FLORIDA CITRUS MARKETING ORDER NO. 905

Advisable Marketing Policy
2013-14 Season

The Citrus Administrative Committee (CAC) develops and submits, each citrus season, to the Secretary of Agriculture, an advisable marketing policy before any regulation recommendations can be considered for the ensuing season. To assist in the preparation of this Advisable Marketing Policy for the 2013-14 season, approximately 40 opinion questionnaires were sent out in mid-August to a cross section of the Florida citrus industry. Growers and shippers were asked their opinions concerning the size of the 2013-14 Florida citrus crops, general fruit appearance, and their observations about fruit size by variety. Many of the statements made in this Advisable Marketing Policy for the upcoming season are based upon a composite of responses received.

CITRUS PRODUCTION OUTLOOK FOR FLORIDA, TEXAS AND CALIFORNIA

The official United States Department of Agriculture, National Agricultural Statistics Service (USDA/NASS) 2013-14 season citrus forecasts were released on Friday, November 8, 2013. For the purpose of this advisable marketing policy, the Florida, Texas and California citrus crops estimates were taken from the information published by the USDA/NASS and surveys of citrus growers and packers. The observations of the quality of the U.S. citrus crops came from discussions with persons involved with the Florida, Texas and California fresh citrus industries. The USDA/NASS published estimates of citrus production in the United States citrus production areas was 228,704 million boxes or about (4%) less than the USDA's July 2013 forecast of 237,818 million boxes for the 2012-13 season. California's estimate in November 2013, by the USDA, forecast 73.5 million boxes for the 2012-13 season (excluding lemons and including tangerines), however the USDA's California citrus forecast for the 2013-14 season estimated their production at 74 million boxes, which if harvested is only 500,000 boxes less than their projected 2012-13 citrus harvest. The USDA November 2013 forecast for the Lower Rio Grande Valley of Texas for the 2013-14 season was 6.954 million boxes, which would be a decrease of 934,000 boxes or (11.9%) below their 2012-13 harvest. Florida's 2013-14 total citrus production was forecast to be 147.55 million boxes, which if harvested would be a decrease of 8.68 million boxes or (5.2%) less than the 156,23 million boxes produced last season.

FLORIDA

The official citrus estimate for the 2013-14 Florida citrus crops are detailed in Table 1. Table 1 compares the estimated Florida citrus production for the upcoming season with the actual production of the previous three seasons.

Total orange production for the upcoming season is projected to be 125 million boxes, which includes Temple orange production. This estimate represents a decrease of 8.6 million boxes or 6.5 percent from the 133.6 million boxes harvested during the 2012-13 season. The USDA estimated Navel orange production at 2.1 million boxes for the 2013-14 season, which is 5% less than last season. The quality of the new orange crop is anticipated to be below normal. Rust mite damage was reported to be about normal for early September. The USDA reported the decreased size of the Florida orange crop was due to smaller fruit size, even with adequate rainfall late in the summer, and the continuing decrease in producing acreage of all varieties. Most respondents reported wind scarring to be greater than normal throughout the citrus producing areas of the state.

The upcoming Florida round orange crop individual fruit sizes were reported to be smaller than last season. At the time of measurement in October, the Non-Valencia orange crop as measured for the November 8th estimate, 57% were size 163 or smaller compared to last season's measurement of 48% size 163 or smaller. The Valencia orange crop as measured for the November 8th estimate, 51% were size 163 or smaller compared to last season's measurement of 38% size 163 or smaller. The Navel orange crop was also projected to have smaller sizes as 45% of the Navels were measured to be size 100 or smaller in October. Therefore this season's individual fruit sizes for the all Florida oranges are projected to be smaller than last season. A comparison of the estimated average size distribution for regulated Florida citrus for the upcoming season is shown in Table 2.

