

Profitability On Downhill Slide

Time For Valencia Growers To Make Tough Decisions

by Roger Smith

Farming is a difficult business and requires that growers make tough decisions to remain competitive and profitable in the 21st century. As always, there are profitable citrus varieties and those that drain a grower's resources. The good experiences of many Valencia growers the past few years have turned sour. Their groves are losing money and the long-term outlook is not good.

At TreeSource, we are the first to admit that the Valencia has been good to many people over the years and in evaluating the variety we see numerous advantages.

1. Valencias are heavy producers.
2. Produce high quality juice.
3. Are relatively easy to farm.
4. Are versatile for most any climate.
5. Fulfill a need for citrus that navels can't because they produce in summer.
6. Allow for year-round use of resources keeping harvest crews and packinghouses busy by moving from navels right into the Valencias.
7. Are profitable in the export arena.

But all these advantages don't negate the fact that making a profit continues to be a major struggle. Something to think about is the number of growers who had to send their fruit directly to juice because there was no market during the 2000 season. While this last year was more profitable than 2000, it was still an economic struggle for many growers.

Growers must ask themselves why is this occurring? What has changed? Why are the historical advantages of the past not working in the growers' favor anymore?

We see several crucial things impacting the Valencia marketability.

1. Late navels are competing with early Valencias in export and domestic markets.
2. South African and Australian citrus is in US markets at the same time and are preferred by consumers.

3. Juice prices are a lot lower than in the past because that segment of the industry is dominated by Brazil. Even our countrymen in Florida are having a tough time and they specialize in juice production.

4. Competition in export markets with mandarins and navels from the Southern Hemisphere (Chile, Argentina, Australia, South Africa and New Zealand) where their winter is our summer.

5. Decent quality Valencias can be grown in a lot of climates, which means there can even be competition in the Northern Hemisphere. Even in California, we can produce Valencias in a range of locations like the intensely hot areas of Coachella to cool coastal locales of Santa Barbara.

When growers face the fact that marketing surveys show consumers prefer seedless navels and mandarins compared to seeded Valencias, they can understand why there is a shrinking demand for California Valencias.

While the overall Valencia picture is bleak, each individual grower will be affected differently. As demand shrinks, the kind of quality a grower produces becomes more and more important. We've seen demand grow for larger sizes while the market for smaller sized Valencias has diminished. So growers with younger groves with high production and good quality and size may see that their Valencias are doing well. Older groves, however, with poor fruit size, quality and consistency are in trouble.

WHAT SOLUTIONS ARE AVAILABLE TO CALIFORNIA VALENCIA GROWERS?

We don't advocate pulling all Valencias, but our recommendation at TreeSource is to reduce Valencia acreage so that it does not exceed more than 20 percent of your entire citrus operation (some experts advocate 10 percent). Although young Valencia groves may be producing good quality and quantity right now, a grower with 40 or 50 percent of his acreage in Valencias must consider the long-term mar-

keting outlook and must consider reducing his commitment to Valencias. We see a continual decline in the marketability of Valencias over the next few years.

What are the options for an operation that exceeds our 20 percent threshold? It is critical to evaluate what your Valencia acreage looks like. If you have older blocks of Valencias, they should be removed first while keeping your eye on the overall 20 percent threshold. The foremost goal for the grower should be to reduce the acreage of Valencia trees and replace them with more profitable varieties. That can be accomplished by dozing and redeveloping the property, or by topworking the existing trees.

This is where a dilemma arises. It is very well known that topworking trees that are young is less expensive and the trees heal better. At the same time, those younger groves are the better ones for a grower to keep. However, eventually there will be too many Valencias and a grower will have to do something regardless of whether they are healthy and high producing or not. Doing nothing is putting your operation at greater risk of failure in the long run and that scenario will only get worse.

Let's look at the two alternatives – pushing and redeveloping a new planting versus topworking an existing grove – in meeting our number one goal which is to get out of a poor variety and into one that will make the growers money.

