

Testimony of
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On Behalf of California Citrus Mutual

“Squeezed: Current Challenges for Small Citrus Operations”
United States House of Representatives
Committee on Small Business
Subcommittee on Agriculture, Energy and Trade
Washington, DC
June 11, 2015

Chairman Curbelo and Ranking Member Meng, thank you for the opportunity to testify today on the challenges that small citrus growers like me are facing.

California’s varied climactic conditions and unique topography create a perfect environment for a year round supply of oranges, lemons, tangerines and mandarin varieties. The Golden State’s lemon crops from Imperial County near the southern border to Madera County in the north-central San Joaquin Valley produce fruit of unparalleled quality. California’s inland valleys with their rich soils, hot summers and (usually) cool wet winters yield the best eating oranges in the world. All of this ...and we have the global demand to prove it. I should also mention the fact that our State grows 50% of America’s fresh produce and California supplies 85% of the United States’ fresh citrus! Our citrus growing areas stretch from the very southern end of the state over 700 miles north into Glenn County in northern California. Our state is truly a “Garden of Eden” that provides healthy, safe products to a hungry world.

Years ago, small family farmers moving west to California launched a gold rush of another type... (And a sustainable one at that!)... a citrus industry that has provided our nation with “eating citrus” for nearly 150 years! Today we have about 3,500 growers, 100 packing houses and probably 12,000 or more employees that work in many cases year-round. We sell citrus in all 50 states and many (if not most) countries of the world. It would be a dangerous mistake for either the grower or the citizens of our great country to assume that a domestic citrus industry exists as a birthright and will just always *be there* without great effort to sustain it. The major citrus producing states represented here do what the other states cannot - that being the production of citrus fruits for the rest of the nation and the world on a year around basis!...This is no small reason to do everything possible to ensure that citrus production in these states remains vibrant.

Defining a “small citrus grower” is a lot like explaining the size of a fish...it depends on what pond you are fishing out of! Years ago, a 40 acre citrus grower could make a reasonably good living. 50 years ago, a 40 acre grower, while doing much of the required work and tree care by his or her self and /or family members, probably lived in a modest home on the family acreage, drove a decent car and sent their kids to local colleges or universities. Often the young ones would come back to the farm and take over when mom and dad were less able to do the work in their later years. Today, the number of acres needed to accomplish something that might be more like 300 acres. It would be impossible to farm that much acreage without some full time help. The grower of today has to contend with many issues *in the normal course of operation* that was not required 50 years ago. Food safety/Good Agricultural Practice logs and annual audits, Pesticide Use Reports, Ground Water Management Plans, Well Drilling Permits, Illness and Injury Prevention Programs, continuous updates of Material Safety Data

Sheets, Employee Safety Training, Workers Comp and Liability Insurance Issues, Farm Equipment and Truck Emissions requirements and updates previously were not part of a growers day to day tasks. Nor were Highly Erodible Lands and Wetland requirements-and that's just a very partial list of what it takes to run an operation today! Not that any of these things are bad, *per se*, but they demand people, time and significant capital to deal with properly. It is pretty much impossible for a small family citrus grower to handle all of these demands on their own. Outside help and consultation is nearly always required and none of it is free.

So the options are get bigger, take an outside job or sell out. I, as many other growers do that own acreage of my size, work a "regular" job to, as we say, "support my farming habit". That is not to say that I don't love what I do, both as a farmer and a citrus packinghouse manager-I do-that's why I do it. But as with many like me, my children have seen the hard work, time and stress involved in maintaining this lifestyle. They have chosen other career paths. I really don't blame them. It is hard already, **without** the additional **stressors** to those already described. I'll go into more depth on the other challenges we face as I continue to lay out the narrative.

At one time California boasted 285,000 total acres of citrus production. Primarily due to the drought conditions in the State, that number is now down to 270,000 with more scheduled to be bulldozed this summer. The small citrus grower is disappearing from the landscape of California's rich agriculture heritage. A "young" citrus grower is a very rare individual these days and if you do find one, chances are they are working for a larger, corporate farming interest.

I want to make sure that my message doesn't denigrate the "large" citrus grower. That is neither my focus nor desire. Our Industry needs those larger operations with their efficient economies of scale. To be sure, it's the larger citrus growers that have forced our industry to modernize and supply the consuming public with varieties that they desire. The larger interests have been key in pushing innovation and research that has aided all citrus growers. Simply put, we need them, but I would suggest that a healthy citrus industry is also a diverse citrus industry. While the well-being of large scale citrus growers is vital to the health of our Industry, I would also say that the health of the smaller scale operators is just as important.