The official estimate for the Florida's seedless grapefruit crop is 17.8 million boxes, which would be a decrease of 550,000 boxes from the 2012-13 harvest of 18.35 million boxes. At 13.0 million boxes, the red seedless grapefruit crop is projected to be down only 100,000 boxes from last season's final utilization of 13.1 million boxes. White seedless grapefruit production, which is estimated to be 4.8 million boxes, would be 450,000 boxes less than the 5.25 million boxes utilized during the previous season. Given the estimated 17.8 million boxes of grapefruit, fresh grapefruit shipments for the upcoming 2013-14 season should be in the 6 million-box range. This would be a decrease of approximately 17% over last season's fresh grapefruit shipments of 7.15 million boxes due mainly to the expected lower fruit quality, smaller individual fruit sizes and 3 percent less grapefruit than last season.

A vast majority of respondents indicated the new seedless grapefruit crop quality would have normal rust mite damage. The form (shape) of the seedless grapefruit crops for the upcoming season reported to be about normal for this time of year. They indicated wind scarring would be a concern this season due to the windy spring and early summer. Most respondents were somewhat pessimistic about the external quality of this season's seedless grapefruit crop, as Melanose damage continues to be a major concern. Multiple blooms were reported from a number of respondents. The individual fruit size was reported to be smaller than last season. The individual red grapefruit size, as reported in November 8th forecast, indicated that 66 percent of the red grapefruit were size 56 or smaller compared to 33 percent two seasons ago. Hopefully, at the peak of the shipping season in January through March of this season these smaller sized red grapefruit will size so there will be a range of sizes available as some offshore markets prefer the smaller sizes.

Specialty citrus production was estimated to be 4.75 million boxes, which if harvested would be 10% more than last season's harvest. It must be noted there are a number of growers and shippers that feel the specialty citrus crop is overstated due to the smaller sized fruit, as measured in October, was significantly smaller than last season. More than a few of the respondents expressed concern with multiple blooms and smaller than normal sizes. However, the quality of this specialty crop is reported to be normal.

The maturity of the upcoming Florida citrus crop was three to four weeks later than last season. Given the later harvest there were limited supplies of fresh Florida citrus available until the first week of November. Given good weather conditions, ample rainfall within the production area during the summer, there was some optimism for a good range of individual fruit sizes and improved quality for the orange, grapefruit and specialty citrus fruit crops throughout the 2013-14 harvest season. However, that is not the case as fruit sizes are smaller, poorer quality and the late start up has taken away any of the earlier optimism.

Because of the reported quality of upcoming Florida citrus crop, it is estimated for the upcoming season, 90 percent of all Florida citrus varieties will meet the U.S. No. 1 grade classifications or higher, 5 percent will meet the U.S. No. 2 grade classifications, and only 5 percent will be U.S. No. 3 or culls.

TEXAS

During the 2012-13 season, the Lower Rio Grande Valley of Texas produced 7.9 million boxes of grapefruit and oranges. The USDA's Lower Rio Grande Valley's forecast for the current 2013-14 season of 6.9 million boxes of grapefruit and orange is approximately 13% less than the amount of their 2012-13 season harvest, which would be a reduction of 1 million boxes. Given the projected production for the Lower Rio Grande Valley of Texas, combined fresh grapefruit and orange shipments are estimated by the Texas Valley Citrus Committee to be approximately 8 million 7/10 bushel cartons, which would be approximately 7% less than last season.

CALIFORNIA

On November 8th, the USDA-NASS forecast the 2013-14 California Navel orange crop at 88 million cartons, which is the same as last season. Under normal conditions, historically approximately 65 percent of the Navel orange crop is utilized for domestic shipments. The 2014 California Valencia crop was estimated at 25 million cartons, which would be the same as their anticipated 2013 harvest. Arizona's combined Navel and Valencia orange crops was discontinued by the USDA at the end of the 2008-09 season. The new 2013-14 California grapefruit crop is forecast to be 4 million boxes, which is also the same as their 2012-13 season's harvest.

