

Citrus Administrative Committee Meeting

November 15, 2022

Zoom Meeting

PARTICIPATION:

GROWERS					
Affiliation	Member / Alternate	Fname	Lname	Yes	No
Independent	<i>Member</i>	John	Paul		x
	<i>Alternate</i>	Matt	Machata	x	
Independent	<i>Member</i>	Ron	Mahan	x	
	<i>Alternate</i>	Ed	Liotti		x
Independent	<i>Member</i>	David	Wheeler Jr.		x
	<i>Alternate</i>	Lindsay	Raley		x
Independent	<i>Member</i>	Doug	Feek	x	
	<i>Alternate</i>	Jordan	Feek	x	
Independent	<i>Member</i>	Kevin	Koppelman	x	
	<i>Alternate</i>	Alex	Heller		x
Independent	<i>Member</i>	Melanie	Ressler	x	
	<i>Alternate</i>	Sydney	Allison	x	
Independent	<i>Member</i>	Jon	Marone		x
	<i>Alternate</i>	Dave	Haller		x
Cooperative	<i>Member</i>	Paul	Fabry	x	
	<i>Alternate</i>	Emery	Smith	x	
Cooperative	<i>Member</i>	Keith	Mixon	x	
	<i>Alternate</i>	Jerry	Mixon Jr.	x	

SHIPPERS					
Affiliation	Member/ Alternate	Fname	Lname	Yes	No
Independent	<i>Member</i>	Jeff	Hancock		x
	<i>Alternate</i>	Larry	Black		x
Independent	<i>Member</i>	Tom	Mitchell		x
	<i>Alternate</i>	Dan	Richey		x
Independent	<i>Member</i>	John	Stephens		x
	<i>Alternate</i>	Jon	Arost		x
Independent	<i>Member</i>	Russell	Gravlee		x
	<i>Alternate</i>	Frank	Tranchilla		x
Independent	<i>Member</i>	Jimmy	Martin	x	
	<i>Alternate</i>	Greg	Nelson		x
Independent	<i>Member</i>	Quentin	Roe		x
	<i>Alternate</i>	Adam	Roe	x	
Cooperative	<i>Member</i>	Frank	Hunt	x	
	<i>Alternate</i>	Daniel	Hunt	x	
Cooperative	<i>Member</i>	Steven	Callaham	x	
	<i>Alternate</i>	Jennifer	Schaal	x	
Public	<i>Member</i>	Duke	Chadwell	x	
	<i>Alternate</i>				

Staff:

Peter Chaires

USDA Staff:

Jen Varela
Delaney Fuhrmeister

Guests:

George Hamner
Bill Jacobs, Bunting, Tripp and Ingley, LLP

The following Alternate Board Members were seated for this meeting:

Growers:

Matt Machata for John Paul
Jerry Mixon Jr. for David Wheeler Jr.
Sydney Allison for Jon Marone

Shippers:

Steven Callaham for Russell Gravlee
Adam Roe for Quentin Roe

Ms. Varela called the meeting to order. She then proceeded to read the candidate slate approved by the Secretary of Agriculture. This also served as a roll call for verification of attendance.

Mr. Chaires reviewed the Officer nomination slate from the August 2, 2022, meeting of the Nominating Committee. Mr. Mahan made a motion, seconded by Mr. Callaham, to approve Mr. Doug Feek as Chairman, Mr. Ron Mahan as Vice Chairman, Ms. Melanie Ressler as Treasurer and Mr. Jimmy Martin as Secretary for the 2022-2024 term. Motion passed unanimously.

Chairman Feek asked for nominations for Public Member and Alternate Public Member. Mr. Mahan made a motion, which was seconded and passed – to elect Mr. Duke Chadwell as Public Member and Mr. George Hamner as Alternate. However, Mr. Hamner made it known that he has ownership in a grove, thereby disqualifying him from serving in this capacity. Mr. Mahan then made a motion, seconded by Mr. Fabry, to elect Mr. Duke Chadwell as Public Member and Mr. Frank Giles as Alternate Public Member. Motion passed unanimously. Ms. Varela requested additional information on the search for possible candidates for public member. Mr. Chaires replied that he had contacted the trade associations and trade press for suggestions of people who were not directly and financially connected to the citrus industry, but that may have an interest.

