

# Agency Sunset Review Update of the Department of Citrus

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*Prepared for*  
The Florida Senate

*Prepared by*  
Committee on Agriculture

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## SUMMARY

Sections 11.901-920, F.S, are known as the Florida Government Accountability Act. Under this act, most state agencies and their respective advisory committees are subject to a "sunset" review process to determine whether the agency should be retained, modified or abolished. This report updates the prior agency sunset review of the Department of Citrus (Department) (2008-203).

The citrus industry is a major part of Florida's economy that continues to increase in production value. Between 1950 and 2000, the inflation adjusted production value for all Florida citrus grew from \$393.5 million to \$1.3 billion in 2006 dollars.

State regulation of the citrus industry was initiated in 1935 with the passage of Chs. 16854 and 16863, L.O.F. The Legislature determined in these acts that the exercise of police power was needed to stabilize and protect the citrus industry which was a major agricultural enterprise in Florida. These acts established the Florida Citrus Commission (Commission) to promulgate citrus industry regulations. Further, the Commission has general supervisory authority over the Department.

The Department was established by ss. 20.29 and 601.05, F.S. As provided by s. 601.10, F.S., the Department is authorized to promulgate rules, employ staff, expend and invest funds, collect and disseminate information, and contract with private entities in order to carry out the requirements of the Florida Citrus Code (Ch. 601.F.S.).

The Senate Committee on Agriculture is the primary sunset review committee for review of the Department. The Senate General Government Appropriations Committee is assisting this review.

This agency review report update with the following recommendations is issued to assist the Committee in fulfilling its obligations under the Sunset Review:

### **Recommendation #1**

The Legislature should retain the Department.

### **Recommendation #2**

The Legislature should give consideration to eliminating the School Marketing Program Administrative Committee.

### **Recommendation #3**

The Department should continue to build upon its opportunity to establish a new dialogue with citrus growers to enhance the industry and clearly define the role of the Department.

### **Recommendation #4**

The citrus industry should collectively agree upon a preferred way forward by refining the options before it such as petitioning the federal government to allocate a portion of the duties paid on imported juice to supplement grower funded research and promotions, and evaluating the feasibility of establishing a federal research and promotion program for orange juice.

### **Recommendation #5**

Research into citrus disease cures and controls as well as abscission methods and mechanical harvesting should be continued, even enhanced with the Department to be considered a funding source but not a research entity.

## BACKGROUND

Sections 11.901-920, F.S., are known as the Florida Government Accountability Act. Under this act, most state agencies and their respective advisory committees are subject to a "sunset" review process to determine whether the agency should be retained, modified or abolished.

Reviews are accomplished in three steps. First, an agency under review must produce a report providing specific information, as enumerated in s. 11.906, F.S., related to:

- Agency performance measures;
- The agency complaint process;
- Public participation in making agency rules and decisions;
- Compliance with state purchasing goals and programs for specified businesses;
- Compliance with statutory objectives for each program and activity;
- Program overlap or duplication with other agencies;
- Less restrictive or alternative methods of service delivery;
- Agency actions to correct deficiencies and implement recommendations of legislative and federal audit entities;
- Potential conflicts of interest of its employees;<sup>1</sup>
- Compliance with public records and public meetings requirements;
- Alternative program delivery options, such as privatization, outsourcing, or insourcing;
- Agency recommendations to improve program operations, reduce costs, or reduce duplication;
- The effect of federal intervention or loss of federal funds if the agency, program, or activity is abolished;
- Agency advisory committees;
- Agency programs or functions that are performed without specific statutory authority; and
- Other information requested by the Legislature.

Upon receipt of the agency information, the Joint Legislative Sunset Committee and the House and Senate committees assigned to act as sunset review committees<sup>2</sup> must review the information submitted and may request studies by the Office of Program Policy Analysis and Government Accountability (OPPAGA).

Based on the agency submissions, the OPPAGA studies and public input, the Joint Legislative Sunset Committee and the legislative sunset review committees will:

- Make recommendations on the abolition, continuation, or reorganization of each state agency and its advisory committees and on the need for the performance of the functions of the agency and its advisory committees; and

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<sup>1</sup> This provision was deleted by s. 1 of ch. 2007-161, L.O.F., and replaced with a requirement that the agency identify "the process by which an agency actively measures quality and efficiency of services it provides to the public."

<sup>2</sup> Senate Committees include: Agriculture, Commerce, Environmental Preservation and Conservation, and Transportation, together with their respective Appropriations Committee.


- Make recommendations on the consolidation, transfer, or reorganization of programs within state agencies not under review when the programs duplicate functions performed in agencies under review.

In addition, the House and Senate sunset review committees must propose legislation necessary to carry out the committees' recommendations.

An agency subject to review is scheduled to be abolished on June 30 following the date of review as specified in s. 11.905, F.S., provided the Legislature finds that all state laws the agency had responsibility to implement or enforce have been repealed, revised, or reassigned to another remaining agency and that adequate provision has been made to transfer certain duties and obligations to a successor agency. If an agency is not abolished, continued, or reorganized, the agency shall continue to be subject to annual sunset review by the Legislature.

The Department was not abolished, continued, or reorganized during the 2008 legislative session and therefore continues under review.

The Senate Committee on Agriculture is the primary sunset review committee for review of the Department. The Senate General Government Appropriations Committee is assisting in this review.



## EVALUATION METHOD

Based upon statutory directives and a review of previous sunset reports, staff of the Senate has developed the following guidelines to be used in reviewing the agencies, their programs, and their advisory committees.

Guidelines for agency and program review include:

- What is the mission(s) of the agency?
- Why is the agency performing this mission(s)?
- How are the programs of the agency funded?
- What would be the impact to public health, safety and welfare should the programs be eliminated or modified?
- What duplication of programs exists within the agency or by other agencies or governments?
- Can these agency programs be provided more efficiently?
- Are there management tools in place to appropriately measure program performance?

Guidelines for review of Agency Advisory Councils and Committees include:

- Was the agency advisory committee created to resolve a problem or provide a service? If so, has the problem been solved or the service provided?
- Would there be an adverse effect on the agency or the public if the advisory body were abolished?
- Is the advisory body representative of the public and stakeholders impacted by its actions?

In order to properly evaluate the questions detailed above and support the findings and recommendations, staff would evaluate numerous sources including:

- Agency submissions to the Legislature, as specified in s. 11.906, F.S.;
- OPPAGA reviews;
- Independent reviews;
- Public hearings;
- Joint Committee reports;
- Appropriations data; and
- Other sources as deemed relevant.