As we have been reporting for the last few seasons, the greatest change in California citrus acreage comes from tangerines. California's total tangerine acreage was 38,826 acres in 2010, an increase of over 7,400 acres or approximately 23 percent from the 2008 California Citrus Acreage Report. It must be noted; the greatest change from the 2008 California Citrus Acreage Report to the most current 2010 report is the more than 27% increase in bearing tangerine acreage. As of 2010, California's non-bearing tangerine acreage is 15% of their total tangerine acreage. On November 8th, the USDA's forecast indicated an increase of 500,000 boxes in tangerine production from California for this season over last season's production of 13 million boxes. However, since the 2010-11 season, California's tangerine production has increased approximately 27%.

SUMMARY

Citrus fruit production (excluding lemons) for the United States was estimated by the USDA on November 8th to be 227.7 million boxes or approximately 4 percent less than the USDA's July 2013 forecast of 236.8 million boxes. California is projected to produce 77.9 million boxes of oranges, grapefruit and tangerines while the Florida orange, grapefruit and specialty citrus crop is projected to be 147.5 million boxes approximately 6% less than the previous season. The forecast for Texas citrus production is for an increase of approximately one million boxes below last season's harvest. Citrus production in Arizona has decreased to only 200,000 boxes of tangerines. The quality of the upcoming citrus crop from all citrus producing states is reported to be normal. Given the quality of the new citrus crop there will be ample amounts of fresh citrus fruit available throughout the year.

PROJECTED DOMESTIC FRESH CITRUS SHIPMENTS FROM CITRUS PRODUCING STATES

As previously noted California domestic shipments of Navel oranges should be about the same as last season due to the projected size of their Navel orange crop. Therefore, California domestic Navel orange shipments are estimated to be approximately 57 million cartons. Given the estimated size of their Navel orange production and Valencia orange production at 25 million cartons, coupled with the 4% increase in tangerine production and the same grapefruit production total fresh citrus shipments from California should be up slightly from last season's shipments due to their projected larger tangerine production for the 2013-14 season. Still total fresh citrus shipments from California could exceed 92 million cartons. Total fresh citrus shipments from Texas are expected to be approximately7% less than last season. Given the estimated citrus crops from the non-Florida citrus producing states, fresh citrus shipments should remain approximately the same as last season. Table 3 gives the estimated domestic shipments of fresh citrus from competing production areas in the United States for the upcoming season compared with the shipments for the previous two seasons.

PROJECTED FRESH FLORIDA CITRUS SHIPMENTS

It should be noted movement of fresh Florida citrus fruit to markets for the 2013-14 season will continue to be controlled by the USDA's Fresh Fruit Shipment Procedure, as outlined in the Code of Federal Regulation, CFR 301.75 Subpart-Citrus Canker and the Federal Domestic Quarantine Order, Guignardia citricarpa Kiely, Causal Agent of Citrus Black Sport (CBS), DA-2012-09, which was effective on March 16, 2012. Given these requirements for shipping fresh Florida citrus, the outlook for regulated fresh Florida citrus shipments will be less than last season. In projecting fresh shipments for this season, consideration was given to the increasing affect diseases are having on the Florida citrus industry.. In addition, the sluggish world economy and weaker U.S. dollar could also affect the amount of fresh citrus shipped to offshore markets. However, it is the decreased quantity coupled with the decreased quality and smaller sizes for this 2013-14 citrus crop that will place downward pressure on Florida's fresh shipments.

Last season, 25,887 million cartons of regulated Florida citrus were utilized in interstate and export markets. The 25,887 million cartons shipped last season was a decrease of approximately 2.6 million cartons or 10% from the previous season. It is estimated approximately 21.65 million cartons of regulated Florida citrus will be utilized in interstate and export markets, an anticipated 17% decrease or approximately 4.2 million cartons from last season. The basis for these projections is shown on Table 4.

Regulated fresh orange citrus shipments, as stated above, are projected to be down double digits from last season. The main reason is the continued decline in bearing trees coupled with increasing disease pressure. Through Sunday, December 1, 2013 fresh citrus shipments were down 31% or 2.9 million cartons compared to the same period last season. All three major classes of citrus shipments, orange, grapefruit & specialty citrus, were equally down approximately 30% from the previous season. The industry will not remain at the 30% reduction level from last season but will most likely be down double digits, as previously stated, from last season. At these projected levels, total regulated fresh orange shipments should be approximately 6.65 million cartons or approximately 17%.

