

# Citrus Administrative Committee Meeting

November 14, 2019, 1:00 p.m.

UF-IFAS CREC, Lake Alfred

**BOARD PARTICIPATION:**

GROWERS					
Affiliation	Member / Alternate	Fname	Lname	Present	Dialed -In
Independent	<i>Member</i>	Rusty	Banack		
	<i>Alternate</i>	Cody	Estes		X*
Independent	<i>Member</i>	Greg	Nelson		X
	<i>Alternate</i>	Steve	Cassens		
Independent	<i>Member</i>	Trey	Smith		
	<i>Alternate</i>	Griffin	Greene		
Independent	<i>Member</i>	Tom	Jerkins		
	<i>Alternate</i>	Jon	Marone		
Independent	<i>Member</i>	Lee	Jones		X*
	<i>Alternate</i>	Sam	Jones		
Independent	<i>Member</i>	Emma	Ezell		
	<i>Alternate</i>	Julie	Obney		X
Independent	<i>Member</i>	Ed	Pines		
	<i>Alternate</i>	Anthony	Pascher		
Cooperative	<i>Member</i>	John	Husted		
	<i>Alternate</i>	Dennis	Broadaway		
Cooperative	<i>Member</i>	Ellis	Hunt	X	
	<i>Alternate</i>	Lindsay	Raley, Jr.		

SHIPPERS					
Affiliation	Member/ Alternate	Fname	Lname	Present	Dialed -In
Independent	<i>Member</i>	Larry	Black		
	<i>Alternate</i>	Melanie	Ressler		X*
Independent	<i>Member</i>	Paul	Genke		X
	<i>Alternate</i>	Doug	Feek	X*	
Independent	<i>Member</i>	Kevin	Paffrath		
	<i>Alternate</i>	Russell	Gravlee		
Independent	<i>Member</i>	George	Hamner	X	
	<i>Alternate</i>	Rusty	Varn		
Independent	<i>Member</i>	Dan	Richey		X
	<i>Alternate</i>	Tom	Mitchell	X*	
Independent	<i>Member</i>	Gee	Roe		X
	<i>Alternate</i>	Alex	Heller		X
Cooperative	<i>Member</i>	Daniel	Hunt		
	<i>Alternate</i>	Frank	Hunt, III	X*	
Cooperative	<i>Member</i>	Steven	Callaham		
	<i>Alternate</i>	Al	Finch		X
Public	<i>Member</i>	Ernie	Neff		
	<i>Alternate</i>	Lisa	Gaskalla		X

**GUESTS**

- Austin Siegle - Tropicana
- Amy Couch
- Chris Nissen – USDA/AMS
- Jen Varela – USDA/AMS
- Marc McPetridge
- Dave Mereness

**STAFF**

- Peter Chaires

Mr. Chaires and Ms. Varela confirmed the attainment of a quorum. The chart above reflects participation. Those with an asterisk were officially seated for the meeting.

Mr. Ellis Hunt made a motion, second by Mr. Hamner, to approve the minutes of the August 27, 2019 meeting as printed. Motion passed unanimously.

Mr. Hamner made a motion, second by Mr. Ellis Hunt, that Mr. Peter Chaires be retained as Manager of the Committee. Motion passed unanimously.

The 2019/20 budget was approved at the June 4, 2019 meeting and a copy of the budget and the approved assessment rate of \$.015 was included in the meeting packet and sent to those present on the telephone in advance of the meeting. The budget was confirmed by consensus, but no vote was required or taken.

Mr. Dave Mereness attended the meeting from Dearolf Mereness to present the Audit report. Mr. Mereness confirmed completion of the Citrus Administrative Committee’s financial statements as of July 31, 2019 and 2018. This included the Statement of Financial Position and the related statements of activities, functional expenses, cash flows and notes. Mr. Mereness confirmed that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion. In the opinion of Dearolf Mereness, the financial statements referred to above present fairly, in all material respects, the financial position of Citrus Administrative Committee as of July 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Mr. Mereness proceeded to highlight the following items:

- 2019 total assets and current assets are \$144,765. Down from \$162,152 in 2018. Unrestricted assets are \$134,802 in 2019 compared to \$151,272 in 2018. This was largely due to a decrease in movement and resulting assessments from \$152,218 to \$118,565. Accounting principles now dictate that expenses be divided between Program services—a more direct assignment and Management and General. A percentage breakdown between the two was discussed by the auditor and Manager. It is an estimate at best.
  - Program services are costs that are easily identified pertaining to a specific program or support function. This can be a direct or indirect cost. All other costs typically go to Management and General.
  - An example – the salary of the individual working exclusively on a particular program service. Hence charging the costs directly to that function.
- Management and General Expenses
  - M&G typically reflects activities that are not identifiable with a single program, fundraising activity or membership development activity.

