

Exhibit
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Testimony

Arthur B. Chadwell

Citrus Administrative Committee, Manager

General Introduction

My name is Arthur B. Chadwell (spell your name). I reside at 723 Success Ave., Lakeland, Florida. I am the Manager of the Citrus Administrative Committee, which administers Federal Marketing Order No. 905 – Oranges, Grapefruit, Tangerines, and Tangelos grown in Florida. Due to the number of citrus related terms that will be used in testimony today, I have included a glossary of terms. Also, included are four tables which includes by variety, for the past ten seasons; bearing acreage, production, production per acre, utilization both fresh and processed and on-tree returns. ~~There are also charts for production and fresh shipments for the past ten seasons and a pie chart of fresh shipments by variety for the 2011-12 season.~~ The Florida citrus industry has a long history of cooperation among government entities, industry organizations and competing growers and handlers. I will identify the major organizations that work for the benefit of the Florida citrus industry and to provide a brief introduction to their activities.

Government Entities

Citrus Administrative Committee – Federal Marketing Order No. 905

Federal marketing order 905 (Order) was promulgated in 1939 and was last amended on September 9, 2009. The production area for the marketing order is that portion of the State of Florida, which is bounded by the Suwannee River, the Georgia border, the Atlantic Ocean, and the Gulf of Mexico. The Citrus Administrative Committee (Committee) is comprised of 18 members and their alternates. Nine members and alternates are grower members;

eight members and alternates are shipper members, and one member and alternate represent the public. All members serve one-year terms of office that run from August 1 through July 31. Members may serve a maximum of three consecutive terms. Producer (grower) members are nominated at grower nomination meetings. Handler (shipper) members are nominated at shipper nomination meetings. The committee nominates the public member and alternate. All members and alternates are appointed by the Secretary of Agriculture and serve at the Secretary's pleasure. Federal marketing order 905 authorizes grade, size, maturity, quality and volume regulations. Additionally, export regulations include size, capacity, weight, dimensions, marking or pack of the container regulations is authorized. . Grade and size requirements are in effect for citrus shipped to destinations outside the production area. Volume regulations may be placed on red grapefruit and specific varieties based on size. Shipping holidays may be authorized during the Thanksgiving and Christmas holiday seasons. The authority to establish projects including production research, marketing research and development projects, and marketing promotion including paid advertising, designed to assist, improve, or promote the marketing, distribution, and consumption was included in the Order in July 2009. Under 8e, grapefruit imports must meet the same or comparable minimum grade, size, quality and maturity requirements, as specified under the Order. The Order only regulates interstate and export shipments for the Florida citrus industry.

Florida Citrus Commission, Florida Department of Citrus

The Florida Citrus Commission (Commission) and the Florida Department of Citrus (FDOC) were formed in 1935. The Commission is appointed by the Governor of Florida to oversee the FDOC. The Commission has nine members, which is made up of six growers, two grower/processors and one grower/shipper. Each commissioner serves a three-year term. The FDOC provides marketing, research, and regulatory support for Florida citrus products. Although it is a state agency, the FDOC operates under a state marketing order which established a means to raise revenue through a tax. Growers fund the FDOC through an excise tax placed on each box of citrus that moves through processing plants and fresh fruit

packinghouses. The Commission sets the tax rate each year. During the 2011-12 season, about 63 percent of the FDOC operating budget (\$58 million) is allocated to marketing. With the onset of HLB (citrus greening disease) in Florida, the Commission directed 23 percent of the FDOC's budget to disease research. The research money is channeled through the Citrus Research and Development Foundation, Inc. (CRDF) for disbursement to researchers in the form of competitive grants. There will be more detailed information presented in later testimony on the FDOC's regulation of intrastate fresh citrus shipments.

