

May 25, 2021

TO: Jaime Chamberlain, Chairman

FROM: Luis Ramirez, President, Ramirez Advisors Inter-National

SUBJECT: Monthly Report of Activities – April 2021

On behalf of Ramirez Advisors Inter-National, LLC (“RAI-N”) allow me to present our activity report to you and the Board of Directors of the Greater Nogales Santa Cruz County Port Authority. As always, we request and welcome your continued comments and suggestions as to how we can improve on our services, our communications and on our activities on your behalf. With your feedback, we will make every effort to improve our response to your directives and ensure an effective implantation of the initiatives at hand.

Our recent activities on behalf of the GNSCCPA have focused on the following key areas:

1. Mariposa Cold Room Project Update
2. Extension of Border Crossing Restrictions
3. Governor Provides International State of the State
4. Submission of Appropriations Requests
5. USITC Hearing on Cucumbers and Squash Imports
6. Port Authority Joins Port of Entry Briefing for Speaker Rusty Bowers
7. ADOT ECD Visit to Nogales
8. State Department Updates Travel Advisory for Mexico
9. County Explores Multimodal Facilities at Rio Rico
10. CBP Staffing Coalition Letter

This report is not intended to be a full description of all activities but rather, provides highlights and information on the direction of our activities to keep the Board of Directors informed and to ensure adherence to the vision and guidance imparted to RAI-N by the GNSCCPA and its leadership. Throughout this period, RAI-N has maintained active and frequent communications with Ms. Allison Moore, Mr. Bruce Bracker and various other members of the Board of Directors in order to ensure that we have a fully coordinated approach to our efforts. RAI-N stands ready to address any issue, concern or suggestion that may arise from this report and from our on-going dialogue with the leadership and the Board of Directors.

1. **MARIPOSA COLD ROOM PROJECT UPDATE**

- Work with the General Services Administration (GSA) continues on the project.
- On April 1, 2021, the technical team held an update meeting with the federal agencies to discuss the progress of the project.
- The Port Authority continues to wait for GSA legal department to provide the final version of the Licensing Agreement for the cold rooms. The project is on hold until this document is provided.
- The Port Authority is awaiting final version of the Licensing Agreement in order to bring it to the Board for approval.

2. **EXTENSION OF BORDER CROSSING RESTRICTIONS**



- The governments of the United States, Mexico and Canada have once again agreed to extend the border crossing restrictions for another 30 days, as of this report, it has been extended through May 21, 2021.
- We anticipate that, until COVID-19 contagion numbers start to decrease that these restrictions will continue for the foreseeable future.
- Who is considered an “essential” traveler?
 - Citizens and lawful permanent residents returning to the United States.
 - Individuals traveling for medical purposes (e.g., to receive medical treatment in the United States).
 - Individuals traveling to attend educational institutions.
 - Individuals traveling to work in the United States (e.g., individuals working in the agriculture industry who must travel between the United States and Canada or Mexico in furtherance of such work).
 - Individuals traveling for emergency response and public health purposes (e.g., government officials or emergency responders entering the United States to support federal, state, local, tribal, or territorial government efforts to respond to COVID-19 or other emergencies).
 - Individuals engaged in lawful cross-border trade (e.g., truck drivers supporting the movement of cargo between the United States and Canada and Mexico).
 - Individuals engaged in official government travel or diplomatic travel.
 - Individuals engaged in military-related travel or operations.

3. *GOVERNOR PROVIDES INTERNATIONAL STATE OF THE STATE*

- On April 27, Governor Doug Ducey provided his annual International State of the State.
- During his presentation, the Governor highlighted the importance of the relationship with Mexico and the many business opportunities that exist between Arizona and Mexico.
- If interested in viewing the discussion please visit the Phoenix Committee on Foreign Relations website at <https://pcfraz.org/ISOS-2021>

