Prospects for new citrus grove investment in Florida

By Thomas H. Spreen

Over the past 20 years, the Florida citrus industry has witnessed a contraction of both production and bearing tree acreage.

INDUSTRY SHRINKAGE

In the 2000–01 season, there were 605,000 bearing acres of oranges, 107,800 bearing acres of grapefruit and 25,500 acres of specialty citrus (tangerines and tangelos). By the 2019–20 season, these figures had declined to 350,900 bearing acres of oranges, 21,700 acres of grapefruit and just 7,900 acres of specialty citrus.

Over this same period, yields have declined from 364 boxes per acre to 192 boxes per acre for oranges and 427 boxes per acre to 224 boxes per acre for grapefruit. Specialty citrus boxes per acre have declined by approximately 50%.

Much has been written regarding the factors behind these declines. Huanglongbing (HLB, also known as citrus greening), citrus canker, the effects of hurricanes, and loss of land to development are the main factors.

THE DISEASE FACTOR

The reluctance of both established citrus growers as well as outside investors to commit resources to planting citrus trees in Florida is a somewhat complicated issue. Clearly, the uncertainty caused by disease (namely HLB and citrus canker) has been an overriding issue. HLB reduces tree productivity through promotion of premature fruit drop. It also adversely affects fruit size and reduces both the quantity and quality of juice content. These factors collectively reduce the revenue generated by groves.

If the grove manager is pursuing an aggressive program to reduce psyllid populations, grove maintenance costs increase in the face of decreasing grove revenues. With diminished profitability, new grove investment as well as resetting of lost trees declines.

CURRENT PROGRAMS

There have been three programs — two private and one public — that have been offered to encourage new grove investment. The Florida Department of Citrus analyzed the economics of these programs in 2016. All three were shown to increase the internal rate of return (IRR) of new grove investment. Other programs, such as the Citrus Renovation Irrigation Support Program funded by the Florida Department of Agriculture and Consumer Services and the recently developed Citrus Research and Field Trial program, have not been economically analyzed.

The Planting Incentive Program, sponsored by Florida's Natural Growers, showed the largest impact on IRR. This result occurred because the magnitude of benefit offered to growers (an interest-free forgivable loan of $10 per tree) was the largest of the three programs analyzed.

The U.S. Department of Agriculture's Tree Assistance Program is similar in concept but offers lower cash incentives to growers. It is also subject to income limitations, which rules out participation by most of the larger growers.

The Minute Maid program is different in concept in that it offers no direct assistance but assures a market for fruit harvested from newly planted trees.

It is worth noting that Florida's Natural Growers program has been fully subscribed while the other two programs have not.

All these programs, with the exception of the Minute Maid long-term contract, are measures directed toward reducing the net cost of new grove investment. In this author's opinion, measures that mitigate the cost of new grove investment are likely the most effective approach to entice growers and investors to commit resources toward the production of citrus in Florida.

In closing, given the economic importance of the Florida citrus industry, the state of Florida should consider the costs and benefits of a state-sponsored new grove incentive program. It is likely the case that the benefits of increased fruit production in the state will far outweigh the costs of the program.

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