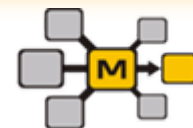


# Proposition of a Method for Industry Association's Remuneration

**Marcos Fava Neves, PhD.**

Carla Cristina Martoni Pereira Gomes  
Vinícius Gustavo Trombin  
Frederico Fonseca Lopes

Professor of Strategy - FEARP  
Business School, University of São  
Paulo – Brazil



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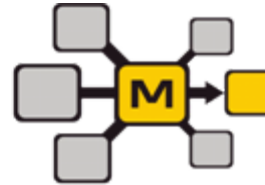
# Markestrat



- Organization founded in 2004 by PhDs and MsCs in Business Administration, Agronomy and Economy.
- Focus on Marketing and Strategy mostly applied on Agribusiness.
- MARKESTRAT is committed to develop customized projects for clients in its competence areas, demanding therefore a deep understanding of clients' needs and opportunities.
- We believe a project will be more successful if the contracting organization is able to acquire the needed competences to implement further new routines and tools.
- Therefore, several training and education programs are offered, along with consulting projects.
- MARKESTRAT also works strongly based on relationship networks with the further enlargement of competences towards offering a wide range of products and solutions on management and strategy.

# Scope

Study and Research



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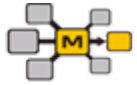


Continuous  
Education

Projects and  
Extension

# Agenda

- **Introduction:** brief presentation of the case and the issues to be discussed;
- **Citriculture:** information about the biggest citric region of the world and its main phytosanitary challenges;
- **FUNDECITRUS:** brief description of FUNDECITRUS, its history, goal and activities;
- **Benchmarking of vertical association in the vertical Agroindustrial System:** benchmarking with some international and national vertical association;
- **The new model of contribution:** The case closes with a description of the main challenges faced by FUNDECITRUS regarding the adoption the new model of contribution.



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# Introduction

- Brazil produces 28% of all oranges produced worldwide and makes up for 82% of orange juice commercialized internationally; ~US\$ 2 billion per year
- Citriculture in state of SP: one of the main activities in 348 cities. about 400,000 direct jobs and more than 3,000 work programs in the harvest phase.
- Biggest challenges imposed to the Brazilian citriculture: the increase in number of plagues and illnesses that attack the orchards
- In Brazil, the necessary measures and actions of the sanitary defense of plants is a responsibility of the São Paulo State Government - Fundecitrus
- the limitation of financial and structural resources of the Brazilian government jeopardizes the good development of this function
- Fundecitrus has become one of the most respected organizations in the world for vocation and innovation in the track of plagues and illnesses, as well as the generation and diffusion of new technologies

# Introduction

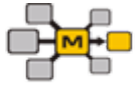
- The Fundecitrus budget comes from producers and orange juice industries' contributions. The contribution had as a base the collection of US\$ / for each orange crate (40.8 kg) to be processed;
- this model of collection of contributions has been modified by the new organization's statute;
- The new model will have as bedding the calculated collection on the basis of the number of plants of citrus per property of each associate.



