

Citrus Administrative Committee

Minutes of Meeting

December 16, 2008

The organizational meeting of the Citrus Administrative Committee was held on Tuesday, December 16, 2008 at the Grove House, Lake Wales, Florida.

Ms. Jamieson, USDA/AMS Southeast Marketing Field Office called the meeting to order and advised the Committee the Secretary of Agriculture had approved the 2008-09-selection order. She then read the following notice to the committee.

“In its relationship with agencies outside the Department of Agriculture, each committee must bear in mind the necessity for confining its activity to those functions authorized under its marketing order program. A committee does not have authority for undertakings with groups or agencies outside the Department, or cannot represent itself before such groups or agencies without authorization from the Department. Committees cannot become involved in lobbying and political activities. Furthermore, committee members and employees are not authorized to appear before other government agencies or Congress in their official capacity.”

Mr. Chadwell called the roll of members and alternates of the 2008-09 Citrus Administrative Committee. The following members and alternates were present and seated:

Growers

Lindsay Raley
Dennis Broadway
Steve Cassens
Scott Lambeth, alternate
Charles Wilson, III, alternate
Greg Reints
Philip C. Gates, Jr., alternate

Shippers

Michel Sallin
Dick Wooley, alternate
Rusty Varn
Steven Callahan
George F. Hamner, Jr.
Ray Smith
Pat Rogers

Public Member

Mery Butler

Others Present:

John Husted, alternate	Bob Sands
Ellis Hunt, Jr., alternate	Arthur Chadwell
Richard Kinney	Chris Nissen
Doris Jamieson	Mike Durando
Scott McClure	Candi Erickson
Dave Mereness	Doug Bournique
Gary Verkeek	

Ms. Jamieson asked for nominations for Chairman, Vice Chairman and Secretary/Treasurer for the 2008-09 season.

Mr. Callaham moved, seconded by Mr. Varn nominating Lindsay Raley, Chairman; George F. Hamner, Jr., Vice-Chairman; and Mery Butler, Secretary/Treasurer for the 2008-09 season. The motion carried unanimously on a voice vote of the committee.

Mr. Raley assumed the Chair and conducted the remainder of the meeting.

Mr. Cassens moved, seconded by Mr. Callaham nominating Pat Alley as the Public Member and Mery Butler as the Public member alternate for the 2008-09 season. The motion carried unanimously on a voice vote.

Mr. Raley said cooperative shippers were notified on October 8, 2008 of the vacant cooperative shipper member position and requested they submit a qualified person for the committee to recommend to the Secretary of Agriculture.

Ms. Jamieson reviewed with the committee the USDA's position on diversity on marketing order committees.

Mr. Chadwell informed the committee that along with the notice the cooperative shippers were sent information of the USDA's diversity policy.

Mr. Hamner moved, seconded by Mr. Wilson that Frank M. Hunt, III be nominated to serve as the cooperative shipper member for the remainder of the 2008-09 season.

Mr. Raley noted Mr. Hunt has served as President of the Florida Citrus Packers, Chairman of the Orange and Specialty Council of the Florida Department of Citrus, Chairman of the Florida Citrus Packers Orange and Specialty Committee and he serves on the board of directors for both Citrus World, Seald-Sweet Growers, Inc. and Hunt Brothers Cooperative. He said Mr. Hunt was extremely qualified to serve on the committee.

The motion to nominate Mr. Hunt was unanimously approve by the committee on a voice vote.

Mr. Hamner moved, seconded by Mr. Callaham that the minutes of the CAC meeting held on January 22, 2008 be approved as mailed. The motion passed unanimously on a voice vote of the committee.

Mr. Hamner moved, seconded by Mr. Callaham that the financial reports for January, February, March, April, May, June, July, August, September 2008 be approved as mailed. The motion carried unanimously on a voice vote.

Mr. Hamner moved, seconded by Mr. Cassens that Arthur B. Chadwell be employed as Manager for the 2008-09 season and be named Assistant Secretary with the authority to sign the minutes of meetings. The motion carried unanimously on a voice vote.