Moving forward through this narrative I hope to illustrate the additional "stressors" -beyond what has already been described. Hopefully a clearer picture will emerge as to why many small family-based operations either have, or are considering "selling out" while property values in California are at inexplicably high prices per acre. If at the end of this presentation you understand why younger owner/operators are becoming a rare find and why small scale citrus growers (and, in a parallel sense, **all** citrus growers) ought to be considered for the Endanger Species List then I will consider the honor of being invited to address this Committee a success.

No more U.S. Citrus?

In fact, it seems entirely appropriate to ask ourselves: "Do we **want** a domestic citrus industry?" Are we OK with potentially sourcing citrus fruits (or other produce commodities) from distant shores? Do we realize that U.S. grown citrus has a flawless record as a healthy, safe, nutritious and affordable product yet could very easily disappear from our store shelves? This isn't just hyperbole. If we continue on our current trajectory, it is very likely that this could happen in the not-so-distant future! Invasive

pests and diseases, drought, misguided water policy, 40 years of inaction with water infrastructure (as the population in the state doubled in California), international trade issues and the interaction of all of the above have caused our great industry “ship” to drift perilously close to being dashed to pieces on the rocks.

We in California see the decline in production in Florida and the other south-eastern citrus producing states. We share the desperation of the Florida and Texas citrus farmer as Huanglongbing or HLB, a disease that kills any citrus tree it infects, ravages their groves! We see our future in them and realize that if a solution is not found soon **we will all be done producing citrus**. This disease does not discriminate between large and small growers. Other stressors we will discuss later will likely create some distinct disadvantages for the smaller producer, but the potential for all of us suffering great loss is high. In California, we have the bug, the Asian Citrus Psyllid (what I will refer to as the ACP), that spreads the disease and know that the probability is high that we will eventually find some “hot” (or HLB infected) trees out there. The task before us is to keep the ACP away from any potentially infectious trees and also to find those infected trees before the ACPs do and remove them before HLB can gain a foothold.

We were fortunate enough to find a lone tree, in Southern California that tested positive for the disease after a scout saw its symptoms. That tree was removed and a few years later we continue to test nearby trees for the disease, thankfully with negative results *so far* but we are not so naïve to think that’s the only one. That tree was grafted with bud wood from an HLB infected tree in Southeast Asia that was illegally transported buy a hobby gardener. Chances are, this individual did not know that he was doing anything wrong or dangerous. But as is so often the case, one small spark had (and continues to have) the potential to wipe out an entire forest of citrus production, a \$2.4 billion dollar industry in California. Again, any assumption that I am exaggerating should be fact checked with just about any Florida citrus grower! They are the unfortunate voice of experience that our California Citrus Industry listened to and heeded just before the first ACPs were found in California.

The warning was clear: Control the bug, keep it away from diseased trees and you’ll stem the spread of the disease. Florida growers were more than willing to tell us their stories, what they did and didn’t do-and what worked and what didn’t. They told us of the mistakes they made in not controlling the ACP. At the time, little was known about the latent nature of the disease. A tree can be infected for two or three years before it begins to decline and in fact can test negative for the disease until just before it begins to show symptoms. Florida growers told us that they knew the ACP was spreading but they weren’t seeing the disease-until it was too late. When evidence of the actual HLB disease began to show up in Florida, despite an aggressive infected tree removal effort, it was soon evident that Florida growers were not going to be able to keep ahead of it. Florida growers had been hit by multiple tree damaging hurricanes, Citrus Cancer Disease and simply, when the ACP showed up, they had lost the resolve to fight a pest that wasn’t yet causing a problem that was evident.

Now Florida’s citrus production is in free-fall. If some type of cultural, scientific (or combination thereof) solution is not found soon, Florida’s Industry will cease to exist as we know it. They have already suffered critical damage and even now, even *if* a solution is found soon, Florida, as a citrus producing state will never be the same. Texas is also well down the same road as the disease has now jumped the southern border and has begun to spread north though their production areas. California, again, has had the unfortunate advantage of observing these situations unfold and we have done our

level best to heed the warnings and take a very aggressive, proactive approach to beating back the bug that carries the disease and quickly remove any tree that tests positive for the disease. All of that said, we realize that we are just trying to buy time-time that whether by providence or science (I would say that both are the same) gives us opportunities to find a solution to the disease itself.

