
FLORIDA CITRUS COMMISSION MEETING

Summary of Committee Reports

October 21, 2009

This FCC Meeting Report provides a summary of each committee report with Web links to corresponding presentations referenced during the session.

Chairman's Remarks

Chairman Benny W. Albritton, Jr. reminded everyone of the important citrus grower referendum scheduled for November and referred individuals to Florida Citrus Mutual to obtain more information.

Executive Director's Remarks

Ken Keck, executive director, recognized the service of two FDOC employees retiring this fall: Jonq-Ying Lee, Senior Research Economist for the economic & market research department, 33 years; and Barb Beth, Accountant II for the fiscal service department, 22 years.

Administrative & Budget Committee

Debra Funkhouser, Comptroller, presented the revised operating budget for 2009-2010 based on the October USDA crop forecast estimate. The budget included a \$3.3 million decrease to available funds, bringing the revised budget to \$58.4 million. The reduction was spread across all programs: domestic marketing – 7.6%; international marketing – 8.1%; research – 7.5% and administration – 6.5%.

Fund Balance at June 30, 2010, is projected at \$17.1 million. The Committee took the following actions:

- Fund the proposed orange juice and processed specialty programs and budget at a tax rate of \$0.240
- Fund the proposed grapefruit juice programs and budget at a tax rate of \$0.350
- Fund the proposed fresh grapefruit programs and budget at a tax rate of \$0.350
- Fund the proposed fresh orange programs and budget at a tax rate of \$0.070
- Fund the proposed fresh specialty programs and budget at a tax rate of \$0.080

Order no. [CIT-09-02-FOI](#), establishing the citrus excise tax rates pursuant to section 601.15, Florida Statutes, was later passed by the full Florida Citrus Commission.

The comptroller reported on financial activity for three months ending September 30.

Finally, Inspector General Billy Weathers presented the auditor's monthly report.

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Domestic Marketing Committee

Leigh Killeen, deputy executive director, domestic marketing, presented an update on the Domestic Advertising Agency Review Evaluation Committee (EC). The EC met on October 20 to review and discuss the EC member's independent rankings for submissions to RFP 09-02 for General Marketing Advertising Services & Related Commodities and Services. After rankings were tabulated, the responses were discussed. The EC selected BBDO Atlanta, Campbell-Ewald, Fry Hammond Barr, J. Walter Thompson Atlanta and The Richards Group as semi-finalists. The Committee will make site visits to each of these agencies in late November/early December. The next meeting is scheduled for December 15 to discuss the results of the site visits and select finalists.

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Lance Miceli, The Richards Group, presented the FY 2009-10 media plan, including the upfront media buy: a 12-month plan including both cable and network advertising. He highlighted key value-added portions including cross-platform online/offline sponsorships. Specifically, for FY 2009-10, a partnership with the Game Show Network includes a significant digital presence (a custom online game, a custom iPhone application and a custom sweepstakes) that is tailored to build on the television presence. An added-value research study will measure the combined effectiveness of both mediums. Mr. Miceli also reviewed the online buy: a 12-month plan that includes placement on targeted health, weather, food and entertainment Web sites, as well as several search engines. The program continues to include FDOC's award-winning sponsorship of prime-time programs such as "Grey's Anatomy" and "Lost" available for viewing on ABC.com. Additionally, several new components were added to the online program, including a sweepstakes through AllRecipes.com – complete with trip giveaways sponsored by Visit Florida – as well as an online greeting card developed by AmericanGreetings.com. All media recommendations continue to reflect the optimum budget allocations identified by Marketing Accountability Partnership. All planned budget reductions based on the USDA crop estimate forecast have been designed to maintain the optimum allocation.

Killeen provided a brief update on fall marketing activities for public relations, fresh citrus, in-state, retail communications, foodservice and school programs. A detailed report from marketing team members will be presented at the December FCC meeting.

The following new contracts were presented and approved:

- 09-13: Starlight Media to install transit-sized media displays positioned in the parking lots and entrances of select U.S. supermarket retailers. These locations offer Florida orange juice high visibility reach and frequency exposure. The contract for \$244,009 will be executed 11/16 – 12/27/09 capturing key Thanksgiving and Christmas holiday traffic.
- 09-12: ICON International to conduct a test for an alternative way to purchase media. While funds are not currently available, the contract cap is \$1,000,000. The contract is valid through October 31, 2010.

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International Marketing Committee

Mike Yetter, director of international marketing, introduced a new television commercial for orange juice in Canada. The commercial will be produced in :15 and :30 second spots in English for the Ontario Province and in French for the Quebec Province. Michael Malone, The Richards Group, previewed the rough cut of the new spot "Sunshine on Me" which will begin airing in November and run through April, 2010.

