

Citrus Expo follow-up

The future of the Florida citrus industry

By Bob Rouse and Fritz Roka

With Florida citrus growers agonizing over how to manage citrus canker and greening, what could be worse? How about not having enough labor to pick the 2006-07 crop? Or, households buying less orange juice and more Sunny Delight?

Labor and marketing were two topics discussed at the Thursday morning session of the 2006 Citrus Expo. While the above scenarios are extreme cases, speakers at the Expo strongly asserted that the future of the Florida citrus industry depends not only on managing canker, greening and other diseases, but also on managing labor and promoting the demand for orange juice.

LABOR

Walter Kates, director of labor relations with the Florida Fruit and Vegetable Association (FFVA), has been tracking farm labor in Florida for more than 40 years. He was less than optimistic about the availability of workers to harvest the 2006-07 crop.

The polarization of the immigration debate has made it extremely unlikely in the near term that "comprehensive" immigration reform legislation will be enacted. A comprehensive approach would modify the foreign guest worker program (H2-A) to include provisions more favorable to Florida fruit and vegetable growers. Further, a comprehensive immigration reform package would include some sort of amnesty program for the roughly 12 million workers currently in the United States without legal documentation.

Instead, the congressional tenor of immigration reform has focused solely on enforcement of existing immigration laws. Kates expects increased enforcement along the Mexican border and tighter scrutiny of employer payroll records. Electronic verification systems have been tested and are in place for employers to immediately check the validity of Social Security numbers and other documentation required to complete I-9 forms. The consequences of these

enforcement actions will be to reduce the number of domestically available agricultural workers.

Hiring temporary foreign guest workers through the H2-A program may be an increasingly important option. Kates, however, reminded the Expo audience that the current version of the H2-A program imposes significant costs: 1) minimum hourly wage of \$8.56; 2) provision of housing for foreign guest workers; 3) reimbursement of transportation costs; and 4) an intensive bureaucratic process to recruit, hire and manage foreign workers.

Assuming workers are available and hired, Mike Aerts, assistant director of FFVA's Environmental and Pest Management Division, warned growers and employers that state and federal agencies will be paying closer attention to the enforcement of Worker Protection Standards (WPS).

During the 2006 legislative session, Florida appropriated funding to increase the number of field inspectors and more than double the number of WPS field inspections for the 2006-07 season. Inspectors, employed through the Florida Department of Agriculture and Consumer Services (FDACS), will no longer be allowed to issue violation warnings. Instead, if WPS violations are found, penalties of \$250 per affected worker per incident are mandatory. Given the large crews that are employed to do harvesting, the financial penalty from a single WPS violation could be significant. Worker training, "restricted-entry intervals," posting of treated areas, and personal protective equipment are the four main components of WPS that field inspectors will be monitoring.

MARKETING

Bob Norberg, director of Economic and Marketing Research at the Florida Department of Citrus (FDOC), outlined the FDOC's approach to expand sales volume and increase value of orange juice at retail stores. Orange juice is characterized as an "expandable consumer product," meaning that

household consumption increases with its availability in the house. Hence, an important goal for the FDOC is to motivate consumers to make frequent and regular purchases of orange juice cartons. Norberg explained that the FDOC continues to "drive consumer demand through a consistent and comprehensive generic advertising campaign centered on a compelling health message."

Norberg and the FDOC also are working directly with retailers to change orange juice marketing strategies. The FDOC would like store managers to move away from "temporary price reductions" and toward more high quality "featured promotions." Marketing research by the FDOC suggests that promotion via features and in-store displays leads to higher sustained sales volume than with temporary price reductions. Historically, orange juice has been slightly price "inelastic." That is, for an increase in price, overall demand for orange juice does not fall dramatically.

FORECASTING GOOD PRICES

Lest one think that hurricanes, canker, and greening have put the Florida citrus industry into a complete tail spin, Tom Spreen, professor and chair of the Food and Resource Economics Department at the University of Florida, delivered a positive forecast for 2006-07 fruit prices and grower returns.

Spreen believes that the high fruit prices are likely to hold steady for several years, reflecting lower production in both Florida and Brazil. As a result of canker eradication and urban development, Florida's bearing orange-tree acreage declined by more than 90,000 acres since 2004. The canker eradication program also temporarily closed down the Florida citrus nursery industry, interrupting supplies of new trees for at least 18 months.

It is not likely that Florida's production shortfall will be supplanted by Brazilian imports. Citrus production in Brazil is between 50 and 70 million boxes below its high-water mark

in 1996-97. In addition to canker and greening, Brazilian growers are combating CVC, Sudden Death, and Black Spot. More importantly, the Brazilian citrus industry is losing ground to sugar cane production. The Brazilians have long grown sugar cane for ethanol production in their bid to be energy self-sufficient. With high oil prices, Spreen speculates that the Brazilian

ethanol industry may be looking for export opportunities.

The projected high fruit prices will be necessary for the long-term welfare of the Florida citrus industry. Managing canker and greening could increase production costs by as much as 40 percent. High fuel prices and labor regulatory costs only add to higher production costs. More attention should

be paid to mechanical harvesting as a means to offset some of the cost increases and, at the same time, lessen the impact of fewer workers available for harvest labor.

Expo presentations are available at the Southwest Florida Research and Education Center Web site: <http://www.imok.ufl.edu/index2.htm>