In September of 2011, California state legislation was passed that created a new Industry Committee tasked with vetting and implementing a robust statewide trapping, testing, suppression and eradication effort. The Committee was to be funded by every commercial citrus producer in California. All commercial growers in California assess themselves (currently) \$00.08 cents for every 40 pound carton equivalent of citrus produced. Over the past five plus (5+) years, California Growers have self-funded an effort that has collected about \$15 million annually to pay for the efforts of the California Citrus Pest and Disease Prevention Program-and it's oversight committee, the California Citrus Pest and Disease Prevention Committee or CPDPC. We in California like to refer to it as the AB 281 Committee, because the passage of California State Assembly Bill 281 is what brought the program into existence. A broad range of Industry members sit on the Committee, all for ZERO compensation and I might add with no small investment of time. I have the honor and privilege of serving the Executive Committee of that Board as Secretary/Treasurer.

That is not to say that the AB 281 Committee works alone. The California Department of Food and Agriculture administers the program and executes regulatory, ACP trapping, disease testing and residential treatment programs across the State. The United States Department of Agriculture (USDA) partners with us through the Citrus Health Response Program (CHRP) and the USDA's Animal Plant Health Inspection Service's Multi Agency Coordination group headed by Dr. Mary Palm. All told, the CPDPC is tasked with overseeing a \$25 million per year effort that also includes a promising beneficial insect (or parasitic wasp) program. The CPDPC is also aided by the California Citrus Research Board and the many research projects feverishly looking for new ways to detect the disease earlier, destroy the bug, destroy the disease in the tree (without destroying the host tree), finding disease resistant trees or rootstocks, and finding a better, more effective beneficial parasitic insect to slow the spread of the disease-carrying Asian Citrus Psyllid. The Citrus Research Board has been a longstanding effort of the California Citrus Industry and is funded by a separate grower assessment that collects another \$00.03 per carton from California Citrus Production.

At this point I would like to take a brief moment to urge continued support of the Citrus Health Response Program administered by the USDA's Animal and Plant Health Inspection Service. CHRP involves all of the citrus producing states and has as its stated goal "to sustain the United States' citrus industry, to maintain grower's continued access to export markets, and to safeguard the other citrus growing states against a variety of citrus diseases and pests. This is a collaborative effort involving growers, Federal and State regulatory personnel and researchers."

So far we in California have been able to hold the battle lines against the disease. We have appealed to residential citrus tree owners to work with us in monitoring their trees for the ACP and the HLB disease. At this particular moment in time, we have been successful against HLB disease. Controlling the Asian Citrus Psyllid has proven to be much more of a challenge with nearly all backyards in the Los Angeles basin having at least one citrus tree growing in them. The area is currently a hotbed of ACP infestations but subsequent treatments of those outbreaks appear to have stemmed any additional HLB discoveries-but we cannot let our guard down! The San Joaquin Valley and the northern citrus

producing counties have had to deal with occasional, small ACP detections (in terms of numbers) in some residential and commercial citrus. Quarantines, while costly and inconvenient to deal with have become something the Industry has learned to manage through. Growers are aggressive about treating local detections by both conventional and organic means-but doing so is expensive. So far-so good, as far as ACP in the San Joaquin Valley, but there are some seemingly unrelated threats that have significant potential to converge and make victory in the war to survive much less promising.

Drought and Water Policy. “Extreme” fails to describe the drought and water situation in California. I say drought *and* water because some of the issues are simply a matter of a lack of normal rainfall, others are the result of misguided (and an absence of) sound water policies in California. The area I serve as General Manager of Orange Cove-Sanger Citrus Association receives surface water primarily from the Friant-Kern Canal which in turn has water originating from the San Joaquin River. We are going into our second year of “zero allocation” of water from Friant. What little water that has been acquired by local growers has been the result of other users that have fallowed land and/or given up water that they have a right to for significant compensation. The Orange Cove-Sanger Citrus Association is a microcosm of the California Citrus Industry, particularly along the eastside of the San Joaquin Valley. The cost of water has gone from around \$200.00 per acre/foot just a few years ago to as much as \$1,300.00 per acre/foot today. The average is probably around \$1,000.00 per acre/foot. Generally, citrus trees need about 3 acre/feet per year. Doing the math, the grower paying \$1,300.00 per acre/foot has had a 650% increase in water cost, if it’s made available!