Given the continued decline in grapefruit production coupled with small sizes and less than desirable quality, should translate into a decline in domestic grapefruit shipments. Offshore export shipments of grapefruit are expected to be down from last season. One of the overriding factors in projecting fresh grapefruit shipments is the projected smaller individual fruit sizes and the decrease amount of grapefruit, due to poorer quality, that should be available for fresh shipments. Last season the smaller individual fruit sizes coupled with poor external quality reduced the supply of grapefruit available for fresh utilization.

The regulated specialty citrus shipments for last season totaled slightly over 4.3 million cartons or 24% which was reduced from the 2012-13 season due mainly to increased disease pressure and smaller sizes on the specialty varieties. Regulated specialty citrus fruit shipments for this season are projected to be 3.6 million cartons, which would equate to a reduction of 729,000 cartons or 16% less than last season, mainly due to the deceased crop size of the specialty citrus varieties, lower juice prices and the increasing pressure from the newly developed tangerine varieties from California .

Comparisons by variety of regulated fresh Florida citrus shipments over the previous two seasons and the estimated shipments by variety for the 2013-14 season are outlined in Table 4. These shipments exclude the approximate 8% of Florida's total fresh citrus shipments, which will be marketed within the production area of Florida.

PROCESSED CITRUS PRODUCTS

The movement and ending inventories of processed citrus is of importance to the grower and shipper of fresh Florida citrus utilized for fresh shipments. The processed information outlined below was published in the Florida Citrus Outlook for the 2013-14 Season by the Economic and Market Research Department of the Florida Department of Citrus.

ORANGE

Florida ended the 2012-13 season with an OJ inventory level of 433.5 million SSE gallons or 28.4 weeks of supply, compared to 22.7 weeks in the previous season. Adding the 2012-13 ending inventory to the 2013-14 estimate of Florida OJ production of 792.8 million SSE gallons plus an estimated import level of 132.5million SSE gallons gives the estimated availability. Florida's OJ availability in 2013-14 is estimated at 1,448.7 million SSE gallons, down 33.1 million SSE gallons or down 3% from last season's level. Total movement in 2013-14 is projected at 927.4 million SSE gallons, down 4% from last season. At the end of the 2013-14 season (September 27, 2014), Florida's OJ inventory level would stand at 521.3 million SSE gallons (29.2 weeks of supply).

Given the official estimate of Florida orange production and the amount of OJ inventory and movement projections, the prices Florida orange producers will receive for the 2013-14 season should be less than last season.

GRAPEFRUIT

Florida begins the 2013-14 season with 34 million SSE gallons of GJ in inventory (33.1 weeks supply), about the same from the previous season's level of 33.4 million SSE gallons (33.4 weeks). .

Florida GJ production in 2013-14 is estimated at 49.4 million SSE gallons, down 1.6 million SSE gallons from last season. Combining production with beginning inventories, Florida GJ availability this season is estimated at 83.4 million SSE gallons, down 4.1 million SSE gallons or 5% from last year.

GJ movement is estimated at 49.9 million SSE gallons, down 7% from last year. The 2013-14 ending-inventory levels for Florida GJ are estimated at 33.5 million SSE gallons or 34.9 weeks supply.

Total grapefruit commercial utilization last season was 18.4 million boxes down approximately 3% from the previous 2011-12 season. The estimated 17.8 million-box grapefruit production for the 2013-14 season is a decrease of .6 million boxes or approximately 4 percent. Given the above information, grapefruit growers should receive lower per pounds solid prices for their 2013-14 grapefruit crop utilized in the production of FGJ. Given these projections, grapefruit growers can anticipate lower on-tree returns this season.

CONSUMER INCOME AND ECONOMIC OUTLOOK

The following U.S. economic outlook information was taken from columns reported by The Associated Press.

