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Strategic Marketing Strategies for Florida Tomatoes

Wayne Hawkins

Florida has three separate tomato organizations that work together closely to form a well-organized marketing strategy to sell tomatoes grown in central and south Florida. All three organizations are managed by the same staff even though they all have separate financial structures.

The Florida Tomato Committee is a federal marketing order formed under the authority of the Agricultural Marketing Agreement Act of 1937. The committee enforces quality and packing standards on Florida fresh market tomatoes shipped in interstate commerce. It also supports research activities and conducts a well-rounded education and promotion plan designed to increase per capita consumption of fresh tomatoes. The twelve members and twelve alternates are all tomato growers in central and south Florida and are appointed each year by the U.S. Secretary of Agriculture.

The Florida Tomato Exchange, formed in 1974 under the provisions of Chapter 619, Florida Statutes, has first handlers of tomato in central and south Florida as members. The main activities deal with lobbying, hiring legal counsel on matters affecting the Florida Tomato Industry, public relations and dealing in other areas not permitted under the marketing order.

The third organization is the Florida Tomato Growers Exchange formed in 1989 under Chapter 618, Florida Statutes, which provides the members with the Capper-Volstead Exemption which exempts them from the anti-trust laws and allows them (the growers) to create a monopoly to sell their produce. They can legally have meetings to openly discuss marketing problems without being in violation of the anti-trust laws and can even set the prices that tomatoes can be sold for, if it is the desire of the members to do so.

I am manager of the Florida Tomato Committee whose regulations are mandatory and apply to all tomato growers and handlers in the area. I am executive Vice President of the two exchanges which are both voluntary cooperative agricultural organizations. The rules apply only to members,

but we are fortunate that about 90 percent of the tomato industry in central and south Florida belongs to these two exchanges.

I have been involved in the so-called Florida/Mexico Tomato War for about 30 years. I have watched numerous laws passed by the U.S. Government that regulated Florida Tomato growers, but exempted Mexican imports. Even worse are the laws on the books designed to regulate the product of both countries but Mexican imports are exempted at the whims of bureaucrats who totally ignore the intent of the law.

The last straw and the one that really broke the back of the Florida Tomato Industry was the passage of NAFTA. I testified before numerous committees in Washington, D.C., and told them what would happen to Florida's perishable agricultural industry if this legislation passed. *I was wrong!* It's ten times worse than I predicted and happened much faster than I anticipated. The Florida Tomato Industry was promised by the President of the United States that they would be protected, but unfortunately the promises made were not kept and the industry has suffered hundreds of millions of dollars of losses as a result. Thousands of workers have been displaced.

In tomatoes alone, Florida production has decreased more than 37 percent, while imports have increased 275 percent in the first three years of NAFTA, according to the latest figures produced by the U.S. International Trade Commission. This resulted in a decrease in farm income of more than \$750 million. Many of the Mexican imports were sold all over the United States at prices that did not return their own costs of production.

Prior to any negotiations on NAFTA, the U.S. International Trade Commission (ITC) found that the winter vegetable industry was in direct competition with Mexico and that it would be negatively impacted should NAFTA be adopted. In response, our trade negotiators adopted several safeguard provisions to assist our industry. They failed miserably.

Efforts to obtain relief from unfair Mexican competition were filed with the ITC by the Florida Tomato Industry under sections 201 and 202 of

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the Trade Laws of 1974 and with the commerce department under provisions of the Anti-dumping Laws of the U.S.

Evidence presented to the ITC in the section 201 and 202 cases in 1995 and 1996 documented 24 packinghouses and more than 100 tomato growers that had gone out of business. The ITC accepted these facts, but four of the five voting commissioners still voted that the evidence did not support the premise that Mexican imports were a substantial cause of serious injury or threat thereof to the domestic industries producing tomatoes in the United States. I would like to know what the terms "substantial cause" and "threat thereof" mean. I requested a definition from the ITC, but never received a response.

