

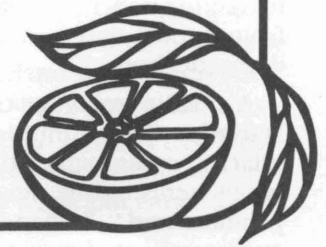


Texas Agricultural Extension Service

The Texas A&M University System

Texas Citrus Marketing Regulations

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Federal Marketing Order

The Federal Marketing Order for Texas citrus was adopted in 1960 to improve the economic position of growers by decreasing instability in markets, thus improving the level of grower prices, and to protect the public's interest.

The Act itself does not impose regulations on the marketing of any agricultural product. Instead, it provides the authority under which agricultural commodity groups can develop programs to regulate the marketing of their product. For this reason, the Act is referred to as enabling legislation. In more effective terms, the Act allows agricultural commodity groups to organize for the purpose of regulating quality, quantity, grades, sizes, maturity, pack and container, and to conduct market research and development of their product. The Act exempts them from antitrust law violations.

Under the provisions of the enabling legislation, regulation under a marketing order applies to handling, not to producing the product. A handler is defined in the order for oranges and grapefruit grown in Texas as being synonymous with shipper and means any person (except a common or contract carrier of fruit owned by another person) who handles fruit or causes fruit to be handled. An independent handler means any person or group that is not a cooperative marketing organization.

The Federal Marketing Order currently effective in Texas does not contain a provision for the establishment of quotas on producer sales to handlers or in the quantity shipped, even though such quotas are authorized in the enabling legislation.

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Administration

The direct administration of the Federal Marketing Order for Texas citrus is the responsibility of members of the industry. The Texas Valley Citrus Committee (TVCC), the administrator, is composed of growers and handlers nominated by members of the industry and appointed by the Secretary of Agriculture.

The TVCC may take no binding action on behalf of the citrus industry without the approval of the Secretary. However, in most cases, policy and regulatory recommendations originate with the TVCC while the Department of Agriculture retains the power to approve or disapprove.

The TVCC is required to submit an annual marketing policy statement that includes both policy objectives and estimates with respect to items such as forthcoming production, supply, demand and market conditions. Because regulatory recommendations are based on these estimates, the initial recommendations for a crop year usually encompass both a policy statement and a proposed regulation. The consideration of policy and regulatory recommendations can occur only at formally called meetings of the administrative agency.

Federal Market Orders also regulate the importation of regulated commodities. The Federal Marketing Order for Texas Oranges regulates the importation of all fresh fruit into the U.S., while the Federal Marketing Order for Florida Grapefruit regulates all fresh grapefruit imports.

The direct cost of administering the Federal Marketing Order for Texas citrus is paid from funds collected from handlers on the basis of a commodity assessment. Assessments, an initial cost to the handler, are reflected ultimately in product prices, handler profits, grower returns or some combination of these. The assessment rate is equal for each unit handled by each handler in the industry. Currently, each 7/10 bushel equivalent of fruit shipped into the fresh market is



assessed \$0.18. No government monies or tax funds are used directly by industry groups in the administration or operation of marketing orders. The salaries of USDA personnel associated with marketing orders are paid from funds collected from import duties, not from assessments on domestic fruit.

A small percentage of the assessments collected is used to defer administrative expenses such as salaries, equipment, utilities, postage and miscellaneous items, while most of the funds are used to promote and merchandise Texas citrus. Any excess collected over actual expenses incurred during the crop year by the administrative committee is retained in reserve for any ensuing short-production year.

Provisions of the Marketing Order

The Federal Marketing Order for oranges and grapefruit grown in Texas contains provisions that establish the grades and sizes of fruit that can be shipped, container size and pack specifications, inspections to ensure compliance with regulations and also allow for funding of market research and development, including paid advertising.

Quality regulations are implemented by establishing the grades, sizes and containers in which citrus can be shipped in regulated trade channels. These regulations may be changed from season to season or even within a given marketing season as market conditions change. One objective of such regulation is to stimulate demand for citrus by increasing buyers' and consumers' satisfaction and confidence in the product. This usually is accomplished by providing greater uniformity over time in the physical characteristics of citrus entering trade channels.

From the viewpoint of producers, the basic economic objective of quality regulation is to achieve an allocation of their total product among market demands for specified quality characteristics that will maximize net industry returns and provide consumers a uniform quality product.