The U.S. economy grew at a 3.6 percentage annual rate from July through September, the fastest since early 2012. But nearly half the growth came from a buildup in business stockpiles, a trend that could reverse in the current quarter and hold back growth.

The Commerce Department's second estimate of the third-quarter growth released on December 5, 2013 was sharply higher than the initial 2.8 percent rate reported in November. And it was well above the 2.5 percent growth rate for the April-June quarter.

When excluding inventories, the economy grew at a 1.9 percent rate in the third quarter, down from 2.1 percent in the spring. That's in line with the same subpar rate that the economy has seen since the Great Recession ended four years ago.

In the third-quarter, consumers increased their spending at a tepid 1.4 percent annual rate. That was the slowest since the final quarter of 2009, a few months after the recession officially ended. Consumer spending typically drives 70 percent of the economic activity.

In October, spending at retail businesses rose solidly. U.S. exports grew to a record level and employers added 204,000 jobs. November car sales rose 9 percent and are running at an annual rate of 16.4 million, the best performance of the year, according to Autodata Corp.

Overall the economy is not strengthening and consumer income remains flat.

PROSPECTIVE SUPPLIES OF NON-CITRUS FRUIT

The USDA on July 26, 2013 reported the following information on supplies of non-citrus fruit in their Fruit and Tree Nuts Outlook report. California's 2013 cherry harvest started in early May and ended the season in June with overall lighter supplies. The 2013 U.S. peach supplies were reported to be good quality and fruit size. The 2013 production is expected to exceed last season. The California's 2012-13 dried plum crop is projected to be down 24 percent from last season. Due to the government shut down in October there is very limited information on non-citrus fruit.

Back in August, the U.S. Apple Association released its annual estimate. U.S. apple production is estimated at 243 million bushels, up from 216 million bushels in 2012 and 9% above the five-year average. Big comebacks in Michigan and New York, which were devastated by late freezes in 2012, helped make up for the smaller Washington crop. Washington growers are expected to produce 140 million bushels. New York, the No. 2 producer, is expected to produce about 32 million bushels. Production in Michigan, the third-largest U.S. apple shipper, should rise from 2.7 million to 30 million bushels.

Even with reduced supplies of non-citrus fruit available from domestic production, the ever-increasing global supplies will ensure sufficient supplies of non-citrus fruit available to the consumer throughout the year.

PROPOSED REGULATIONS

The CAC will meet, as necessary, during the 2013-14 season to review all relevant supply, demand and quality factors and to consider changes in minimum grade or size regulations for each variety of Florida citrus fruit shipped to interstate and export markets. Meeting notices are widely disseminated to all handlers of fresh Florida citrus, importers and exporters of fresh citrus fruit and other interested parties at least 7-10 days prior to any

CAC meeting. Also, only those items listed in the meeting notice will be considered by the CAC.

To guide the CAC this season, the CAC Chairman may again appoint an Orange/Specialty Subcommittee and Grapefruit Subcommittee which will meet on an as needed basis to review and consider fruit and market conditions as they may affect the need to relax minimum grades, maturity and sizes during the 2013-14 season. In addition, the CAC Chairman will appoint a Regulation Subcommittee to review and consider minimum grade and size regulations and their relationship to the disease pressure and the production practices for disease control and how they are affecting the fruit size and quality. Interstate regulations for both red and white seedless grapefruit recommended by the CAC and approved by the Secretary of Agriculture (Secretary) should include continuous coverage under Section 8e of the Agricultural Marketing Agreement Act of 1937, as amended. This requires that the quality of grapefruit imported to the United States must meet the same minimum grade and size requirements, as Florida grown red and white seedless grapefruit interstate shipments under the order.

