

Bracing For Impact

Fungicide find in Brazilian OJ likely to have a ripple effect on U.S. market.

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On January 11, the story broke that Minute Maid had discovered trace amounts of the fungicide carbendazim in orange juice that it had imported from Brazil. Carbendazim is a fungicide that is used to suppress black spot in São Paulo. It was banned in the U.S. in 2009 because of concerns regarding its implications to cause tumors. As such, the U.S. has zero tolerance. The European Union does allow the importation of orange juice from Brazil with trace amounts of the compound. Because of its zero tolerance policy, the FDA threatened to ban importation of orange juice from Brazil if the agency makes additional finds of carbendazim. What does all of this mean to the Florida citrus industry?

It has been reported that black spot is primarily a cosmetic issue; this is far from being correct. Black spot promotes premature fruit drop. It can be a big problem if left unchecked. Black spot is endemic in São Paulo. There may be other fungicides that can be used to suppress black spot, so it is unclear what a possible ban by the U.S. would mean in terms of management practices in São Paulo.

U.S. Orange Juice Imports (2010)

Country	Volume (SSE gallons)
Brazil	173,811,154
Mexico	100,946,426
Costa Rica	35,316,821
Belize	20,134,939
Others	8,646,630
Total	338,855,970

Source: U.S. Dept. of Commerce



Market Share

The U.S. is a net importer of orange juice. As shown in the table above, in 2010, the U.S. imported nearly 339 million single strength equivalent (SSE) gallons of orange juice. About one-half of those imports came from Brazil. Of the other major import sup-

pliers, both Costa Rica and Belize both process virtually their entire orange crop. Mexico, on the other hand, processes about 20% of their domestic orange production, so it is possible that Mexican OJ production could expand if an import ban were imposed by the U.S. on Brazil. It would be unlikely, however, that processed utilization in Mexico could expand sufficiently to completely replace Brazilian imports. Black spot is presently not an issue in Mexico, Costa Rica, and Belize; all have indicated that carbendazim is not used by their growers.

Price Check

If a ban on imports from Brazil were to happen, it would mean that Brazil would need to export more juice to other markets. In the 2011-2012 season, production in São Paulo is estimated to be about 2 billion SSE gallons; the U.S. will import about 175 million gallons from São Paulo or about 9% of its output. So it is unclear how a possible U.S. ban might affect orange juice prices. In the short-term, it would decrease availability in the U.S. and increase prices here, but it would increase availability to the rest of the world, modestly decreasing prices there.

So, while some may be pulling for higher Florida prices, the U.S. will remain a net importer of orange juice for the foreseeable future. Brazil has been a reliable import supplier. Higher prices will negatively affect consumption. The U.S. orange juice market has already seen a considerable run-up in retail orange juice prices over the post-hurricane period.

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