



## The Demanding Side Of Citrus

Over the past few months, growers have been pleased that processed orange prices have been more than \$1.60 per pound solids. Recent prices have been this high because of reduced acreage and fruit losses due to diseases and freezes. In the October 2010 International Citrus Economics Conference, Dr. Bob Behr said greening is a mortal threat to the Florida citrus industry, but pointed out that weak demand is a threat as well. In fact, in the long term, weak demand could be a bigger threat than greening. He pointed out that U.S. per capita OJ consumption and revenue per acre have declined since the 1980s. New products, such as Not From Concentrate (NFC), advertising expenditures, technology, and marketing boosted demand. However, he pointed out there are countervailing forces that can limit demand such as increased demand-side competition from other juice drinks and changes in preferences and diets.

### Confusion Over Consumption

Since 1980, other juices and drinks have gained market share, and consumers with income now prefer more diversity such as teas and bottled waters. Consumer diets can change (e.g., the low-carb diet). More people may eat on the go and skip breakfast. Drug interaction with medicines like statins can also reduce demand. This is reflected in the decline in U.S. per capita grapefruit juice consumption since the 1990s. Behr indicated that Florida's processed citrus industry has had a century of development and success, but processed citrus values have weakened since the 1980s. Increased competition from Brazil and other beverages have impacted grower returns.

Allen Morris, one of the economists at the UF/IFAS Citrus Research and Education Center, discussed citrus

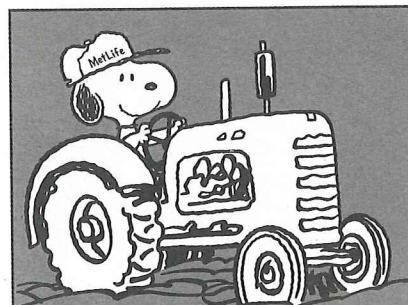
demand at the 2011 Florida Citrus Show in January. He pointed out there is a difference between consumption and demand. Consumption is simply the use or disappearance of a product. It can decrease due to increased prices, or it can increase because of lower prices. Demand measures how consumption changes after accounting for changes in price. For example, if you bought 10 items in one month for \$10 each and the price then increased to \$13, but you still bought 10 items next month, your demand increased. However, if the price stayed the same and you bought fewer items next month, your demand dropped. Generally speaking, growers want to grow demand to increase revenues and profits.

Morris pointed out that between 2005 and 2010, U.S. per capita OJ consumption in retail outlets declined by 24%, and because of lower supply, retail OJ prices increased. But OJ prices were not the only juice prices that increased. Prices of 100% juice blends, (such as grape/raspberry, cranberry/blueberry, etc.), which can substitute for OJ, increased even more. Interestingly, consumption of juice blends increased over the same time period even though prices of the blends were 36% higher than OJ prices. He asked the question, "Why is OJ consumption declining and consumption of juice blends increasing?" and then argued that juice blends are effectively advertised and merchandised. Even though OJ prices are currently near record highs, they will not continue to remain high unless the industry does things to grow OJ demand. He gave an example of when grapefruit prices were high in 2000, it was decided that there was no need to continue to grow grapefruit demand. Within several years, grapefruit prices were less than half of what they had been, even though the crop had decreased.

### Room For Growth

Both economists emphasized the importance of growing demand. Dr. Behr stated that to continue being successful, the Florida citrus industry will need to innovate and bring new products or processes to the market and also lower the cost of production and improve yields. Marketing will need to create value for Florida citrus.

Greening is clearly the No. 1 issue for growers today, but the industry will learn ways to deal with greening. Dr. Behr concluded his presentation by asking, "Will we have a sustainable market for Florida citrus when greening is solved?"



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