Below is a breakdown of the percentages between Program (restricted) and General functions for CAC.

	Allocation	
	Program	General/mgmt
Management fees	90.0%	10%
Consulting	100.0%	-
Accounting and auditing	-	100.0%
Information and statistical services	100.0%	-
Travel	100.0%	0.0%
Committee - travel and meetings	100.0%	0.0%
Miscellaneous	75.0%	25.0%

	Allocation	
	Program	General/mgmt
Telephone	75.0%	25.0%
Communications	75.0%	25.0%
Office supplies	75.0%	25.0%
Insurance and bonds	75.0%	25.0%
Depreciation	75.0%	25.0%
Salaries and payroll taxes	PY Specific - Duke 95%, Lelia 80%	
Office rental	75.0%	25.0%
Repairs and maintenance	75.0%	25.0%

It was also mentioned that the Yellow Book Audit required of all Marketing Order Programs, represents a substantial % of the Committee's budget, but is a requirement of the Federal Government and is not likely to change. Mr. Mereness reminded the Committee that the audit is conducted in consultation with Mr. Chaires, but FFVA accounting staff provided the bulk of the information.

Mr. Mereness further explained that the reduction in assessment revenue was a result in the loss of fruit to Irma, tree stress from Irma and HLB, and the loss of another packing facility. End of the year cash and Cash equivalents was \$141,525 in 2019, compared to \$156,175 the prior year. These changes were anticipated.

Mr. Mereness stated that the audits were conducted for the purpose of forming an opinion of the financial statements as a whole. All information supplied by management and FFVA was subject to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records, and other records used to prepare the financial statements, or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the USA. In the opinion of Dearolf Mereness, the information is fairly state in all material respects in relation to the financial statements as a whole.

Mr. Hamner made a motion, second by Mr. Ellis Hunt, to approve the 2019/20 applications for Grower Tree Run Grade and Repacking Certificate of Privilege as presented. Motion passed unanimously.

Mr. Hamner made a motion, second by Mr. Frank Hunt, to approve SunTrust National Bank as the official depository for funds of the Committee. Motion passed unanimously.

Mr. Chaires provided a summary of the 2019/20 Advisable Marketing Policy. Mr. Frank Hunt made a motion, second by Mr. Feek, to approve the 2019/20 Advisable Marketing Policy as written and presented. Motion passed unanimously. This summary included the following information:

- Total Florida Orange production is projected to be 74 Million boxes. This is a 3% increase over the 2017/18 season.
- Handlers project Florida Navel Orange Production at 733k boxes, while the USDA forecast calls for 800k boxes. High volumes of CA oranges continue to overload eastern seaboard markets creating downward pressure on pricing.
- Florida seedless grapefruit crop is estimated to be 4.6 million boxes, which would represent an increase of 2% from 2018/19 but a 41% drop from 2016/17. The majority of surveyed handlers expect that internal and external grapefruit quality will be better than previous year.
- Florida's Specialty Citrus Crop estimate for 2019/20 is 1.05 boxes, an increase of 6% over previous year. Several thousand acres of specialty varieties have been planted, but they are only now starting to bear.
- Texas is forecasted to produce 2% less grapefruit and oranges than last season.

