

SCH VIIIIB-1
REDUCTIONS
POS AMOUNT PRIORITY

CITRUS, DEPT OF

PRIORITY SUMMARY NARRATIVE:

The Florida Citrus Commission has set citrus advertising taxes in an amount sufficient to support the 2007-08 operating budget of \$60,345,309. This budget is nearly \$7 million less than appropriated by the legislature and requires no general revenue funds. It does include \$1,752,000 non-operating funds to be paid to the state treasury as general revenue service charges.

In addition to the continued funding of marketing programs for Florida citrus products, the Department's 2007-08 operating budget was built on three principles:

- 1) Funding for the registration of an abscission chemical with the Environmental Protection Agency of nearly \$5 million (Citrus Research, contracted services category);
- 2) Funding \$2 million to match state general revenue funds in the Department of Agriculture and Consumer Services for citrus disease research (Citrus Research, contracted services category); and
- 3) Continue building a fund balance in the citrus advertising trust fund to avoid future cash flow deficiencies that require a request for temporary transfer of treasury trust funds.

The Florida Citrus Commission approved an increase of 2 cents per box on all oranges and a 1 cent per box increase on fresh specialty fruit to support these principles. The first and second items above are the major projects funded within the Department's research program and should not be reduced under any circumstances. Those projects are vital to the Florida citrus industry to help control future costs and assure continued viability for citrus growers.

Because the Department's programs are directly funded by a tax on growers, any attempt to balance the general budget of the state by capturing citrus trust funds would amount to a general tax increase on a select group. The Department does not recommend reductions to the current operating budget unless acts of God take place that reduce the expected production of Florida citrus in the 2007-08 season. In that situation, the Department has planned advertising programs with flexibility to cut back television and on-line media advertising without being penalized.

SCHEDULE VIIIIB REDUCTIONS -
OPERATING
POSSIBLE REDUCTION ISSUES

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TRUST FUNDS..... 5,737,764-

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SCH VIIIIB-1 NARR 07-08 NOTES:

As with most other consumer goods at retail, the price of orange juice has increased substantially over the past two years. The Department's advertising messages intend to give consumers a reason other than price to purchase and drink orange juice. With a health conscious-society, Florida orange juice is the perfect beverage to naturally provide vitamin C and other antioxidants that consumers want.

In the event of a Florida citrus crop shortfall, orange juice television and on-line advertising would be reduced. The result would be a loss of 1,105 targeted rating points (TRPs), the system used by the advertising industry to measure the reach and frequency of each commercial spot. The 3,300 TRPs planned for this year are already lower than the 4,000+ in previous years; the impact would be expected to affect other metrics such as reducing consumer recall of the generic orange juice message and reductions in consumer intent to purchase orange juice on their next shopping trip. This would then be felt at retail stores with lower sales of orange juice, resulting in a build-up of orange juice inventories. Ultimately lower prices to Florida citrus growers for their fruit in upcoming seasons would result.

Again, the Department does not recommend reductions to the 2007-08 operating budget because of the financial consequences to the Florida citrus grower, the citrus industry and the State with reduced advertising efforts.