Economic/Market Research Committee

Bob Norberg, deputy executive director, research and operations, presented the Nielsen orange juice and grapefruit juice and Freshlook fresh citrus retail sales trends. Season year-to-date numbers at retail (all outlets + WalMart) follow:

<u>Orange Juice</u>		<u>Grapefruit Juice</u>	
Gallons	+1.2%	Gallons	-3.8%
Dollars	-3.9%	Dollars	-5.3%
Price	-5.0%	Price	-1.6%

For the 4 week period ending 10/3/09, orange juice gallon sales are up 5.2%, exceeding 2006-07 gallon sales for the sixth consecutive time.

A new fresh season began with the period ending 8/30/09. The results for the period, in the 10 markets where Florida ships most of its fresh fruit, follow:

<u>Oranges</u>		<u>Grapefruit</u>		<u>Tangerines</u>	
Pounds	+5.3%	Pounds	+11.0%	Pounds	+53.6%
Dollars	+2.9%	Dollars	+4.2%	Dollars	+35.6%
Price	-2.3%	Price	-6.2%	Price	-11.7%

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Mark Brown, senior research economist, presented the 2009-10 Florida Citrus Outlook based on the USDA orange crop forecast for the 2009-10 season at 136 million boxes, down 26.4 million boxes from last season. The decrease in orange production implies Florida's orange juice production will decrease to 864 million single-strength equivalent (SSE) gallons in 2009-10. On the other hand, Brazil orange juice production is projected to increase slightly in 2009-10. Beginning inventories in Brazil, however, are estimated to be down by 131 million SSE gallons. Florida's beginning inventories were up by 21 million SSE gallons at the beginning of July, the start of Brazil's season. Overall, aggregate production and beginning inventories in Florida and Brazil are estimated to be down 273 million SSE gallons or 7.1% over the July-June 2009-10 season. The decreases in the Florida orange crop, Florida orange juice production and Florida-Brazil aggregate orange juice availability all support an increase in the Florida cash price for processed oranges. Overall, the 2009-10 weighted average delivered-in price (cash, contract and participation) is estimated at \$1.40 per pound solid, and processed orange on-tree revenue is estimated at \$840.6 million in 2009-10, about the same as last season's preliminary estimate.



Florida Agricultural Statistics Service estimates that Florida's grapefruit crop will be 19.8 million boxes in 2009-10. Last season, grower prices for processed grapefruit were relatively low, but over the course of the season grapefruit juice inventories declined significantly. The smaller carryover of grapefruit juice into the upcoming season along with a projected decline in grapefruit juice production is estimated to result in a decline in grapefruit juice availability in 2009-10 and significantly higher grapefruit juice prices for growers.

Overall, total fresh and processed on-tree revenue for oranges, grapefruit and specialty citrus is projected at \$1,041.7 million in 2009-10, versus the preliminary estimate of \$993.0 million for 2008-09.

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Planning & Evaluation Committee

Bob Norberg reported the Program Evaluation Measurements goals for the 2009-10 fiscal year. Thirty-three measurements under four operational sections - Economic Indicators, Domestic Marketing, International Marketing and FDOC Overall Operations - will be evaluated. New this season under the Domestic Marketing category is Online Advertising Recall, Foodservice Operator Placements and In-State Marketing Initiatives. International Marketing will add Positive PR Impressions in Europe and Accurate / Neutral GFDI Reports. FDOC Overall Operations will include Grower Satisfaction Survey Results.

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Neil Canter, managing director of Marketing Accountability Partnership (MAP), gave an update on Q1 2009 FDOC marketing impact on orange juice demand. This report is the third evaluation of orange juice demand enhancement and return on expenditures. The 2009 first quarter period ended in March, so this data reflects activities prior to implementation of the retail activities FDOC undertook from April through September which will be part of the next update. Results showed 9.6% of total demand for the latest 52 weeks is due to FDOC marketing activities. This is up from 8.3% for period ending Q1 2008. Other marketing activities, such as trade promotions and brand-level advertising also contributed to demand by 9.1% and 0.2% respectively. The contribution equates to approximately 115.6 million single strength gallons across all channels of consumption. MAP models indicate that the level of demand enhancement increases overall grower revenues by approximately \$75 million. Program costs for the time period were \$14.6 million; therefore, benefit-to-cost ratio is slightly over \$5:\$1 for the FDOC marketing programs.