4. *SUBMISSION OF APPROPRIATIONS REQUESTS*

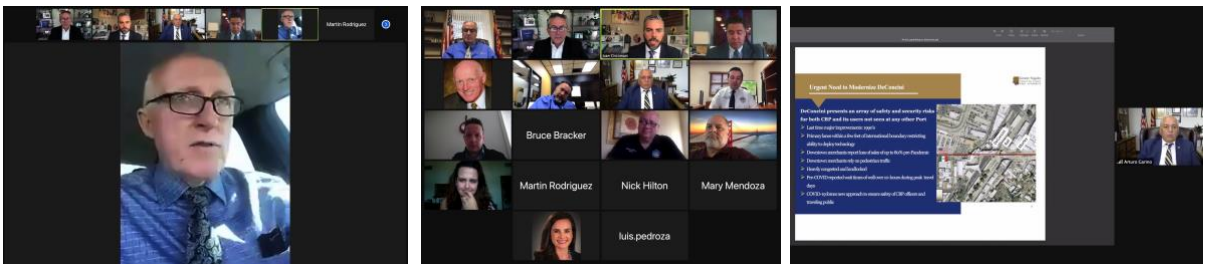
- On April 1, the Port Authority submitted an Appropriations Request to Congresswoman Ann Kirkpatrick seeking \$11.5 million to pay for the modernization of three bridges that cross the rail line in Nogales.
- Appropriations requests included letters of support from Santa Cruz County and the Fresh Produce Association of the Americas, letters indicating community support for the applications.
- These bridges are in need of repairs and modernizations as they were constructed decades ago.
- The three bridges identified in the request are:
 - Calle Sonora with an estimated cost of \$4.8 million
 - Produce Row with an estimated cost of \$2.5 million
 - Gold Hill Road with an estimated cost of \$3.9 million
- The request is based on the report prepared for the City of Nogales by Kimley Horn in October 2015.
- A copy of the report can be provided by request
- On April 7, the Port submitted a second appropriations request for \$35 million to pay for the modernization of the Ruby Road and Rio Rico Drive interchanges on I-19 and the frontage roads between these two interchanges.
- The funding request includes:
 - The modernization of the Ruby Road Interchange
 - The modernization of the Rio Rico Drive Interchange
 - The modernization of the frontage road on the East Side of I-19.
- The request is based on the Final Project Assessment prepared by the Arizona Department of Transportation in 2018.

5. *US ITC HEARING ON THE IMPORT OF CUCUMBER AND SQUASH*

- On April 8, 2021, the US International Trade Commission, held a virtual hearing focused on the importation of Cucumbers and certain types of Squash from Mexico.
- The investigation by the ITC is based on claims that the import of these fresh commodities is impacting US producers in an unfair manner.
- Chairman Chamberlain testified before the US ITC and provided perspectives that include updated information on how Mexico has been able to remain highly competitive and very efficient which has led to competitive pricing. He also addressed the issue of types of squash that are produced in Mexico that complement US production versus displacing US Production.
- A copy of Chairman Chamberlain’s testimony can be found in Attachment #1.

6. *PA JOINS PORT OF ENTRY BRIEFING FOR SPEAKER BOWERS*

- On April 14, the Port Authority joined the other border communities on a briefing on port of entry projects for Arizona House of Representative Speaker Rusty Bowers.
- This briefing offered an opportunity to provide an update on port of entry activities, as well as the urgent need to modernize the DeConcini port of entry.
- Speaker Bowers indicated that he is interested in these projects and is eager to find ways to support the efforts of the border communities with the federal agencies.
- Speaker Bowers also indicated that there may be one-time funding opportunities for specific infrastructure projects given the budget surplus that the state is experiencing.



7. *ADOT ECD VISIT TO NOGALES*

- On April 16, Director Tim Lane of the Enforcement and Compliance Division of the Arizona Department of Transportation, along with various members of the ADOT team, conducted a visit to Nogales that included meetings with the Port Authority leadership, INDEX Maquila Association, Santa Cruz County and the City of Nogales.

- During the meetings, Director Lane provide an update on a number of enforcement initiatives that have had a positive impact on Nogales's trade, safety, and protecting the health of port users.
- From the adoption of the Touchless Border to the eventual restart of the in-person certification classes for Mexican drivers, ADOT ECD has been at the forefront of initiatives that have set the Arizona border apart from California, New Mexico and Texas.



8. STATE DEPARTMENT UPDATES TRAVEL ADVISORY FOR MEXICO

- The US Department of State has updated its travel advisory for Mexico, mirroring the update by the Centers for Disease Control and raised the advisory to Level 4, indicating that US Citizens should not travel to Mexico. The last Port Authority Board meeting, the Office of Field Operations out of Tucson, represented by Mr. Armando Goncalvez, announced that CBP would be deploying new Non-Intrusive Inspection Technologies (NII) at the Mariposa port of entry.
- It is imperative to stress that the US Government raised the travel alert to Level 4 for approximately 80% of the countries in the world. This was a measure related to avoiding areas with high positivity rates of COVID-19.
- For a complete copy of the Travel advisory, please visit state.gov and look for the country sections.

9. COUNTY EXPLORES MULTI-MODAL FACILITY AT RIO RICO

- Santa Cruz County has retained the services of a consultant to explore the possible development of a multimodal facility (rail and truck) in the Rio Rico area.
- This would be contiguous though separate from the Customs and Border Protection inspection facility at Rio Rico but it could potentially serve both the mining industry and the fresh produce sector.
- The County may apply for planning and design grants that could help assess the feasibility and possible cost of such a facility.