Florida Department of Agriculture & Consumer Services

Division of Fruit and Vegetables

The Division of Fruit and Vegetables (Division) operates under the Florida Department of Agriculture & Consumer Services (FDACS) and through the Bureau of Inspection (Bureau) under the Citrus Section of the Bureau inspects and certifies all fresh shipments of citrus fruit as may be assigned or supported in connection with regulations issued under the Order and FDOC regulations and/or rules. In support of that goal, licenses for all citrus dealers, registrants, and agents of licensed fruit dealers, citrus packing houses are collected and maintained annually. The Division maintains testing equipment, facilities at citrus packing houses, and conducts methods for minimum grade and size regulations as established by the Committee under the Order. Section 905.53 Inspection and certification requires ^{each} carton of regulated citrus is inspected by the Division and a certified copy of the manifest is furnish^{ed} to the Committee for the collection of assessments and statistical information and the Committee pays a fee of the manifest information.

Institute of Food and Agricultural Sciences at the University of Florida (IFAS)

The Institute of Food and Agricultural Sciences at the University of Florida (UF/IFAS) conducts research, extension, and education programs on citrus through its main campus in Gainesville and at three research and education centers located at Lake Alfred, Immokalee, and Fort Pierce. In addition, a network of multi-county Extension faculty is located in various county offices throughout the citrus production region. UF/IFAS is funded by state appropriations from the Florida Legislature through the USDA formula funding, and by grants and contracts from a wide range of public and private agencies. The Citrus Research and Education Center (CREC) in Lake Alfred was established in 1917 with grower funds and is the oldest and largest off-campus research center in the UF/IFAS organization. CREC is unique among research centers in that it focuses entirely on one commodity, citrus; is the largest citrus research facility in the world; and has the world's largest citrus library. Today, faculty members work to provide relevant and timely assistance through the development and delivery of information, technology, and educational opportunities to numerous and diverse clients. University of Florida students pursuing master's degrees and doctorates in agricultural fields may enroll in several courses at CREC or attend via a long-distance video conferencing network. Designated Extension faculty members serve the public by providing publications and conducting educational programs for growers, processors, packers, related industry groups, and homeowners. Short courses, field demonstrations, and seminars also are held at CREC. Eight disciplinary departments of the University of Florida are represented at CREC, including horticultural sciences, soil and water science, plant pathology, entomology and nematology, microbiology and cell science, agricultural and biological engineering, food science and human nutrition, and food and resource economics. Faculty are organized into interdisciplinary working groups and address a wide array of topics. In addition, CREC is home to the scientific research staff of the Florida Department of Citrus (FDOC).

Agricultural Research Service, United States Department of Agriculture

The United States Department of Agriculture, Agricultural Research Service (USDA/ARS) has a facility located at Fort Pierce. The USDA/ARS unit has been a major player in research related to both citrus canker and citrus greening. It is formally known as the U.S. Horticultural Research Laboratory (USHRL), with national responsibility for control methods for insect pests of citrus and other subtropical fruits, vegetables, and ornamentals; for basic physiological, biochemical, and pathological research on postharvest problems of horticultural crops; and for developing new citrus scion and rootstock varieties that enhance fruit quality and yield and are resistant to disease. There are 20 Ph.D. research scientists divided into three units: horticulture and breeding, subtropical insects, and subtropical plant pathology.

Florida Agricultural Statistics Service

The Florida Agricultural Statistics Service (FASS) is a joint effort of the United States Department of Agriculture, National Agricultural Statistics Service (USDA/NASS) and the Florida Department of Agriculture and Consumer Services (FDACS). It is located in Orlando and collects data on a wide array of crops and livestock products produced in Florida, including citrus. The Citrus Summary is published annually and reports production, utilization, and prices for all major citrus varieties produced in Florida, as well as data on citrus produced in other U.S. states. FASS also publishes bi-annually the Commercial Citrus Tree Inventory, another valuable report that provides tree numbers and acreage by age, variety, and county. Most of the statistical data used in this hearing was taken from the Citrus Summary. Also, each box of Florida citrus fruit is assessed a fee to fund FASS. Section 905.31 Duties of Citrus Administrative Committee (g) requires an adequate system for determining the total crop of each variety, the Committee and FASS works closely during the season to share statistical data on the Florida citrus industry.

