

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Present situation:

The United States' Congress recently enacted a law called Trade Promotion Authority (TPA). The law grants the President of the United States and his administration authority to negotiate a Free Trade Area of the America's (FTAA) agreement. Once an agreement has been negotiated, the Congress will be obligated to vote for the entire agreement without amendments or revisions. The FTAA is intended to create a "free trade" zone in the Western Hemisphere with increased competition, decreased cost to the consumer, and increased trade throughout the world. During negotiations, the United States (U.S.) orange juice tariff will be carefully scrutinized, and possibly eliminated or at least phased out.

Countries in the Western Hemisphere protect their agricultural industries in different ways. For many crops in the U.S., a price support approach is used to support farm income. Other countries use a combination of import tariffs and quotas to support higher prices for commodities. Many U.S. agricultural interests are seeking lower tariffs and elimination of import quotas in hopes of increasing U.S. exports to other Western Hemisphere countries.

The tariff on U.S. orange juice is somewhat at odds with other U.S. agricultural commodities. Outside of Canada, orange juice consumption in other FTAA countries is quite small; thus, the interests of the Florida citrus industry do not necessarily coincide with those of the majority of U.S. agriculture.

The global processed citrus market is unique. World orange juice production is concentrated chiefly between two regions: Brazil (47%) and the U.S. (38%). Brazilian production is controlled by five large processors, accounting for 80% of the country's production and nearly all of its juice exports. Brazilian processors benefit from advantages brought by past subsidization and control over the price of processed oranges. Dumping orders are currently in effect against several Brazilian exporting companies.

Florida's citrus industry

The citrus industry in Florida has historically been an important sector of the state's agricultural economy, and remains so today. Citrus fruits, including oranges, grapefruit, tangelos, tangerines, limes, and other specialty fruits, are the state's largest agricultural commodity. Florida is the world's leading producing region for grapefruit and second only to Brazil in orange production. The state produces over 80 percent of the United States' supply of citrus. Production of citrus in Florida has increased substantially over the past 10 years, as a result of large replantings following the disastrous freezes during the mid-1980's.

In the 1999-2000 season, a total of 298 million boxes of citrus fruit were produced in Florida from 107 million bearing citrus trees growing on 832,000 acres. The farm-level value of citrus fruit sold to packinghouses and processing plants amounted to \$1.73 billion.

Nearly 90 percent of Florida citrus is processed into canned, chilled, and frozen concentrate juices. Total industry output for the 1999-2000 season was \$4.07 billion, including \$3.58 billion in sales of citrus juice and processed citrus byproducts, and \$494 million in sales of fresh citrus fruit. About 93 percent of Florida citrus products, valued at \$3.89 billion, were shipped to domestic and international markets outside the state. Income to the regional economy from export sales results in secondary economic impacts. Total economic impacts associated with the citrus industry were estimated at \$9.13 billion in industry output, \$4.18 billion in value added, and 89,700 jobs. This included an indirect impact of \$2.13 billion in output attributed to purchases from other industry sectors, and an induced impact \$2.93 billion resulting from consumer spending of earnings by industry employees.¹

Implications of elimination of the U.S. orange juice tariff:

The U.S. orange juice tariff serves to support prices. American citrus is among the most free market-oriented sectors of U.S. agriculture in that it does not receive any government subsidies. The tariff is 28.9 cents per pound solid for FCOJ and 16.5 cents per SSE gallon for single-strength orange juice. University of Florida (UF) and Florida Department of Citrus (FDOC) analysis suggests that immediate elimination of the tariff would lower processor prices of FCOJ by 20 cents per pound solid.

According to information provided by UF and FDOC, a reduction in or elimination of the tariff will not lead to the stated objectives of free trade including greater competition and consumer choice or expanded overall global economic growth. The U.S. processed orange juice industry, nor consumers, will benefit from tariff elimination or reduction for an advanced producing country such as Brazil. The existing tariff is important to the future viability of the Florida citrus industry as it levels the international playing field, roughly accounting for the difference in production costs between the two nations. Any reduction in the tariff could reduce prices to U.S. growers below the cost of production.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

¹ Hodges, Philippakos, Mulkey, Spreen and Muraro, *Economic Impact of Florida's Citrus Industry, 1999-2000*, Economic Information Report 02-1, University of Florida, Institute of Food and Agricultural Sciences, Food and Resource Economics Dept.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None