Citrus fruits in cosmetics and industry

Citrus fruit by-products are extracted from the peel. Essential oils come from the peel and are used to perfume cosmetics, fragrances, foods and home cleaning products. Citrus pulp pellets from the extraction of orange juice are used for animal feed. D-limonene is extracted from lemon and orange rinds or solids and is the purest source of monocyclic terpene, which is used mainly in industrial solvents.

Brazilian citrus fruits and the FTAA

The Free Trade Agreement of the Americas (FTAA), which is expected to enter into force by 2005, will mean that orange juice from Brazil can be imported duty-free into the United States. The Florida orange industry fears that US markets will be flooded by Brazilian juice with its lower production costs. Negotiations are currently underway between Brazil and the United States over the duty-free entry of citrus fruits into the United States. Concerned that the United States may decide to maintain a duty for its imports, Brazilian citrus industries have already entered the US market by investing in Florida’s processing plants.

Brazil protests excise tax by Florida

To promote marketing and exports of Florida citrus juices, the state’s producers and processors of citrus fruits pay a self-imposed tax to the Florida Department of Citrus Fruits. This tax is also applied to imports from foreign countries and from other states of the United States. Brazil considers this tax incompatible with the WTO rules on international trade and has requested the establishment of a WTO panel to settle this dispute with the United States.

Price instability

Citrus fruit prices depend on demand and supply. The supply is largely determined by climatic conditions, pest diseases, yields and the age of trees. It is not greatly influenced by price evolution in the short term, since there is a latency period of three to five years before trees produce fruit. This contributes to the high investment necessary for production and thus discourages producers from moving out of citrus production. Even if producer response to price incentives is low, price instability is relatively high, mainly because of climatic risks such as frost. Price risks can be hedged through orange juice futures at the New York Board of Trade.

Commodity Atlas
CITRUS FRUITS