

# Orange Forecast: The Sky Is Not Falling



Rise in production likely to push prices down ... but not too far.

By Thomas H. Spreen  
tspreen@ufl.edu

Late summer and fall mark the time of year regarding anticipation of the coming Florida orange crop. I'm writing this amid the lull between the release of the Steger and Dreyfus crop forecast in mid-August and the USDA forecast issued this month.

The 2011-2012 Florida orange crop was 146.5 million boxes. The final crop was likely affected by a freeze event in December. New plantings have been lagging so that the bearing tree inventory continues on its downward trend, a process that started in the late 1990s.

After a relatively small crop of 275 million boxes in 2010-2011, the orange

crop in São Paulo, Brazil rebounded to 420 million boxes, a near record. During the 2011-2012 season, the government of Brazil instituted a program known as Concitrus, which provided low-cost financing to store frozen concentrated orange juice (FCOJ) into the 2012-2013 season. This was done to reduce FCOJ supply in 2011-2012 and thereby support prices. The USDA crop forecast for São Paulo for the harvest season that began in June is 365 million boxes, which is a sizeable crop by historical standards.

## Fungicide Factor

In January, carbendazim, a fungicide used to treat black spot in Brazil but banned in the U.S., was discovered

in a load of orange juice imported from São Paulo. The carbendazim find had two effects. First, it ignited concerns that all imports from Brazil would be banned, which caused a run-up in FCOJ futures prices. Florida growers benefited from this run-up with substantially higher delivered-in prices. For the 2011-2012 season, delivered-in prices averaged about \$1.90 per pound solid for processed oranges, well-above what was received in 2010-2011. Concerns regarding carbendazim, however, had a negative effect on consumption, with U.S. consumption experiencing double digit percentage declines in the spring and into the early summer. More recently, OJ consumption has begun to recover.

## Taking Inventory

As the industry enters the 2012-2013 season, Florida juice inventories are up, but not substantially. In fact, juice inventories entering the 2011-2012 season were fairly low by historical standards. Inventories in Brazil are substantially higher as a consequence of the Concitrus program. There have been reports that some early maturing fruit was not processed by the Brazilian processors because of lack of storage capacity. It is difficult to interpret this from a Florida perspective. Large Brazilian juice inventories would be a negative for price, but less fruit being processed is a positive.

In summary, a Florida crop in the range of 150 to 155 million boxes will push down grower prices, but not to low levels below the cost of production. It remains important that generic advertising programs continue to support consumer demand for Florida citrus products.

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

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