

The Value of CCM Membership

As California Citrus Mutual enters its 34th year of service, it's an exhilarating, challenging and opportunistic time for the California citrus industry. Addressing the economic climate or environment on behalf of growers is the organization's charge. The mission statement reads: **Sustain the profitability of the California citrus grower and foster industry cooperation to achieve that objective.**

The growers' profitability is dependent on the ability of CCM to promote and implement beneficial policy and new industry strategies, as well as protect them from escalating costs and regulations. CCM's work on the growers' behalf can be quantified by significant dollars saved on a one-time or annual basis, while other efforts have mitigated pending legislation or regulations which resulted in reduced impacts on the growers' operation.

California Citrus Mutual values its role and responsibility as the "Voice of the Citrus Grower"

RECENT ACHIEVEMENTS

Leading the Fight Against Invasive Pests and Diseases

Protecting the industry against invasive pests and diseases is a top priority for CCM. The organization has been a leader in the annual battle in Sacramento to maintain funding for CDFA's High Risk Pest Detection and Exclusion programs. The presence of ACP in Southern California and Huanglongbing (HLB) in Northwestern Mexico support the increased urgency to secure funds for surveying, detection, eradication, and communication programs. This is a challenge given the state's fiscal crisis. Through the combined efforts of Citrus Mutual and Sunkist, \$15 million in state and federal dollars have been committed to California to underwrite ACP/HLB efforts through 2009-2010 fiscal year. Proactively, CCM was able to accomplish the introduction, shepherding, and ultimate passage of AB 281, creating the California Citrus Pest and Disease Prevention Committee; an autonomous industry funded body of representatives appointed by the California Secretary of Agriculture that will ensure our industry is protected should government support be reduced or eliminated. Additionally, CCM participated in the passage of the SB 140 legislation establishing mandatory regulations that will protect California's citrus nursery stock and provide citrus growers with disease-free nursery trees.

Fair and Reasonable Trade Protocols

When trading partners impose excessive and unreasonable protocols for entry of our citrus into their markets, it is CCM that advocates on behalf of growers for the elimination of frivolous

and unreasonable protocols and for, when necessary, reasonable science-based work plans.

Recently, CCM worked closely with USDA-APHIS to successfully renegotiate the California Red Scale and Septoria Spot work plans with Korea. The industry modifications led by CCM and ultimately implemented will preserve the degree of safety desired by Korea while at the same time saving the industry over \$5 million annually in compliance costs. These are costs borne by the grower either directly or indirectly.

Air Quality Regulations

• **SJVAPCD Burn Rule:** In June 2010, citrus growers were given an extension until 2012 to dispose of orchard removals through burning. The additional two-year phase-out period was in response to the economic analysis prepared and the arguments presented by CCM. Currently, chipping costs range between \$500 and \$700 per acre. The initial deadline for terminating citrus burning was June 2007. At that time, CCM secured an extension until 2010.

• SAVINGS:

\$600 per acre to push, chip and deliver to biomass facility (average cost)
-300 per acre to push and pile for burning (average cost)
<hr/>
\$300 per acre savings

• **On-Road Diesel Truck Rule:** Growers will benefit from the agricultural component of the on-road diesel truck rule, which provides longer compliance schedules, 2017 or 2023, depend-



ing on the Ag truck and its use. In addition, these qualifying agricultural trucks will not be required to install a particulate filter as mandated for all other diesel trucks, a savings of between \$10,000-\$20,000 per truck. CCM was actively engaged with a small Ag coalition in direct negotiations with the state Air Resources Board to secure these agricultural-specific regulations.

- **Packinghouse Air Quality Regulations:** Packing houses are facing new air quality regulations, which will affect their bottom line and ultimately the growers. CCM worked with regulators to mitigate the financial impacts

Freon Refrigerant Regulation – CARB’s refrigerant rule requires all facilities that operate Freon cooling systems to implement specific monitoring protocols and comply with mandated requirements when leaks are detected. CCM was able to reduce the impact on the facilities by having regulations correspond to the poundage of the system, resulting in significant savings for a majority of the packing houses.