- The California/Arizona navel orange crop is forecasted to be 38 million boxes, 6.8% less than 2018/19. Historically 65% of the CA navel orange crop and 40% of the CA Valencia Orange crop are utilized in the domestic market. CA specialty citrus remains overplanted. CA was not able to move the entire specialty crop last year and more acreage is expected to be converted to other varieties or uses.
- Though the USA citrus volume is estimated to decline slightly, production planning is trending upward. Florida is again planting grapefruit. Florida is also planting significant acreage of oranges and specialty. Texas is planting grapefruit and trialing orange and specialty varieties. California is investing heavily in the development of earlier maturing specialty varieties. Citrus producing states report the quality of this year's crop to be excellent. Given the quality of the new citrus crop from CA and TX, coupled with increased Florida crop and steady import volume, there will be more citrus available throughout the year. Prices should be good early, but will be a concern as the season progresses.
- Processed orange volume will be depressed in Florida due to large inventories of foreign product. Unfortunately, this fruit was grown for processing and will not be of much value for fresh utilization.

Mr. Mitchell and Mr. Hamner led the Committee in a discussion of language for Registered Handler Certifications (905.7), including a process for appeals. Mr. Nissen asked the Committee if they would accept language making it possible for a Handler to file a second appeal to USDA AMS, if it were requested by the USDA legal team. The Committee agreed that a second appeal would be acceptable if requested. The Committee concurred that an August 1<sup>st</sup> deadline for registration is appropriate. The Committee also discussed the provision that a Registration would be minimally cancelled for two weeks, if a Handler was shipping without proper inspection. This seemed a fair starting point and an adequate deterrent. The Committee also discussed whether the amount of time allowed for the filing of an appeal should be 60 days or 90 days. The Committee ultimately agreed that 90 days is more appropriate and fair. After consideration, Mr. Ellis Hunt made a motion, second by Mr. Feek, to approve the Registered Handler Certification language as presented, with approval of the requirement for a second appeal to USDA if requested by USDA. Motion passed unanimously.

Mr. Mitchell asked Mr. Hamner to lead a discussion of the suggested language for formal rulemaking. Ms. Varela reviewed the differences between formal and informal rulemaking. After Ms. Varela concluded her remarks, the discussion went as follows:

- **905.19 – Establishment and Membership.** Section (a) currently established the Committee with two but not more than three grower members and eight shipper members. In consideration of vertical integration (Most Handler/Shippers are now also growers), the shortage of simon-pure growers, and the fact that it is getting harder for the Committee to conduct its business under the existing language, the committee recommended that section (a) be changed to ten grower/shipper members. This may negate the need for 905.120 (g).
- **905.22 – Nominations.** The current language in section (a) for Grower Members and (b) for shipper member requires that Committee give notice of a public meeting of producers in each district to be held not later than June 20<sup>th</sup> of even numbered years. Furthermore, the current language then requires that all nominations be submitted to the secretary on or before the 20th day of June. The Committee recommended that the notice of public meeting for Grower-Shippers be changed from June 20<sup>th</sup> to April 10<sup>th</sup> to allow sufficient time for the process to take place, and that the Nominations be submitted to the secretary by the 30th day of April. The primary rationale for this is that it is very difficult to conduct business in the summer, as members of the industry are traveling.

- **905.22 (b)(2).** The current language requires that the nomination of at least two members and their alternates shall be made by bona fide cooperative marketing organizations that are handlers. It also requires that Nominations for not more than eight members and their alternates be made by handlers who are not so affiliated. The Committee recommends that this be changed to one nomination process, to be conducted by US Mail, email or other method specified by the Committee and approved by the Secretary. Nominations shall be due to the committee on or before April 10th of even numbered years.
- **905.34 – Procedure of Committees.** The current language defines ten members as a quorum and further requires ten votes, five of which must be grower votes for any decision or recommendation of the Committee to be valid. After discussion, the Committee recommended that 60% (7) of the members (comprised of 10 Grower/Shippers and 1 Public Member) constitute a quorum, and six of the 7 must vote in the affirmative in order for a decision or recommendation to be valid. In any meeting of the committee, the Manager will confirm those seated for voting.
- **905.80 – Fruit Not Subject to Regulation** – part (d) stated that fruit sent by Parcel Post was not subject to regulation. The Committee recommended that this be changed to “by US Mail or private courier”. This is more in line with current terminology that would account for modern delivery directly to the end-user.

After the above discussion, the Committee requested Mr. Chaires and the USDA-AMS Winter Haven staff to work on revised language consistent with the discussion and return to the Committee for review and possible approval.

There being no further, Mr. Ellis Hunt made a motion, second by Mr. Mitchell to adjourn the meeting. Motion passed unanimously.