Chairman Feek called on Ms. Varela for a new member orientation. Ms. Varela shared her screen and reviewed the following topics:

- Authority and Coverage of Agricultural Marketing Agreement Act of 1937
- Purposes of Marketing Orders
- Authorized Activities
- Overview of USDA AMS
- Administration and Divisions of the Specialty Crops Program
- Overview of the Market Development Division
- Market Development Division (MDD) Responsibilities
- Rulemaking (informal, Formal, Amendment through Informal)
- Members' Roles
- Members' Responsibilities
- Committee Staff
- Lobbying and prohibited and allowable activities
- Antitrust issues
- Value of Public Meetings
- Public Records Law and FOIA
- Compliance
- Marketing Policy
- Communications
- Public Funds
- Contract Reviews and Continuance Referenda
- Contact Information

Mr. Mahan made a motion, second by Mr. Callaham, to approve the August 9, 2022 minutes as distributed. Motion approved unanimously.

The Committee reviewed the applications for Grower Tree Run Grade and Repacking. There were no other changes other than updating the expiration date. No action was required.

Chairman Feek called on Mr. Bill Jacobs to present and review the 2021/22 Audit. Mr. Jacobs began with the auditors report, which stated that “In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citrus Administrative Committee as of July 31, 2022 and 2021, and the changes in its 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. Jacobs summarized the Audit report as follows:

- Mr. Jacobs began with a review of the governance/management letter. His highlights included:
 - The Audit noted no transactions entered by the Committee during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
 - There was no need for an allowance for uncollectible assessments.
 - Mr. Jacobs noted that the disclosure of net assets in Note B to the financial statements of financial assets that are limited to two years’ operating expenses. The financial statement disclosures are neutral, consistent, and clear.
 - The auditor encountered no difficulties dealing with management in performing and completing the Audit.
 - Management corrected all known misstatements. In addition, none of the misstatements detected because of the Audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.
 - The Audit found no disagreements with management.
 - Overall, there were no findings or issues with the Audit.
 - It was noted that item #25, in the letter 10/27/22 letter from the Committee to the Audit firm, incorrectly stated Citrus Research and Development Committee, rather than the Citrus Administrative Committee. Mr. Chaires assured that this would be corrected.

- The Actual Financial Statements:
 - Cash and Cash Equivalents in 2022 are up slightly from 2021.
 - Net Assets in 2022 of \$201,252 are up slightly, but are in compliance with the Order.
 - Accounts Payables are essentially the same as year prior.
 - Revenues from assessments of \$113,256 are down approx. 25% from year prior, which is in line with industry production decline.
 - Expenses have remained flat, though there was an approx. \$24k reduction in net assets.
 - He provided a more detailed review of expenses. Mrs. Ressler made an inquiry whether the entire FFVA contract was represented in the report. It was determined that it was – though one month of the FFVA fees shows in the next year.
 - Mr. Jacobs encouraged the Committee Members to read the notes to the financial statements for a better understanding of the Audit process and findings.
 - Mr. Jacobs reported on the Internal Controls. He stated that this report addresses compliance with government Audit standards. There were no instances of non-compliance.
 - Finally, Mr. Jacobs reviewed a comparison of Budget estimates with Actual Revenues and Expenses. He stated that the CAC came in very close to the Budget estimates. He found nothing out of the ordinary. This report echoed what was discussed earlier, that

expenses were held flat, while revenues from assessments declined with fruit movement. Additional movement of fruit in intrastate channels has also impacted review in a negative way.

Mr. Hamner asked the question of why the CAC could not have a financial review rather than a full audit to save expenses. Ms. Varela explained that it is a requirement of those programs accessing and using public funds.

Mr. Mahan asked Mr. Chaires why the Accounts Receivable, though a small number, was 2.5 times the previous year. Mr. Chaires explained that it is his estimation that this was when the Division was behind in their billings, as they were conducting an audit of over 700 manifests. They had some new employees who were just learning the system. The Committee got almost 2 months behind because of this.