Container and/or pack specifications regulate the size, capacity, weight and dimensions of the containers used by the industry to ship fresh fruit. Container standardization eliminates deceptive packaging that could be detrimental to demand. It also eliminates container and pack variations that may be considered undesirable, particularly in view of the changing demand specification for farm products at the retail level. This latter type of regulation may lessen the adverse price and

merchandising effects sometimes associated with the heterogeneous packing practices of many small shippers.

Even though the enabling legislation allows it to, the Federal Marketing Order does not provide regulations for quantity. It does not regulate the amount of fruit that can be shipped nor does it regulate (or impact) the amount of fruit utilized as gift fruit. It only contains quality regulations to be used in Texas.

This provision also can save money in the cost of containers as manufacturers can produce large quantities of a few types of containers less expensively than small quantities of many different types and sizes.

Market research and development projects may be conducted using Marketing Order funds. Such projects are designed to assist the Texas citrus industry in more efficient marketing practices. The TVCC funds TexaSWEET Citrus Advertising, Inc., as an in-house promotional unit to conduct marketing promotional activities and has used this provision to contract for market research studies.

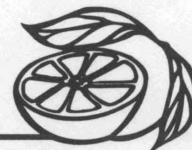
All marketing orders contain some requirements for inspection to see that regulations are met. Inspection in all cases is secured by the administrative agency, with the Secretary of Agriculture's approval, and it must be provided by a non-interested third party such as the Federal-State Inspection Service paid by the industry.

Regulations for the 1994-95 Season

Grade and size regulations and effective time periods for these regulations are established by the TVCC each year prior to the marketing season and are subject to revision during the season when deemed necessary by the Committee. The regulations for the 1994-1995 marketing season were:

Grapefruit-All Varieties

- Effective date: August 1, 1994.
- Termination date: At recommendation of TVCC, with approval of the Secretary of Agriculture.
- Permitted grades: U.S. Fancy, Texas Fancy, U.S. No.1, U.S. No.1 Bright, U.S. No.1 Bronze, Texas Choice and U.S. No.2.
- Permitted sizes: 46, 54, 64, 70, 80, 96 (3 9/16" minimum) and 112.
- Minimum diameter: 3 9/16 in. for 96's and 3 5/16 in. for 112's.



Oranges-All Varieties

- Effective date: August 1, 1994.
- Termination date: At recommendation of TVCC, with approval of the Secretary of Agriculture.
- Permitted grades: U.S. Fancy, U.S. No.1, U.S. No.1 Bright, U.S. No.1 Bronze, U.S. Combination (with less than 60 percent, by count, of oranges in any lot there of grading at least U.S. No.1), Texas Choice and U.S. No.2.
- Permitted sizes: 100, 125, 163, 200, 252 and 288.
- Minimum diameter: 2 6/16 in.

Such oranges are at least pack size 288, as such size is specified in 51.691 (c) of the U.S. Standards for Oranges (Texas and states other than Florida, California and Arizona), except that the minimum diameter limit for pack size 288 oranges in any lot shall be 2 6/16 inches.

An appropriate inspection certificate must have been issued for such fruit within 48 hours prior to the time of shipment. For minimum and maximum diameter and pack arrangements on various sizes of grapefruit and oranges, refer to Container, Pack and Container Marketing Regulations.

Standards for Grapefruit

Of the eight U.S. standard grades for Texas grapefruit, only five are presently permitted by TVCC. Each grade requirement is defined, as are allowable tolerances, in published standards effective August 1, 1994. To upgrade the quality of Texas citrus shipped, the TVCC proposed—and the Secretary of Agriculture approved—the use of Marketing Order Identification standards whereby Texas Fancy and Texas Choice would meet certain grade standards. Texas Fancy is an improved U.S. No.1, and Texas Choice is an improved U.S. No.2. These identification standards can be used for Texas grapefruit and oranges.

All presently permitted grades of grapefruit have the following requirements in common: all fruit must be mature, of similar varietal characteristics and be free from bruises, cuts not healed, decay, growth cracks and worms. Differences between grades are presented below:

U.S. Fancy fruit must be firm, smooth-textured, well-formed and well-colored, with not more than one-tenth of the surface, in the aggregate, affected by discoloration. It must be free from ammoniation, buckskin, skin breakdown, scab and sprayburn. Fruit shall not be injured by

green spots, oil spots, scale, scars, thorn scratches nor damaged by any other cause.