# Fundecitrus

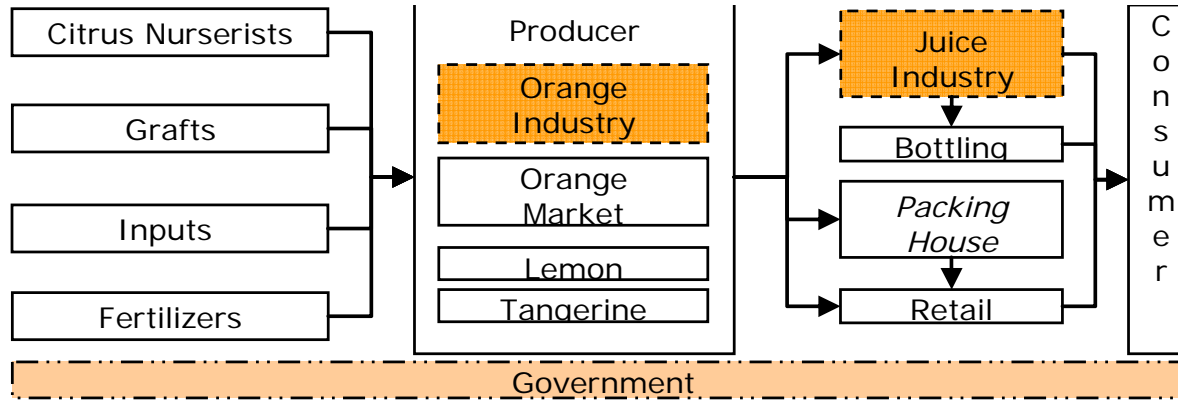
- Created in 1977 to help to eradicate Citrus Cancer in Brazil. The disease was identified in Brazil in 1957, and it struck citriculture in the state of São Paulo in 1979.
- Conducts and finances research to discover ways of controlling or handling diseases and plagues that affect the citriculture.







# Proposed Model x Present Model

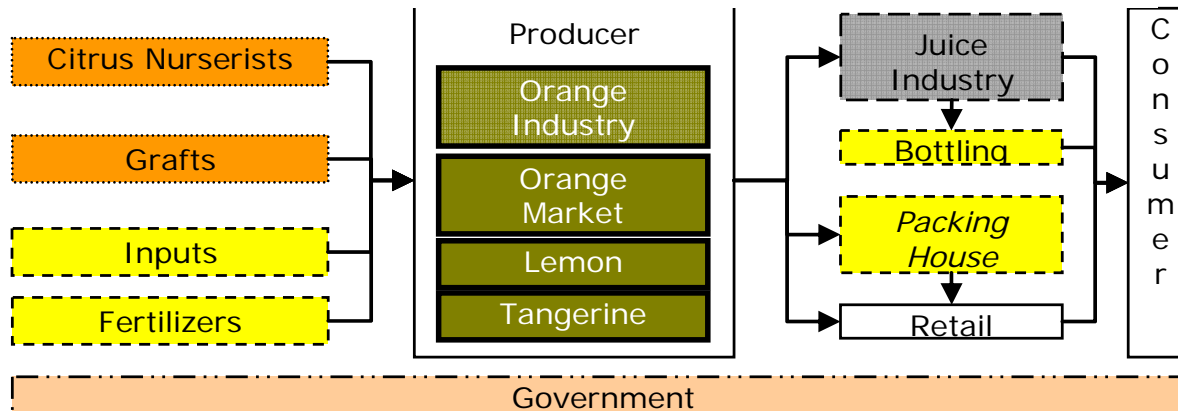
## Constitution of Income in the Present Contribution Model








Subtitle:

-  Contribution Base: Processed orange crate.
-  Punctual Contribution to finance projects.