Employer-Based Trip Reduction Program – All employers within the SJVAPCD with at least 100 employees must implement SJVAPCD’s directed programs to encourage employees to reduce their vehicle trips to and from work and during lunch breaks. CCM worked with the air district to implement an agricultural component with fewer requirements, by pointing out that agriculture is bound by the federal Migrant Seasonal Workers Protection Act which runs contrary to many of the air district’s suggested programs.

Central California Weather Watch (CCWW)

CCWW is a full-service frost season program under the control of California Citrus Mutual. What began as a geographically

limited, phone-line forecasting program in 1995 has expanded into a comprehensive weather service for growers. From only a handful of locations the program now has 25 reporting stations scattered through the citrus belt from Madera County to the southern Kern County. Forecasts, critical frost/freeze updates, temperatures, and dew point readings are streamed on the CCM weather page at www.cacitrusmutual.com. Download times have been shortened allowing growers to get near real-time readings from the weather stations 24/7 throughout the frost season from mid-November to mid-March.

MEMBER BENEFIT

- Accurate local and up-to-date forecasts and temperatures when it is most critical
- Over \$400,000 in grants and underwriting for program enhancements

Air Coalition Team – Fighting Back

CCM’s legal dollars have generated positive results in environmental lawsuits which would have had significant negative impacts on growers’ farming practices and costs. Seven years ago, CCM, in conjunction with other agricultural associations, formed the Air Coalition Team (ACT) with the express purpose of having an agricultural advocate at the negotiating table during litigation on air quality issues brought by environmental activists. During this time frame, ACT has intervened in seven lawsuits, prevailed in five cases, was denied status in one, though the plaintiffs ultimately lost, and the latest case is currently being litigated.

WORK IN PROGRESS

Produce Traceability Initiative (PTI)

PTI is a system-wide (field to consumer) food safety traceability system for the produce industry. It is endorsed by national organizations such as the United Fresh Produce Association, the Produce Marketing Association, Canadian Produce Marketing Association and a number of retailers and shippers. This is not a government mandate but an industry-led effort to be proactive specific to traceability needs. The original proposals were identified by Citrus Mutual as being duplicative, overly burdensome and cost prohibitive.

Once Citrus Mutual identified the problems associated with the original concept other commodity groups followed our lead-



Pictured at left: In May 2010 CCM was a key sponsor for The Sequoia Foodie Fest. The event promoted the diversity of California’s agricultural commodities and featured California citrus. Showcasing local celebrity chef cook-offs, food & wine pairings, demonstrations and samplings, life-sized citrus sculptures, live music, kids entertainment. Proceeds benefited the Boys & Girls Club of the Sequoias.



ership leading to a nationwide postponement for adopting the program. This saved our industry a conservative \$25 million over the next twelve months. Since the postponement, CCM has worked with program champions to identify better methods to achieve the objective without an overly burdensome system that will clearly be less costly. While all the work is not done as yet, our industry will be looking to a program in the 2011/12 season that can easily be adopted without major expense and restructuring.

Meeting Food Safety Concerns Without Losing the Farm

Every consumer in America expects the produce they purchase for their family is safe. It almost always is, but a few serious highly publicized food illnesses have shaken consumer confidence and spawned a cottage industry marketing food safety plans.

While a few high risk commodities have actually been linked to outbreaks, most commodities, including citrus, have not. Nevertheless, all commodities are now being required by buyers, if not by law or regulation, to prove their product is safe. This includes citrus.

CCM is actively involved in policy discussions at the legislative, regulatory, and industry level to assure that whatever requirements are ultimately placed are applicable, reasonable, science-based, and appropriate for citrus production. As originally drafted, the guidance documents contained many requirements that were inappropriate for citrus, would have been overly burdensome, and increased costs unnecessarily. We have been able to effect modifications that significantly reduce these negative impacts without compromising food safety.

CCM is at the table solely representing the interest of the citrus producer.

