SUMMARY AND RECOMMENDATIONS OF FLORIDA CITRUS MUTUAL

1. The Florida Citrus Industry now has retail sales totaling $1 billion annually and the American consuming citrus market is the largest in the world.
2. Florida's orange production will probably double within 10 years and there will be plentiful supplies of citrus at reasonable prices for the American consumer for many years to come.
3. The Florida Citrus Industry is looking to export markets as an important outlet for our rapidly rising production and is investing considerable sums of money in these export markets. We urge that vigorous efforts be made to remove many of the non-tariff barriers in some of the important European consuming markets.
4. The current tariffs on foreign citrus imports into the U.S. must be maintained if the U.S. citrus industry is to survive.
5. Rapidly increasing Mexican citrus production could seriously hurt the U.S. citrus industry, and Florida Citrus Mutual recommends the approval by the House Ways and Means Committee of H.R. 16416 entitled "Fresh Fruits and Vegetables Market—Sharing Act of 1968".

Mr. HERLONG. Thank you, Mr. Rutledge. This information is helpful to the committee. I note in your statement that you said that the Florida citrus acreage had increased in recent years from roughly 325,000 acres to upward of a million acres at this time.

Is there any particular reason for this great increase in plantings of citrus?

Mr. RUTLEDGE. One is that the price following the 1962 freeze attracted a lot of people, a lot of big corporations, but we attribute most of this increase to a loophole in the tax law and that is where it allows a corporation or an individual to plant an orange grove and expense the maintenance of this grove up for a period of 5 years.

Now, if this maintenance expense had to be capitalized I think it would be an entirely different situation and this is something that we would certainly like to see done before you go home this session because we need it, and in the citrus industry when we bring this up people say it is too late.

It isn't too late because there will be at least 50,000 to 60,000 additional acres planted in the State of Florida this year with most of it being planted with speculation money as a tax writeoff, sell the property in 5 years to get capital gains, and most of this money is, I repeat again, from the outside with the idea of gaining capital gains and is putting them in direct competition with people who wish to be in the citrus business from here on out.

Mr. HERLONG. This loophole that you mention is actually a method under the present law of transferring normal income into capital gain.

Mr. RUTLEDGE. Yes, sir. It actually has put many corporations in the citrus business, put a lot of dentists, lawyers, doctors, not that we are particularly against any of those people, but I am sure that they wouldn't have been in the citrus business today if it hadn't been for this tax loophole.

Mr. HERLONG. Thank you. Thank you very much. Any further questions? Mr. Conable.

Mr. CONABLE. Mr. Chairman. I notice quite a few Jaffa oranges in the market. Are you getting a lot of oranges from that area?

Mr. RUTLEDGE. At this time of year, yes, sir, and they come in and they pay the duty. It amounts to 1 cent per pound and they can still be very competitive at that rate.