2/28/03 - Citrus Tariff Fight: Your Questions Answered

What Does the Tariff Mean?

For growers, elimination of the tariff would lower prices for processed oranges by $0.20 per pound solid and cause an immediate devaluation of Florida citrus groves.

Nearly 90 percent of the world's orange juice supply is produced by two entities: Florida and Brazil. Without the current tariff on foreign citrus, the Florida citrus industry would be devastated and Brazil would enjoy monopolistic power over the global orange juice market.

Why Won't A Tariff Reduction Accomplish Free Trade Goals?

Administration's trade agenda goals are to: 1) increase competition, 2) decrease cost to the consumer and 3) increase trade throughout the world. A FCOJ tariff reduction would not accomplish any of the goals and would likely: 1) further enhance a global oligopoly in FCOJ trade, 2) increase the cost of orange juice to the consumer and 3) devastate the Florida citrus industry.

Is Tariff Protection The Top Issue For Growers?

Yes. A recent survey of 500 Mutual members found that nearly 80 percent listed protecting the tariff as their number one goal. The survey results also indicated that growers want this issue solved and they are willing to spend whatever amount of money needed in order to do so.

What Is The Citrus Industry's Goal?

To protect the tariff at all cost. Our position is clear: absolutely no reduction in the tariff. The Florida citrus industry, including Mutual, the Florida Citrus Commission (FCC)/Florida Department of Citrus (FDOC), regional citrus associations, growers and allied businesses must unite to protect the tariff in upcoming trade negotiations. This is not a Mutual effort, or a FDOC effort or a regional association effort. This has to be a united industry fight if we are to prevail.

How Will We Fight To Keep The Tariff?

The trade fight will take place in three arenas:

Political-The citrus industry will rely on a stepped up effort with our friends in the political arena - Gov. Bush, Ag Commissioner Bronson, U.S. House & Senate leaders, Florida Legislative leaders and both Republican and Democratic parties.

Trade-Regional allies such as other trade sensitive agricultural commodities; citrus producing countries such as Costa Rica and Belize; Congressman Putnam's Trade Task Force and Congressman Shaw's Trade Oversight Committee will prove invaluable as we move forward.

Public Relations-Message development, media outreach and the Florida Citrus Industry Grassroots Network will assist us in our efforts.

Tariff Fight: Where Are We Today?

Trade Policy/Political Fight-At their February meeting, Florida Citrus Mutual's Board of Directors approved the tariff preservation plan. In order to ensure that the necessary resources are in place as the process begins, the FCM Board also approved a loan from the association's reserves for the tariff preservation fight; however, these funds are not enough to sustain a long-term battle. The Florida citrus industry will request that the FCC reduce the current box tax on processed oranges. Additionally, the industry has requested, and the FCC has approved, the FDOC collect the reduced tax amount for the industry's fight to protect the tariff. This ensures that growers would **not** have to contribute additional tax dollars to pay for the tariff preservation campaign. These funds will be overseen by the Citrus Tariff Oversight Committee and managed through Florida Citrus Mutual.

In addition to the Oversight Committee's efforts, Federal Political Action Committee (PAC) funds will prove invaluable to the fight. Mutual's Fed-PAC will accept personal contributions from growers and allied businesses in order to support politicians and key political influencers with campaign contributions and trips to Florida to see groves firsthand. Mutual's Federal PAC Board of Directors will manage these funds.

Public Relations Fight-The FDOC's Citrus Matters campaign began on Superbowl Sunday. The television and radio campaign continues to educate Florida residents about the importance of the citrus industry to the state's economic and environmental well being. The FDOC's ability to highlight the contributions by citrus growers to our state is integral to our success.

How Can You Help?

Growers and allied businesses **<u>must</u>** support and commit to the tariff fight. This is an issue of survival for the entire Florida citrus industry. These funds will be used to increase political power in Washington and protect the tariff on foreign citrus.