A proposed schedule for minimum grade and sizes for the various citrus varieties regulated during the 2013-14 season is shown in Table 5. The actual recommendations to be made by the CAC and the timing of any changes may vary from the proposed schedule due to changing supplies, demand, and weather conditions which cannot be foreseen at this time. It is important to note, the length of some of Florida's fresh citrus crops are 6 to 8 weeks in length and timely regulation changes could be the difference in a profitable season for growers and shippers. Also important to note, depending on crop and market conditions, most recommended regulations may be determined to be critical and time sensitive. As such, these regulations will require approval in an expedited manner, as provided under the Administrative Procedures Act.

The Citrus Administrative Committee recommended to the Secretary a number of proposed amendments to the order during the 2011-12 season. The Public Hearing was held on April 24, 2013 and the Secretary of Agriculture's recommended decision is anticipated in 2014. The first proposed amendment the CAC recommended, to the Secretary, could have a profound effect on regulated citrus shipments from Florida. This amendment would authorize the inclusion of new varieties and hybrids if and when they become commercially viable, which could increase regulated shipments and offer consumers a much greater choice of seedless, easy peel and good tasting varieties of Florida citrus fruit. Another of the proposed amendment would give the CAC the authority to regulated varieties within the production area. The remainders of the other proposed amendments address mainly the administration of the order.

MARKETING POLICY OBJECTIVES

ORDERLY MARKETING

There are an estimated 8,000 Florida citrus growers of which approximately 750 produce citrus for the fresh channel of trade. As of October 31, 2013 there were 31 shippers of fresh Florida citrus fruit compared to 42 during the 2012-13 season, a reduction of 11 shippers. During the 2013-14 season, the largest 10 handlers handled over 50% and the top 20 handlers handled over 82% of the fresh citrus fruit shipments from Florida.

Minimum quality controls as provided under this marketing order play an important role in the orderly marketing of the projected 21.65 million cartons of Florida citrus fruit to be shipped in regulated channels during the upcoming season. If the marketing order was not in place, the shipment of immature, lower grade, possible freeze damaged and extremely small sizes of Florida citrus fruit could do irreparable harm to the quality image built of many years by the Florida citrus industry. Oranges that do not meet the minimum regulation requirements can often be profitably utilized in process products with a greater overall return to the Florida orange grower. However, even with the smaller grapefruit crop, it is expected that grapefruit growers selling their grapefruit for processing during the upcoming season may not return the cost of production. Therefore, maintaining a strong fresh market through orderly marketing is of vital importance to the Florida citrus grower and consumers of Florida citrus fruit.

CONSUMER CONFIDENCE

Many consumers buy fresh Florida citrus fruit on the basis of eye appeal. The shipment of excessively blemished, discolored and misshapen citrus fruit and extremely small sizes does not result in consumer confidence in the quality of the product. Therefore, the minimum grade and size requirements recommended by the CAC are designed to provide an ample and consistent supply of quality fresh Florida citrus fruit, which will gain consumer confidence and encourage repeat purchases.

REASONABLE PROFITS FOR FLORIDA CITRUS GROWERS

Ronald P. Muraro, University of Florida - IFAS, CREC, reported in September 2012, that Florida citrus production cost are the highest in history and are continuing to climb as growers battle citrus canker and greening. He estimated the cost to produce Florida citrus fruit ranges from an estimated $1,700 an acre to $2,100 or more per acre for irrigated citrus groves in the different citrus producing area of Florida. It must be noted the cost to produce fruit for the fresh market can be an additional 10 to 15% annually. These costs did not include ad valorem taxes, interest on production costs, insurance, depreciation, and other costs, which may vary widely among Florida citrus growers. These other costs are estimated to add an additional 10 to 20 percent to the cost of production. However, for the upcoming 2013-14 season production cost will continue to increase due to the continued increased energy, fertilizer and chemical cost. In addition, the cost for scouting for greening and citrus canker management continues to rise each season. An important objective of this marketing order is to obtain a reasonable profit and return for Florida citrus growers producing citrus fruit for the fresh market. The fresh market is very important to growers of seedless grapefruit, tangerines, tangelos, Temples, Navel oranges, and round oranges. However, because the fresh market discounts heavily the lowest grades and smallest sizes of each variety it is these least desirable grades and sizes, which usually fail to return the cost of production to the Florida citrus grower. Therefore, throughout most of the marketing season, the lower grades and extremely small sizes are restricted at a reasonable level above the cost of production.

