SOUTHERN GARDENS CITRUS

VIA CERTIFIED MAIL

October 30, 2002

The Honorable Robert B. Zoellick
U. S. Trade Ambassador
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Zoellick:

I appreciate you meeting with us because this is no less than a life and death issue for Florida citrus.

To reiterate who I am and what we do, I am President of Southern Gardens Citrus, the largest citrus grower/processor in Florida. Our business is the bulk wholesale of orange juice, primarily not from concentrate ("NFC"), but also including concentrate ("FCOJ") and citrus by products. Our customers are the national brands such as Tropicana and Minute Maid as well as private label customers such as Kroger. We sell primarily in the U.S. and Canada but have at times sold to the E.U. and Japan. As part of our business we import Brazilian FCOJ (but not NFC) for blending to our customers' specifications. We are intimately familiar and current with the commercial details of the international and national citrus juice business.

There are several commercial facts of which I think you need to be aware in order to make the best decision possible. First, Florida is 90+% juice oranges. This is dictated by Florida's varieties and climate. While I welcome fresh fruit opportunities, no amount of commercially realistic fresh fruit marketing opportunities will be able to make up for more than a small fraction of what we will lose if the tariff is adversely impacted.

Second, Brazil owns the world citrus market outside of the U.S. Due to their lower social, regulatory, wage and environmental costs, they have forced us out of Europe and Asia (except for small niche sales). While there are still some exports from Florida these are economically driven by Brazilians recovering duty drawback.

Third, we cannot overcome the advantages of Brazil by increasing efficiencies. Our good factories are already as efficient as the good Brazilians. Their advantage comes from the fact that citrus requires hand labor in the groves and they pay per week what we pay per day. I see no hope for this to turn around in the future. There is talk of mechanized harvesting in Florida but in reality this is years away. If you are interested in this point I can give you the detailed reasons why, as our company has been experimenting with mechanical harvesting on 1800 acres for over five years.

Fourth, NAFTA has not helped us at all; it has opened up the U.S. to Mexican supply while providing no new markets. As I mentioned, at the time of our meeting we were in competition for a Canadian NFC

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client with a Brazilian competitor. We lost business in that competition. We think that this is the start of the total loss of the Canadian market for us. There are no real future opportunities for citrus under NAFTA. In fact, any tariff reduction will not only hurt U.S. producers but will also hurt Mexican and CBI producers who will also be displaced by Brazil.

Fifth, Florida is already in trouble. Attached is a strip of the citrus futures prices for the last two years. The red line is the cost of Florida production. You will note that the price is constantly below the cost of production. This is caused by Brazilian imports. If we lose even one cent of the tariff it will be disaster. That is the commercial reality. I know that the theorists say the cost of imported juice is over $1.05 but I have not seen this price very often. Usually imported juice pours into the U.S. at prices below a dollar.

Sixth, due to currency devaluations we have already suffered at least a 50% loss in the tariff's effectiveness. What would be rational is to put us back where we were prior to devaluation and negotiate from there. I do not agree that currency devaluations cannot be addressed and that currency controls are the only answer. Upon thorough analysis, I am confident you will agree. One solution would be to establish a corridor above and below the tariff with automatic reductions or increases in the tariff if currencies fluctuated outside of a specified range. This would allow for normal fluctuations but would avoid one country beggaring another with monetary policy.

Seventh, the Brazilian investment in the U.S. citrus industry has been in factories only, not groves. This is because factories can be bought for 10% of replacement value (due to Brazilian imports) and can be easily disassembled and moved to Brazil. Neither of the foregoing is true for trees. Also they have usually purchased the factories in combination with long-term juice sales contracts with minimum prices that allows them to control the flow of fruit without much market risk. As a side benefit their ownership of Florida factories may allow them to circumvent antidumping laws by means of intercompany transfers.

Because of the foregoing and other factors, such as the oligopoly in Brazil, a strategic alliance with the Brazilians is impossible...except perhaps for the alliance the lamb made with the wolf. Anyone who tells you different either knows nothing about the juice business or is being unduly influenced by the Brazilians.

One last note, I don't know what they are telling you, but the Brazilians I talk to, and it's a lot of them, at heart do not really want free trade because of the risk to many of their core industries. That is why they put steel, sugar and citrus on the table as initial bargaining chips. They tell me that they know that our President had a close election and they believed that they were putting insurmountable political obstacles on the table by choosing these three commodities, especially the ones from Florida.

Sincerely,

Robert H. Buker, Jr.
President

cmf
Enc.

Please see supporting Zoellick letter charts.