## AGENCY/PROGRAM REVIEWS

### Agency Overview

The citrus industry is a major part of Florida's economy that continues to increase in production value. Between 1950 and 2000, the inflation adjusted production value for all Florida citrus grew from \$393.5 million to \$1.3 billion in 2006 dollars.

State regulation of the citrus industry was initiated in 1935 with the passage of Chs. 16854 and 16863, L.O.F. The Legislature determined in these acts that the exercise of police power was needed to stabilize and protect the citrus industry which was a major agricultural enterprise in Florida. These acts established the Commission to promulgate citrus industry regulations. Further, the Commission has general supervisory authority over the Department.

The Commission consists of 12 members appointed by the Governor and confirmed by the Senate to serve staggered three-year terms. The Commissioners must be Florida residents who are active in the citrus industry. As provided in s. 601.04, F.S., seven Commissioners must be primarily engaged in growing citrus products; while the other five members must be growers who are also involved in businesses handling citrus fruit (two of these five members must be fresh fruit handlers, while the remaining three must be citrus processors). In addition, three Commission members must reside in each of the four citrus districts (see Exhibit 1 for a current map of district configuration).

The Department was established by ss. 20.29 and 601.05, F.S. As provided by s. 601.10, F.S., the Department is authorized to promulgate rules, employ staff, expend and invest funds, collect and disseminate information, and contract with private entities in order to carry out the requirements of the Florida Citrus Code (Ch. 601.F.S.). The Department maintains its headquarters in Lakeland, Florida, and has research facilities at Lake Alfred and Gainesville, Florida.

Section 601.10, F.S., requires the Department to establish quality standards for citrus fruit. These standards, which are promulgated under Ch. 20, Florida Administrative Code, regulate the harvesting, packing and processing of citrus fruit. The rules govern factors such as the application of fungicides to fruit, sampling and testing fruit damaged by freezes, fruit maturity testing, and classification of fruit grades. The standards also regulate the types of containers into which citrus products may be packed, the labels on packages, and the registration and use of citrus brand names and trademarks.

The Commission sets excise tax rates annually on a per box basis for the regulatory, research and marketing services delivered by the Department. In this process, Department staff prepares regulatory, research and marketing plans, and proposes the tax levels thought to be needed to fund these activities. The Commission holds public hearings on the planned activities, and establishes the tax levels to be assessed during the fiscal year. Staff then modifies the work plans to accommodate the projected funding level. Citrus excise taxes are remitted by the dealer first handling the fruit for commercial trade, such as packing houses or processing plants. These dealers are generally required to remit the taxes on a weekly basis and must post a cash or surety bond or certificate of deposit in lieu of a bond. Approximately \$2 million is paid annually from the Citrus Advertising

Trust Fund to the state's general revenue fund as a service charge. If the Department were eliminated, this general revenue contribution would be lost.

### Challenges Facing the Florida Citrus Industry and the Department of Citrus

Florida's citrus industry and the Department are facing several long-term challenges. In recent years the industry has experienced a major decrease in production due to hurricane damage to trees and the spread of citrus diseases (most significantly citrus canker and citrus greening). While the 2007-08 crop is greater than the prior year it is anticipated that, unless the spread of disease can be mitigated, crop sizes will decline over the next decade. The industry is also faced with development pressure on agricultural lands. Recently, this pressure has subsided with the slowdown in demand for housing but it is expected to return over the long term. Additionally, the announced sale of significant privately held agricultural lands to the South Florida Water Management District (SFWMD) could potentially reduce crop sizes. The industry is continuing to struggle with how to address the issue of foreign juice producers who benefit from its generic marketing program but are not required to financially support it. Over the past several seasons of crop reductions, tax rates have steadily been increased by the Commission even though many citrus industry organizations were on record as opposing a tax increase. Actions such as this provide a source of support to those in the industry that hold a negative opinion toward the Department.

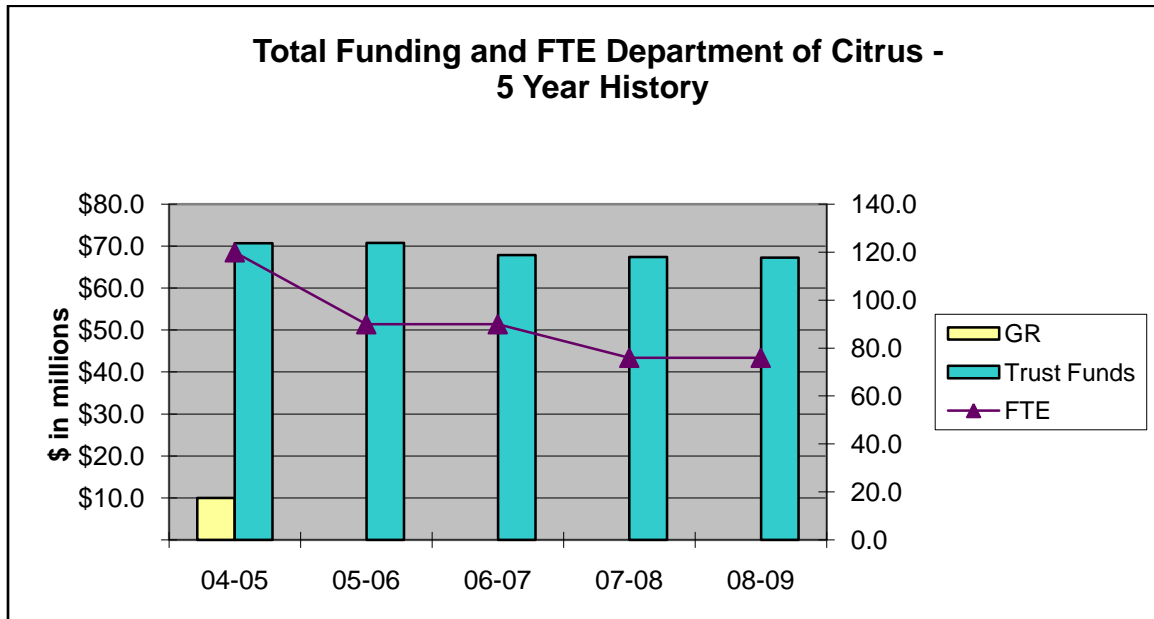
While citrus diseases are a major threat to the Florida industry, developing a cohesive disease research and management strategy has been a significant challenge for the Commission and Department. As shown in the tables below, Departmental spending on research has grown substantially in the last few years and is expected to be significantly higher in years to come. Industry organizations have asked the Commission to consider shifting funds from marketing programs to research. For the 2008-09 budget year the Legislature increased the Department's budget authority by \$14.4 million for contracted services expenditures incurred to support citrus research. This authorization was approved by the Legislative Budget Commission at its meeting on September 10, 2008. Furthermore, the Department has contracted with the National Research Council (NRC) of the National Academies to oversee the prioritization of research funding, thus providing accountability and efficiency to the disease research management process. It is reported that the Department's response to research funding and management has been viewed favorably by the industry.