The one commissioner, Lynn Bragg, who voted in Florida's favor stated, "In my view, by making a negative determination in these investigations the commission majority has set a standard for obtaining relief under section 201 that is virtually impossible to satisfy."

The U.S. Commerce Department issued a preliminary finding under the anti-dumping case that indicated Mexico had dumped tomatoes into the United States at less than fair value. Dumping margins ranged from 4.1 percent to 188.5 percent with an average of about 20 percent. Following a recommendation by the commerce department, the Florida Tomato Industry agreed to accept the terms established under a suspension agreement between Mexican tomato growers and the Commerce Department that established a floor price on imports of Mexican tomatoes. This appeared to be a solution to the problem and worked quite well in the beginning. Changes in the terms of enforcement of the suspension agreement by the commerce department months after it was approved have and will undoubtedly continue to weaken the final results. This again points out that the safeguard provisions under NAFTA and our other trade laws do not work for perishable agricultural commodities.

In 1974, when I became manager of the Florida Tomato Committee, there were 475 tomato growers on the mailing list. In 1990-91 there were 230 and today there are less than 75. Drops in numbers of producers for each of the other winter vegetables are similar. This clearly shows what NAFTA has done for Florida agriculture. It looks like it will be the kiss of death for Florida vegetable production.

According to Department of Commerce figures, the U.S. trade deficit has worsened in each year of NAFTA. The trade deficit has gone from a deficit of 84.5 billion dollars in 1992 to 166 billion dollars in 1996.

Exports to Mexico from the United States have risen from 41 billion dollars in 1993 to 56 billion in 1996; however, imports from Mexico have risen from 40 billion dollars in 1994 to 72 billion dollars in 1996.

This has created an enormous trade deficit with Mexico that was not present prior to NAFTA. For the three years before the agreement went into effect, the U.S. trade balance with Mexico was a surplus of between one and five billion dollars each year. Since NAFTA has been in effect, the balance has degraded from a surplus of 1.3 billion dollars in 1994 to deficits in 1995 and 1996 of 15.3 and 16.2 billion dollars, respectively. The U.S. trade deficit with Canada in 1996 was 22.8 billion dollars.

An important lesson can be learned from studying the results of only three years of NAFTA. It may work for some industries, but overall it has been a disaster for U.S. trade. If continued and expanded as is presently planned, it could be the start of hard times for many United States citizens. Good paying jobs will be replaced by minimum wage jobs and the standard of living in the good old U.S.A. will be lowered.

Before considering fast track approval of more NAFTA trade agreements, let's fix the one we now have or get rid of it. Why legislate the end of important industries like the Florida tomato industry and displace thousands of workers? Maybe if more legislators had to meet payrolls each week, it would place a different perspective on the situation.

This leads us to the topic of this meeting today. What is the Florida tomato industry doing to try and cope with Mexican competition? I mentioned earlier that the Commerce Department and Mexican growers entered into a suspension agreement that took effect on November 1, 1996. A reference price of 20.68 cents per pound (\$5.17 on a 25-lb. equivalent) was established on all imported tomatoes from Mexico. Although several adjustment procedures were added after the agreement was signed, it worked pretty well.

Following the signing of the suspension agreement, the Florida Tomato Growers Exchange amended their operating policies to provide for

the establishment of a floor price of \$5.35 per 25-lb. equivalent. Provisions were also adopted to stop packing U.S. no. 2 and U.S. no. 3 tomatoes on declining markets.

These provisions were very beneficial to the Florida tomato industry in the fall of 1996 and generated a lot of interest in other tomato growing areas of the U.S. During the spring of 1997, I traveled to California, South Carolina, North Florida and several other areas to explain how a grower marketing exchange could help them market their products for more money. Exchanges were formed in California, South Carolina, Quincy and the Eastern Shore of Virginia to set floor prices on fresh market tomatoes. They all worked. Even though the floor prices were set at ranges that did not guarantee the grower a profit, they did prevent devastatingly low prices.

