02	236,52	6,15	4,2%
2002/03	224,85	6,47	4,9%
2003/04	226,64	6,42	-0,8%
2004/05	244,19	5,96	-7,7%
2005/06	226,42	6,43	7,3%
2006/07	232,69	6,25	-2,8%
2007/08	228,49	6,37	1,8%
2008/09	252,88	5,75	-10,7%
2009/10	262,52	5,54	-3,8%
2010/11	240,58	6,05	8,4%
2011/12	265,36	5,48	-10,3%
2012/13	263,54	5,52	0,7%
2013/14	282,00	5,16	-7,0%
2014/15	240,50	6,05	14,7%
2015/16	302,20	4,81	-25,7%
2016/17	286,37	5,08	5,2%
2017/18	267,33	5,44	6,6%
2018/19	258,78	5,62	3,2%

## FRUIT PRODUCTION ON 2018/19 SEASON

On May 9<sup>th</sup>, 2018, the Fund for Citrus Plant Protection (Fundecitrus) estimated the orange crop at 288.29 million boxes of 40.8 kilos, 30% lower than the 397 million boxes of the previous season. The forecast was released before the aforementioned period of drought, therefore, without capturing possible effects on production. The lack of rain was observed between May, June and July, an important period for fruit development. Early varieties were the most affected, however, even the mid and late varieties should be impacted.

### DEMAND PROJECTED IN THE 2018/19 SEASON:

Brazilian exports reported by the Foreign Trade Secretariat (Secex) finished the 2017/2018 season at 1,150,714 tons, 29% higher than the previous 894,669 tons. The Brazilian internal market of orange juice is estimated at around 35,000 tons. Considering that internal and external demand remain stable during the 12 months of this season, it is possible to estimate the total demand for FCOJ 66 Brix Equivalent at around 1,185,714 tons.

### SUPLY AND DEMAND/ INVENTORIES FOR THE NEXT SEASON

The improvement in juice yield on fruit can compensate for part of the crop decrease, but more accurate data will be obtained with the crop forecast update, on September 10<sup>th</sup>. Thus, it is reasonable to estimate that inventories, in the best case scenario, of orange juice FCOJ equivalent 66 brix for next season will be 146,716 tons of FCOJ 66 Brix equivalent. If confirmed, this scenario sets a challenging year for the orange juice processing industry.

CALCULATION MODEL	TONS OF FCOJ 66 Brix EQUIV.	DATA ABOUT SUPPLY, DEMAND AND CLOSING INVENTORIES OF BRAZILIAN ORANGE JUICE IN THE 2018/19 SEASON
(1)	342,967	Global inventories of Brazilian FCOJ Equivalent on hands of CitrusBR members on June 30, 2018
(2)	959,463	Estimated production of FCOJ Equivalent in the State of Sao Paulo (CitrusBr members and non-members)
(3)	30,0000	Estimated production of FCOJ Equivalent in the states of Parana and Rio Grande do Sul
(1+2+3)	1,332,430	Total estimated availability of FCOJ Equivalent
(4)	(1,150,714)	Estimated Secex Santos exports of FCOJ Equivalent
(5)	(35,000)	Estimated consumption of FCOJ Equivalent in the Brazilian domestic market
(4+5)	(1,185,714)	Total estimated demand of FCOJ Equivalent
(1+2+3-4-5)	146,716	Estimated global inventories of Brazilian FCOJ Equivalent on hands of CitrusBr members on June 30, 2019

Below, historical data for Brazilian orange juice inventories

HISTORICAL DATA FOR EXISTING BRAZILIAN ORANGE JUICE INVENTORIES ON HANDS OF CITRUSBR MEMBERS WORLDWIDE - TONS OF 66 BRIX FCOJ EQUIVALENT (FCOJ+NFC)						
Period of Inventory Measurement	Date of Inventory Audits on CitrusBR Members	Dates of Inventory Data Announcements	Existing Inventory in Brazil (+)	Existing Inventory Abroad (+)	Existing Inventories Globally (-)	Global Inventories in Weeks of Consumption
		Release Date	Tons FCOJ Equiv. 66 Brix	Tons FCOJ Equiv. 66 Brix	Tons FCOJ Equiv. 66 Brix	Equivalent Weeks
End of Season	Inventories on June 30th 2011	July 18th 2011	71.221	143.148	214.369	7
	Inventories on June 30th 2012	August 28th 2012	461.829	200.623	662.452	29
	Inventories on June 30th 2013	August 8th 2013	550.542	215.382	765.924	35
	Inventories on June 30th 2014	July 21st 2014	337.254	197.275	534.529	23
	Inventories on June 30th 2015	July 30th 2015	335.775	174.618	510.393	25
	Inventories on June 30th 2016	August 4th 2016	162.375	189.192	351.567	17
	Inventories on June 30th 2017	August 9th 2017	6.872	100.516	107.387	6
	Inventories on June 30th 2018	August 14th 2018	164,662	178,305	342,967	15
	Inventories on June 30th 2019 - Projection	NA	NA	NA	146,716	7

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