U.S. No.1 fruit must be firm, fairly well-colored, fairly smooth-textured and fairly well-formed, with not more than one-half of the surface, in the aggregate, affected by discoloration. It must be free from caked melanose and sprayburn and cannot be damaged by any other cause.

U.S. No.1 Bright fruit is the same as U.S. No.1 except that no fruit may have more than one-tenth of its surface, i.e., the aggregate, affected by discoloration.

U.S. No.1 Bronze fruit is the same as U.S. No.1 except that all fruit must show some discoloration, i.e., a minimum number of fruit must have more than one-half of their surface, in the aggregate, affected by discoloration, predominantly russetting.

U.S. No.2 fruit must be fairly firm, may be slightly colored, not more than slightly rough-textured, with not more than two-thirds of the surface affected by discoloration. It must not be seriously damaged by any other cause.

Texas Fancy in Marketing Order 906 is identified as meeting all requirements for U.S. No.1 except the allowance of discoloration is reduced so that not more than 40 percent of the surface, in the aggregate, may be affected by discoloration.

Texas Choice in Marketing Order 906 is identified as meeting all requirements for U.S. No.2 except the allowance for discoloration is reduced so that not more than 60 percent of the surface, in the aggregate, may be affected by discoloration.

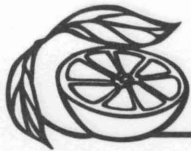
Additional grades of U.S. Combination, U.S. No.2 Russet and U.S. No.3 are not permitted by TVCC.

Standards for Oranges

There are eight U.S. standard grades that apply to common or sweet oranges and varieties of the mandarin group except tangerines. Of the eight U.S. standard grades for Texas oranges, only six are presently permitted by TVCC. Each grade requirement is defined, as are allowable tolerances, in published standards which became effective August 1, 1994.

All of the grades presently permitted by TVCC have the following requirements in common: all fruit must be mature, of similar varietal characteristics and free from bruises, cuts not healed, decay, growth cracks and worms. Differences between grades are presented below:

U.S. Fancy fruit must be firm, well-colored, well-formed and smooth-textured, with not more



than one-tenth of the surface, in the aggregate, affected by discoloration. It must be free from ammoniation, buckskin, caked melanose, creasing, scab, skin breakdown, sprayburn and underdeveloped segments. Fruit must not be injured by green spots, oil spots, split navels, rough navels, wide or protruding navels, scale, scars, thorn scratches nor be damaged by any other cause.

U.S. No.1 fruit must be firm, well-formed and fairly smooth-textured, with not more than one-third of the surface affected by discoloration. Early and mid-season varieties shall be fairly well-colored. Valencia and other late varieties shall have not less than one-half, by count, of the fruit fairly well colored and the remainder reasonably well-colored. Fruit must be free from caked melanose, sprayburn and underdeveloped segments, and damage from any other cause.

U.S. No.1 Bright fruit is the same as U.S. No.1 except that no fruit may have more than one-tenth of its surface affected by discoloration.

U.S. No.1 Bronze fruit is the same as U.S. No.1 except that all fruit must show some discoloration, i.e., a minimum number of fruit must have more than one-third of their surface affected by discoloration, predominantly russetting.

U.S. Combination is a combination of U.S. No.1 and U.S. No.2 fruit, provided that not less than 60 percent, by count, of the oranges in any lot must be U.S. No.1 grade.

U.S. No.2 fruit must be fairly firm, reasonably well-colored, not more than slightly misshapen, not more than slightly rough, with not more than one-half of the surface affected by discoloration. Fruit must not be seriously damaged by any other cause.

Texas Choice is defined in Marketing Order 906 as meeting all requirements for U.S. No.2 except the definition for "reasonably well colored" is redefined to mean that the yellow or orange color predominates over the green color on at least 75 percent of the fruit surface in the aggregate which is not discolored.

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Issued in furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of Congress of May 8, 1914, as amended, and June 30, 1914, in cooperation with the United States Department of Agriculture. Zerle L. Carpenter, Director, Texas Agricultural Extension Service, The Texas A&M University System.

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