## Constitution of Income in the Proposed Contribution Model

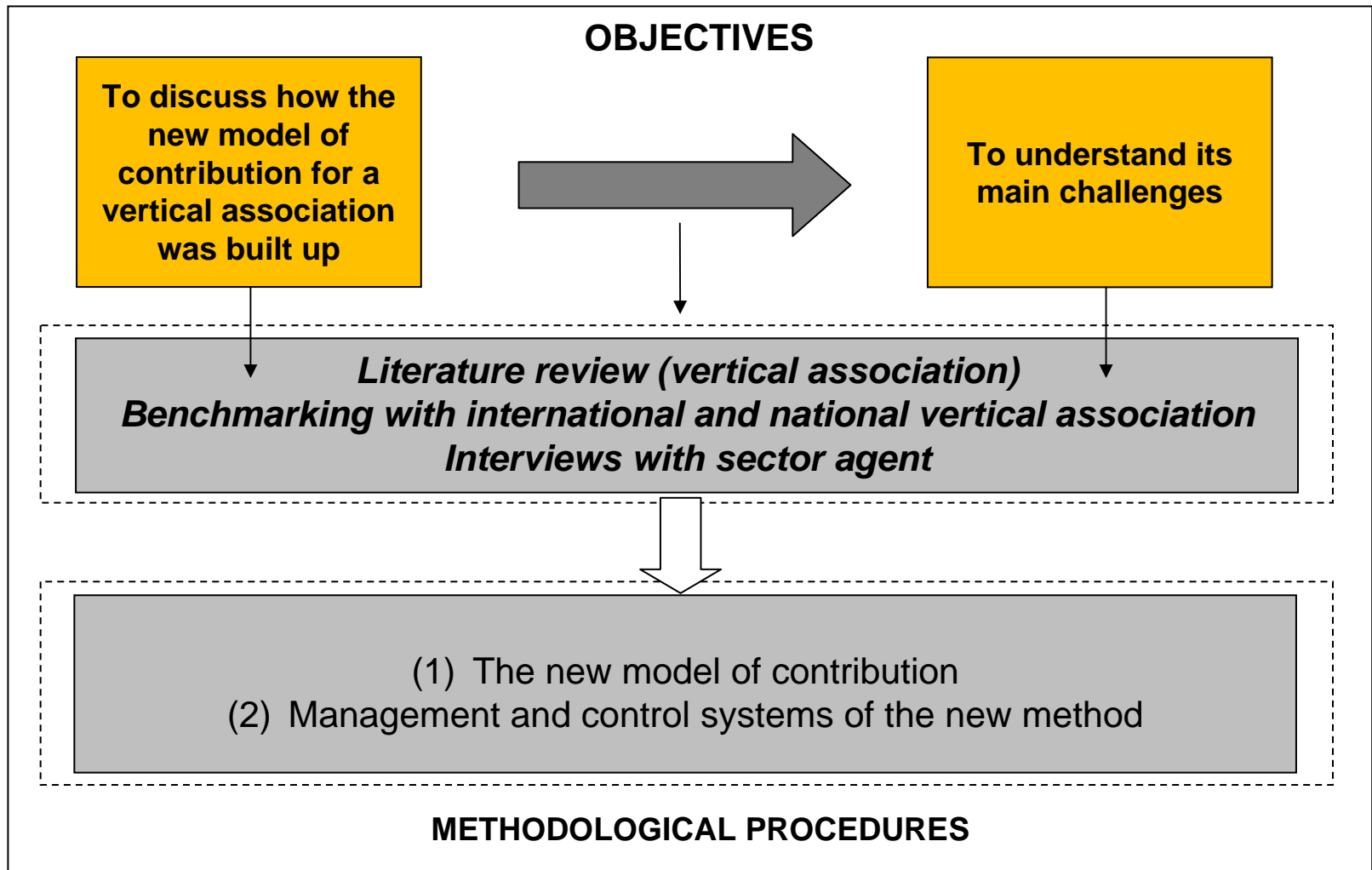


Subtitle:

