

STATEMENT OF  
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U.S. INTERNATIONAL TRADE COMMISSION  
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ANDEAN TRADE PREFERENCES AND DRUG ERADICATION ACT

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**Introduction**

Madame Chairman, members of the Commission. My name is Kasey Cronquist. On behalf of the California Cut Flower Commission, I thank you for the opportunity to explain how the Andean Trade Preferences and Drug Eradication Act has affected and continues to affect California flower growers.

First, allow me to explain the role of the CCFC and provide a profile of our industry. The CCFC is a state commission, created by the state legislature to promote California grown cut flowers and foliage. The CCFC is overseen by the California Department of Food and Agriculture and is funded by assessments on our growers.

There are approximately 275 growers of flowers and foliage distributed throughout the state. We market nearly 300 million dollars worth of flowers and nearly 30 million dollars worth of foliage annually. California growers accounted for 77 percent of the wholesale value of sales of all domestically grown cut flowers in 2007.<sup>1</sup> In essence, California is the center of U.S. cut flower cultivation.

There are a number of very large growers but many CCFC growers are small, family-run operations that contribute roughly 10,000 jobs to the state's economy

California's unique climate allows its growers to produce some of the finest cut flowers in the world. We use the latest technologies to produce and efficiently transport flowers to market, ensuring that consumers receive fresh, high quality products. We

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<sup>1</sup> USDA, NASS, *Floriculture Crops 2007 Summary* (Apr. 2008) at 10.

protect the health and safety of our workers and meet some of the highest environmental standards in the world.

### **Historic Experience under ATPDEA**

It is now well established that California flower growers have faced a significant decline in their share of the U.S. market since the ATPA became law in 1991. Studies by the ITC over the last 15 years, for which the CCFC has provided data, chronicle the extraordinary gains by Andean countries in the domestic market – and the proportionate loss in market share by U.S. growers.

Just 16 years ago, California growers had 64% percent of market share. Now we have just 20-25%. In contrast, in 2007, the Andean countries accounted for 79 percent of U.S. cut flower imports by value.<sup>2</sup>

In 2007, cut flower imports from Colombia alone, at \$508 million, were greater than the total wholesale value of sales of U.S.-grown cut flowers, at \$416 million.<sup>3</sup>

The results of the ATPA have been significant for the people of the Andean region, particularly Colombia and Ecuador. Their climates, available land, and supply of labor have helped catapult them to among the top flower producers in the world. The United States is their primary market.

California growers have responded to this new competition with characteristic resourcefulness and innovation. We have cultivated new products, and developed better growing, harvesting, storage, and transportation techniques. We have also differentiated our products from imports. For example, we have marketed our ability to respond to special orders quickly.

Consider the experience of the VanWingerden family. They started growing carnations in the 1960s. A popular and resilient flower. However the flower needed a lot of labor to produce. So when Colombia started growing carnations and began competing with their labor force, the VanWingerdens needed to move on, uproot their crop and start over.

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<sup>2</sup> U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics for HTS 0603.

<sup>3</sup> USDA, NASS, *Floriculture Crops 2007 Summary* (Apr. 2008) at 10; U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics for HTS 0603.

They then began producing Crysanthumums. Crysanthumums or “mums” were also a hearty flower that was very marketable in the United States. Then however, Colombia began importing the “mums” and at price that made it impossible to compete. Once again, the VanWingerdens needed to uproot that crop and start over.

They currently produce high quality gerbera daisies. Recognizing that gerberas are a bit more sensitive and fragile, transportation over boat or plane would be extremely hard on the life of this flower, so Colombia would have to make the necessary investment in technology to compete with this particular flower.

As of right now growers in California still enjoy the competitive advantage of growing and transporting this particular product domestically. However, having recently seen first hand Colombia’s gerberas, we know it is just a matter of time before Colombia is competing directly on this product as well.