Biological Opinions

Biological Opinion has become a highly charged environmental term that has/is threatening our farming community and

landowners throughout the West. Citrus producers are well aware of the term as it relates to water and more specifically the Delta Smelt and Salmon. Citrus Mutual was highly engaged in profiling the flawed process used to generate those Opinions. But this ESA avenue is also being used by environmental advocates to threaten, if not eliminate, the use of crop protection tools throughout the West.

Citrus Mutual chaired an effort to unify grower groups from Idaho, Washington, Oregon and California to address the challenges from the National Marine Fisheries Service and U.S. Fish & Wildlife Service. These services are being charged by members of the environmental community to develop answers to narrowly defined questions that can only reduce the ability of the landowner to farm profitability.

Working with these grower groups under the moniker of GET (Growers for ESA Transparency) Citrus Mutual continues to play a leadership role with registrants and members of our Congressional Delegation to change the process to allow stakeholders to participate, eliminate three existing Opinions and meet with senior officials at the Services and the Department of the Interior. CCM was successful in getting members of our state Congressional delegation involved, the House Agricultural Committee, and Senators Boxer and Feinstein to challenge the Services and their flawed process. This effort has stalled impacts on our citrus industry and our leadership could assist commodities throughout California and the Northwest.

Diesel Farm Equipment Upgrade/Replacement Regulation

The California Air Resources Board will begin the development of the diesel farm equipment emissions reduction regulation in 2011. CCM will be at the table representing the interests of the citrus grower.

PAST SUCCESS KEEPS ON GIVING

Elimination of State Sales Tax on Farm Equipment, Diesel Fuel and Packinghouse Equipment Sales

SAVINGS: 5% 2001-2009 – 8.25% 2009 and beyond

EXAMPLES: \$35,000 Tractor – Savings \$2888.

\$2,000,000 Packinghouse Modernization – Savings \$165,000

\$10,000 Annual Diesel Fuel Expense – Savings \$825

Protection of Industry from Argentine Lemon Imports and Diseases.

In 2000-2001, CCM lead the effort to prevent the importation of lemons from disease impacted areas in Argentina, which resulted in great benefits to California lemon growers as well as affording protection to the California citrus industry from addi-

tional invasive pests. In 2009-2010, Argentina repeatedly petitioned USDA for import authority. Due to the continuing pest and disease concerns, USDA indicated the issue may not materialize again until approximately 2012/2013.

MARKET MEMO – *Dynamics Affecting the Citrus Industry*

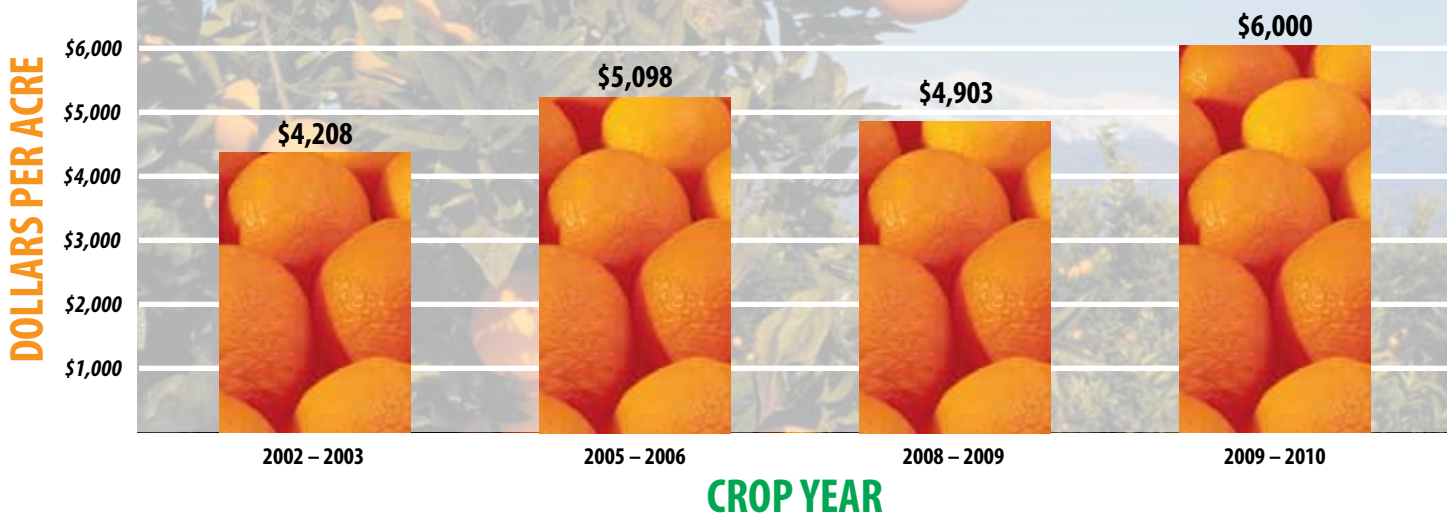
The weekly newsletter with up-to-date market and industry information