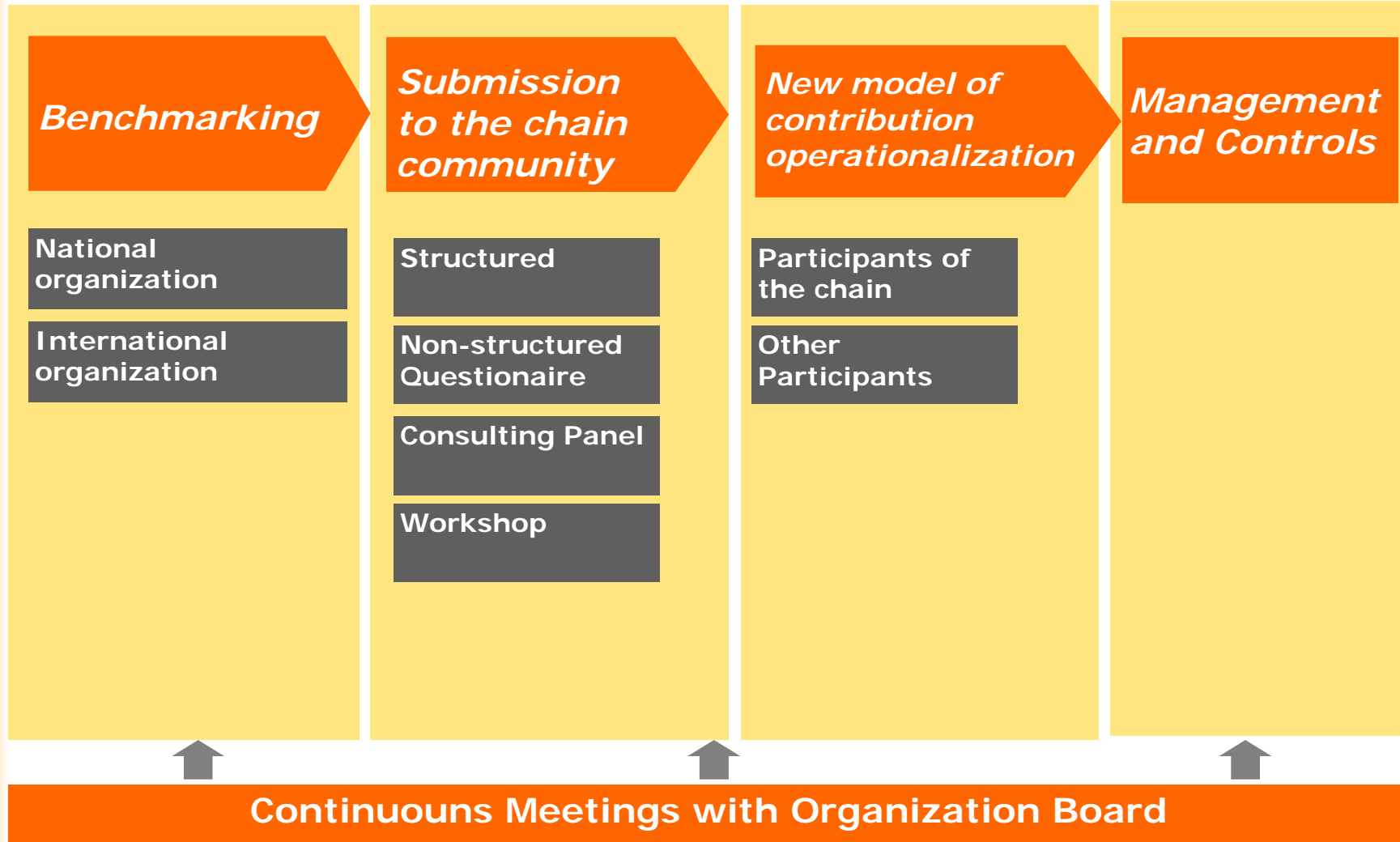
-  Per citrus tree.
-  Per seedling.
-  Stamp "Citriculture Friend"
-  Contributions with 40% of FUNDECITRUS budget, proportional to volume of citrus products exported
-  Contribution of toll and others to be negotiated.



# Objectives and Methods



# Method for Industry Association's Remuneration







Source: Elaborated by Markestrat, 2008

# Benchmarking Compulsory Contribution






					
<b>Country</b>	USA	Australia	USA	BRAZIL	Colombia
<b>Objective</b>	Represent the AGS of American milk	Represent the AGS Australian milk	Promote Florida's citrus products	Train workers for industry sector	Foment colombian coffee
<b>Size</b>	533 companies	9300 farms	Florida's Citrus Industrial Sector	28 industry sectors	380.000 producers