The challenge is that you can diversify an industry to death. The number of domestic growers is down significantly since the early 1990s and the trend continues. The number of growers of cut flowers in the United States fell from 407 in 2006 to 349 in 2007.<sup>4</sup>

It is clear we will continue to face significant competition from cut-flower imports. Cut flower imports from Andean countries have grown significantly in recent years, rising by 73 percent from 2002 to 2007.<sup>5</sup> In 2007, total U.S. imports of cut flowers were \$831 million. Meanwhile the wholesale value of all domestically produced cut flower sales in the United States was just \$416 million.<sup>6</sup>

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<sup>4</sup> USDA, ERS, *Floriculture and Nursery Crops Yearbook* (Sept. 2007) at 57; USDA, NASS, *Floriculture Crops 2007 Summary* (Apr. 2008) at 5. The number of growers includes only those with \$100,000 or more in annual sales. Since 2005, USDA started collecting data on the industry from only 15 states which account for the majority of production and sales.

<sup>5</sup> U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics for HTS 0603.

<sup>6</sup> USDA, ERS, *Floriculture ans Nursery Crops Yearbook* (Sept. 2007) at 56 and 57; USDA, NASS, *Floriculture Crops 2001 Summary* (Apr, 2008) at 5 and 10; U.S. Department of Commerce, Census Bureau, Foreign Trade Statistics for HTS 0603.

## **Additional Challenges**

The huge volume of cut flowers from Andean countries has spurred the development of an efficient transportation and distribution hub in Miami. Over the past 20 years competition among transportation companies for loads with rates has flourished. California growers, meanwhile, have continued to lose their ability to generate the kind of volume that can compete for those same rates. This has driven up the cost of their goods in comparison of those from Andean countries.

In addition, California growers meet some of the world's toughest regulatory standards concerning environmental protection and conservation. They also face strict quarantine policies on pests such as the light brown apple moth. California growers abide by these standards because they recognize the link between their long-term viability and their wise stewardship of the land and water.

Against this backdrop, the United States and Colombia have completed a free trade agreement, which now awaits consideration by the Congress. The ITC has concluded that this agreement will have no significant impact on the domestic industry. However, permanent duty-free treatment of these flowers could and should spur additional investment in the floral sector in Colombia. Given the tenuous position for many growers, even modest increases in import competition could drive some growers from the market. This could destroy jobs and traditions that go back generations.

## **The Colombia Flower Industry**

At the end of May 2008, a group of California growers journeyed to Colombia as the guests of Asocolflores, the Colombian counterpart to CCFC. We discovered a mature industry that maintains much higher standards for workers' health and safety than just ten years ago. The Colombian growers have adopted many state-of-the-art techniques for growing and quality control. In addition, it was clear that this is an industry ready to expand. This is evident in the contracts for U.S. universities for research on improving growing techniques and post harvest treatment techniques in Colombia. We fully expect Colombia to become even more competitive in the years to come.

## **Overall Position on ATPDEA**

California growers recognize the policy objective of using trade to spur economic development and to encourage the pursuit of livelihoods outside of illegal drug production and trafficking in Andean countries. In general, CCFC members believe in the benefits of trade, welcome competition, and have risen to meet it, so long as trade is conducted in a fair manner and consistent with internationally-recognized rules governing trade. We also recognize the benefits of imports for U.S. consumers, importers, distributors, and retail florists. The more that flowers are part of every day life, the better.

Accordingly, California growers have never opposed the ATPA and have remained neutral on the Colombia Trade Promotion Agreement.

However, with the ATPA extended until the end of 2008 and consideration of the Colombia agreement on the horizon, the CCFC has appreciated this opportunity to offer a note of caution about U.S. trade policy in South America. True, many business and workers in the United States and Andean countries have benefitted from our expanded trade relationship. But many California growers have not. The growers that remain continue to face perilous times.

The growers are looking at ways to adjust to inevitably steeper competition. We want to remain a vibrant part of California's economy and a reliable, environmentally-friendly source for florists and the millions of homes, offices, public spaces, and places of worship made more beautiful with flowers.

Madame Chairman, Members of the Commission, thank you for this opportunity to present the view of California flower growers. I would be happy to respond to your questions today and provide any additional information you might request.