### Total Department of Citrus Expenditures and Staffing

The Legislature authorized 76 positions and \$67,237,734 in spending authority for fiscal year 2008-09, with an estimated Florida crop of 188.7 million boxes. Looking back five years to fiscal year 2004-05, the legislature authorized 120 positions and \$70,664,026 in spending authority. Also, in fiscal year 2004-05 the legislature provided \$10,000,000 in general revenue funds to the Department as a result of unprecedented hurricane damage to the citrus crops. This funding allowed marketing programs to continue. The Department's actual expenditures by major activity area for fiscal year 2007-08 and the preliminary internal operating budget for fiscal year 2008-09 are shown in Exhibit 2. The Internal Preliminary Operating Budget approved by the Commission for fiscal year 2008-09 shown on Exhibit 2 in the amount of \$60,431,239 differs from the authorization because it is periodically revised when new crop estimates are provided. Actual



expenditures for any given year vary from the legislative appropriation due to the actual funds that are available through excise tax collections and federal grants. The graph below shows the most recent five year history of appropriations and authorized positions (FTE's) for the Department.



Annual Travel Report Summary

Statutes require the Department to submit an Annual Travel Report. A summary of the most recent report follows:

	<u>6/30/08</u>	<u>6/30/07</u>
Commissioners	\$ 18,947.69	\$ 19,167.92
Administration	37,517.57	29,762.32
Research	41,501.39	36,651.03
Domestic Marketing & PR	57,545.38	41,524.34
International Marketing & PR	<u>28,515.55</u>	<u>21,762.21</u>
 Total Travel Expenditures	 <u>\$184,027.58</u>	 <u>\$148,867.82</u>

Organizational Structure

Exhibit 3 outlines the organizational structure of the Department which consists of five units. Legislatively, the agency is funded through three budgetary program areas. This report addresses the agency review within those program areas which are:

- **Executive Direction and Support Services**
- **Agricultural Products Marketing**
- **Citrus Research**

Program Reviews

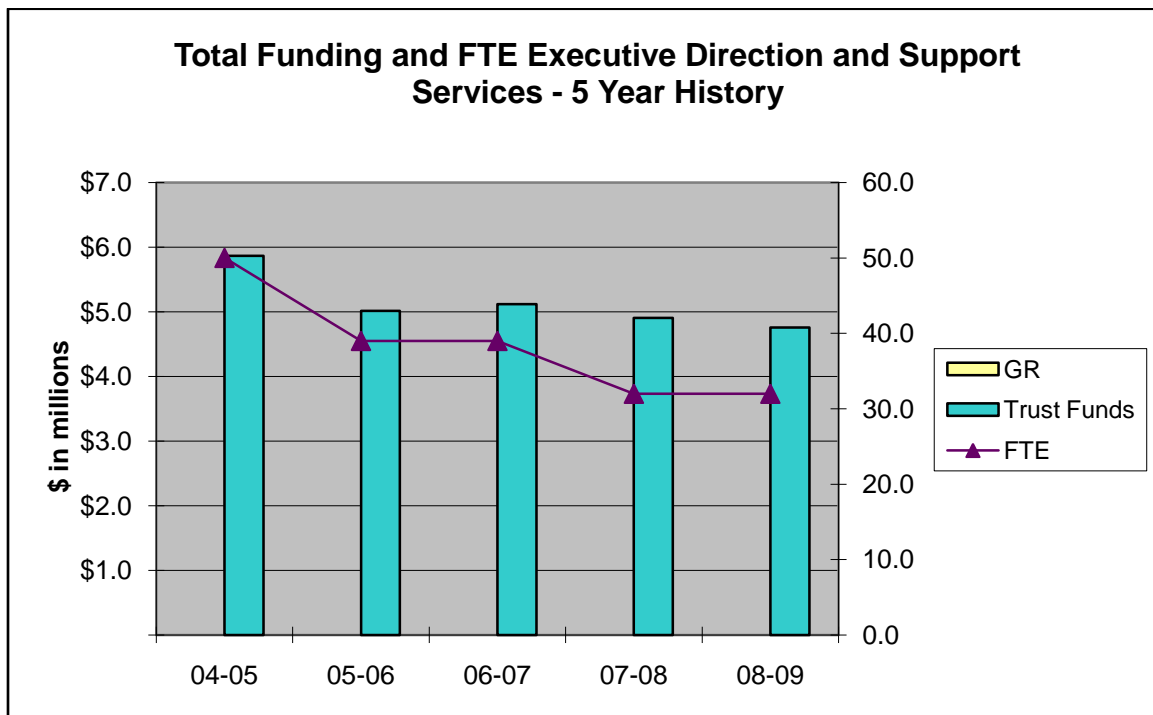
**Budget Program: Executive Direction and Support Services**

Description

The Commission appoints an executive director to manage Department activities and operations. The Department plans and manages agency-wide operations and the department's regulatory activities, such as licensing growers.

Findings

The Legislature authorized 32 positions and \$4,758,367 in spending authority for fiscal year 2008-09, when the estimated Florida crop was 188.7 million boxes. This compares to 32 positions and \$4,906,031 in spending authority for fiscal year 2007-08, when the estimated Florida crop was 199.4 million boxes. Looking back five years to fiscal year 2004-05, the legislature authorized 50 positions and \$5,864,798 in spending authority. The graph below shows the most recent five year history of appropriations and FTE's for this program area.



In March 2007, a study assessing the Department's customer service relations was contracted out at the direction of the Commission. The purpose of the study was to gain grower input on department communications, insight into grower perceptions about industry issues, and department effectiveness in general. The overall assessment was that the Department is not the most valued source of information about the industry and, information growers do receive from the Department is often seen as being filtered through other organizations. The study found that most growers think the Department is effective, but there is some difference of opinion about the Department's proper role.

The study identified four prevailing concerns. They are:

- Growers don't think they hear much directly from the Department;
- Growers would like to have more dialogue with the Department and feel that their voices are heard;
- Growers rely on Florida Citrus Mutual, a voluntary cooperative association of citrus growers, and local organizations for information and perspective; and
- There is not a consensus as to the Department's proper role.

The study reported that the Department has an opportunity to establish a new dialogue with growers, build trust, and create more effective working relationships to enhance the Florida citrus industry. Organizations representing a substantial part of the state's citrus industry appeared before the Agriculture Committee at its meeting on December 12, 2007 and each spoke in support of maintaining the department as it fundamentally exists.

