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Forecast for Citrus: A Mixed Bag for Growers

The first estimates for the 2001/02 citrus crop, released October 12, are more sweet than tart; more oranges, grapefruit, and tangerines should be available for harvesting, but fewer lemons. The crop estimate indicates a bigger U.S. citrus crop than last year although smaller than 2 years ago.

Not only will the most prolific citrus producing state, Florida, contribute 77 percent of this year's crop—mostly oranges for processing, grapefruit, and tangerines—but its crop will also be larger. An increase of 4 percent over last season is projected, accounting for nearly all the expected increase in the U.S. citrus crop.

Together, California and Arizona produce 20 percent of the U.S. citrus crop. These two states account for most of the fresh market oranges, all the lemons, and some grapefruit and tangerines. The Texas citrus crop is small relative to that of Florida or California/Arizona, but it continues to grow, producing mostly grapefruit. Louisiana grows citrus for sale in local markets, but production is so minor that USDA's National Agricultural Statistics Service (NASS) does not include it in its citrus data.

Fewer Oranges & Lemons From California & Arizona

California and Arizona's citrus crop is forecast to be 6 percent smaller than last season. The orange crop, which is expected to account for 61 percent of the states' citrus, is forecast down 9 percent from last season and 16 percent below that of two seasons ago. The size of the fruit is the largest on record for September. Barring adverse weather conditions such as a severe freeze, this year's orange crop should reach 2.1 million tons, of which 59 percent are expected to be navel oranges, with Valencia oranges accounting for the remainder.

The record fruit size and reported high quality of this year's oranges should command favorable prices for growers. These attributes should pique both domestic and international demand for fresh oranges this season. Given the smaller crop, the average price for fresh oranges could top $8 per 75-pound box. Prices should not, however, be nearly as high as during the 1998/1999 season, when a severe winter freeze drastically reduced the crop, pushing prices to an average of $17.97 per box.

The California/Arizona lemon crop is estimated to total 992,000 tons, about 1 percent smaller than last year's very large crop. It would be the second-largest crop since the 1995/96 season. Typically 50 to 60 percent of the crop goes to the fresh market, with the remainder processed, mostly into juice.

Last season, growers received an average of $5 per 76-pound box of lemons, the lowest since 1986/87. The reduction in the crop this year should help boost prices. While as of September, California lemons were reported to be smaller than average—which can put downward pressure on prices—cooler weather since then should help increase size. Arizona lemons, which are harvested early in the season, are reported to be large, which should strengthen prices early on. Both states' crops are reported to be of good quality.

Florida Crop Up Despite Drought & Low Temperatures

Florida's citrus crop is projected to total 12.9 million tons, up 4 percent from last season. The orange crop comprises about 80 percent of the state's total citrus crop; grapefruit is 16 percent; tangerines, tangelos, Temples, and K-early citrus make up the remaining 4 percent. Lime production is not projected until April 2002.

Orange production is estimated to increase 3 percent over last season, but to be slightly lower than 1999/2000. As always, about 95 percent of Florida oranges will go to making juice. The 2001/02 crop experienced freezing temperatures during the past winter, with general winter temperatures colder than normal. Very dry conditions persisted throughout much of the winter and spring. Most groves are irrigated, however, minimizing the effects of the dry conditions.

Early-to mid-season oranges will account for 57 percent of the crop this year, estimated at 5.9 million tons. Not only was the crop large, but it matured on time, permitting harvesting to begin in early October. These ample, timely supplies are likely to slake demand for imported orange juice to supplement domestic production. The Valencia crop, which is harvested after the early- to mid-season varieties are nearly finished, should be about 5 percent larger than last season.

Yields of frozen concentrated orange juice (FCOJ) for Florida oranges are projected to be 1.55 gallons per 90-pound box, 2 percent lower than last season. Based on the early projections for fruit production and yields, estimates for orange juice production for the 2001/02 season will increase 2 percent to 1.4 million gallons. With record beginning stocks of juice, supplies this season should reach 2.3 million gallons. Consumption is projected to rise almost 8 percent to 5.6 gallons per person.

In 2000/01, about 58 percent of Florida's processing oranges went to making FCOJ, according to Florida Citrus Processor Association data. The remaining 42 percent was processed into not-from-concentrate orange juice (NFC). Demand for NFC grew rapidly throughout the second half of the 1990s, as consumers demonstrated that they are willing to pay a premium for the perceived higher quality of NFC.

The current economic tightening will be the first real test of public loyalty to the product. Tightening consumer budgets

As the season progresses and weather factors contribute to the condition and size of the fruit, estimates are likely to change.

could result in a switch back to FCOJ, which averaged about $2.12 a gallon lower at the retail level in 2000/01. However, Coca-Cola reentered the NFC market in 2001 with its new product, Simply Orange. The two major NFC brands already in the market—PepsiCo's Tropicana and Florida Natural from the cooperative with the same name—are competing for market share with the new product, with promotions that include lower prices. As a result of the competition, consumers are benefiting from lower retail prices for NFC. This could, in turn, keep demand up despite the weaker economy.

