



JUICE CSR PLATFORM
Programme Field Trip Orange Brazil
12 – 21 August, 2018



Objectives

The following visit objectives were agreed and circulated by the AIJN Platform to its members ahead of the visit to Brazil:

1. To establish a partnership approach between stakeholders who are committed to working together to drive the sustainability agenda
2. To start a dialogue aiming for a better and broader shared understanding of the sector and of the Brazilian and International perspectives on sustainability. To achieve this, the trip should include meetings with various large and small players along the chain, university and / or sector experts, farmer associations, etc.
3. To obtain an up-to-date, share and wider / balanced overview of how work is done, i.e. working conditions, during production and processing, through visits to various production, processing and research sites
4. To get a broader and better understanding of existing CSR initiatives in the Brazilian citrus sector and discuss how to promote and communicate these through the Platform / WG
5. To walk away with an aligned vision for a partnership approach and how we take this forward

Delegation

The full list of delegation members available on request.

Itinerary

The delegation received presentations by the following individuals and organisations:

- Fundecitrus
- CitrusBR
- Professor José Pastore, President of the Employment and Labour Relations Council, Federation of Commerce of Sao Paolo
- Solidaridad, Imaflora & Sociedade Rural Brasileira (SRB)

In addition, visits were made within Sao Paolo State to:

- Cutrale (processing plant, own grove)
- Citrosuco (processing plant, own grove, large independent grove)
- Louis Dreyfus (processing plant, own grove)
- Fairtrade certified cooperatives (Coperfam, Coagrosol)

The itinerary was extended until 21 August for field visits to Paraná State. A reduced number of delegate members were available for this second leg. The itinerary included:

- Citri (processing plant, independent groves)
- Fairtrade certified groves
- Rural Horizons certified groves

Considerations

Full details of visits and presentations shall not be captured in this report, as some information shared by hosts was considered to be of a sensitive or confidential nature and, in other cases, presentations and/or supporting documentation have been made available to the delegation.

This report shall be circulated to the AIJN board and its members, and the various bodies and institutes which hosted the delegation in Brazil.

Whereas the purpose of this report is to capture the main findings and recommendations made by the delegation, the Platform recognises the need to establish a Project Working Group (PWG) for specific focus areas which arise out of this visit. One of the primary objectives of the Brazilian arm of this PWG shall be to review the recommendations made by the Platform and provide necessary input to ensure that there is buy-in from Brazilian supply chain actors.

Upon request of the delegation Solidaridad has agreed to explore with key stakeholders in the Brazilian supply chain, their potential role in the execution of activities in specific focus areas. This assignment shall also be used to identify key stakeholders for the PWG, and to explore how a strategy can be developed.

The proposed objectives herein have been shaped by the insights and sustainability challenges presented to the delegation by the various hosts. A consensus was reached by the delegation on these proposed objectives. The Platform believes that these proposed objectives best represent the most pressing matters and threats to the supply chain.

Guiding Principles

The Platform is comprised of various competing multinational and retail delegation members. However, all members recognise that the economic, social and environmental challenges faced by the Brazilian citrus sector are a threat to all supply chain actors, and that any differences need to be set-aside to ensure that the PWG embraces an open, inclusive and collaborative approach to these challenges.

The Platform believes that it is critical to work within a pre-competitive environment to ensure the success and viability of any project work.

The Platform is keen to ensure that any identified projects are mutually agreed by and not imposed on the Brazilian citrus sector, and welcomes Brazilian supply chain actors to take a lead in terms of ownership of the projects. The Platform looks to the Brazilian supply chain actors to:

- Determine supply chain actors to take a lead, participatory or supporting role in projects
- Ensure buy-in from supply chain actors to the projects

Vision

The delegation members reviewed the WG vision based on the insights made during the visit. This original vision statement (taken from the WG Terms of Reference):

- *To secure orange juice from Brazil by demonstrating meaningful change in the orange supply chain,*

Has been amended to reflect these insights:

- *To sustainably secure orange juice from Brazil by demonstrating inclusive, meaningful and measurable change in the orange supply chain.*

Scope

Differences in management culture and approach on sustainability were evident during the visits to and presentations made by the processors Cutrale, Citrosuco, Louis Dreyfus and Citri. Despite these differences, the delegation recognises robust compliance with certification schemes and Brazilian legislation at company-owned groves and processing sites, and that any potential issues identified are considered to be of an insignificant nature.

There was a general consensus by the delegation to focus on smallholders. Processors have begun to extend their due diligence to cover their third-party* raw material suppliers, and that medium and large independent farms have started receiving some support. In addition, larger farms are typically self-sufficient in terms of resources and capacity to deal with the sustainability challenges highlighted by the Platform. Large farms are not ruled out of scope, but the Platform shall seek the guidance of the Brazilian arm of the PWG to determine what limited and/or specialised support is appropriate for larger independent farms.