Mr. Mahan made a motion, seconded by Mr. Callahan, to approve the Audit and Governance letter as presented. Motion passed unanimously.

Mr. Feek and Mr. Chaires reviewed the previously approved Budget. Discussion concluded that movement of 7.5mm cartons seemed reasonable. If the volume drops lower, there is sufficient reserves to cover the shortfall. The Committee elected to leave the Budget and assessment rate the same. No action required.

Mr. Mahan made a motion, second by Mr. K. Mixon, to approve Truist as the official repository of the Committee. Motion passed unanimously.

Chairman Feek asked Mr. Chaires to top-line the Advisable Marketing Policy. Mr. Chaires stated that the policy lacks something this year, with two hurricanes having had a substantive impact on available crop, and the revised estimate not available until December. However, he walked through some of the key aspects of the document:

- Before Mr. Chaires began, Mr. Callahan noted that the dates in the second line of the second paragraph on page 1 – should be 2022-23, not 2021-22. Mr. Chaires notes the need for this correction.
- The following were reviewed with the Committee:
 - The USDA/NASS October 12th report shows total orange, grapefruit and tangerine/tangelo production in the United States to be 105.05 million boxes or about 15% less than the USDA's reported USA citrus production of 123.75 million boxes for the 2021-22 season. California's orange, grapefruit and tangerine production for the 2021-22 season was 61.9 million boxes. The 2022-23 California citrus crop (for these variety categories) is forecasted to be 71.2 million boxes or 15% above their 2021-22 crop. The Lower Rio Grande Valley of Texas production for the 2021-22 season was 1.90 million boxes. The Texas forecast for 2022/23 is 3.15 million boxes, representing a potential increase of 65% (if packed). Florida's 2021-22 total citrus production (excluding lemons) was 45.13 million boxes. The 2022-23 USDA Forecast for Florida oranges, grapefruit and specialty is 30.70 million boxes, representing a potential 32% decrease. Such low orange production refocuses much of the industry concern on capacity retention.

- Florida Oranges:
 - The USDA/NASS October 2022 estimate for the total Florida round orange crop in the 2022-23 season, was 28 million boxes, a decline of 32%, or 48% less than the 2020/21 season's crop of 52.95 million boxes. The fruit drop rate for early-midseason oranges is expected to be 38%, down slightly from last year's 39%. The drop rate for navel oranges is expected to be 30%. The drop rate for Valencia oranges is expected to be an above average 33%. Despite Severe disease and storm impacts to the orange crop, packinghouse operators are anticipating strong movement. The shippers are hoping that USDA AMS bonus-buy purchase programs will diminish less favorable sizes from the marketplace, helping to maintain marketable value in the balance of the crop.
 - The Florida Department of Citrus estimates certified fresh orange utilization to account for approximately 5.7% of total orange production during the 2022-23 season. As such, certified fresh orange shipments in 2022-23 are estimated at 1.59 million boxes (equivalent to 3.19 million cartons), which would be a decrease of 34.9% from the 2.45 million boxes (equivalent to 4.89 million cartons) of Florida fresh certified orange production in the 2021- 22 season.
 - The estimate shows 15.8 million bearing non-Valencia trees (not including navels) in Florida, down 13% from 2021/22. The estimated number of fruit per tree for non-Valencia oranges is 474 pieces, the lowest since the 1964/65 season. Droppage is estimated to be 38% in 2022-23, which is above average. USDA estimates 27.5 million bearing Valencia-type trees in Florida, down 9% from the previous season. It is estimated that the number of fruit on Valencia-like trees is down 72 pieces from the prior season, and fruit size is also below normal, requiring 275 pieces per field box (21 more fruit than last year). Projected droppage in late oranges is above average at 33%, up from 30% in 2021-22.