Mr. Hamner moved, seconded by Mr. Rogers the Citrus Administrative Committee Manager, Chairman and Citrus Administrative Committee Secretary/Treasurer serve as Trustees of the Citrus Administrative Committee Retirement Plan GD-31659, invested in John Hancock Retirement Plans and administered by First Plan Administrators, Inc. The motion carried unanimously on a voice vote.

Mr. Cassens moved, seconded by Mr. Varn all employees be under a blanket position bond of \$20,000 and all checks be signed by any two of the following persons: Manager Arthur B. Chadwell, Citrus Administrative Committee Secretary/Treasurer, Marie K. Romack or Lelia M. Kader. The motion carried unanimously on a voice vote.

Mr. Broadway moved, seconded by Mr. Wooley that SunTrust National Bank and Riverside National Bank be named as official depositories for the funds of the Citrus Administrative Committee. The motion carried unanimously on a voice vote.

Chairman Raley called on Dave Mereness of Dearolf & Mereness, LLP to present the audit of the Citrus Administrative Committee's financial records for the 2007-08 season.

Mr. Mereness noted hard copies and PDF file copies of the audit had been sent to the Citrus Administrative Committee. The PDF file copy of the audit was posted on the committee's website, as requested by the committee.

Mr. Chadwell noted that copies of the audit were included in each meeting folder.

Mr. Mereness went over the audit of the financial records of the Citrus Administrative Committee for the 2007-08 season. He noted the audit was conducted at the office of the Citrus Administrative Committee and completed on October 15, 2008. He noted they conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. He also noted they audited the internal controls adopted by the committee last season. He stated the Citrus Administrative Committee as well as other federal marketing orders does not capitalize and depreciate the cost of furniture and equipment. He said the financial position of the Citrus Administrative Committee conforms to U.S. generally accepted accounting principles. He said on July 31, 2008 total liabilities and net assets were \$195,993, net assets were \$114,963 and cash and cash equivalents were \$176,668. He thanked the committee for contracting with Dearolf & Mereness LLP to conduct the annual audit and asked if there were any questions.

Chairman Raley thanked Mr. Mereness for presenting the audit. He asked if there were any questions concerning the audit. There were no comments.

Mr. Cassens moved, seconded by Mr. Callaham the committee accept the audit report for the 2007-08 season as conducted by Dearolf & Mereness, LLP. The motion carried unanimously on a voice vote of the committee.

Mr. Chadwell reviewed with the committee the Citrus Administrative Committee's Internal Controls for the 2007-08 season. He noted that the committee made changes to the policy last season and there were no recommended changes for this season. After brief discussion, Mr. Cassens moved, seconded by Mr. Callaham that the committee adopt the Citrus Administrative Committee's Internal Controls for the 2007-08 season. The motion carried unanimously on a voice vote of the committee.

Mr. Hamner moved, seconded by Mr. Broadway the mileage rate for automobile travel be established at \$0.505 (IRS January 2008 rate) per mile for travel by Citrus Administrative Committee employees and members and the reimbursement of expenses (\$10 per lunch for committee members and alternates) incurred in the performance of their duties be authorized, effective August 1, 2008. The motion carried unanimously on a voice vote.

Chairman Raley called on Mr. Chadwell to report on the CAC Budget for the 2008-09 season.

Copies of the proposed 2008-09 budget were sent to all members and alternates last October and there is a copy in your meeting folders today. The 2008-09 budget is based on estimated regulated shipments of 30 million cartons. Given fresh shipments to date, the projected regulated shipments are comparable to last season when total regulated shipments were 33.2 million cartons. The assessment rate required to fund this budget is 7.2 mills (\$0.0072) the same assessment rate as last season. The budgeted expenses for this season are equal to last season's expenses. Just a side note, the expenses for this budget is less than the expenses during the 1985-86 season. Are there any questions about this proposed budget?

Ms. Butler moved, seconded by Mr. Hamner the committee recommend to the Secretary of Agriculture the 2008-09 Citrus Administrative Committee Budget as presented with total revenue and expenses of \$280,000 with an assessment rate of \$0.0072 (7.2 mills) and the excess of revenue over expense from the 2007-08 season be applied to the reserve. The motion carried unanimously on a voice vote.

Mr. Chadwell reviewed the 2008-09 Advisable Marketing Policy with the committee and audience.