Several delegation members require certification to one or more certification or verification schemes. Examples include Rainforest Alliance, SAI FSA, Fairtrade and Rural Horizons. Given the structural challenges that need addressing as a priority, it was agreed to leave certification out of scope for any project of the PWG. However, the Platform should be mindful that any management systems being developed as part of any project work, should be designed with certification [as an end-goal] in mind. The Platform also recognises that existing non-government organisations (NGOs) and certification bodies (CBs) currently play an active role in setting up such structures and capacity-building with citrus cooperatives. The Platform expects one or more of these NGOs and CBs to play a key role in projects, especially assisting with technology transfer and training needs on behalf of cooperatives and other supply chain actors. The Platform is keen not to be prescriptive in assigning specific NGOs or CBs, but that existing structures in place for supporting cooperatives and their members are recognised and supported, and not excluded.

Parameter	In Scope	Out of Scope
Third-party production	X	
Own production		X
Processing plants		X
Certification		X

*third-party (or independent sites) are legally separate entities to first-party (own) sites

Findings: Own Production (Cutrale, Citrosuco, Louis Dreyfus Co. & Citri)

Own farm production and processing sites visited by the delegation were impressive. Each organisation demonstrated differences in management approach and culture, but the common denominator to all these was the robust management systems in place to comply with social and environmental legislation. Issues of informality are highly unlikely to be found at own production and processing sites, and any potential issues are likely to be known and easily addressed by the organisations. For this reason, the Platform assumes the processors will take ownership and responsibility for own production sites.

Another positive development was the sustainability engagement process each of the organisations has commenced with their independent suppliers. It is not possible for the Platform to draw a meaningful conclusion in such a short space of time, but it is fair to say that this engagement is relatively new and has not been fully implemented within the supply chain. There are also concerns about processors taking on more engagement due to the potential risk of being liable by the government for social and environmental non-compliance of its suppliers. For these reasons the Platform wants to focus on third-party production.

Recommendations

Lodgings for seasonal migrant workers (male/female) were visited, and whereas the standards were acceptable, it is not possible for the Platform to draw a meaningful conclusion on the status of lodgings used by the sector. The Platform would welcome the opportunity to share the work the apple WG has undertaken on accommodation in Poland. Sharing, and possibly adapting the guidelines to a Brazilian context, may provide a framework for processors to work with service providers to ensure lodgings comply to minimum standards.

The use of [internal] migrant labour [from Northeast Brazil] was evident. Organisations vet individuals in their home state before recruitment. Where this process is outsourced, the Platform recommends that processors conduct the necessary due diligence on service providers to ensure they are not exposed in any manner.

Findings: Fundecitrus

Fundecitrus – the Fund for Citriculture Protection – is a research centre primarily focused on crop forecasting and the control of pest and disease in the sector. Established in 1977 by the citrus sector, Fundecitrus has evolved into a world leading institute, renowned by the scientific community, and arguably one of the main reasons why Brazil leads the world in terms of orange productivity. The Brazilian citrus sector also recognises and appreciates the vital role it has played in promoting citrus health.

Fundecitrus has been identified by the Platform as the most appropriate and neutral supply chain actor to provide technical support for any identified projects. The Platform recognises there may be a need to help finance Fundecitrus in order to help execute any specific projects undertaken by the Platform. Some capacity-building or outsourcing in labour law is likely to be required too given Fundecitrus is primarily a research centre.

Findings: Centro de Citricultura Sylvio Moreira

The government centre is dedicated to research & development and technology transfer to the citrus sector. The institute may lack the financial reach of actors such as Fundecitrus, but is another neutral supply chain actor that may serve a key role in supporting projects.

Findings: CitrusBR

The three largest processors have come together to focus their collective efforts on:

- Addressing greening
- Increasing consumption of orange juice

It is not clear whether CitrusBR, as a representative of the three major processors and its objectives, is best-suited to represent the wider citrus community. However, the Platform does look to the organisation to play an active role and provide support in any shape or form it considers relevant without compromising the position of its members.

Findings: Smallholder Production

The legal definition of smallholders by Brazilian legislation is defined as:

- Up to 60 hectares
- No more than two permanent employees

Given this definition, the challenges faced by a legally-defined smallholder are likely to extend to many medium-sized farms.

Small farms are typically represented by co-operatives. They are run by the male and/or female heads of household. From the visits made in both Sao Paulo and Paraná states, it is clear that there is a high degree of professionalism and dedication even where access to finance and resources is lacking. It is also clear that these farms, and the direct and indirect labour which rely on them, form an essential part of the fabric of their communities. Productivity in professional smallholder farms with good soil and climate conditions can be very high. Smallholders face the challenge of the high and complex requirements of Brazilian legislation and standards. There is need for smallholder adapted and aligned standards to reduce the burden to them, and some standards are already working on it.