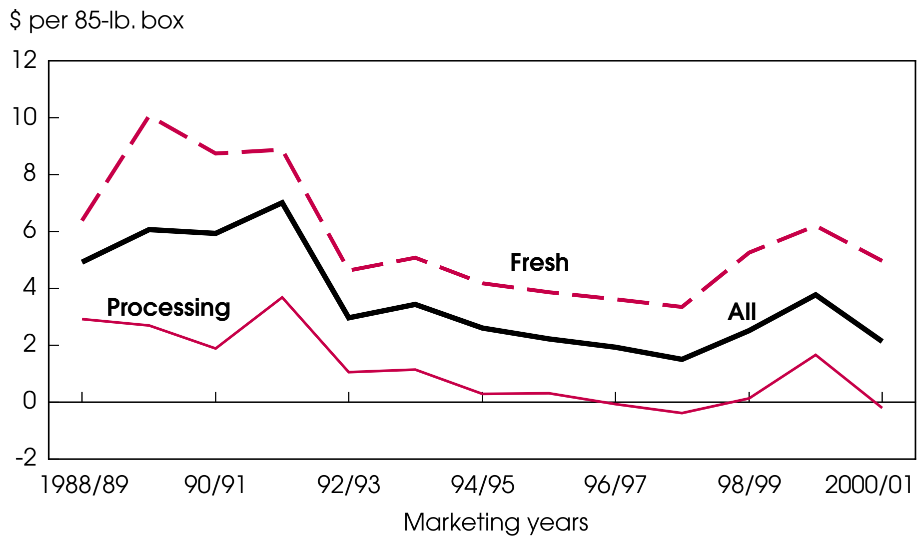
Brazil is the world's largest orange and orange juice producer—and the world's largest FCOJ exporter. While U.S. processors mostly market their own juice in the U.S., they often mix Brazilian FCOJ with Florida juice to maintain the product's consistency as well as to boost supplies at times of low U.S. production. Brazilian FCOJ is also shipped directly to major northeastern U.S. ports, where it is usually reconstituted and marketed. As a result, Brazilian orange juice is the major competition for the U.S. industry.

The 2001/02 Brazilian orange crop is estimated to be 10 percent smaller than last season. With less fruit per tree and with bearing acreage down from a year ago in Brazil, world prices of orange juice may be higher this year. Since Florida is expected to produce more orange juice and need fewer imports, the effect of the expected higher price of Brazilian juice could help Florida growers with increased demand for their oranges.

Bigger Crops of Grapefruit & Tangerines

The Florida grapefruit crop, which is 77 percent of the U.S. grapefruit crop, is projected to increase 4 percent to 2 million tons this season. If realized, the crop would be 10 percent smaller than in 1999/2000. The crop is broken down into 850,000 tons of white grapefruit and 1.2 million tons of red and pink grapefruit (excluding 127,500 tons projected to be abandoned due to lack of demand). Including grapefruit production in California, Arizona, and Texas, this season's crop is expected to reach 2.6 million tons, 4 percent larger than last year.

In 2000/01, Low Grower Prices Again Soured Prospects for Florida's Grapefruit Industry



Economic Research Service, USDA

In recent years, lack of demand has made it difficult for Florida growers to get favorable prices for their grapefruit. In 2000/01, Florida growers received an average $4.97 per 85-pound box of grapefruit for the fresh market, the lowest since 1997/98. While fresh-market grapefruit prices were down this past season, growers received negative returns for their processing grapefruit, meaning they did not cover their costs of production. With slightly over half of last year's production going to processing, overall prices averaged $2.13 per box.

Grapefruit juice beginning stocks coming into the new marketing year are 30 percent lower than last year. This could foreshadow strong demand for processing fruit, boosting grower prices.

Demand for the new crop looks strong. Florida's industry is introducing new promotional programs to stimulate domestic demand. International demand may also increase this season. Production in Cuba, the U.S. industry's major competition, was greatly reduced this fall because of Hurricane Michelle. As a result, Florida grapefruit may be replacing Cuban grapefruit. With the higher demand, growers are likely to see higher prices this year.

While total demand for grapefruit juice was down last season, exports were higher—19 percent over the previous season. Exports to the number-one export market, Canada, were higher, but shipments to the number-two market, Mexico, were down. Exports to the third-largest market, Barbados, grew substantially, bringing the shipments it received back in line with previous years. Caribbean countries are important markets for U.S. grapefruit juice, much of which is consumed by tourists. Reduced travel this year by Americans could reduce foreign demand for grapefruit juice. If export demand should fall and domestic demand does not pick up this year, growers may abandon picking before this year's harvest is completed because of low returns.