Citrus Research and Development Foundation, Incorporated

The Citrus Research and Development Foundation (Foundation) was created in May 2009. The Foundation exists as a Florida not-for-profit corporation, is organized as a Direct Support Organization (DSO), and is certified by the University of Florida's Board of Trustees. It operates for the benefit of the citrus industry and the state of Florida, in a manner consistent with the goals of the University of Florida. The Foundation plans to serve as ground zero for Florida citrus research by coordinating citrus disease researchers, managing contracts, assessing research progress, and addressing intellectual property and other commercialization and product development issues. Ten of the Foundation's board members are citrus growers and three represent the University of Florida.

Florida Foundation Seed Producers, Incorporated

The Florida Foundation Seed Producers, Inc. (FFSP) is a not-for-profit corporation acting on behalf of the Florida Agricultural Experiment Station for the release of proprietary UF germplasm.

New Varieties Development and Management Corporation

The New Varieties Development and Management Corporation (NVDMC) is a not-for-profit organization funded by Florida citrus growers through the Florida Citrus Commission. Its stated mission is to "provide Florida growers affordable and timely access to new citrus varieties that will enhance Florida's competitive position and enhance the potential of intrastate, domestic, and international breeding programs, while maximizing the crop values of the growers and packers it serves." About 70 percent of the NVDMC's budget goes directly to breeding programs. There will be additional testimony concerning the NVDMC presented with testimony on proposal one is given.

Voluntary Trade Organizations

Florida Citrus Mutual

Formed in 1948, The Florida Citrus Mutual (FCM) serves as the lobbying voice for Florida citrus growers in Washington, D.C. and Tallahassee, Florida. The group, which maintains about 8,000 grower members, also provides market information, communications, and grower affairs to its membership. Led by a board of 21 member-elected directors from various growing regions across the state, FCM's annual budget is about \$3 million, which is generated through a per-box assessment.

Regional Grower Associations

Formed at various times over the past three decades, four regional grower associations each handle local issues for their members, such as water management, community relations, and local planning. Politically active growers in each growing region established the associations after rapid urban development in Florida began conflicting with citrus farming, which created the need for more local representation for the industry. The regional associations subsist on small budgets funded by annual membership fees. Often, the larger citrus organizations use the regional associations as sounding boards for issues or ideas circulating around the industry. There are grower members/alternates on the CAC that are members of each of the regional associations. The regional associations are as follows:

- Gulf Citrus Growers Association
- Highlands County Citrus Growers Association
- Peace River Valley Citrus Growers Association
- Each of the above grower organizations produce mainly round oranges for processing with some specialty citrus.

Members of each of these organization are grower members of the Committee.

- Indian River Citrus League – The Indian River Citrus League is comprised of mostly fresh grapefruit growers and shippers and is well represented on the Committee.

Florida Citrus Packers

Chartered in 1960, the Florida Citrus Packers (Packers) is a non-profit cooperative association representing growers whose focus is selling their citrus to the fresh market rather than to processors. Fresh growers face unique shipping issues that processed growers do not often face. The Packers is supported by a per-box assessment on all fresh citrus shipments from member companies. Representing the vast majority of the volume of all fresh shipments from Florida each year, the organization endeavors to solve the shipping problems its members encounter and to secure cooperation between producers and shippers in the marketing of fresh citrus. Most of the shipper members and alternates on the CAC are members of the Packers. The Packers work closely with the Committee on issues involving the shipment of fresh citrus fruit and the majority of the Committee's shipper members/alternates are members of the Packers.

