

**STATEMENT BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION
CERTAIN ORANGE JUICE FROM BRAZIL
January 24, 2012**

Dr. Robert Behr

Madam Chairman and members of the Commission, my name is Dr Robert Behr. I am Chief Operating Officer with Citrus World. I have previously served as the economic research director of the Florida Department of Citrus, and was responsible for conducting orange juice supply and demand analysis, including the study of the impacts of Brazil's citrus industry. I also have served on the Board of Citrus Associates of the New York Board of Trade, the governing body of the FCOJ futures market, and I was a member of the Florida Citrus Commission, which oversees sales and marketing activity for the state's citrus products.

Citrus World is Florida's oldest citrus processing company and is a federated cooperative, representing about 1,100 orange producers. Citrus World processes oranges delivered by its member growers at our facility in Lake Wales, Florida, and packages both from-concentrate and NFC products under a number of brands, including Florida's Natural.

When I testified before you five years ago, I pointed out that most of our

members had not seen a profit in years: our growers were receiving orange returns that were less than the cost of production. In spite of reduced Florida crops, our grower returns were at historically low levels in real terms. Many of our member growers went out of business because of the depressed pricing conditions, which threatened the health of our cooperative. The pricing conditions were caused, in large part, by imports of low-priced orange juice from Brazil, which suppressed U.S. orange juice prices.

As I testified five-years ago, price discovery in the orange juice market occurs at the wholesale level. Bulk prices for orange juice are highly correlated with FCOJ futures prices. Causally, bulk prices have a strong influence on the price growers receive for fruit. Therefore, when subject imports suppress orange juice prices in the US, they also reduce the price that processors are able to pay growers.

As we look ahead, one of the biggest threats facing our industry is citrus greening. In the past 5 years, citrus greening has substantially raised grower cost of production. The price discipline imposed by the anti-dumping order on subject imports has helped growers deal with these cost pressures. However, many growers are still not replanting previously abandoned groves because of increased costs and the production risk associated with citrus greening. Prices simply have

not been high enough for long enough to provide economic incentive for growers to replant abandoned groves. The anti-dumping order provides hope that trees will be replanted and that Florida's citrus industry will recover. Absent the antidumping order, however, we can expect an increase in low-priced imports, which will inhibit this recovery and threaten survival.

The Brazilian industry wields extraordinary pricing power in the world orange juice market because of its dominant size and, importantly, its degree of concentration. It maintains storage facilities around the world, and has tanker ships that can shift exports anywhere in the world at any time. Although it has been said that Brazilian orange production is in decline, Brazil is producing a record crop this season: and, its industry continues to invest in infrastructure to supply orange juice worldwide. In addition, Brazilian processors have longstanding ties to the United States, including related importers and storage facilities and can increase its U.S. imports as conditions dictate. For these reasons, the threat of imported price-suppressing product is as great as ever.

Regarding the subject of blending, Florida produces enough Valencia oranges to meet the needs to blend with early/mid season varieties. Our retail orange juice brand, Florida's Natural, is produced from 100 percent Florida

oranges. Tropicana, which has traditionally blended Florida and Brazilian juice, has recently announced that it will start producing its Tropicana Pure Premium orange juice products using only Florida oranges. While blending with Brazilian juice may be convenient or cheaper, clearly it is not essential even with smaller Florida crops.

Turning to the subject of US orange juice demand: OJ demand has declined over the past decade for several reasons, increasing the vulnerability Florida orange growers face from the threat of Brazilian orange juice dumping. The effect of diet conscious consumers and the increased availability of alternative beverages have significantly reduced consumer demand for orange juice, and these trends are not expected to abate. In fact, these trends are likely to become even more threatening. The recent finding of Carbendazim in imported Brazilian juice could not have come at a worse time as our industry is spending significant resources to rebuild consumer demand. While the Carbendazim-adulteration issue will likely be resolved quickly, the damage being done to US orange juice demand will take years and significant public-relations and marketing resources to fully overcome.

I have no doubt that if this order is revoked, we can expect to see increased volumes of subject imports at suppressed prices in a market that continues to

shrink. This will result in lower prices for orange juice in the US and lower orange prices for growers. Given the challenges facing the U.S. industry and its increasing costs of production, the future of the industry will again be in jeopardy.

We respectfully urge the Commission to keep the order in place for another five years, so that the U.S. industry can continue to recover under the price discipline created by the order.