The new-season tangerine crop is estimated to be 449,000 tons, up 22 percent from last season. Florida production, which accounts for 74 percent of the U.S. crop, is tied with its 1999/00 record. While California is also expected to be the same as 1999/2000, Arizona's crop is expected to be down 8 percent from last year and 29 percent lower than two seasons ago.

Early varieties of tangerines are expected to comprise 69 percent of Florida's crop. Early varieties consist of Sunburst, Fallglo, Robinson, and Dancy. Sunburst tan-

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gerines make up about 80 percent of the early varieties produced in Florida. The number of trees producing Sunburst and Fallglo declined this season; however, the number of fruit per tree for both varieties is higher, generating expectations for the second-largest crop on record. Unlike Florida's oranges and grapefruit, this season's early tangerines are average to below average in size so far.

Honey tangerines are Florida's dominant late variety. Production is forecast to increase 7 percent this season. The number of bearing trees increased slightly, but fruit set declined 13 percent from last season. Honey tangerines are expected to be large this season, with fewer numbers needed to fill a 95-pound box.

While this season's larger crop may be expected to put downward pressure on grower prices, the expected smaller U.S. fresh orange crop could be a plus for tangerine growers, keeping prices in line with last season. A deciding factor in tangerine movement in the U.S. market is the availability and quality of imported Spanish clementines this winter. If Spain has a large crop this season, more Spanish clementines will reach the U.S. market, competing directly with the U.S. tangerine crop and affecting grower prices. AO

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Consumers Face Higher Prices for Fresh-Market Grapes

U.S. grape growers are producing a smaller crop in 2001, but consumer demand for high-quality fresh-market grapes is still being met—at slightly higher prices. USDA forecasts a 16-percent decline in this year's grape production over the record crop in 2000. Harvests are down in most grape producing states, including California, which continues to lead the U.S. in grape production with 91 percent of the crop. The production forecast of 12.9 billion pounds for this year, if realized, will be 11 percent larger than in 1998 and 4 percent above 1999.

California's production is expected to decline 16 percent from the record 14.1 billion pounds harvested last year. In the rest of the country, the total crop has dropped 9 percent, reflecting reduced production in all the other grape-producing states except Washington, Oregon, and Arkansas. Grape crops in Washington and Oregon are forecast 4 percent and 24 percent larger, whereas output in Arkansas is expected to be unchanged.

Reduced production this year, the high quality of the crop, and lessened competition from smaller 2001 crops of citrus and stone fruit (peaches, plums, and nectarines) have plumped up the prices of fresh-market grapes for both growers and retailers. Grower prices for fresh-market grapes from May through October averaged $708 per ton, up 19 percent from the same period a year ago. In the same token, retail prices for fresh Thompson seedless grapes from June to September averaged 25 percent higher than the same period last year.

Grapes continue to be the fourth in popularity with U.S. consumers among fresh fruits. During the 1990s, approximately 85 percent of U.S. fresh-market consumption was domestically produced. Influenced mostly by the lower production and higher prices, domestic consumption of U.S. fresh grapes is expected lower during the 2001/02 season (May to April) compared with a year ago. U.S. consumption—estimated at 7.5 pounds per capita in 2000/01—should decline approximately 4 percent in 2001/02.

Continued strong international demand for U.S. fresh grapes, particularly in Asian markets, is also contributing to the decline in domestic consumption. Despite reduced production, the high quality of this year's crop have kept exports of fresh grapes for the 2001/02 season thus far up 15 percent over the same period a year ago (May to August). U.S. export prospects in many Asian markets appear strong as these markets continue to recover from the economic crisis that began in 1998. Shipments thus far to many of these markets are higher than a year earlier.

Because of the smaller U.S. crop, imports of fresh grapes will likely increase during 2001/02 to help meet consumer demand, especially if no major problems arise to curtail this year's grape production in Chile, the dominant foreign supplier to the U.S. market. Imports are heaviest during January through April, when domestic production is in its off-season.

About 87 percent of the nation's grape crop is processed—more than half for wine, more than a fourth for raisins, and the remainder for juice and canning. In California, where production is expected to be down for wine and raisin varieties but up for table varieties, 52 percent are wine varieties, 34 percent are raisin varieties, and only 14 percent are table varieties. In Washington, where the grape crop is a far-distant second to California, all grapes are processed—about two-thirds for juice and one-third for wine.

In California, the nation's largest producer of domestic wines, wine varieties accounted for well over half the state's total grape acreage last year. Nonbearing acreage for wine grapes during 2000 declined 15 percent from the previous year to 110,000 acres as more acreage reached its productive stage. Bearing acreage for wine grapes rose 8 percent to 458,000 acres. California vineyards can expect to harvest a crop of wine grapes in 2001 that is 8 percent below a year ago, at 6.2 billion pounds. Similar to last year, the most popular wine grape varieties are

Changes in the Grape Line-up

This year, for the first time, USDA's total grape output data include new production estimates for minor producers Texas and Virginia, while estimates are discontinued for South Carolina.