

Greening's Girth Causing Orange Crush

Input costs are pushing producers well beyond the break-even point.

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As the 2013-2014 harvest season nears completion, here are a few thoughts on the current economic situation of the industry. It now appears that the season average delivered-in price for early-mid oranges used for processing will be about \$1.80 per pound solid and the delivered-in price for Valencia oranges will average in the neighborhood of \$2.20 per pound solid. These prices translate to on-tree prices of roughly \$8.00 per box for early-mids and close to \$12.00 per box for Valencia oranges. Historically, these are very good prices and would indicate a highly profitable year for the industry.

With grove maintenance costs in the range \$1,700 to \$2,000 per acre and the impact of greening on per acre yields, however, these prices begin to look less favorable. Using \$1,800 per acre as an average for grove maintenance, the break-even yield for early-mid oranges is 225 boxes per acre (assuming a juice yield of six pound solids per box). The break-even yield for Valencia oranges is approximately 152 boxes per acre (assuming 6.5 pound solids per box).




Crunching The Numbers

The FASS/USDA crop forecast for the 2013-2014 season released in April predicted that 53 million boxes of early-mid oranges will be produced along with 57 million boxes of Valencia oranges. The preliminary 2013 Florida tree inventory also released by FASS indicates there are 200,509 acres of early-mid oranges and 251,770 acres of Valencia oranges. Calculating average per acre fruit yields for the 2013-2014 crop gives approximately 264 boxes for early mids and 226 boxes for Valencias. Comparing these figures to the break-even numbers suggest that those blocks strongly affected by greening will not cover grove-maintenance costs let alone contribute to other costs such as depreciation and property taxes.

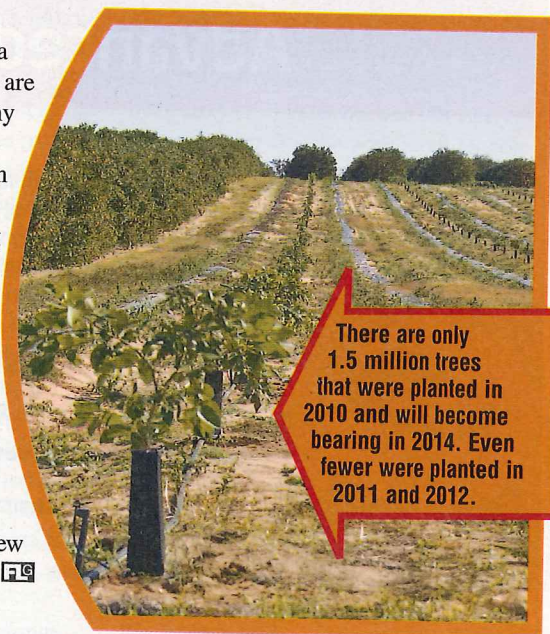


Thinking Outside Of The Box

The industry is approaching the point where a significant number of processed orange blocks are no longer profitable. This is the reality that many of us feared would arrive when greening was first discovered in the state in 2005. This also might explain why growers have been reluctant to plant new trees. In 2013, there were just more than four million non-bearing trees in a total inventory of just more than 61.1 million trees. With tree mortality in excess of 3%, the industry would need close to two million trees to enter the bearing tree inventory in 2014, but there are only 1.5 million that were planted in 2010 and will become bearing in 2014. Even fewer trees were planted in 2011 and 2012. So the trajectory of the bearing tree inventory will continue on a downward path for the next few years.

I have never enjoyed being the bearer of negative news, and maybe these observations are obvious to growers and processors, but the time has come for bold action. New ways to deal with greening need to found and implemented. New incentives for growers to encourage new tree plantings are now a dire necessity. 

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