



The role of imports in the Florida processed orange industry

By Thomas H. Spreen

The uncertainty of orange availability in Florida mounted in the aftermath of Hurricane Irma when Florida orange production dropped by more than 23 million boxes to 44.95 million boxes in the 2017–18 season. The crop recovery in the next season to 70 million boxes offered reason for optimism after years of declining crops caused by the spread of citrus greening. In the current season, the U.S. Department of Agriculture projects a crop of 71 million boxes of oranges.

PRICE PRESSURE

As the 2018–19 season progressed, however, prices for frozen concentrated orange juice (FCOJ) on the New York futures market began to slide as juice inventories grew with imports.

By the end of the season, the nearby futures contracts showed a price of less than \$1.00 per pound solid, far less than was observed at the beginning of the season. The same low FCOJ prices have persisted well into the 2019–20 season. Growers without a long-term contract (or who are not in a participation plan) are faced with selling their fruit at prices well below the cost of production.

The cumulative effect of declining crops, impacts following Hurricane Irma and low fruit prices have placed some growers in a precarious financial position. There is genuine concern that even more growers will choose to exit the industry, placing further downward pressure on Florida orange production and leading to further consolidation within all facets of the industry.

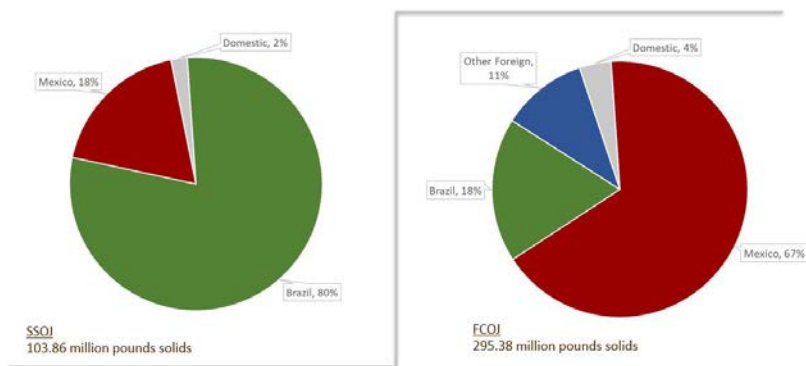
With recovery of production in Florida in 2018–19, import model projections anticipated that juice imports would decline significantly, and the industry would face modest declines in fruit prices. In reality, the decline in orange juice imports over the hurricane-damaged 2017–18 season was approximately 100 million single-strength-equivalent (SSE) gallons, far less than the increase in Florida production of 162 million SSE gallons.

MEXICAN IMPORTS

Imports from Mexico increased by 48 million SSE gallons, which partially offset a decrease of nearly 130 million gallons of imports from Brazil. As shown in Figure 1, Mexico became the largest import supplier of FCOJ to the U.S. market, accounting for two-thirds of total FCOJ imports. Brazil, however, remained the largest supplier of imported SSE orange juice.

Why did orange juice imports from Mexico rise in 2018–19 despite a larger Florida crop? The eastern portion of Mexico, where most of the processed orange production occurs, experienced a record crop in 2018–19. High U.S. orange prices just prior to and immediately following Hurricane Irma encouraged Mexican processors to aggressively bid for fruit against their domestic fresh market at the beginning of the season. Consequently, Mexican orange juice production increased for their season. The United States remains the main destination for Mexican orange juice.

Florida Processor Imports and Domestic Receipts, 2018-19



Source: Economic and Market Research Department, Florida Department of Citrus

Figure 1. In the 2018–19 citrus season, Mexico was the largest import supplier of frozen concentrated orange juice to the U.S. market, while Brazil supplied the most single-strength-equivalent orange juice.

IMPROVED OUTLOOK

The silver lining for Florida during the current season is that, as a result of a drought, orange production in eastern Mexico is expected to decline by at least one-third in 2019–20. In addition, lower U.S. prices will reduce the incentive for Mexican processors to procure fruit. Expect to see much lower imports of orange juice from Mexico in the 2019–20 season.

As a result of reduced import supplies, juice inventories in Florida should begin to decline and fruit prices begin to rise, although those prices will likely not reach the prices seen in the 2017–18 season. This process, however, will likely take several months, and 2019–20 will end as a highly unprofitable year for some growers, even with a larger crop.

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Looking forward, Mexico will remain a wild card with respect to the world orange juice market. Nearly all of the citrus groves in Mexico are unirrigated, which means they are subject to large year-to-year crop fluctuations depending upon the weather. As the United States remains the primary export market for Mexican orange processors, large crops will mean large export supplies, and small crops will mean small juice supply from Mexico. 🍊

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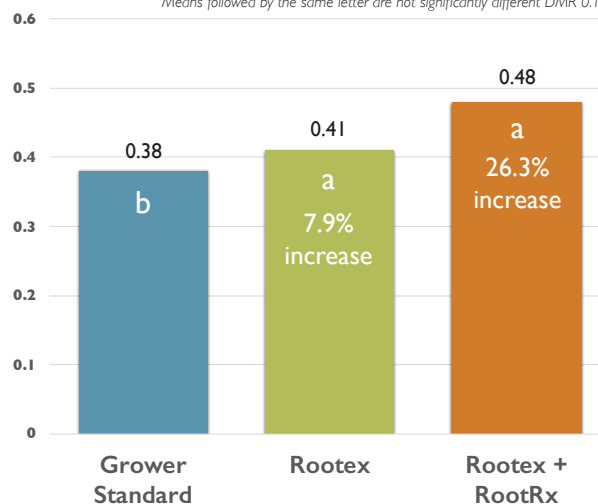
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