### Recommendations

Over the past five years, the decrease in the number of personnel dedicated to Executive Direction and Support Services and the decrease in funding demonstrate an effort toward achieving greater efficiency during a difficult period of hurricanes and crop diseases. Communications with Florida citrus growers have become strained. It is recommended that the Department staff leadership, under the direction of the Commission, establish more dialogue with citrus growers and develop a consensus as to what its proper role is under the present circumstances of increasing disease infestations, increasing non-U.S. orange juice imports, and an anticipated long term reduction in crop sizes.

#### **Budget Program: Agricultural Products Marketing**

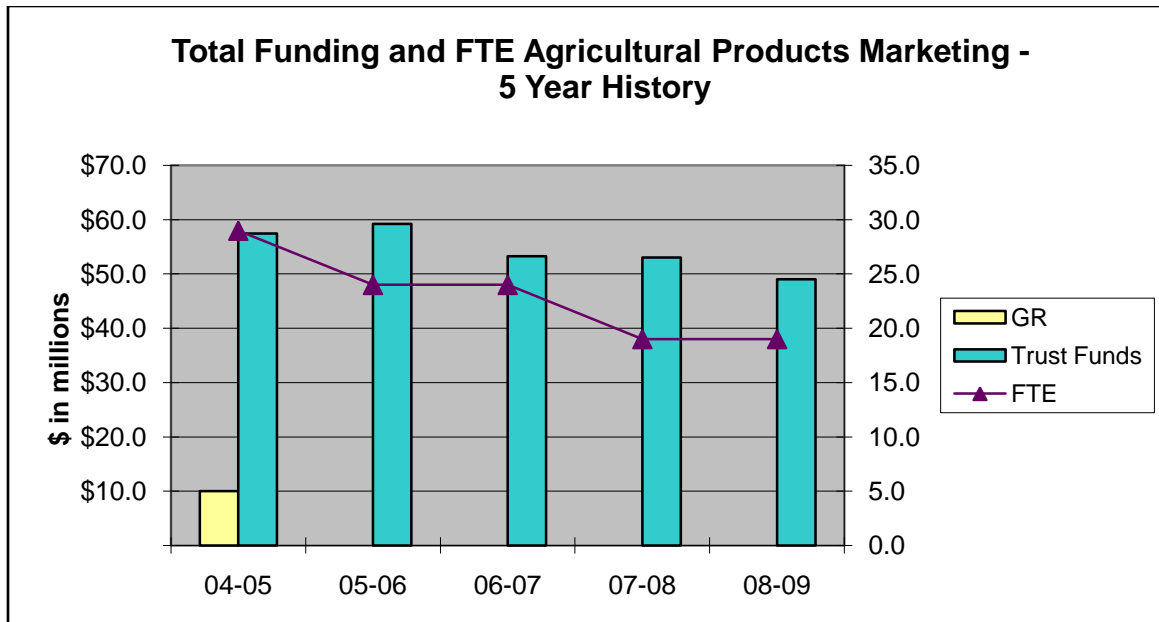
### Description

The Department plans and conducts national and international marketing campaigns for citrus commodities. These activities include television, radio, and printed media advertisements designed to increase consumer awareness and use of citrus products. The Department also assists the retailer and foodservice trade with merchandising promotions that involve citrus, and conducts public relations campaigns which include activities such as providing free orange juice at state welcome centers. The Department contracts with private advertising and public relations firms for the majority of these promotional activities.

### Findings

The Legislature authorized 19 positions and \$49,001,791 in spending authority for fiscal year 2008-09, with an estimated Florida crop of 188.7 million boxes. This compares to 19 positions and \$53,000,944 in spending authority for fiscal year 2007-08, when the estimated Florida crop was 199.4 million boxes. Looking back five years to fiscal year 2004-05, the legislature authorized 29 positions and \$57,478,256 in spending authority. Also, in fiscal year 2004-05, the legislature provided \$10,000,000 in general revenue funds to the Department as a result of unprecedented hurricane damage to the citrus crops. This funding allowed marketing programs to continue. The majority of

Department funds are spent under Agricultural Products Marketing Programs. The graph below shows the most recent five year history of appropriations and FTE's for this budget program area.



Since its creation, the primary mission of the Department has been the marketing of Florida’s citrus products, both fresh and processed, “To protect health and welfare and to stabilize and protect the citrus industry of the state.” In recent years, the agency eliminated duplicate marketing efforts taking place in grocery stores. It also shifted marketing emphasis from retail programs to consumer-oriented, public relations, and promotional programs. This reorganization resulted in the elimination of four regional merchandising offices and the termination of 43 field and operations support staff.

In early 2004, a sales decline of Florida orange juice occurred. The Department reported that it refocused its mission at that time to grow the market for Florida citrus products. Most research projects that did not directly support the marketing efforts were eliminated and operations were streamlined by eliminating support positions.

The Department reports that 74 positions have been eliminated since July 1, 2002. The primary goal of the marketing effort of the Department is to maintain consumer demand and expansion of the citrus market in order to convince consumers to buy more Florida citrus products than they have in the past. A decline in sales of Florida orange juice as a percentage of total U.S. sales is of significant concern to citrus growers facing mounting difficulties such as free-rider issues, citrus diseases, processor consolidation and building inventories.

During 2007-08 the Department contracted with an independent firm to measure the impact of the Department’s marketing activities on overall domestic demand for orange juice. The firm, Marketing Accountability Partnership, reported to the industry in May 2008 that the Department’s marketing activity in 2006-07 increased consumer demand for orange juice by 7.2%. The results from this study have been shared with the industry and have also influenced future marketing expenditures by highlighting specific

marketing components that had higher demand enhancement capabilities than other components.

### Recommendations

It is accepted that the Florida citrus industry is facing a challenging period due to hurricane damage in recent years, plant disease infestations and increasing orange juice imports into the U.S. market. It is recommended that the citrus industry collectively agree upon a preferred way forward to equitably fund marketing and research that will help sustain the future of this important agricultural commodity. At this time, a range of state and federal legislative options to achieve equity are under consideration by the Department. These include petitioning the federal government to allocate a portion of the duties paid on imported juice to supplement Florida grower-funded promotions, as well as proposing a constitutional fix to Florida Statutes which would disallow a current exemption from taxation enjoyed by importers of juice into Florida. In addition, the Florida citrus industry and the Department are evaluating the feasibility of establishing a federal research and promotion program for orange juice. The U.S. Department of Agriculture would need to conduct a referendum of growers and the U.S. Congress would have to enact specific legislation in order to advertise Florida-specific products under this latter program scenario.