- Florida Grapefruit:
 - The USDA/NASS preliminary estimate for the 2022-23 Florida grapefruit crop production is 2.0 million boxes, representing a decrease of 40% from the previous season's crop of 3.33 million boxes. This figure is comprised of 1.8 mm reds and 200k whites. This would put red grapefruit production 36% below previous season, and white grapefruit production down 60%. Red grapefruit bearing trees are down 9% year over year, while white grapefruit bearing trees are down 23%. Though it will take some time before a more accurate post-hurricane numbers can be developed, many growers feel that there may be more grapefruit available for packing than was reported in the October estimate. This would be helpful, but at this point, is anecdotal. Florida grapefruit production has declined by more than 90% since the 2003-04 season due to the harmful impacts of hurricanes, canker eradication and HLB.
 - Certified fresh grapefruit shipments are estimated to be 1.02 million boxes in 2022-23, which would represent a decline of about 42% compared to certified fresh utilization last season. Non-certified utilization is forecasted at 50,000 boxes in 2022-23. Processed utilization is projected to account for approximately 47% of the total crop and is estimated at 0.93 million boxes, a decline of about 39.1% compared to the 2021-22 season.

- The domestic share has increased in recent years from around 42% annually to a 63% share of all Florida fresh grapefruit shipments. Export shipments are projected at 750,000 cartons of fresh grapefruit during the 2022-23 season, representing a decline of 18% compared to last season. Certified Florida fresh exports represent 37% of fresh shipments.
- Certified fresh grapefruit utilization is projected to account for approximately 51% of total grapefruit production during the 2022-23 season. Certified fresh grapefruit shipments in 2022-23 are currently estimated at 1.02 million boxes (equivalent to 2.04 million cartons, which would represent a decline of 42% compared to last season. Domestic fresh grapefruit shipments are projected at 1.29 million cartons, which would represent a decline of 50.6% compared to last season. The domestic share has increased in recent years from around 42% annually to a 63% share of all Florida fresh grapefruit shipments. Export shipments are projected at 750,000 cartons of fresh grapefruit during the 2022-23 season, representing a decline of 18% compared to last season.
- Florida Specialty Fruit
 - The USDA-NASS October estimate of the Florida specialty crop in 2022-23 is 700,000 boxes, a decrease of 50,000 boxes from last season. Despite higher FOB prices in recent years, specialty production has declined more than 90% since the 2003-04 season. The USDA-NASS preliminary estimate of specialty citrus includes tangelos, Royal tangerines (formerly known as Temple oranges), early tangerine varieties, honey tangerines, Autumn Honey, Juicy Crunch, Orri, Roe, Tango, and other minor tangerine varieties. Temples were classified and reported as early-midseason oranges between the 2005-06 and 2015-16 seasons. Florida certified shipments are estimated to be about 58% of the crop with an estimated 406,000 boxes (equivalent to 812,000 million cartons) moving during the 2022-23 season to primarily the domestic market, down by 64,521 cartons.
- Texas Citrus
 - During the 2021/22 season, the Lower Rio Grande Valley of Texas produced 1.90 million boxes of grapefruit and oranges. Much of this lower movement was due to unfortunate weather events. The USDA's Lower Rio Grande Valley's forecast for the current 2022-23 season is 3.15 million boxes of grapefruit and oranges would be up approximately 66% from last season, despite the devastating freeze impacting their production regions. Texas has suffered weather setbacks each of the past two seasons. Texas had benefited greatly from Florida's challenges and loss of production in recent years. Concurrently, industry consolidation and privately branded marketing programs have enhanced Texas' competitive position in domestic markets. However, with Texas volume up, Florida volume lower this year, and with supply chain barriers increasing the cost and risk of exports, there will be new shifts in the marketplace. Florida is likely to move more grapefruit into the domestic market, and California is likely to ship more of its grapefruit volume earlier than normal.

- California Citrus
 - The October 12th USDA-NASS forecast shows the 2021-22 California/Arizona Navel orange crop at 35 million boxes, which would be 16.67% lower than their 2021-21 harvest of 42 million boxes. Historically and under normal conditions, approximately 65 percent of the California Navel orange and 40 percent of the California Valencia crops are utilized for domestic shipments. The 2021-22 California Valencia crop is estimated at 8.5 million boxes, which is the same as last year. The new 2020-21 California/Arizona grapefruit and pummelo crop is forecast to be 3.9 million boxes, which is up slightly from last year, and is now larger than Florida or Texas.