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Michael Albanese, director of Millward Brown Account Group, presented the FDOC Q3 2009 advertising tracker. This survey is conducted monthly and summarized quarterly (trends are tracked via a monthly topline report). The data showed increases in OJ "equity" (consideration and satisfaction) during the latest period. Communication awareness continues at strong levels for all orange juice communications and WalMart communications were very high during this period. Specific FDOC ad recognition is down from last period; "branding and ad response," however, continue to have very strong, positive responses.

Health and nutrition perceptions continue to be the strongest, while hydration and stimulation appear to be influenced substantially for those who say they have seen the FDOC ads.



Seventy two percent of the respondents say that economic conditions do not affect their orange juice purchase habits (26% are somewhat or less likely to purchase) because of nutrition and health benefits. The number of respondents who saw orange juice advertising at WalMart increased. In Q1 2009, 9% say they saw orange juice advertising in WalMart, while in Q3 the number jumped to 13%.

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Norberg updated the Commission on the Grower Opinion Survey which will be conducted online quarterly beginning November 1. The four area grower organizations and Florida Citrus Mutual will be requested to solicit a small random sample of their members to answer the online survey questions. The confidential survey will take about five minutes to complete; responses will be tabulated in collective form to maintain respondent privacy. Results will be available within 60 days; quarterly and season-to-date results will be presented to the industry on a regular basis and posted on FDOCGrower.com.

Research Committee

Bob Norberg presented an update about the Citrus Research & Development Foundation.

Per FDOC policy, a six-month notice of renewal for FDOC Citrus Research Agreements was presented. Sixteen agreements of various classifications include second year funding for a total of \$2,276,676. The FCC will be asked to extend these agreements early next year.

Two contracts were presented and approved:

- 09-14: University of Florida-IFAS to collaborate with FDACS/DPI and NASS to develop a Canker and Greening Survey. The primary objectives of the project are:
 - To develop reliable estimates of the extent of citrus greening infection, as measured by symptomatic trees
 - To quantify disease management actions; tree removal, scouting, nutritional applications, psyllid control, etc.

The term of the contract is for one year at an estimated cost of \$46,497.

- 09-11: University of Reading, England to conduct an orange juice, brain and cognition study with primary investigator Jeremy Spencer, Ph.D. The study will span two fiscal years – January 2010 through April 2011- at a cost of \$82,500 per fiscal year.

Mike Sparks, Florida Citrus Mutual, gave an overview of the state grower referendum to create a dedicated funding source for the Citrus Research and Development Foundation, Inc. by authorizing a research tax not to exceed \$0.03 per box. The committee moved to endorse the [referendum](#).

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Economic Indicators Summary – October 2009

INDICATOR		UNIT	2007-08 STD	2008-09 STD	2009-10 STD	% CHANGE
FL OJ (10/03/09):	Movement	<i>Mil. SSE Gal.</i>	1,082.9	1,148.9		+6.1
	Ending Inventory	"	624.2	659.1		+5.6
Total US OJ (Aug):	Imports	"	384.2	286.7		-25.4
	Exports	"	127.87	116.97		-8.5
Total US Retail OJ Sales (10-03/09):	Volume	"	620.3	627.5		+1.2
	Price	<i>\$/SSE Gal.</i>	5.91	5.61		-5.0
FCOJ Monthly Average Price (Sep):	Futures	<i>\$/PS</i>	.95	.94		-1.1
	Bulk FOB	<i>\$/PS</i>	1.15	1.02		-11.3
	Rotterdam	<i>\$/US/MT</i>	1,775	1,100		-38.0
Delivered-In Prices (06/27/09):	Early/Mids	<i>\$/PS</i>	1.390	1.010		-27.3
FL Fresh Shipments (10/11/09):	Orange/Specialty	<i>1,000 4/5-bu. Ctn.</i>		898	550	-38.8
	Grapefruit	"		469	286	-39.0
FL GJ (10/03/09):	Movement	<i>Mil. SSE Gal.</i>	86.5	81.6		-5.6
	Ending Inventory	"	59.3	45.7		-23.0
Total US GJ Exports (Aug)		"	14.51	14.60		+6
Total US Retail GJ Sales (10/03/09):	Volume	"	21.69	20.87		-3.8
	Price	<i>\$/SSE Gal.</i>	6.42	6.32		-1.6

ALL PRESENTATIONS ARE AVAILABLE at www.FDOCGrower.com

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A video of the meeting will be available online after **October 26** at www.polk-county.net by PGTV. If you have questions about the video, please send an e-mail to dscrews@citrus.state.fl.us.

