Recent trends in U.S. orange juice movement

By Thomas H. Spreen

Although Florida orange production had not yet rebounded during the 2018–19 citrus season, grower prices were the lowest in nearly five seasons. After a low-price 2018–19 season that was primarily the result of high imports from Mexico, Florida growers wondered at the onset of the 2019–20 season whether they could sell uncommitted fruit for a break-even price. Prior to March 2020, declining U.S. orange juice (OJ) consumption was still playing a large role in determining the grower price of oranges used in the processing sector.

PANDEMIC EFFECTS

The one-year anniversary of the confirmation of the first positive COVID-19 case in the United States has passed. The pandemic has profoundly affected so many aspects of life not only in the United States, but throughout the world. With 2.49 million deaths worldwide and more than 500,000 deaths in the United States alone (as of late February), the pandemic has led to massive changes in how families work and shop.

As consumers navigated the new world in which they lived, OJ was among the items they sought. Shifting consumer behaviors during the 2019–20 citrus season resulted in more OJ movement. With much of the OJ production occurring in Florida, processors were suddenly faced with an increase in demand not seen in nearly four seasons.

After years of declining U.S. citrus and OJ consumption, the spring of

2020 witnessed a turn-around, specifically in retail purchases of OJ. Average consumption of not-from-concentrate (NFC) orange juice is now running approximately 1 million single strength equivalent gallons per week higher compared to the 2018–19 season.

While increased consumption is showing signs of leveling off, weekly movement of NFC at retail sales levels reverting to the 2018–19 season shows little sign of abating.

NFC IS KEY

These trends are important to Florida growers and processors for a couple of reasons.

First, NFC is, by far, the most important form of OJ produced in Florida. If utilization of the early-mid Florida orange crop is an indication of the final numbers for the 2020–21 crop, utilization of Florida oranges will reach a record high proportion of approximately 84 percent. The remainder is sold either as fresh fruit or made into frozen concentrated orange juice (FCOJ). Retail prices for NFC are substantially higher than prices for from concentrate (used to make reconstituted, shelf stable and frozen orange juice). The higher demand of Florida oranges by processors is also attributable to the decline in the portion of FCOJ that is utilized in food service. This is in response to lower away-from-home food consumption during the pandemic.

Second, the combination of higher retail movement of NFC combined with lower Florida-based NFC production due to the smaller 2020–21 Florida orange crop means the inventory of NFC has dropped to the lowest levels in the industry's history given current market demand. In early February, there was less than 16 weeks of supply in Florida NFC inventory.

The 2020–21 orange crop in Brazil, at 269 million boxes, is also below recent levels. Therefore, the ability to import NFC from Brazil, the largest import supplier of NFC, is limited. Current analyses indicate that any NFC imports this season will serve to meet current market demands.

In contrast, total sales of FCOJ from Florida have not matched the increase in NFC sales. Imports of FCOJ from both Mexico and Brazil continue to stream in so that inventories of FCOJ remain considerably high — more than 40 weeks of supply.

SUMMARY

In summary, while it may have taken more than two seasons for the demand for Florida fruit to stabilize, smaller crops in both Florida and Brazil, combined with higher sales of NFC in the United States may have finally set the stage for much needed higher Florida fruit prices both this season and next.

Thomas H. Spreen is professor emeritus in the Food and Resource Economics Department of the University of Florida and senior economic consultant in the Economic and Market Research Department of the Florida Department of Citrus.