This is a bad deal for everybody, from the grower to the consumer. It is particularly hard on the small family farm that may not be capitalized as well or may not have the resources to seek out solutions such as water transfers, etc. As bad as the cost of water is, it is really immaterial if a grower is forced to remove or abandon their grove because surface or ground water is simply not available. We have a number of growers within our Association that are dealing with this very situation, and again, that is to illustrate what is happening in an industry of which we are a 1.5 % portion! Unlike some row-crops, we do not simply “plow-under” one season’s crop and replant when (and if) the water returns. Citrus trees can take from 3 to 5 years to yield any viable production and 7 to 9 years before they have paid back their own cost of development and become profitable!

It would be sad enough if all this was simply a result of the lack of rainfall but it is not. California’s water system in its current condition was designed to handle half the population that now occupies the state. If we had kept to the task of continuing future water projects we would be in a much better position to provide water for people, farms, jobs and fish! While California recently passed a water bond that is a very positive step in the right direction, it will do little to fix the current situation. Contrary to recent media reports our water woes **are not** the result of “Big Ag’s” overuse of water but rather (in addition to the drought) the creation and aggravation of an already difficult problem by interpreting the Endangered Species Act in a way that is completely unbalanced. Restoring a salmon fishery might be a worthwhile endeavor if it hadn’t been attempted in the midst of an historic drought. If the reservoirs and canal systems that were once a part of a grand, visionary plan that California’s leaders of years ago had conceived had been developed, might we have enough water to carry our cities, farms and fisheries through our current dry cycle? Nature has created the current crisis but neglect and unbalanced environmental policies have made it a true disaster! The way the Endangered Species Act is currently being implemented has, as many farmers would attest, put many a family farmer

in the category of endangered. If we don't find a more balanced approach to the ESA, not only will fish be endangered, but many smaller family citrus farms will become *extinct!*

Earlier in this presentation, I suggested that many of our current challenges to the continued existence of the California Citrus Industry are interrelated. As an example, take a grower who has lost their water. The grove simply dries up. It can take a citrus tree years to fully succumb to a lack of water. From an economic perspective, that tree is essentially dead from a production standpoint after a partial summer of no water. If it *does* set a crop, the fruit will be unmarketable because of poor taste, lack of juice, small size and softness. It may still have a few leaves and even push out some new growth if a (currently rare) rain event occurs. Those little, green glimmers of hope we call leaves have a dark side. First of all, citrus growers don't get paid for leaves but even more chilling is the realization that new leaf growth is a prime attractant for insect pests, specifically the Asian Citrus Psyllid! When a grower has lost his very source of revenue, how can that individual be forced to spend money he or she doesn't have to kill a pest in a grove that will never see viable production again? Florida producers are all too familiar with the harm that comes from an abandoned grove, abandoned by all ***but*** the Asian Citrus Psyllid and the dreaded HLB disease. Abandoned groves were a very significant reason for the spread of HLB in Florida, and we already see the economic realities of a lack of water causing some small and medium sized growers to just cease to farming some groves in California!

Despite the daunting issues that faced us, most citrus growers did well during the 2013-14 production season. A manageable volume of fruit, good eating quality and excellent export demand made for some outstanding net per-acre returns. Some of the trade issues that had plagued us were seemingly resolved and behind us, and there was money to pay for high-priced water! 2014-15 started off with the same promise. The maturity of the crop was early and initial demand overseas and domestically was excellent. In mid-December of last year we began to feel the impact of a slowdown at the west coast ports that were a result of a dispute between the Ports and Union that represented port workers. The slowdown came to a boil in January and February, which just happened to be two of our peak shipping months for exporting fresh citrus to China, Hong Kong, Japan, South Korea, Malaysia, Singapore, etc. If there was a container available, there was no guarantee that the fruit that was shipped wouldn't wind up just sitting in the port container yard or on a partially loaded ship waiting to be fully stacked with containers before sailing. What normally was a 16 to 24 day voyage from shipping to the receiving port became as many as 60 days. Many loads arrived with very heavy decay losses. (Our Industry continues to work through the arrival claims)

As export shipments dwindled to one-quarter to one-third of what was normal for that time of the season, the domestic market was impinged upon by the extra packed fruit. Consumption of fresh citrus in the U.S., while improving, has remained relatively flat on average over the last decade or so. All that can give way is the price and product movement, and it did. Because of the resulting oversupply and export claims, we expect net grower revenue from the shipper to be on average one-third to one-half of last season's results. Just with Orange Cove-Sanger Citrus Association growers, I estimate a **reduction in revenue of 2.4 million dollars, directly attributable to the slowdown at the west coast ports.**

Again, there is an unfortunate interrelation with effects of the slowdown and the water situation. Water, *if* it is available, is similar in price to last season, and in some cases more expensive! In any case, there is less water available than last season. Some, larger operations may be able to move

water and spread the cost (it's still not good for them, either), but the smaller citrus producer will be hard pressed to live within the means that the current season's returns will provide. In some cases the bulldozers are moving, in other cases citrus farmers are simply hoping against hope that things will turn out better than anticipated.