The delegation heard how some farms have been abandoned, and how these are creating a breeding ground for psyllid, and subsequent disease loading in the citrus belt. This process of abandonment is accentuated when the issues of greening are combined with the adverse impact of drought. Smallholders without access to irrigation water, especially in drought-prone areas, struggle to maintain productive groves. The situation is not as severe as previous years. The increase in prices of late have helped alleviate some of this pressure. If anything, this goes to show the importance of income security on economic viability.

The Role of Women

Income security cannot be considered in isolation of family wealth. Tenancy is historically and heavily favoured for men. The role of women, either as a source of workforce, guarantor of wealth distribution within the family, especially vulnerably members of the community, should not be overlooked.

Findings: Independent suppliers

Medium farms are typically represented by co-operatives, although some at the larger end of the spectrum may engage directly with processors. Large independent farms can run into several thousand hectares, and the management of these seem typical of estates owned and managed by the processors. It is felt that these larger farms at best have their own resources to deal with the issues the sector faces, or at worst, are the most accessible to the processors and their supplier engagement programmes. For this reason, large independent farms represent a lower priority.

Focus Areas

Based on the above findings, the five areas of focus proposed by the delegation members are as follows:

1. *Water scarcity*. Prolonged droughts and erratic rain distribution are causing productivity and management issues. Although the wider impacts of climate change need a multi-faceted approach, the delegation determined water scarcity to be the main focus. Key (but not exhaustive) areas to be covered by this topic include:
 - Access to irrigation water
 - Access to affordable seedlings (drought resistant rootstock)
 - Improvements in soil water retention capacity
 - Reductions in evapotranspiration losses (ground cover, low tillage)It should be noted this issue is more of a concern in Sao Paulo State than Paraná
2. *Greening*. Greening is the second major commercial threat to the sector. The viability of citrus production relies heavily on being able to bring the disease under control. Key (but not exhaustive) areas to be covered by this topic include:
 - Increased production capacity and availability of biological control agents, i.e. *Tamarixia* (parasitoid wasp) for smallholder communities and abandoned groves
 - Capacity building in Integrated Pest Management (IPM) management
 - Landscape monitoring and control of psyllid loading
3. *Security of income*. Work needs to be done on optimising profitability (minimising inputs, maximising outputs). It is important to note that security of income is not solely focused on smallholders. Farm workers (male/female) need to be considered too. Working with existing supply chain structures, i.e. cooperatives, service providers, there is a need to provide structural support:
 - Access to finance directly linked to reducing inputs (fertiliser, crop protection, tree replacement) and/or increasing output (quantitative, qualitative)
 - Capacity building in best agricultural practices and cost benefit analysis by smallholders
 - Support on income diversification (where applicable)
 - Improvements in training and ergonomics to optimise productivity of workers
4. *Labour conditions*. It should be noted that Brazilian legislation is complex and demanding, but that the citrus sector is perhaps more sophisticated and compliant than other agricultural sectors. The delegation heard of the problems associated with informality in Brazil (lack of social protection). This is most likely to be present among smallholders, where cooperatives, harvest crews and individual smallholders are less likely to be fully versed in social and environmental legislation. Key (but not exhaustive) areas to be covered by this topic include:
 - Remuneration (minimum wage), worker benefits and social protection
 - Occupational safety and working conditions
 - Capacity building of supply chain actors in Brazilian legislation

Focus Areas (continued . . .)

5. *Living wage.* There is a significant percentage of the Brazilian population living below the poverty line. The citrus sector has not yet established a living wage. There is a recognition by the Platform that living wage is already in the public arena for other products, is becoming integrated in several Standards, and is likely at some point to hit the citrus sector. The Platform recognises the need to be prepared for this, but expresses no desire to go beyond the exploratory phase for now, namely:
- Raise awareness of the living wage concept within the Brazilian citrus sector
 - Determine what is a living wage for the citrus sector (Sao Paolo vs. Paraná, urban vs. rural)
 - Compare current salaries versus the living wage

Next steps

The initial next steps have been identified:

Next steps	Who	When
Inform CI-Romero on progress and next steps	AIJN	Q4 2018
Fundecitrus to be approached and consulted on potential executing role	Solidaridad	Q4 2018
Solidaridad to complete exploration with key stakeholders on their potential role in specific focus areas, and how a strategy can be developed; make recommendations to the WG	Solidaridad	Q4 2018
Solidaridad and CitrusBR to meet Brazilian Citriculture Chamber to determine what support can be provided	Solidaridad/ CitrusBR	Q4 2018
Agree and develop strategy based on report findings, scope and focus areas	AIJN	Q1 2019