Other areas to improve marketing practices are now being studied by the Florida Tomato Growers Exchange. Rebilling, back billing and price protection are a few areas under investigation. Slow pay is another area under investigation and finding ways to encourage the Perishable Agricultural Commodities Act to operate according to law is a priority project.

The Florida Tomato Committee is working on other improvements of more orderly marketing of the crop. A few of the areas being investigated are:

- (1) Changing the minimum and maximum size designations in each of the size categories to provide a more uniform pack of tomatoes in all three sizes.
- (2) Eliminating U.S. no. 3 grade tomatoes. They are a dog on the market and rarely return a profitable price. Since too many tomatoes, at given times, is the most devastating occurrence, why not eliminate your least desirable product?
- (3) Requiring all tomatoes picked at the mature green stage to be de-greened for a minimum time of say two to three days before they are shipped to market. We make a mistake by letting the wholesalers control our post-harvest handling practices. The key to a good Florida tomato is proper ripening at the right temperature.
- (4) Relaxing packing regulations to allow for more specialty-paced tomatoes. Place-packing tomatoes to prevent bruising in transit is becoming more popular and will allow us to

better meet competition from Mexican place-packed vine-ripes.

- (5) The consumer today asks for a "vine-ripe" tomato. She really wants a "red-ripe" tomato like she picks in her own garden or picked at some time in her life in someone else's garden. She doesn't know a vine-ripe is not a red-ripe. It is picked from the gush showing a slight tinge of color on the blossom end.

Numerous taste tests have shown that tasters picked the mature green tomato that was properly ripened over the vine-ripe properly ripened three out of four times. The comments were better taste, better texture, better color and more like one grown in the backyard. We have a good product but we need to properly market it. We need to sell farm ripe, Florida ripe or some kind of ripe tomato instead of calling them mature green. This places a stigma on the Florida tomato, and one that we can live without.

Technically, any tomato showing color at point of shipment can be called vine-ripe; therefore, gassed green tomatoes could be sold as vine-ripes after they start turning color. Morally, this would be wrong, but we could sure sell them as something other than "mature green." Why not "farm ripe," "Florida ripe," etc.?

- (6) Finding ways to ship a more mature product to the consumer is a necessity. A tomato picked at the mature green stage will ripen properly and be satisfactory to the consumer. An immature tomato may turn red, but it will never be a good product. More emphasis should be placed on proper determination of the maturity of the product.

The Florida Tomato Committee also funds a lot of research with IFAS. In the past this research has been directed at the most pressing problems, but now we are spending more money on breeding programs to develop a tomato with more desirable characteristics. Not just color, aroma, taste, etc., but one with resistance to pests and disease and one with longer shelf life.

The committee also has a full-time director of education and promotion who spends most of her time educating wholesalers, retailers and consumers on how to properly handle and prepare tomatoes. She has just completed production of a video for wholesalers and retailers on proper handling and storage of fresh Florida tomatoes. One

is also planned for the food service industry. These two tapes will be distributed widely throughout the marketing area. She also devotes a lot of time to recipe development and distribution and to helping develop export markets like Canada and more recently, Japan.

The final tomato organization, the Florida Tomato Exchange, will continue their all-out efforts to try and get the USDA and other governmental agencies to enforce the laws the way they were intended to be enforced. Too many times the administrative rules designed by the bureaucrats to enforce the laws have no resemblance to the original intent of the law.

If the goal of the administration is to have one big happy market for all products produced in the Americas – fine! But, let's have one set of rules to follow to produce and sell products in this one big market.

The Florida tomato industry can compete with anyone – on a level playing field. But, don't tie both arms behind our back and break one leg and head us uphill. That's been the scenario for more than 25 years. I'd sure like to try it on level ground or going downhill with all legs and arms working at once – before I retire.