AIM FOR PARITY

One of the objectives of this marketing order is to strive to achieve parity for all Florida citrus fruit sold in fresh channels. With the estimated citrus production in Florida this season, it is believed that the 2013-14 average on-tree returns most likely will not exceed parity.

EFFECT OF REGULATORY ACTIONS ON SUPPLY - PRICE - INFLATION

EFFECT ON SUPPLY

During the previous season, the processing segment of the Florida citrus industry utilized 97 percent of the round orange crop, 62 percent of the grapefruit production, and 41 percent of the specialty citrus varieties (Tables 6 and 7). In contrast to many fruit and vegetable industries, Florida citrus fruit for processing often returns the grower more money than the fresh segment, especially for oranges with high-pound solids. As a result, Florida citrus delivered to packing houses that does not meet the minimum grade or size requirements of Marketing Order No. 905, but is wholesome and passes all maturity tests, can be profitably used for FCOJ, FCGJ, chilled juice or sections, most seasons. Regulatory requirements under Marketing Order No. 905 does not reduce the overall supply of Florida citrus fruit that can be shipped fresh because approximately 75 percent of each variety can meet the minimum grade and size requirements sometime during the marketing season. Minimum quality regulations promulgated under this marketing order simply guarantees the best quality citrus fruit will be shipped fresh, resulting in increased consumer purchases.

While minimum size regulations may cause delays in harvesting certain crops, these delays can increase the total supply because fruit will continue to increase in size throughout most of the season.

EFFECT ON PRICE

Since lower grades and smaller sizes are generally discounted in the marketplace and adversely affect the returns for better grades and sizes, overall grower returns benefit from diverting the least desirable grades and sizes of Florida citrus fruit to processed products throughout most of the season. Price fluctuations are kept at a minimum as a result of these regulations, which provide a consistent supply of good quality fresh Florida citrus in the markets for approximately seven months each year. The effect of Marketing Order No. 905 regulations on the retail price is insignificant. This is because the retail price for fresh Florida citrus fruit primarily reflects the cost of harvesting, packing, transportation, wholesaling, and retailing rather than the cost of the citrus fruit itself. The FOB shipping point price is approximately 30 to 40 percent of the retail price of Florida citrus fruit. The on-tree return to Florida citrus growers would be lower as a percentage of the retail price because of the harvesting; hauling, packing and selling are deducted for FOB packinghouse price. Therefore, price changes at the on-tree level generally have only a slight effect on retail pricing unless there is a severe freeze or other natural disaster. Fresh Florida citrus fruit will remain an excellent buy in comparison with other fresh fruit and vegetables on a price-per-pound basis during the upcoming season.

EFFECT ON INFLATION

Regulations under Marketing Order No. 905 have no effect on inflation, productivity, employment, critical supplies or competition. The minimum quality regulations authorized by this marketing order should actually increase demand and the total volume of Florida citrus fruit sold fresh.

COST - BENEFIT SUMMATION

Under normal growing conditions, approximately 9 percent of the total Florida citrus crop is marketed as fresh fruit. However, returns from fresh sales are of great importance to the Florida citrus grower. The returns on the portions sold fresh are usually the difference between profit and loss, especially for the Florida citrus growers producing Navel oranges, grapefruit, tangelos, tangerines, Temples, and Honey tangerines. The value of this season's citrus marketed in fresh form could exceed $350 million at the FOB packinghouse level. This marketing order program contributes to the increased value of Florida citrus fruit sold fresh and the cost of the program is $0.009 per 4/5-bushel carton of regulated fresh Florida citrus shipped.

In developing this advisable marketing policy, the CAC has considered the practical problems associated with harvesting and marketing the crop and believes that the adjustments necessary for the industry to conform to the regulations will be negligible in comparison to the benefits that will accrue to the Florida citrus growers.