### **Budget Program: Citrus Research**

#### Description

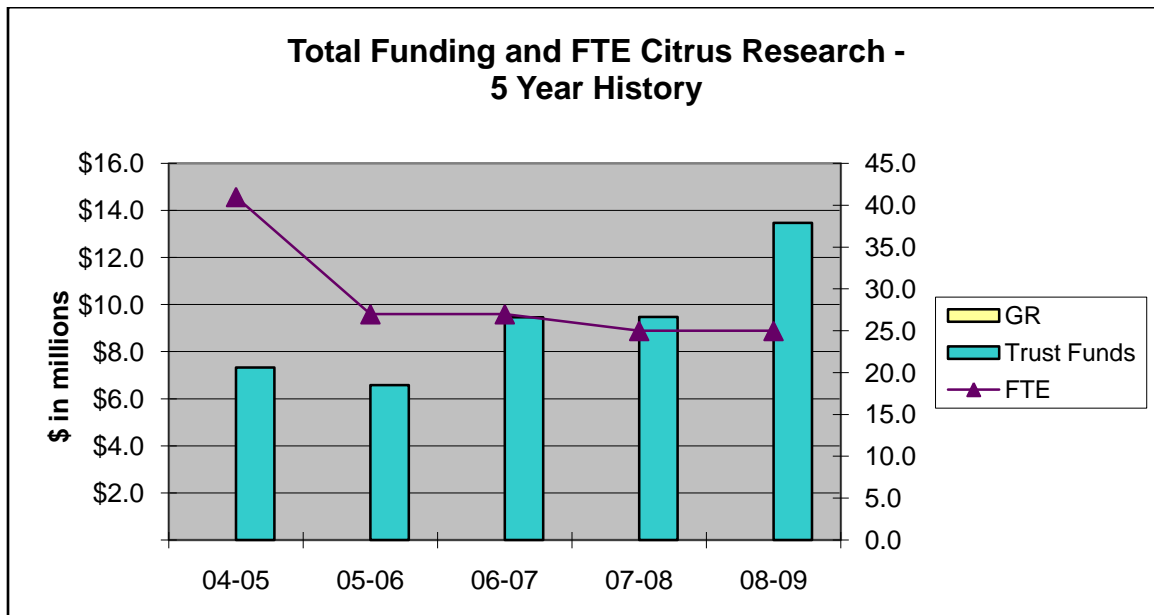
The Department conducts economic and market research relating to the demand for various Florida citrus products and the status of these products compared to citrus from other national and international competitors. In addition, the Department prepares and disseminates information, such as economic reports and sales data, to citrus growers, processors, industry associations, and retailers.

The Department also sponsors scientific citrus-related research programs. These scientific research programs are performed at the Citrus Research and Education Center in Lake Alfred. Activities at this center are a cooperative association between the Department, the Institute of Food and Agricultural Sciences at the University of Florida (IFAS-UF), and the U.S. Department of Agriculture (USDA). Studies sponsored by the Department include basic research on the chemistry of citrus fruit, medical uses, citrus disease and pest control, citrus product quality, and the development of new uses for citrus products. Recently, the Department has taken a more significant role in production and disease research by committing a greater level of funding to this program area.

#### Findings

The Legislature authorized 25 positions and \$13,477,576 in spending authority for fiscal year 2008-09, with an estimated Florida crop of 188.7 million boxes. This compares to 25 positions and \$9,481,147 in spending authority for fiscal year 2007-08, when the estimated Florida crop was 199.4 million boxes. Looking back five years to fiscal year 2004-05, the legislature authorized 41 positions and \$7,320,972 in spending authority. Citrus Research Programs are essential to the long term success of the state's citrus

industry. The graph below shows the most recent five year history of appropriations and authorized FTE's for this budget program area.



Data obtained by the Department from governmental and private sector sources is reviewed in order to provide the Department with a basis for measuring the effectiveness of marketing programs, to create marketing messages, and to identify trends in the beverage marketplace. Development of marketing programs is guided by research in an effort to understand consumer behavior and attitudes and market dynamics.

Monitoring economic trends from sources such as U.S. and Florida government data, citrus processor statistics and futures prices, the economic research staff identifies concerns of Florida citrus growers. The data provides a baseline economic outlook, enables development of indicators and performance measurements, and provides investment information.

The primary mission of the Department scientific research staff is to provide a solid research foundation for Department marketing messages and health claims. The staff initiates, reviews, and sponsors studies and research on the health, nutrition, and medical benefits of citrus, product monitoring, mechanical harvesting, production research, and the development of new citrus varieties.

Recently, significant attention has been given to attempting to find solutions to citrus canker and citrus greening disease through sponsored research agreements with the IFAS-UF and the USDA-Agricultural Research Service. In fiscal years 2007-08, and 2008-09, \$2.0 million was appropriated by the Legislature for research as part of an industry-wide effort to find solutions to citrus greening and other citrus diseases.

Recognizing the urgent need, and the fact that other state and federal funds would be unpredictable, the Commission agreed to dedicate a much higher level of grower-derived resources toward citrus disease research than ever before.

On September 10, 2008, the Legislative Budget Commission granted authority to the Department of Citrus through budget amendment, to transfer \$14.4 million from the marketing programs to research to support projects on citrus disease. These monies will come without a tax increase and have the impact of reducing the expenditure on marketing programs. It is expected that the market for Florida citrus will be negatively impacted by this difficult decision; however, the Commission is committed to this choice. The Department has used the resources of the National Research Council over the past several months to assist and guide in the prioritization of research funding. It is reported that over 230 pre-proposals from 19 states and 13 counties are being reviewed.

Additionally, the legislature during the past two sessions in the General Appropriations Act (2007 and 2008 Regular Sessions) has directed that research grants should be recommended by the Florida Citrus Production Research Advisory Council for research projects on citrus disease.

### Recommendations

Current and accurate market and economic research information is as important to the state's citrus growers now as it has ever been in order to guide decisions of the industry. Marketing programs must be as accurate as possible and economic activities of the worldwide citrus industry must be known and understood so that Florida growers can compete successfully.

Empirical scientific research has never been more important to the citrus industry than it is today. Citrus disease cures or controls must be found that can be implemented over large scale acreage at a cost that is not prohibitive. Without these breakthroughs, the commercial citrus industry will undoubtedly be weakened over time. An uncertain labor force presents an additional complication for which scientific research is needed. Research into abscission methods and mechanical harvesting should be continued, even enhanced. The Department should be considered a funding source for the research, but not a scientific research entity because of the agency's relative lack of research scientists and staff available to dedicate to the unprecedented disease problems facing the industry at this time. Research grants should be recommended by the Florida Citrus Production Research Advisory Council and the research should be conducted by the IFAS-UF or the USDA. The proportion of the box tax rate for citrus research should be increased with the proportion for department sponsored advertising decreased thereby holding steady the overall box tax rate paid by growers during these particularly difficult times.

