As expected, Hurricane Irma landed in Florida with winds in excess of 130mph. Although the hurricane touched land to the west of most of the predictions, the size of the storm was so large that the entire state was hit. As with any major storm, the damage was severe. The cost in terms of property will be staggering. The hurricane was the cause of one of the largest evacuations due to weather in history.

We have seen photos from citrus growers showing groves with thousands of oranges floating in standing water and claims of crop loss of 75%. We have received reports from some growers whose groves experienced an estimated loss of 20%. It all depends on the specific location of the grove. It is probably fair to say that the overall loss will be in the neighborhood of 25% to 35%.

Two charts for Orange Juice Futures appear to the left. Although the correlation between prices for orange oil and prices for orange juice is only approximate, an understanding of the price for orange juice is helpful when trying to predict what might happen with orange oil. Chart I shows orange juice pricing over the past 3 months. Notice the spike last week which has just come down a bit today ($128 to $155).

The second chart shows pricing over 18 months. These two charts show the consequence of a bad crop in Brazil ($229) versus a catastrophic event in Florida where the futures price has only risen to $155.
In basic terms, a 30% reduction in fruit in Florida equates to an approximate reduction in availability of 15,000,000 boxes. The same 15,000,000 boxes are made up in Brazil by an increase in the total number of boxes of only 4%.

While the supply of orange oil from Florida will be lower than in 2016, the availability in 2016 was the lowest in 50 years. It is possible, after an initial spike in prices, that prices may return to pre-hurricane levels. It all depends on the amount of inventory currently in warehouses at companies who need orange oil. If there is too much panic buying, the spike in prices will be reinforced and could become the new norm for the next 12 months. The fact remains that Florida accounts for a much smaller percentage of the global orange supply than it once did.

While our estimate of a crop reduction of up to 35% is reasonable, there are some unknowns. A major percentage of the trees suffer from greening disease. The trees are sick. Nobody knows what will happen in 60 days to sick trees that have just come under such severe stress.

With grapefruit, the consequence will be more severe due to the fact that Florida is a significant supplier within the global market. Given the low demand for Grapefruit Oil and already record pricing, prices will probably increase, but the increase may be a catalyst for consumer companies who are deciding whether to discontinue or reformulate consumer products that incorporate grapefruit oil. This move could reduce prices despite the limited supply.

Citrus and Allied will support regular customers with regular orders for regular quantities. In appreciation of our long-standing customers, who, in many cases have been purchasing from us for decades, we will not be soliciting new business until we are comfortable that our loyal customers are being serviced.