

**STATEMENT OF MR. TOM LEMUS
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**U.S. INTERNATIONAL TRADE COMMISSION
PUBLIC HEARING - INVESTIGATION NO. 332-TA-538
POSSIBLE MODIFICATIONS TO THE U.S. GENERALIZED SYSTEM OF
PREFERENCES, 2012 REVIEW: ADDITIONS AND COMPETITIVE NEED
LIMITATION WAIVERS
WASHINGTON, DC
FEBRUARY 27, 2013**

Chairman Williamson and members of the Commission, my name is Tom Lemus and I am the Manager of Farmers West Flowers & Bouquets in Carpinteria, CA. I am also a Commissioner of the California Cut Flower Commission ("CCFC") and Chairman of its Government Relations Committee.

I am here today on behalf of CCFC, as well as the entire domestic flower industry to express our concern that extending GSP status to roses from Ecuador will have adverse effects on the cut flower industry. I will briefly discuss the background of the industry, and my colleagues will discuss their personal accounts as domestic rose growers confronting escalating import pressure.

Background

As background, CCFC is a state commission that focuses on improving the vitality of the California cut flower and greens industry. We represent about 225 cut flower farms from San Diego to the Oregon border.

California's floral industry has an approximately \$10.3 billion annual overall impact on the state and generates more than 121,000 jobs.

California's cut flower industry is the largest remaining cut flower industry in the country. Despite representing almost 80% of all flowers grown in the United States, California is only responsible for 21% of flowers sold in the U.S.¹ In fact, almost 75% of flowers sold in the U.S. are imported.² Still, California remains the most local source for year-round production of domestic flowers, and as a result, California flower production has remained stable in the past 20 years, even as flower imports have surged.

Ecuador Does Not Meet the Eligibility Requirements

First, when determining whether to grant GSP status to an item, the President considers whether the petitioning country meets eligibility requirements. Ecuador does not meet the eligibility requirements for preferential treatment. As we will discuss further in our post-hearing submission, before Ecuador is granted the privilege of preferential treatment, it must live up to its international obligations and respect the rule of law.

¹ USDA NASS 2012 Floriculture Report at 9, available on-line at <http://usda01.library.cornell.edu/usda/current/FlorCrop/FlorCrop-05-31-2012.pdf> and USITC Dataweb 2012 Import Statistics for Cut Flowers.

² USITC Dataweb 2012 Import Statistics for Cut Flowers.

Granting GSP Status to Roses from Ecuador will Adversely Affect U.S. Growers

Second, when determining whether to grant GSP status to an item, the President also considers the anticipated impact of such action on U.S. producers of like or directly competitive products. Under ATPA, the domestic rose industry has contracted significantly, while Ecuador's rose industry has flourished. Additionally, Ecuador's rose growers have the advantage of a warm climate, cheaper labor, and subsidies, as well as significant U.S. investment. Thus, it is no surprise that the Commission's 2012 report on renewal of ATPA concluded, "The largest potential relative displacement effects on U.S. producers were for fresh cut roses."³ With expiration of ATPA looming on the horizon, domestic rose growers see the possibility of improved, balanced market conditions. However, the market will become problematic again for U.S. flower farmers if roses from Ecuador are granted GSP status.

While importers continue to assert that their flowers do not compete with domestically grown flowers, reality paints a different picture. Historically, the first flowers grown in the U.S. were carnations, but due to import pressure, domestic growers turned to chrysanthemums. Similarly,

³ Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, 2011, Inv. No. 332-352, USITC Pub. 4352 at xi (September 2012).

confronted by cheap imports, growers again changed from growing gerberas to roses. Today, it is apparent that rose growers are being pushed out of the market by aggressively-priced imports.

In 1991, prior to the effects of ATPA, the wholesale value of domestic rose production was almost \$178 million. Today, the wholesale value of domestic roses is less than \$18 million. In stark contrast, the value of rose imports from Ecuador has skyrocketed, increasing from less than \$6 million in 1991 to more than \$91 million in 2012. These trends show that, as a result of preferential treatment afforded by ATPA, Ecuador's rose industry has become more competitive, and in fact it has become dominant, second only to Colombia.

Conclusions

In conclusion, by subjecting roses from Ecuador to duties after expiration of ATPA, domestic producers finally will have access to a level playing field. This will give domestic farmers a better chance of growing their businesses, providing American consumers with access to domestically-grown roses, and most importantly, retaining thousands of U.S. jobs that depend on the domestic rose industry. Thank you for the opportunity to testify and I look forward to answering your questions.

U.S. Imports of Roses from Ecuador
(Value \$1,000)

Type	1991	2002	2011	2012	
Sweetheart Roses, Fresh	\$19	\$13	\$5	\$2	
Spray Roses, Fresh		\$1,159	\$2,346	\$2,723	
Roses, Fresh, Nesoi	\$5,864	\$51,809	\$91,768	\$89,045	% Change (2002-2012)
TOTAL	\$5,883	\$ 52,981	\$94,119	\$91,770	73%

USITC Dataweb

U.S. Imports of Roses from Ecuador
(Volume 1,000 stems)

Type	1991	2002	2011	2012	
Sweetheart Roses, Fresh	130	103	25	9	
Spray Roses, Fresh		6,024	8,809	10,022	
Roses, Fresh, Nesoi	39,814	302,918	349,770	329,230	% Change (2002-2012)
TOTAL	39,994	309,045	358,604	339,261	10%

USITC Dataweb

Domestic Rose Production*

	1991	1996	2002	2011**
Value (\$1,000)	\$177,694	\$118,163	\$56,183	\$17,912
Volume (1,000 stems/blooms)	544,768	350,485	114,113	37,004

*This data is taken from USDA's annual NASS Floriculture reports and only includes operations with \$100,000+ in sales.

**Full-year data for 2012 is not yet available.