As consumer choices for health and wellness beverages expand, there will continue to be a need for updated research to discover new reasons for individuals to consume (Florida) citrus products. In light of today's circumstances, it is recommended that citrus research programs be continued.

## **ADVISORY COUNCILS AND COMMITTEES REVIEW**

### **Citrus Harvesting Research Advisory Council**

#### Description

Created by the Commission in 1993, the Council has nine industry representatives. This Council is charged with responsibility to identify and prioritize citrus harvesting problems and to recommend a course of action to the Commission that will improve the harvesting process for citrus fruit and reduce financial costs to growers.

The Department provides administrative support for the Council. The Council proposes projects to the Commission. Upon approval of a project by the Commission, a request for proposal is submitted and the Department enters into contract with the entity providing the research. The contract is funded from the Citrus Advertising Trust Fund (box tax revenues) or from federal grants when available. For fiscal year 2007-08, the Department expended \$3,537,190 from box tax revenues to pay for projects approved by this Council.

#### Findings

Meetings of the Council and field studies continue to take place. A subcommittee was established to oversee the registration of an abscission compound. It is reported that both short-term and long-term recommendations have been identified, including the development of mechanical harvesting systems to reduce reliance on a chronically unpredictable labor supply and how to proceed toward the registration of an abscission compound.

#### Recommendations

The Council should continue its work to find the most economical means to harvest citrus fruit in order to remain competitive in the global marketplace and to assure a dependable way to utilize the work force available in today's tentative labor market.

### **Health and Nutrition Research Council**

#### Description

Created in 1983, the Council has six industry and medical representatives. This Council is charged with the responsibility to evaluate research proposals directly associated with the nutritional benefits of citrus in one's diet and to make recommendations to the Commission regarding programs to sponsor. The Department provides administrative support for the Council.

#### Findings

The Council meets as necessary each year to prioritize and make recommendations to the Commission. Citrus health and nutrition marketing strategies rely heavily on sound medical and scientific research that is subject to peer review and open to publication in professional journals which leads to message validation and credibility.



The Department provides administrative support for the Council. The Council proposes projects to the Commission. Upon approval of a project by the Commission, a request for proposal is submitted and the Department enters into contract with the entity providing the research. The contract is funded from the Citrus Advertising Trust Fund (box tax revenues) or from federal grants when available. For fiscal year 2007-08, the Department expended approximately \$225,000 to pay for projects approved by this Council.

### Recommendations

It is recommended that the Council be continued and be available to advise the Commission in implementation of the Department marketing and advertising strategy based upon health and wellness. The Department's marketing strategy, centered on health and wellness, could falter without the Council's guidance.

## **School Marketing Program Administrative Committee**

### Description

This Committee, created in 1972, was comprised of 12 industry representatives from a cross section of the industry. This Committee was formed under authority contained in s. 601.154, F.S., Citrus Stabilization Act of Florida. It was charged with the responsibility to advise the Commission on ways to expand consumption of Florida citrus products in schools throughout the country.

### Findings

The Committee has not been utilized recently and nearly all available funds were expended by the close of Fiscal Year 2006-2007. The authority in s. 601.154, F.S. for the Commission to appoint advisory councils and to impose special assessments for specific marketing and promotions programs, such as those recommended by the School Marketing Program Administrative Committee, is considered to be duplicative of authority otherwise contained in s. 601.15, F.S.

### Recommendations

The Committee was discontinued in April 2000 and there are no other active committees that were created under the Citrus Stabilization Act of Florida. Through a series of statutory changes over the years, authority to market and promote Florida citrus products in ways contemplated by the Citrus Stabilization Act, as well as the authority to budget, tax and make expenditures for these purposes is provided by s. 601.15, F.S. Therefore, consideration could be given to eliminating s. 601.154, F.S. as it is duplicative of the statutory authority contained in s. 601.15, F.S.

## **Fresh Domestic Grapefruit Advisory Council and Fresh Orange Specialty Advisory Council**

### Description

Created in 2002, both advisory councils have seven industry representatives. These Councils are charged with the responsibility to identify and address issues pertaining to the fresh domestic grapefruit, orange and specialty fruit industry. The Councils also are responsible for approving marketing orders to support fresh citrus sales programs in conjunction with the private sector.

The Department provides administrative support for the Councils. The Councils propose projects to the Commission. Upon approval of a project by the Commission, a request for proposal is submitted and the Department enters into contract with the entity providing the research. The contract is funded from the Citrus Advertising Trust Fund (box tax revenues) or from federal grants when available. For fiscal year 2006-2007, the Department expended a combined total of \$1,057,826 to pay for projects approved by these Councils. In fiscal year 2007-08, fresh orange, grapefruit and specialty programs were limited to public relations efforts.

### Findings

While the advisory work of the two Councils has been assumed by the Florida Citrus Packers Association since 2005, the Department continues to fund approved projects. The Councils no longer formally meet.

### Recommendations

It is recommended that these Councils remain inactive so long as the Florida Citrus Packers Association continues its role of advising the Commission on the best methods for marketing fresh Florida citrus.

## **Gift Fruit Advisory Council**

### Description

Created in 1988, the Council is comprised of 12 industry representatives. This Council is charged with the responsibility of advising the Commission on issues confronting the gift fruit industry and making recommendations on development of marketing programs specifically targeted at the needs for the short gift fruit shipping season.

The Department provides administrative support for the Council. The Council proposes projects to the Commission. Upon approval of a project by the Commission, a request for proposal is submitted and the Department enters into contract with the entity providing the research. The contract is funded from the Citrus Advertising Trust Fund. For fiscal year 2007-08, the Department expended \$200,000 to pay for projects approved by this Council.

## Findings

The gift fruit segment of the industry is very sensitive to changes in consumer behavior. The Gift Fruit Advisory Council has served well as a mechanism to provide guiding information to the Commission on successful marketing programs to keep Florida gift fruit on the minds of consumers during the winter holiday season.

## Recommendation

It is recommended that the Council continue to serve in its role of advising the Commission on matters pertaining to the gift fruit industry for the development of successful marketing programs for this niche of the Florida citrus industry.

## **Inspection Review Committee**

### Description

Created in 2005, the ad-hoc Committee is comprised of nine industry representatives. This Committee was charged with the responsibility to examine the rules of the Department regarding continuous inspection of processed citrus products. This Committee requires no specific funding as administrative support is provided by the Department.