- Processed Citrus Products
 - Orange
 - Retail sales of orange juice, in terms of equivalent gallon sales, are projected to decline based on the decline in overall availability and, possibly, lower retail promotional activity.
 - The reporting of promotional activity declined considerably during the pandemic, which may have been due to multiple factors. The most critical was the inability of Nielsen in-store data dispatchers to coordinate with retailers. Another reason behind the reduction in activity had to do with supply-chain coordination. An analysis of trade promotions pre- and post-pandemic (January 2018 through December 2019 versus period of April 2020 through August 2021) revealed that gallons sold on promotion declined by 7% for total orange juice sales, 9% for NFC orange juice sales, and 4% for Recon orange juice sales.
 - Grapefruit
 - Florida processors are projected to utilize 91% of processed grapefruit for SSGJ (i.e., NFC GJ). Beginning inventory of SSGJ for the 2022-23 season is down by 18.1% over the previous season at 8.45 million SSE gallons (34.58 weeks supply). Production from Florida fruit is estimated at 4.56 million SSE gallons based on an estimated 0.85 million boxes of grapefruit and juice yield 5.390 SSE gallons per box, representing a 37.1% decrease in pack from fruit over the previous season. Florida processors are projected to utilize 9% of processed grapefruit for FCGJ.
 - In addition to GJ prices, retail sales of GJ during the 2021-22 season have been constrained by declines in distribution, substitutes, and decline in promotion for more than a decade. However, like orange juice sales, the demand at retail experienced during 2020 and 2021 may carry forward into the early part of the 2021-22 season amid consumer concerns over COVID-19, but the model assumes the impact will lessened over time.

- Implications for Florida Grower
 - The October citrus forecast for the 2022-23 Florida citrus season suggests Florida citrus production will drop by 32% to 30.7 million boxes of oranges, grapefruit, and tangerines. The forecast also reports total U.S. citrus production

for the 2022-23 season will decrease overall by 4% with a total of 129.20 million boxes of oranges, grapefruit, lemons, and specialty citrus from California, Florida, Texas, and Arizona. Specifically, the October forecast projects 76.26 million boxes of oranges, 8.1 million boxes of grapefruit, 20.7 million boxes of specialty tangerines and tangelos, and 24.15 million boxes of lemons.

- The decline in production will likely serve to increase imports, prices, and reduce returns to growers. At the same time, the demand for Florida citrus products, which remained stable during 2022 as many consumer-shopper trends which had emerged during 2020 carried through the 2021-22 season, is expected to outpace supply. Despite an overall decline in domestic and world availability of citrus, total grower returns are expected to decline with the reduced crop, weather-related impacts, and higher production costs. The impact of Hurricane Ian was still being felt in early November, as storm-related fruit drop continued. Though Hurricane Nichole is not expected to be a major weather event, it will bisect the primary east-coast grapefruit growing region and a significant portion of the Florida citrus producing areas. The impact of Nichole will not be fully realized for some time.
- Under normal growing conditions, approximately six to eight percent of the total Florida citrus crop is marketed as fresh fruit. However, returns from fresh sales are of great importance to the Florida citrus grower. It remains to be seen now much fruit will shift between fresh and processed markets during the 2022/23 season. These are unprecedented times.
- Marketing Order 905 contributes to the increased value of Florida citrus fruit sold fresh, and the cost of the program is \$0.015 per 4/5-bushel carton of regulated fresh Florida citrus shipped.
- In developing this advisable marketing policy, the CAC has considered the practical problems associated with harvesting and marketing the crop and believes that the adjustments necessary for the industry to conform to the regulations will be negligible in comparison to the benefits that will accrue to the Florida citrus growers.

Mr. Mahan made a motion, seconded by Mr. Callaham, to approve the Advisable Marketing Policy as distributed. Motion passed unanimously.

Being no further business, the meeting was adjourned.