PUSHING AND REDEVELOPING NEW PLANTINGS

This option has numerous advantages, many times overlooked. It is possible that a 30 or 40-year-old Valencia grove was never really ripped properly. Today it is easier to get in and better prepare the ground for a new orchard. This is especially true in groves that may be as much as 80 years old. Additionally, during redevelopment growers can change tree spacing. Some old orchards have as few as 75 trees per acre. New plantings, on the other hand,



Both trees were topworked in 1998 and are within 40 feet of each other. Topworking results can be inconsistent and are often influenced by weather. Across the industry, 1998 was a bad year for topworking. (photos taken 10/2001)

have from 120 to as high as 220 trees per acre, which offers much higher production capacity. A new planting allows for selecting new rootstocks that enhances production and quality while offering resistance to soil diseases and pests. More efficient irrigation systems can be updated during redevelopment and the land can be leveled like never before.

Probably the only disadvantage of pushing and redeveloping is that it takes longer for the grove to become economically productive for the grower when compared to topworking.

TOPWORKING YOUR VALENCIAS

The topworking alternative accomplishes the primary goal of changing a poor variety. The biggest advantage of topworking is preserving the existing root system of the established tree, which brings the new variety into production much quicker than a new planting can come into production. It is about the same cost per acre as redevelopment if the trees are small. Older trees are much more expensive to topwork because so much pruning and shredding of brush is required, not to mention higher budwood costs.

TreeSource emphasizes the importance of understanding all the costs involved in topworking. When topworking young trees less than 10 years old the contractor may charge

from \$5 to \$10 per tree. These costs include budding and much of the work on pruning and maintenance through the first year of the contract. The grower will still carry the expense and responsibility for irrigation, fertilization, pest control, periodic suckering and brush shredding, which adds additional costs to the project.

Thus, growers must recognize that the total cost of topworking on a per acre basis will not be cheaper than bulldozing and replacing the trees with a new planting. This is especially true when considering the high cost of topworking an older grove. You will come into production quicker on a per tree basis, but you have to ask yourself, is the overall productivity of the grove suitable for the cost of production?

The main reason to topwork an orchard is to get the trees back into production as quickly as possible. Typically, a grower who has topworked his grove can expect a reasonable crop three and a half years from budding. The size of the crop varies with variety and the size of the original tree, but it will be worth harvesting.

Topworking does have drawbacks and may not be the grower's best solution in the long run. If the grove is unhealthy, it should never be topworked. The trees are extremely

vulnerable to frost damage their first winter after topworking. The sandwich of another variety between the rootstock and scion has unpredictable influences on fruit quality. If tree spacing was too wide, it is still too wide. If the rootstock was inferior, it is still inferior. If the property needs deep ripping, it still needs it. Topworking accomplishes only one thing – it changes the variety and is not necessarily the solution for all situations.

BETTER DAYS AHEAD FOR CITRUS GROWERS

There is no question, in the coming decade there will be opportunities for growers of Valencias to make decent money. But to ignore the changing circumstances of Valencia consumption in the US and the world could be a tragic miscalculation on the part of growers. Throughout the generations of citrus production, some varieties have lost their marketable value. A good example is the Marsh white grapefruit grown in the San Joaquin Valley two generations ago. Many of those were topworked to Valencias and now it is the Valencias turn to come under the budder's knife or the dozer's blade.

California agriculture is facing a time when competition from other countries will become stiffer and more difficult because these countries are capable of producing citrus of similar quality and quantity at reasonable prices to market both domestically and internationally. Our big advantage in the citrus industry is the ability to get fresh product to market quickly due to our extensive infrastructure. This advantage is not helping us if we supply an inferior product that the market does not want.

Unfortunately the Valencia is becoming an inferior product in our current markets and it is time for California citrus producers to seek other alternatives that will return to them the kind of income it takes to survive in the century ahead.



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