Mr. Chadwell noted copies of the 2008-09 Advisable Marketing Policy were mailed to all members and alternates and additional copies are available. He then reviewed the following information from the marketing policy.

“The official estimate for the 2008-09 Florida citrus crop is outlined on Table 1 Indicated a round orange crop of 167.5 million boxes or 2.5 % above last season's harvest. Seedless grapefruit production was estimated to be 23 million boxes of which 16 million boxes are red grapefruit and 7 million boxes of white grapefruit, a decrease of 13 percent from the previous season. Specialty citrus fruit production was projected to be 6.4 million boxes. The total USDA estimate for Florida citrus is 195.4 million boxes or 8.4 million boxes less than harvested last season.

The California-Arizona Navel orange crop was estimated to be 32 million boxes, which is down 36% from last season's harvest. Most seasons, approximately 65% of their navel orange crop is utilized in the fresh domestic market. Most important, in my opinion, is the increase in California's bearing tangerine acreage, which in 2005 totaled 12,204 acres an increase of 12 percent above 2004. In 2005 the non -bearing tangerine acreage was 11,834 acres. With approximately 50% of their tangerine acreage bearing fruit within the next 5 years the amount of tangerines shipped from California could more than double. As we all know, there is very limited information about the California tangerine crop.

The Texas grapefruit crop for this season is projected to be down approximately 13 percent. Combined citrus production from the Lower Rio Grande Valley should be approximately 6.8 million boxes or approximately 1 million less boxes than last season. .

Total regulated fresh citrus shipments from Florida are expected to decrease from the 33.2 million regulated cartons shipped last season to approximately 30 million cartons for this season, which would be a 10% decrease but weather could have an effect on total shipments.

Mr. Broadaway moved, seconded by Mr. Callaham the committee adopt the 2008-09 Advisable Marketing Policy. The motion carried unanimously on a voice vote.

Mr. Chadwell reviewed the CAC Compliance Plan for the 2008-09 season and noted a motion to adopt the plan for this season would be in order.

Mr. Hamner moved, seconded by Mr. Cassens the committee adopt CAC Compliance Plan for the 2008-09 season as presented. The motion carried unanimously on a voice vote.

Mr. Chadwell reviewed the current CAC Regulation Bulletin #1 for the 2008-09 season and noted there were no changes in the regulation bulletin from last season and a motion to adopt the regulations as outlined in the current bulletin would be in order.

Mr. Broadaway moved, seconded by Mr. Hamner the committee adopt the regulations as outlined in the current bulletin for the 2008-09 season. The motion carried unanimously on a voice vote.

Chairman Raley noted he had received a size change request from the Packers of Indian River for white seedless grapefruit for interstate shipment.

Mr. Chadwell noted that in each meeting folder was a fact sheet on the request. He then reviewed the fact sheet as follows:

Request - Paul Genke, Packers of Indian River

Recommendation - Release of size 56 white seedless grapefruit for interstate shipment, which is a relaxation of the current minimum size regulation for white grapefruit shipped to interstate markets.

- Section 905.52 Issuance of regulations. This section of the marketing order authorizes the committee to set minimum grade and size regulations for interstate and export shipments.

Recommended Date - The recommended date for this rule change is as soon as possible. The industry is entering the busiest time for the shipment of white grapefruit.

Definition of the problem - Under current industry regulations cartons of size 56 white grapefruit can only be exported and must be packed in cartons that are marked "For Export Only". Since white 56's are not allowed to be shipped to interstate markets and the cartons must be marked "For Export Only" the only option of the packinghouse is to repack the size 56 white grapefruit and then the fruit can only be sold in Florida (intrastate markets). With the release of white 56's they could be marketed domestically which includes Canada. This would be a very small volume of fruit and the interstate market could handle this small volume. Last season white grapefruit comprised only 4% of the domestic grapefruit shipments from Florida and during the 2006-07 season they comprised only 3% of the domestic grapefruit shipments. Given that historically only 6 to 7 percent

of the white grapefruit shipped to interstate markets are size 48 white grapefruit the projected number of size 56 white grapefruit should be only a few percent of the total white grapefruit shipped to interstate markets.