In addition to the tariff plan, the Fed-PAC campaign will be launched soon. As a FCM member, please strongly consider contributing to this effort. Although we have several strong leaders in Washington, they cannot carry this fight alone. This industry must reach out and make friends with political leaders from across the U.S.

Remember-The cost of preserving the tariff is not as expensive as losing the tariff!!!

History of the U.S. FCOJ Citrus Tariff

The frozen concentrated orange juice (FCOJ) citrus tariff was initiated with the passage of the Smoot-Hawley Act (Tariff Act) in 1930. The Tariff Act imposed a tax of 70 cents per single strength equivalent gallon on imported citrus juice. The citrus tariff remained unchanged until 1947 when the General Agreement Tariffs and Trade (GATT) talks occurred in Geneva, Switzerland. During the GATT discussions, the citrus tariff was lowered to 35 cents per single strength equivalent gallon.

In 1963, the Kennedy Administration attempted to pass legislation that would reduce and possibly eliminate duties on imported citrus products. Florida Citrus Mutual battled against this legislation for four years. Fortunately, the hard work was rewarded and the duty on fresh oranges was maintained. Later, in 1970, the U.S. government again attempted to reduce citrus import tariffs. American citrus growers had operational costs that were four times higher than their foreign counterparts; therefore, a reduction in tariffs would render them helpless in the international market. Mutual again fought against this tariff reduction and won.

A U.S. Customs ruling in 1980 ushered in a decade full of legislative victories for Florida citrus growers. U.S. Customs ruled that processors couldn’t convert imported FCOJ into single strength orange juice in a Class 8 bonded warehouse in order to pay a lower tariff. If processors had been allowed to continue this practice, citrus growers could have lost $300 million a year. Soon after, the U.S. Department of Commerce discovered that the government of Brazil had provided illegal subsidies to growers as well as FCOJ exporters. The U.S. Department of Commerce then forced these companies to pay additional countervailing taxes on exports to the U.S.

Three Brazilian producers protested this accusation, but Florida Citrus Mutual fought back and the U.S. International Trade Commission ruled to uphold a countervailing duty on Brazilian FCOJ exports. Brazil once again attempted to bypass the tariff legislation and was discovered to have been dumping FCOJ under the fair market value in the U.S. The U.S. Department of Commerce forced exporters from Brazil to pay an additional duty bond on FCOJ. An international trade court then ruled on an antidumping order that required continued surveillance of Brazilian prices. This was done in order to protect. U.S. citrus growers from Brazilian exports being sold at less than fair market value. The battle for the protection of the citrus tariff continued at the Uruguay Round Tariff and Non-Tariff Measure Negotiations. Though they threatened to reduce the citrus tariff, Florida Citrus Mutual combated the reduction and citrus products were excluded from tariff reductions.

Trade negotiations continued in the 1990s with the advent of the North American Free Trade Agreement (NAFTA). NAFTA’s primary goal was to establish free trade between Mexico and the U.S. Also, during this time, the U.S.-Canada Free Trade Agreement sought to eliminate tariffs between Canada and the U.S. Florida Citrus Mutual fought against the effort to eradicate tariffs and was victorious when the Generalized Agreement on Tariffs and Trade (GATT) upheld the tariff on imported citrus. Though NAFTA was finally passed during the 1992-93 season, it included special provisions for citrus. These provisions granted a 15-year phase-out on import tariffs as well as a snapback provision in which tariffs are reinstated if there are considerable shifts in price and import volume. Tariffs also suffered a gradual decrease as a result of the Uruguay Round Trade Talks in 1994. It was negotiated that the FCOJ tariffs decrease in equal increments, finally totaling 15 percent, after a period of six years.

Currently, Florida citrus growers are again forced to defend the citrus tariff that protects their livelihood. If the Florida citrus industry is to remain a viable $9.1 billion economic engine to Florida and continue to employ nearly 90,000 people, the current citrus tariff must not be altered in future trade agreements.