10. *PORT AUTHORITY JOINS COALITION LETTER IN SUPPORT OF ADDITIONAL CBP STAFFING*

- On April 28, the Port Authority joined over two dozen other regional and national organizations, in a special appropriations that would fund 800 CBP officers.
- Due the economic slowdown that resulted from the COVID-19 pandemic CBP has experienced a shortfall in the fees that it normally collects thus resulting in a budgetary operational shortfall.
- A copy of the letter is provided in Attachment #2.

Attachment #1

Copy of Testimony on US ITC hearing on Cucumbers and Squash

Testimony

By:

Jaime Chamberlain
President and Owner
Chamberlain Distributors

Good morning Mr. Chairman and commissioners

My name is Jaime Chamberlain, and I am the president and owner of Chamberlain Distributing out of Nogales, Arizona. Since 1971 my family has distributed a full line of fresh vegetable produce, including squash, cucumbers, bell peppers (green and colored), tomatoes (vine-ripe, grape, romas, cherry) and green beans.

Squash is one of our company's top-selling products. We deal primarily with three summer squash varieties - Italian green, better known as zucchini, yellow straightneck, and grey. Green zucchini is the most popular summer squash variety that we distribute.

Grey squash, also called Mexican squash, calabacita, Middle Eastern, among various other names. Grey squash is perhaps the most popular variety consumed in Mexico, and other parts of the world. Imports of Mexican grey squash are necessary to meet U.S. demand that cannot be met by the limited supply of U.S. grown grey squash.

Grey squash traditionally has been sold primarily to retailers specializing in ethnic markets, but more recently large retail grocery stores have increased their purchases of grey squash due to increased demand. I estimate grey squash today represents 15-20% of U.S. summer squash consumption. Retail customers such as Walmart, Kroger's, and Safeway, require a consistent supply of high-quality produce in sufficient volumes.

Summer squash from Mexico has several advantages over U.S. grown summer squash. Mexico grows squash year-round in all regions of Mexico, with a high concentration in the north western regions of Sinaloa and Sonora, which have a growing season that generally runs from mid-September through early June. Typically, U.S imports are made from October through May from Mexican growers with large acreage of summer squash.

In contrast to the nine full months of Mexico's summer squash growing season, U.S. summer squash has shorter growing seasons. Florida is the only state that has a summer squash growing season from around October or November through April. This creates some overlap significantly with summer squash from Mexico. Georgia and other

producing states start around April and once that production starts, product from Florida typically stays in Florida.

Many US retailers prefer sourcing summer squash from Mexico because they have confidence that they can consistently get a high-quality product from October through May from distributors and growers that they know have enough acreage and have a proven track record.

Another significant distinction between summer squash from Mexico is that Mexican summer squash has higher value yields and more often than not, Mexican summer squash in the 7"-8" or fancy category. But food service customers prefer the Summer squash with lengths of 8"-9" (medium) and 9"-10" (large). Prices for fancy squash sold to retail customers are higher than prices for medium and large sizes of squash sold to food service customers.

Approximately 85% of Mexican summer squash sold to retail customers are fancy sizes. Mexican growers have enough labor that they can go through the fields often more frequently so that they can consistently pick the squash at the desired fancy lengths. If the squash is too small, they let the squash on the vine to continue to grow until it reaches the desired fancy length.

In contrast, U.S. squash growers face chronic labor shortages which hinders their ability to consistently pick and pack summer squash at the optimal harvest times. Summer squash grows very quickly and literally can grow significantly overnight. Because of the lower frequency of harvesting, U.S. summer squash growers have a higher percentage of their summer squash harvest that are medium or large sizes. Thus, US production tends to be sold to the food service sector at a lower price while Mexican product is typically sold to retailers at a higher price because of the size and category and not for any other reason. Thus, U.S. summer squash growers achieve a relatively lower sales value yield compared to Mexican summer squash growers.

Another reason for the higher quality is that Mexican summer squash is shed packed, whereas most U.S. grown summer squash is field packed. Mexican summer squash is almost entirely harvested and then immediately transported to a centralized temperature-controlled packing shed, where the product is cleaned, sorted, graded, and packed. Shed packing results in a higher quality product because they use more specialized workers who can spend more time sorting and packing and selecting a more uniform product. Retail customers in particular desire a product that is consistently packed with uniform sizes and shapes. U.S. field pack squash does not have the same level of consistency in the sorting, sizing and quality of the product compared to Mexican squash.

Shed packing also allows the cooling process to begin more quickly than field-packing. Cooling squash as soon as possible after harvest is critical to preventing water loss which

is key to prolonging shelf life. U.S. field-packed squash loses shelf-life in the time that the squash is harvested and field packed before it finally enters cold storage.

