

Wants And Needs

HLB solution a major factor in supply and demand equation.

By Thomas H. Spreen
tspreen@ufl.edu

As the academic year began, I received several messages that a fairly strong La Niña had formed in the Pacific. La Niña typically means warmer and drier weather for Florida. It was not warmer than normal in December with multiple nights of below-freezing temperatures. Initial reports from Florida Citrus Mutual indicated, however, that fruit damage was for the most part minimal. That was not only great news for growers, but also for the industry. With sharply smaller crops since the hurricane-affected years of 2004-2005 and 2005-2006, the industry does not need a major freeze to reduce orange production again.

Budget Balance

There has been much talk about the reduced demand for orange juice in the


U.S. There also has been consternation at the Florida Citrus Commission regarding the allocation of its budget between demand enhancement (i.e., the generic advertising program) and supply enhancement (funding of research to combat citrus greening, aka HLB.) Dr. Mark Brown, economist with the Florida Department of Citrus, and I recently published a paper that examines the question of how grower-financed efforts should be allocated between demand and supply enhancement.

In an environment with the threat offered by HLB, our results suggest both supply and demand enhancement activities must be maintained. If HLB continues unabated, it may become uneconomic to produce citrus including juice oranges in Florida. If demand wanes, however, if and when a solution for HLB is found, the industry might discover consumers have turned to other beverage products

and that there is a much smaller market for orange juice. So it is important for industry leaders to walk a careful tightrope by allocating sufficient funds for both combating HLB (and other threats to fruit production) and to programs that encourage OJ consumption.

Reduced Demand

Economists remind us there is a difference between consumption and demand. Consumption is the amount of a product that is purchased. Demand is the amount of product that a consumer is willing to purchase at a given price. So it is true OJ consumption in the U.S. has dropped significantly since the 2003-2004 season when 242 million boxes of oranges were produced in Florida. In the 2009-2010 season, Florida orange production was 131 million boxes, a reduction of more than 90 million boxes, which translates into more than 550 million single strength equivalent gallons of orange juice. Imports can help buffer the large reduction in the Florida orange crop, but during this same period, orange production in Brazil also has declined. Its crop in 2010-2011 is expected to be 280 million boxes, down from a crop of more than 400 million boxes in 2003-2004. Consumption is down because production is down.

The big question going forward is that if and when a solution for HLB is found and Florida (as well as Brazil) orange production recovers, will consumers expand their purchases without major price declines? This is why the FDOC advertising program remains an important feature of overall industry strategy to maintain an economically healthy Florida citrus industry. 

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

Propagation trays
with results.

Beaver  **Plastics**

Dick Barrett, Ph.D.
813-642-9986

Toll-Free 1-888-453-5961

www.beaverplastics.com

HORTIBLOCK®



ROOTRAINERS®