### Findings

The Committee produced the procedure/audit manual required for certification of citrus processing plants and held a rule development workshop. A new quality certification program for processed citrus products was developed which is expected to save significant inspection fees for those processing plants that implement the program. It is reported that the ad-hoc committee achieved its purpose and was thus discontinued by the Commission.

### Recommendation

It is recommended that this ad hoc Committee remain inactive until further needed.

## **Special Industry Committee**

### Description

Created in 2006, the Committee is comprised of 13 industry representatives and has four subcommittees. The subcommittees are: Economic/Marketing, Industry Structure, Industry Communication, and Research. This Committee is charged with the responsibility to develop a vision for the future of the Florida Citrus industry in the wake of recent hurricanes, spread of disease, development, and competition in the fruit and juice categories. The Committee is to identify key industry issues and formulate recommendations to deal with changing circumstances. This Committee requires no specific funding as administrative support is provided by the Department.

### Findings

Since its creation in 2006, the full committee is reported to have met six times with the smaller subcommittees having met more often to hear industry testimony and reports from 3<sup>rd</sup> party experts.

The Committee's recommendations were accepted by the Commission in July 2006. A significant recommendation which has been implemented by the Department directed it to participate "in marshalling resources for supply-side research." This charges the Committee with the responsibility to search for all available resources, such as state, federal, or private funds, to assure industry funding needs are met.

### Recommendation

The Committee is relatively new and has the ability to bring focus to needs that are present or emerging within the industry. It is recommended that the Committee be continued and function in its broad based, forward looking mission.

## **Processor Statistics Committee**

### Description

Created in 2006, the Committee is comprised of nine industry representatives. This Committee is charged with the responsibility to collect and distribute processed juice statistics and movement data to the Florida citrus industry. This Committee requires no specific funding as administrative support is provided by the Department.

### Findings

The statutorily authorized responsibility under s. 601.15(2)(a), F.S., continues to serve a need within the processed juice component (and largest segment) of the Florida citrus industry for collection and distribution of accurate statistics pertaining to juice movement data.

### Recommendation

It is recommended that the Committee continue its role of being responsible to collect and distribute processed juice statistics and movement data to the Florida citrus industry, which has been accumulated by the Department.

## RECOMMENDATIONS

**Recommendation #1:** The Legislature should retain the agency. Upon updated review of the Department it was found that while similar functions are performed by it and the Department of Agriculture and Consumer Services such as the marketing of agriculture commodities and scientific research, the functions of the two agencies complement one another and are not duplicative. The Florida citrus industry is facing a challenging period due to hurricane damage in recent years, disease infestation and increasing orange juice imports into the U.S. market. To meld the Department in total or by program area into the Department of Agriculture and Consumer Services at this time would likely result in a period of inefficiency at a difficult time for the State's citrus industry.

**Recommendation #2:** The Legislature should continue to give consideration to eliminating the School Marketing Program Administrative Committee and s. 601.154, F.S., under which it and other marketing programs were authorized. The authority in s. 601.154, F.S. for the Commission to appoint advisory councils and to impose special assessments for specific marketing and promotions programs, such as those recommended by the School Marketing Program Administrative Committee, is considered to be duplicative of authority otherwise contained in s. 601.15, F.S.

**Recommendation #3:** The Department should continue to build upon its opportunity and efforts to establish a new dialogue with growers to build greater trust and to create more effective working relationships to enhance the industry. This recommendation is based upon the result of a study assessing the Department's customer service relations that were contracted out at the direction of the Commission.

**Recommendation #4:** The State's citrus industry should collectively agree upon a preferred way forward to equitably fund marketing and research that will help sustain the future of the State's citrus industry. It is accepted that the citrus industry is facing a challenging period due to hurricane damage in recent years, disease infestation and increasing orange juice imports into the U.S. market. A range of options are under consideration such as amending state statutes which grant an exemption on imports of juice into Florida, and petitioning the federal government to allocate a portion of the duties paid on imported juice to supplement grower funded research and promotions. Additionally, the State's citrus industry and the Department are evaluating the feasibility of establishing a federal research and promotion program for orange juice.

**Recommendation #5:** Research into citrus disease cures or controls as well as abscission methods and mechanical harvesting should be continued, even enhanced. Without these breakthroughs, the commercial citrus industry will undoubtedly be weakened over time. The Department should be considered a funding source for the research, but not a scientific research entity because of the agency's relative lack of research scientists and staff available to dedicate to the unprecedented disease problems facing the industry at this time. Research grants should be recommended by the Florida Citrus Production Research Advisory Council and the research should be conducted by the IFAS-UF or the USDA. The proportion of the box tax rate for citrus research should be increased with the proportion for department sponsored advertising decreased thereby holding steady the overall box tax rate paid by growers during these particularly difficult times.



