Before the
United States International Trade Commission

Investigation No. 332-352:
Report on the Andean Trade Preference Act

Testimony of

Christine Boldt and Bill Fernandez

July 22, 2008

Good morning Madam Chairperson and members of the Commission, my name is Christine Boldt and I am the Executive Vice President of the Association of Floral Importers of Florida, AFIF for short. I have been with AFIF since 2004, but my family and I, have been involved with the flower importing business since 1974. I worked for years for flower importers and now instead of representing one company, I represent the entire importing community.

The Association was formed in 1982 in order to give the flower importers, mainly located in Miami, a united voice with issues affecting the flower importing industry. AFIF is funded solely by member dues, and our main focus is ensuring the free flow of flowers into the United States. AFIF member companies represent about 80 percent of the flowers that are imported into Florida.

Miami International Airport is the number one destination for the flowers that come mainly from the Andean region. 86% of all flowers that are imported into the US come through Miami International Airport and are distributed throughout the US. Approximately 220,000 jobs in the floral industry depend on the free flow of Andean floral imports. These include sectors such as: airlines, custom brokers, flower importers, truck transporters, wholesale operations, retail flower shops, internet providers, supermarkets and mass markets.

There are approximately 4.3 billion stems of flowers yearly that are imported mainly from Colombia and Ecuador. These flowers play a major role in supporting the estimated $19.8 billion US floriculture industry. Imported flowers make up approximately 75% of the total fresh flower supply in the US.

The US flower industry is intensely competitive, margins are very thin, with operating profits for most flower importers at about 2 to 4 percent. With the current short term extensions of the ATPA over the last 2 years, it has had a big impact on the flower industry. As with most businesses, long term planning is necessary for business development and sustainability. Having only 6 to 10 month extensions put a lot of strain on our "penny" industry. Currently, the ATPA is slated to expire on December 31, 2008, which is prior to the flower industries two largest holidays. Not knowing if there will be duties, does not give the flower importing industry the ability to "pre-sell" or prepare pricing. The uncertainty of possible duties if the ATPA is not renewed makes proper cost analysis and correct pricing almost impossible. The industry requires set pricing or "pre-books" months in advance and sometimes a year ahead.

In December 2001, the tariff preferences under the ATPA lapsed for eight months until the ATPA was renewed. Duties for flowers range from 3 to 7 percent and the industry paid an estimated $2.5 million per month in duties. The industry had to pay duties on flowers for their two largest holidays, Valentine's Day and Mother's Day shipments. Even though this loss of preferences was temporary, there were jobs lost in the US, as companies that could not sustain the additional cost, exited the market. In a perishable commodity it is difficult to pass on extra costs to the general consumer.

US companies have invested more than $250 million directly into the Colombian flower industry and own approximately 17 percent of the total Colombian flower production. This accounts for nearly 20 percent of the total exports to the US.

These US investments were actually started by growers going to Colombia and Ecuador, realizing that the climate is almost perfect for the growing conditions needed for year round steady flower production. With the climate advantages, Colombia and Ecuador have been able to grow and thrive at supplying products that are only seasonable in other areas of the world. The labor availability was another great asset not only to the flower industry but to the economy of the Andean region. The flower industry in Colombia and Ecuador alone employ over 200,000 people as the flower industry is reliant on people for every aspect of the propagation, planting, growing, harvesting, processing, packing, etc. The average farm in Colombia uses 16 people per hectare of flowers produced. Most of these people would not have employment if not for the flower industry.

The US floral importing community depends on the renewal of the ATPA for continued business and future growth.

Before the
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2008 Report on the Andean Trade Preference Act

Testimony of
Bill Fernandez
Continental Flowers, Inc.
July 22, 2008

Madame Chairperson and distinguished members of this commission

Good morning, I am Bill Fernandez, president and CEO of Continental Flowers. Established in 1974, as a US corporation based in Miami, Florida, Continental Flowers imports and distributes fresh cut flowers in the United States. This family owned business, started as a one man operation grew to employ 46 people in our Miami office, including my wife and daughter. Additionally, we invested in several farm operations in Colombia over the last 34 years with more than 350 workers. Our US sales support over 2,000 additional farm workers in Colombia and Ecuador. which are employed by other farms that we represent.

Our flower farms in Colombia afford employment opportunities to many agricultural workers. Women employees, who would otherwise not have work, comprise 70 percent of the farm labor. Some are displaced workers who have fled violent sectors of the country seeking a better life for their families. These opportunities lifted many families out of abject poverty.

Prior to a consumer purchase, flowers travel from our farms through the importer, wholesaler, and retailer. Our business supplies over 500 wholesale distributors across the US. These distributors employ approximately 15,000 people and depend on my company's or my competitors' Andean grown flowers for their supply and livelihood. The number of jobs in the US grows exponentially as our flowers flow through the distribution chain. More than 220,000 jobs in the US floral industry depend on flowers from the Andean region.

The industry's highly competitive nature, price sensitivity, and thin profit margins for a perishable commodity complicate and frequently prevent price increases. The lapse of the Andean Trade Preference Act (ATPA) in 2001-2002 caused a budget and cash crisis for our company through the sudden imposition of duties. We survived because US Customs retroactively renewed the ATPA and reimbursed the duties paid. This collection of duties that was subsequently reimbursed created an enormous burden of time, money and effort for importers as well as US Customs.

The looming expiration of the ATPA on December 31, 2008 and its uncertain future is a dark cloud over our industry which restrains us from making long term investments in our company. It limits our growth in equipment and personnel in the US as well as in our affiliated farms in Colombia. Additionally, it expires shortly before our critical sales seasons, Valentines and Mothers Day. The uncertainty of the ATPA precludes us from making correct costs projections and pricing decisions. A duties imposition at that time will also adversely affect our long term pricing commitments, ability to fulfill contracted orders and in short, disastrous results for the US floral industry.

As the current Vice President of the Association of Floral Importers of Florida (AFIF), I represent our members which account for 80% of imported flowers.

Over 150 importers, 20 trucking companies, several airlines and many supporting industries employing thousands of US workers in the South Florida area compose the flower import industry in Miami.

Family, small, and privately owned business, not large multinational corporations, comprise the majority of the importers, wholesalers, and retailers.

My company's concerns are shared by my fellow members of AFIF. If the ATPA is not reinstated promptly the industry will suffer a serious economic blow resulting in US job losses, a decrease in supply available for the domestic market leading to higher prices for the American consumer.

Our industry already faces great challenges due to ever-increasing costs of transportation coupled with a weak dollar exchange rate. I fear that many companies will not survive the additional tax burden imposed by the non-renewal of the ATPA.

On behalf of my family business as well as the AFIF members that I represent, I strongly urge you to clear the "dark cloud" by granting a long term extension to the Andean Trade Preference Act, while we await the ratification of the Colombian Free Trade Agreement.