Florida Citrus Mutual
USTR Field Hearing Comments
8-20-20

Good morning, I am Michael Sparks, CEO of Florida Citrus Mutual. Florida Citrus Mutual is a voluntary cooperative association whose grower members represent over 90% of Florida's citrus acreage.

Today, nearly 4,000 citrus growers operate on almost 440,000 acres, supporting more than 50,000 jobs and generating more than $7.2 billion in <u>annual</u> economic impact. Florida citrus remains a cornerstone of the state's agriculture economy and forms the backbone of many of our rural communities.

All of this is now in jeopardy, because of rising imports, especially from Mexico.

The challenges we face are unlike any I have seen in my 40-year career, where I have the privilege to work for the Florida Citrus grower. Our challenges are very similar to those facing our fruit-and-vegetable colleagues from Florida and Georgia.

It is important I acknowledge that in recent years our industry has faced severe challenges that are not due to imports. The most significant of which has been huanglongbing or citrus greening, a disease that hit our groves beginning in 2005.

Our industry has invested hundreds of millions of dollars in research and, together with support from federal and state resources, we now have tools to combat the disease. I am cautiously optimistic we have turned a corner.

Needless to say over the past decade, our production took a hit, which the Mexican citrus industry exploited. Imports from Mexico came in and filled the gap and have kept U.S. inventories high. Our production is coming back but the imports keep coming, too. No matter what the market needs. U.S. demand has softened over the years, and yet the imports still arrived. When inventories are high, grower returns are low and stay low, because of the imports. It is making it impossible for our growers to cover their production costs.

NAFTA anticipated the potential for rising imports from Mexico and included a snapback tariff that protected against import surges that were accompanied by drops in price. This snapback provision remained in place during a 15-year transition phase, then expired.

The snapback tariff was never triggered. While the Florida industry experienced several periods of low prices during the transition phase, we did not see the kinds of import surges needed to trigger the tariff.

Historically, U.S. imports were shipped from Brazil. Mexico is now a major source, accounting for nearly 45% of orange juice imports.

How has Mexico been able to do this, especially given the already formidable presence of Brazil in the U.S. market? There are likely multiple factors. Subsidies are at the top of our list. As our colleagues in the fruit and vegetable sector have already explained, Mexico's subsidy programs grew over the past decade and a half, and now deserve closer scrutiny.

I understand some might say that the U.S. has agriculture subsidies, too – but Florida Citrus does not receive subsidies. U.S. farm subsidies go to other commodities and in other parts of the country. In the fruit and vegetable sector, the subsidized production is coming out of Mexico. And we believe those subsidies are affecting the U.S. market.

Low wages, poor labor standards and a lack of government enforcement also contribute to a drastically uneven playing field.

Here's where we net out from a numbers standpoint. At the end of the 2018-2019 season, there was a 52-week supply of FCOJ and a 30-week supply of NFC. For FCOJ, inventories are up 25% over the previous year. For NFC, inventories are up 77%. As a result of increased imported juice and inventories, many growers were not being offered contracts and the spot market plummeted below a dollar per pound solid. Break even for a Florida grower is around $2 per pound solid.

At this point, I should also acknowledge that the coronavirus pandemic has actually spurred a short-term jump in U.S. household demand for orange juice. But this is only a temporary deviation from the longer-term trend of softening demand. Our long-term success cannot depend on government-mandated shutdowns that force consumers to stay home. As the United States adapts to COVID's disruption, the longer-term trend of softening demand will return. And when the dust has settled, Mexico's imports will still be there – a grave and growing threat to our industry's survival – coming into our market and filling up inventories, whether the demand is there or not.

If this threat is not resolved, foreign production will drive Florida citrus out of business and imports will take full control of the U.S. market. Those rural communities I mentioned earlier that rely on citrus – places like Sebring, Lake Placid, Wauchula, Arcadia among many others - will become ghost towns.

Our request today: as you consider how best to address the problems of our seasonal and perishable colleagues, please keep the Florida citrus industry in mind. The problems they face are the problems we face. These problems affect the entire spectrum of Florida's fruit and vegetable sector. Moreover, we need solutions that are durable. A one-time fix will not be enough. This much is clear to us.

USMCA is built on the idea of a common future between our three economies. Our growers must compete in what is, for all practical purposes, a single market – a common market. But Mexico does not produce under common policy conditions. The Florida citrus industry is suffering the consequences.

Thank you for giving me the opportunity to testify. Florida citrus growers appreciate your hard work on this complex issue.