**EXHIBIT 1**

**Florida Citrus Commission  
District Representation 2007-08**

**Member Name                      Term Ends**

**District 1**

Robert M. Behr                      5/31/09  
grower-handler/processor

Wesley W. Brumback              5/31/09  
grower

Michael L. Carrere                5/31/10  
grower

**District 2**

Benny W. Albritton, Jr.          5/31/08  
grower

Michael W. Haycock              5/31/10  
grower-handler/processor

Michael O. Taylor                5/31/10  
grower

**District 3**

E. Stanley Carter                 5/31/10  
grower

W. Cody Estes, Sr.               5/31/09  
grower-handler/shipper

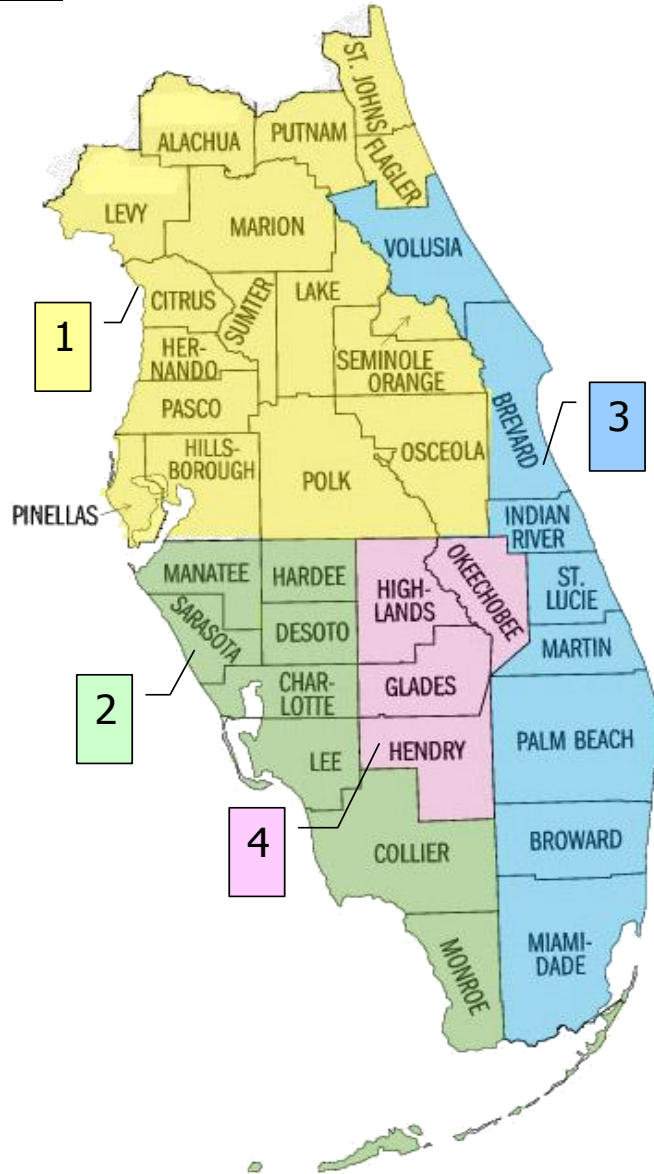
George H. Streetman              5/31/08  
grower-handler/shipper

**District 4**

Virginia S. Pena                  5/31/08  
grower-handler/processor

Steven M. Smith                 5/31/08  
grower

David P. Wheeler                 5/31/09  
grower



**EXHIBIT 2**

Department of Citrus  
Fiscal Year 2007-08 Expenditures and  
Fiscal Year 2008-09 Internal Operating Budget approved by the Florida Citrus Commission

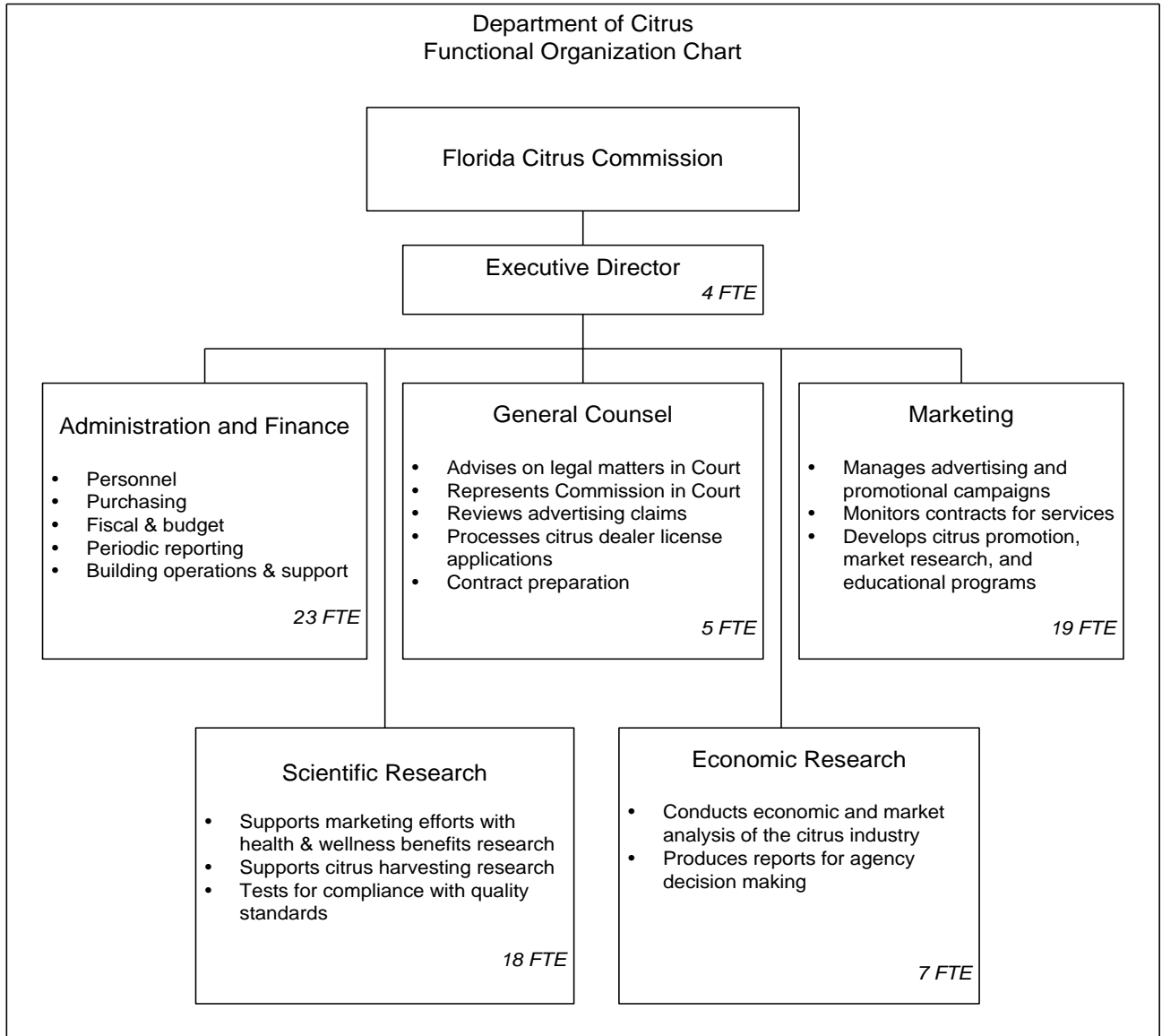
Activity	Expenditures Fiscal Year 2007-08	Operating Budget Fiscal Year 2008-09
Administration	\$ 3,334,177	\$2,963,300
Scientific Research	8,311,642	24,794,972
Economic/Market Research	1,659,096	1,883,800
Marketing:		
General Operations	859,772	996,600
Processed Orange Advertising	17,895,468	12,237,600
Public/Industry Relations	3,674,159	2,682,000
Fresh Fruit/Grapefruit Juice Promotions	2,438,495	1,363,400
Consumer/Trade/Industry Communications	1,975,128	1,608,050
International Marketing *	9,407,805	8,585,620
General Revenue Service Fee	1,773,181	1,644,400
Reserves		1,671,497
Total	\$51,328,923	\$60,431,239

\*

Includes U.S. Department of Agriculture Foreign Services funds, which are federal reimbursement grants to FDOC for its foreign advertising expenses.



**EXHIBIT 3**



Source: Department of Citrus documents