State Advocacy

CCM advocates on the membership's behalf with CDFA, DPR, Office of Environmental Health Hazard Assessment (OEHHA), CAL-EPA, State Water Resources Control Board (SWRCB), ARB, Board of Equalization (BOE), State Legislature and Governor's Office.



CCM Efforts Result in Higher Gross Per Acre Revenues



Market Stability and Higher Returns

In 2000 the California citrus markets were awash in red ink. Gross per-acre returns were at an all time low and growers were going out of business. From an idea first vetted in the CCM Marketing Committee, CCM successfully unified a significant majority of the industry behind the creation of an information exchange program that has returned stability and profitability to our industry.

Our industry would be much smaller and look much different today had CCM not exhibited such strong leadership on our grower's behalf.

Federal Advocacy

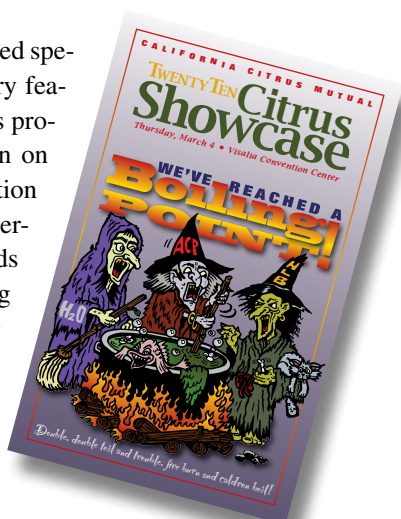
CCM works closely with members of Congress, USDA, US Trade Representative, Department of Commerce, Department of Interior and the Office of Management & Budget.

Federal Crop Insurance Quarantine Program

In 2009, growers had the first opportunity to purchase quarantine crop insurance. This was the result of a decade of work with the federal crop insurance administrators to develop the program.

Citrus Showcase

Largest annual event tailored specifically for the citrus industry featuring educational workshops providing up-to-date information on current issues, a trade exposition highlighting products and services to meet the specific needs of the growers and packing houses, and the ever-popular luncheon series.



California Citrus Economic Study

California citrus growers' regulatory fees exceed \$400/acre. Due to the fiscal disaster in California, proposals are on the table to elevate many of these charges. The research outlining the citrus industry's benefit to the California economy and the cost of doing business was recently updated at Citrus Mutual's request. This data will be used in policy discussions with lawmakers and regulators to mitigate additional increases.

Grower Advocate During Utility Rate Cases

As a board member of the Agricultural Energy Consumers Assn. (AECA), CCM has direct input into agricultural rate discussions with the utilities, which has resulted in limiting increases for agricultural ratepayers.

Wind Machines

- CCM actively worked to insure that diesel and propane wind machines were exempt from local air district regulations. Their inclusion would have mandated all wind machines be replaced with the best available engine technology.

SAVINGS:

- Diesel \$30,000 per machine or \$3,000/acre/10 acres
- Propane \$25,000 per machine or \$2,500/acre/10 acres

- Growers with electric wind machines in SCE territory have saved thousands of dollars since 2005 when CCM secured a reduction on connected load (stand-by) charges from \$2.00/HP to less than the \$.23/HP per wind machine.

Workers Compensation Reform

Facilitated Forklift and Tractor Safety Training Seminars