

# Smaller Crop, Better Prices

After years in decline, Florida citrus producers should enjoy better returns this season.

By Thomas Spreen  
tspreen@ufl.edu

In October, the Florida Agricultural Statistics Service (FASS) released its 2009-2010 citrus crop forecast. The estimate was that 136 million boxes of oranges and 19.8 million boxes of grapefruit would be produced. While the FASS citrus crop forecast has not always been exactly correct, they do have a good record of being close to the actual crop.

The forecasted orange crop of 136 million boxes is substantially less than the 162.4 million boxes produced in 2008-2009 and 170.2 million boxes produced in 2007-2008. A basic law of economics is that as supply falls, prices rise. In 2006-2007, the small crop of 129 million boxes resulted in record high prices exceeding \$2.00 per pound solid delivered for processed oranges.

## Different Dynamics

Can we expect comparable prices this season? The quick answer to that question is no. Remember that 2006-2007 followed two years of hurricanes, and juice inventories had been reduced to manageable levels. This season, the Florida Department of Citrus reports that nearly 660 million SSE gallons of orange juice are in inventory, which represents about 30 weeks of supply. This high level of beginning inventory will limit upside movement in price.



This is a similar scenario that took place in 2004-2005 when the first round of hurricanes struck the state. The orange crop that year was less than 150 million boxes, down from 242 million boxes in 2003-2004, but on-tree prices increased by just 60¢ per box because of heavy inventories at the beginning of the 2004-2005 season.

## Imports Lower

A positive factor for this season is that the crop in Brazil is not large. At presstime, USDA had estimated that the crop in Sao Paulo state in Brazil was 310 million boxes, which is not large by historical standards. Therefore, I do not expect a surge in imports to offset lower orange juice production in Florida.

A second positive factor is the condition of the overall economy. It appears that 2010 will be a better year for personal income than 2009, although most economists are sug-

gesting a modest recovery, at best, in economic activity. Orange juice prices, however, are sensitive to consumer income. Thus, grower prices will be a little higher this year, probably in the range of \$1.30 per pound solid in the cash market. With a lower price for oil, the cost of production is moderating and the grower's bottom line should improve.

The story for grapefruit is positive. Florida remains the largest grapefruit producing region in the world. Fresh grapefruit prices were decent in 2008-2009 and should rise modestly this season with a smaller crop. Grapefruit juice consumption has begun to recover after years of decline. Therefore, both field-run and eliminated fruit should receive better prices although nowhere near the record high hurricane affected prices of 2004-2005 and 2005-2006. F&G

*Thomas H. Spreen is a professor in the Food and Resource Economics Department at the University of Florida in Gainesville.*