Source: Elaborated by Markestrat, 2008

# Benchmarking Compulsory Contribution






					
<b>Income Source</b>	Producers: charge on processed volume Other Agents: % of the turnover	Charge on processed volume and Financial aid from the government for R&D	Charge on processed volume	1% on the industries pay rolls Companies with more than 500 employees pay 1% more	Difference between the price of coffee in foreign market and domestic market,
<b>Collection System</b>	Bill	Discount on delivery of raw material to the industry	Discount on delivery of raw material to the industry	Bill •Security Note •Federal Revenue Service	Collection of export price difference
<b>Collection</b>	Annually	Monthly	Weekly	Monthly	Monthly
<b>Database renewal</b>	Survey with Members	Survey with milk processors	Forms sent by the Industry	Companies Reports	Export Reports

# Benchmarking Non-compulsory Contribution

					
<b>Country</b>	Brazil	Brazil	Brazil	Brazil	Brazil
<b>Objective</b>	Represent AGS of Brazilian milk	Represent cotton producers in and	Research and develop cotton cultivars and control pests and diseases	Represent citrus producers of the 3rd largest producing area in	Promote Brazilian Premium Coffee abroad
<b>Size</b>	1000 members	77 producers	6.000 producers	90 partners	50 farms

Source: Elaborated by Markestrat, 2008

# Benchmarking Non-compulsory Contribution

					
<b>Collection Mechanism</b>	Charge on turnover, in categories of associates	Charge on planted area	Fiscal Reduction ICMS	Charge on planted area	Charge on planted area and exported volume; nominal value in categories of associates
<b>Collection System</b>	Bill	Bill	Bill	Bill	Bill
<b>Collection</b>	Monthly	Annually	Monthly	Annually	Monthly
<b>Database Renewal</b>	None	GPS Mapping (annually)	Mapping, Official Invoice, collection document	Annual survey with producers	Certifier (annual visits)

# Citrus Growers

## Short and Long Time Solutions

### Temporary Solution

First 2 years

Maintenance of the actual model for more two harvests.

Conquest groups and producers that do not contribute to re-contribute

Research of the number of citric trees owned by the citrus growers, through declaratory act or with the government help to use National System of Rural Register (NSRR) or the Rural Territorial Tax (RTT).

### Proposed Model

From third year

Contribution per citric tree. The value will equate to the current contribution per box, considering the historical average yield of 1.9 boxes / tree.

The purpose from the 3 year ahead can be anticipated when FUNDECITRUS has the correct data for the orchards age

# Orange Juice Industry

## Short and Long Time Solutions

<b>Temporary Solution</b> First 2 years	<b>Proposed Model</b> From third year
<p>50% of the FUNDECITRUS budget (US\$ 19,50 million in 2007/08) will be divided proportionately between industries in accordance with the market share of each one, based on SECEX data joined.</p>	<p>Gradual decrease of the industry participation in the FUNDECITRUS budget - average between 30 to 40%.</p>

Source: Elaborated by Markestrat, 2008



# Citrus Nursery

## Short and Long Time Solutions

### Temporary Solution First 2 years

Contribution per citrus stem = value equivalent to 16% of the tree value suggested

### Proposed Model From third year

#### Alternatives:

- To include the contribution of graft-stocks (proportional value for the stem based on the production cost.)
- To charge the plantation area (m<sup>2</sup>)
- Another alternative would be to divide the budget allocated to FUNDECITRUS for the inspection of citrus nurseries, divided proportionately among the nurseries based on the volume of seedlings produced.

# Inputs Suppliers

## Short and Long Time Solutions

<b>Temporary Solution</b> First 2 years	<b>Proposed Model</b> From third year
<p>Contribution of 0.5% of gross revenue of the company with the citrus industry</p> <p>Certificate: "Friend of Citriculture"</p>	<ul style="list-style-type: none"><li>• Increasing the contribution to more than 0,5%</li></ul>