Some of our key citrus markets are overseas. By virtue of the fact that many of the countries that we ship to are also fruit and citrus producing countries, they seek access to our markets as well and given their cost of production, it might seem like a pretty good deal for the American consumer. In some cases, in order to force the issue, some of our "trading partners" have put up some roadblocks, or at least detours in our trading paths. One country that we have shipped to for years excluded California Citrus for a time, and then after imposing a very specific protocol and program, California fruit was allowed back in. Recently after some shippers had fruit arrive with the fruit condition that initially caused the exclusion, an entire Central Valley county (shippers and growers) were again excluded from the program and will have to re-qualify through pre and post harvest handling treatment protocol procedures and inspections of the fruit. Many of the shippers involved in the secondary exclusion were also victims of the port slow down, which no doubt exacerbated the problem. Again, the dominos of cause and effect falling and the grower suffers the loss. In a different case and a different country (again, a destination that we have again shipped to for years without incident) discovered a pest prompting an expansion of pre and post harvest requirements in order to continue shipping to that specific destination. Certainly, any country has a right to (as we do) exclude pests from their own shores. It must be said however that keeping up with all of the differing protocols and requirements have become very burdensome and expensive. Often, the large scale grower has "people" that handle all of this. The small, individual farmer is his or her "people".

After hearing all of this it would not be unreasonable to ask the question: "Why would anybody want to continue farming their small operations when they could sell out, take the money and enjoy life?" My wife and I ask ourselves that question often, and we know we're in fine company. Candidly, the same could be asked of many of the larger scale operators. Many have exercised the exit option. If the current trends, threats and challenges go unanswered and unabated, many more will do the same. This would be a tragedy that we shouldn't allow! Less than two percent of the population provides food and fiber for the other 98 percent of the nation. How many more percentage points can we afford to lose?

What can be done for us? How can this Committee help? Farmers by nature are do-it-yourselfers. Specifically, the California Citrus Grower is not interested in a handout and in fact loath the thought of taking something that they were not allowed to produce from the miracle that happens with a new crop every spring and their own hard work. We would ask you to support USDA programs that support the nation's citrus growers, such as the Citrus Health Response Program (CHRP) and Multi-Agency Coordination (MAC) group that promote research and drive real-world solutions to insidious diseases like HLB. Please work to protect growers that seek to export fruit into overseas markets from disasters that occurred as a result of disputes like the West Coast Port Slowdown. (Possibly some tax relief for growers of perishable commodities that were damaged by the after-effects of the slowdown?)

We ask for your support of Trade Promotion Authority. Without it, critical negotiations with some of our key export markets may well stall. My understanding is that on average, U.S. citrus exports to the countries included in the Trans-Pacific Partnership can currently face tariffs as high as 40%! Given

that 35% of California's citrus crop is exported around the world, access to these markets is vital to us! Please create and carry out policies that allow a more practical and balanced application of the Endangered Species Act as it relates to federal water allocations in California. We need legislation that will re-initiate California's development and expansion of its water infrastructure. Relief from burdensome and redundant regulation and reporting also could do much to stimulate the well-being of the small to medium-sized citrus producer. Obviously, while some are, not all of these issues are within the purview of this Committee. That said, I'm sure the Committee Members understand the interaction of all of these stress points. Whether on this Committee, on another Committee or on other legislation, we, the California Citrus Industry, would ask that you consider these factors when contemplating legislation, relief efforts and the cause, effect, short and long-term consequences of such work.

Finally, I should comment on why do we do it? (Aside from insanity!) We love it. Many of us sense that it we are doing what we were created to do. Being connected to the land and producing safe, nutritious and great tasting citrus fruit for a hungry world is a privilege. **That's** why we do what we do!

Thank you for the Honor and Privilege of addressing this Committee on behalf of the "average" California Citrus Grower and the Industry we work within.

Respectfully:

Kevin Severns