Conditions that lead to the problem - White grapefruit shipped to interstate markets for many seasons has been much less than red grapefruit and the smaller sized white grapefruit sold for less than the smaller sized red grapefruit, which in turn reduced the overall fob's for both red and white grapefruit. Over the past fifteen seasons, with the small amount of white grapefruit marketed to interstate markets, the effect on the fob's for the red grapefruit has been negligible. Over the past fifteen seasons more than 90% of the white grapefruit has been exported to Japan.

How will the recommendation address or correct the situation? By having the export and interstate minimum size regulations the same for white grapefruit, the packinghouse will not have to repack the smaller sized fruit or have to mark the cartons. This will be a savings to the grower.

Are there viable alternatives to the recommended action? There are no viable alternatives to the recommendation.

Expected results of the regulation - This change will save both the packer and grower money and will make for a more efficient operation in the packinghouse.

Impact of the regulation on small businesses - There will be no negative effects on small business.

Chairman Raley asked if there was any discussion on the recommendation to release size 56 white seedless grapefruit for interstate shipment.

Mr. Rogers noted he was supportive of the recommendation by Mr. Genke would make the packinghouses more efficient in the packing of the smaller sized white grapefruit and there was a market for the limited number of smaller fruit in the United States. He did state it would benefit the packers by eliminating the marking of the cartons of white seedless grapefruit size 56 for export only.

Mr. Callahan noted that it would be a benefit to the growers of white grapefruit by allowing a higher percent of their crop to be moved in the fresh market.

After some additional discussion, Mr. Rogers moved, seconded by Mr. Smith that the committees recommend to the Secretary of Agriculture the release of size 56 white seedless grapefruit for interstate shipment, as soon as possible, and the recommendation is continuous. The motion passed unanimously on a roll call vote of the committee.

Mr. Chadwell reviewed and discussed the Grower Tree Run Certificate program for the 2008-09 season. He noted the program was the same as the previous seasons and he expected the volume to be about the same as last season. He stated growers utilizing the program during this season are required to meet all the USDA-APHIS regulations, just as commercial packinghouses, and all shipments must have a LP (limited permit) to ship Florida citrus fruit out of the state.

Chairman Raley asked if there were any questions concerning the Grower Tree Run Certificate Program for this season. There were no comments from either the committee or audience.

Chairman Raley asked Mr. Chadwell to review the status of the amendments to Federal Marketing Order No. 905.

Mr. Chadwell noted that in each meeting folder was the language of each of the four proposed amendments to Marketing Order No. 905. He also noted he is hopeful the Secretary of Agriculture will issue a recommended decision soon with a comment period of 30 days to follow. He stated he is hopeful a grower referendum could be conducted in the April or May of next year.

Chairman Raley then introduced Mike Durando, Chief of the Marketing Order Administration Branch (MOAB) of the AMS/USDA and thanked him for taking time from his schedule to attend the meeting and learn more about the fresh Florida citrus industry.

Mr. Durando noted he was pleased to be able to attend at CAC meeting and meet growers and shippers along with visiting some groves to see canker and greening first hand. He noted he was hopeful the Secretary's decision on the amendments would be coming soon but could not discuss the issue due to the rule making procedures. He did want to discuss canker and the need to change the grade standards to allow the shipping of systemic fruit. He also noted he was from a fruit producing family and had a great appreciation of the industry's concerns on the status of shipping systemic fruit next season.

Mr. Kinney, Florida Citrus Packers briefly reviewed and discussed the approach the Florida citrus industry has taken to get the USDA to consider changes in the rules of shipping systemic citrus fruit from the state. In his review he touched on the scientific data that has been collected and published on the effect of canker on the fruit after packing.

Mr. Hamner discussed the importance of having all markets available to receive fresh Florida citrus fruit and without changes to the grade standards shipping grapefruit may be next to impossible within a few years.

Other committee members expressed very similar views.

Mr. Durando thanked the audience for their comments and noted he was looking forward to more discussion and visiting some groves and a packinghouse later in the day.

Chairman Raley thanked Mr. Durando for his commitment to the Florida citrus industry and work with the industry to solve their problems.

Chairman Raley asked if there was any additional business for the committee to consider.

There was no additional business and the meeting adjourned with the next meeting would be at the call of the Chairman.