Source: Elaborated by Markestrat, 2008

# Packing Houses

## Short and Long Time Solutions

<b>Temporary Solution</b> First 2 years	<b>Proposed Model</b> From third year
<p>Contribution of 0.5% of the company gross with citrus.</p> <p>Authorization to use the "Friend of Citriculture" certificate.</p>	<p>An agreement with MAPA (Brazilian Ministry of Agriculture, Livestock and Supply) about CFO emission - only for products grown or derived from citrus orchards that have a FUNDECITRUS certificate of inspection.</p>

Source: Elaborated by Markestrat, 2008

# Packaging Companies Short and Long Time Solutions

<b>Temporary Solution</b> First 2 years	<b>Proposed Model</b> From third year
<p>Around 0.5% of the revenue related to citrus</p> <p>Use Authorization of the "Friend of Citriculture" certificate.</p>	<p>Increasing the contribution to more than 0,5%</p>

# Government Short and Long Time Solutions

<b>Temporary Solution</b> First 2 years	<b>Proposed Model</b> From third year
<p>Negotiation of 50% of taxes collected in tolls created from the handling of citrus products to be transferred to the plant defense and a supplementary budget for special projects through FAPESP, Department of Agriculture and other state and federal organizations.</p>	<p>ICMS credit and other forms.</p>

# Others Possible Contributions From Services Provisions

- Laboratorial Analysis;
- Sales of statistical data: evolution of pests and diseases, inventory of orchards;
- Development of Information System of the citrus production chain;
- Defense Certification;
- Insurance eradication;
- Organize citrus technical and commercial exhibitions and events;
- Organization of international and national technical trips.

# Potential Contribution per Agent

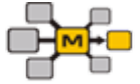


Agent	Revenue Value first 2 years	Revenue Value from the third year
Citrus Grower Contribution	US\$ 9,6 million (240 thous. boxes)	US\$ 13,33 million (membership of 80%)
Orange Juice Industries Contribution/ Toll	US\$ 9,6 million	US\$ 7,79 million
Citrus Nurseries Contribution	US\$ 177,79 thousand	US\$ 177,79 thous.
Inputs suppliers Contribution (0,5% benefits)	US\$ 443,11 thousand (30% membership)	US\$ 0,68 million (50% membership)
Packing Houses Contribution (0,5% benefits)	US\$ 0,58 million (50% membership)	US\$ 0,80 million (70% membership)
Packaging Companies Contribution (0,5% benefits with orange)	US\$ 27,11 thousand (10% membership)	US\$ 108,44 thous. (40% membership)
State Government Contribution	US\$ 2,22 million	US\$ 1,33 million
Other FUNDECITRUS services (expansion of the activities, targeting the mission – see 3.1.8)	US\$ 0,00	US\$ 1,78 million
<b>Revenue</b>	<b>US\$ 22,64 million</b>	<b>US\$ 25,99 million</b>

# Critical Factors of Success

- Provide an explanation to the community about the new FUNDECITRUS' statute;
- To show the importance of the Fundecitrus actions to the producers;
- To Ensure transparency in the collection contribution and resources use;
- External audit to enhance credibility and gain support when joining, among other factors.





# Questionings

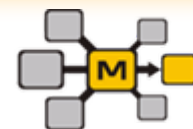
- How to carry through the **inventory** of the citrus orchards?
  - What **operational way** is could this collection be implemented?
  - Which **other models of contribution** used in others organizations in the financial sector could serve as examples?
  - Is this the **adjusted moment** to modify the contribution form **or still is it too early** based on the information that the organization possess from the associates?
  - How will the **acceptance** of the citriculturist in relation to this change be?
- How to **involve other links** of the production chain in the contribution to the FUNDECITRUS?
  - The citriculturist would give **preference** in the purchase of agricultural input produced or commercialized by companies who also contributed with the FUNDECITRUS?
  - How to give **credibility** and get support to the proposal?
  - How to **motivate** other agents to contribute with the FUNDECITRUS?
  - What is the image that the citriculturist have related to the FUNDECITRUS, that is, they believe that this organization is important for the competitiveness of the Agro-industrial System of Orange?
  - How will the **communication plan** for different public-targets be?

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