Grower

The number of citrus growers (farms) in Florida was reported to be 6,061 in the 2007 U.S. Census of Agriculture for Florida (the most recent data on FASS's webpage). The same census report stated there were 654,747 acres of citrus in Florida on those farms. Given the citrus acreage and number of growers (farms) reported in the 2007 census the average acreage per grower (farm) is 172 acres. It should be noted that last season (2011-12) more than 90% of the citrus fruit produce in Florida was utilized in the production of fruit juice, while less than 9% was utilized for fresh citrus shipments. Therefore, it is estimated within the industry that approximately 10% of the Florida citrus growers (500 to 600) produce fruit for the fresh market. A small grower as defined by the Small Business Administration (SBA) is one

that grosses less than \$750,000 annually and given the on-tree returns and boxes produced per acre, as shown on Tables 1,1a, 2, 3 & 4, gives support that a small Florida citrus grower during the 2011-12 season is one that has approximately 274 acres. Using this as a base for estimating the number of small growers, a case can be made that a majority of Florida's fresh citrus growers would meet the SBA definition. There are a minimum of two cooperative grower members/alternates on the Committee. There are an increasing number of growers that own a packinghouse or have an exclusive relationship with a shipper to handle their fruit.

Shipper

Over the past ten seasons the number of Florida citrus shippers that shipped regulated Florida citrus fruit has declined from 59 shippers during the 2002-03 season to 44 shippers during the 2011-12 season a reduction of 25 percent. The Small Business Administration (SBA) definition of, a small shipper is a shipper, which grosses less than \$7 million. Given the average FOB price of all Florida's fresh citrus shipments during the 2011-12 season and each shipper's shipments, 21 shippers would meet the SBA definition of a small shipper. During the 2011-12 season, the ten largest shippers accounted for more than 51 percent of the Florida's shipments while the top twenty three shippers (large shippers SBA) accounted for more than 89 percent of the shipments. Also, changing is the number of shippers with their own in-house sales agencies. Twenty-five years ago there were only three major sale agencies that marketed fruit for multiple independent shippers. During the 2011-12 season, approximately 6 or 25% of the larger handlers had their own in-house sale agencies. Last season 11% of the fresh shipments were handled by 21 small shippers (small shippers SBA). The consolidation of shippers has been greatest within the marketing cooperatives and mid size handlers. There are a minimum of two cooperative shipper members /alternates on the Committee. Also, of the 44 shippers of record last season the vast majority, approximately 80%, owned and operated groves.

Citrus Acreage and Production

Citrus is grown in 29 of Florida's 67 counties, the top 15 citrus producing counties produced 94% of the citrus production during the 2011-12 season, as reported by the FASS in the Citrus Summary 2011-12. There were 531,493 acres of commercial citrus in Florida in 2012 compared 797,303 acres of commercial citrus in 2002, a (33%) reduction. Of the 265,810 acres lost during this 10-year period, 28% was orange acreage, 46% was grapefruit acreage and 43% was specialty citrus fruit acreage. During this same time frame, Florida's citrus production decreased (32%) from over 250 million boxes to 171 million boxes. It must be noted that Florida's citrus production during the past season has been greatly impacted by greening. The bearing acres, production, fresh and processed utilization and on-tree prices (farm gate) for the past ten seasons are listed in Tables 1,1a, 2, 3 & 4. The sources of the statistical data and definitions used to develop the charts and tables are noted on the tables. The vast majority of citrus produced in Florida is utilized in the production of processed juice products. During the last ten (10) seasons, approximately 90% of the citrus produced in Florida was utilized in the production of processed products while approximately 10% was utilized for fresh shipments.

Fresh Citrus Shipments

Over the past ten seasons, our Florida citrus industry utilized 3% of the orange crop (includes Navel oranges), 39% of the grapefruit crop and 56% of the specialty citrus fruit crop for fresh shipments. Round oranges (Early-Midseason & Valencia Oranges) accounted for 17% of the fresh shipments; Navel oranges averaged 37% of the orange shipments and over 10% of the total fresh citrus shipments each season. Grapefruit accounted for 53% and Specialty citrus (Temple oranges, Tangelos, Fallglo tangerines, Sunburst tangerines and Honey tangerines) accounted for 20% of fresh shipments.. The amount of Florida citrus utilized in fresh channels of trade decreased 40% from approximately 24.7 million boxes shipped in the 2002-03 season to 14.7 million boxes shipped in the 2011-12 season . Given these statistics