U.S. summer squash growers are not able to shed pack because they do not have enough labor available. U.S. growers already have difficulty finding labor to handle the harvest using field pack methods.

Another advantage for Mexican summer squash is that supplies of squash can be coordinated with the supply of other Mexican fresh produce. Customers who want to purchase Mexican summer squash would prefer being able to also buy a mix of products from a single distributor over a myriad of purchases from a large number of distributors. Nogales, Arizona is the U.S. entry point for many Mexican vegetables and has become a centralized distribution hub for a wide range of high-quality fresh produce. Buyers can easily and efficiently combine purchases of high-quality Mexican summer squash with purchases of other Mexican vegetables all available within a ten-mile radius of Nogales, Arizona.

Higher yields, greater product selectivity, buyer preferences, availability of labor, harvesting product for maximum value, preferred size and longer shelf-life, temperature control strategies, quality consistency for longer periods of the year, and offering buyers a mix of products from a single source help position Mexican product at an advantage over US product. It is folly to blame competitive advantages for the price difference. US producers need to invest in shed packing, secure a reliable and consistent labor force, offer the products that command a higher price, and increase their production yield in order to compete with Mexican growers. That does not mean that Mexican production is injurious to the US.

In fact, without Mexican product, US consumers would have limited options, lower quality, and shorter season. If US producers want to compete, they have to invest in technology, sheds, and pay a living wage in order to attract the much-needed labor. Mexican summer squash remains a critical part of our nation's food supply and as such it must be considered essential.

I thank you for your attention and I would be happy to answer any questions you may have.

Attachment #2
Copy of Coalition Letter on CBP Staffing

May 4, 2021

The Honorable Lucille Roybal-Allard
Chairwoman
Subcommittee on Homeland Security
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Fleischmann
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Roybal-Allard and Ranking Member Fleischmann:

As stakeholders interested in the facilitation activities of Customs and Border Protection (CBP) at air, land, and sea ports-of-entry around the world, we are all greatly affected by the ongoing COVID-19 global pandemic and its impact on the processing of passengers and cargo.

With CBP experiencing a precipitous drop in user fees during the COVID-19 pandemic, we greatly appreciate Congress providing supplemental resources last year to help the agency maintain its staffing levels and continue to onboard new officers. We understand the user-fee shortfalls will continue into Fiscal Year 2022 and additional funding likely will be necessary to assist CBP through this difficult period.

We also urge the subcommittee to provide funding for new officers so the agency will be prepared for an influx of passengers and cargo at the ports-of-entry once the current international travel restrictions are relaxed and eventually lifted. Even during the global pandemic, CBP's most recent workload staffing model shows a shortage of over 1,700 officers that are needed to keep up with current travel and trade demands at our ports-of-entry. Providing CBP with at least 800 additional CBP officers as international passenger and cargo volumes rebound would reduce lengthy wait times at the ports-of-entry and facilitate new economic opportunities in communities throughout the United States.

Increasing CBP officer staffing is an economic driver for the U.S. economy. While the volume of commerce crossing our borders has more than tripled in the past 25 years, CBP staffing has not kept pace with demand. Long wait times at our ports-of-entry lead to travel delays and uncertainty, which can increase supply-chain costs and cause passengers to miss their connections. According to the U.S. Department of Commerce, border delays result in losses to output, wages, jobs, and tax revenue due to decreases in spending by companies, suppliers, and consumers. The travel industry estimates long CBP wait times have discouraged international visitors, who spend an average of \$4,200 per visit, from traveling to the United States.

We share your commitment to ensuring that America's borders remain safe, secure, and efficient for all users, while enhancing our global competitiveness through the facilitation of legitimate travel and trade. We greatly appreciate your efforts to continue building on staffing advances made in recent years, and we urge you to include funding in your bill this year to sustain the current CBP officers and hire new ones.

Sincerely,

Airports Council International – North America
National Treasury Employees Union
American Association of Airport Executives
American Association of Port Authorities
Airforwards Association
American Society of Travel Advisors
Arizona-Mexico Commission
Border Trade Alliance
Cargo Airline Association
City of Douglas, Arizona
City of San Luis, Arizona
Douglas Industrial Development Authority
Douglas International Port Authority
Douglas Regional Economic Development Corporation
Federal Law Enforcement Officers Association
Fresh Produce Association of the Americas
Global Business Travel Association
Greater Nogales Santa Cruz County Port Authority
Greater Yuma Port Authority
National Association of Waterfront Employers
Nogales Customs House Brokers Association
Nogales Economic Development Foundation
Nogales Community Development
Southwest Port Users Association (San Luis, Arizona)
Texas International Produce Association
US Chamber of Commerce
US Travel Association
West Gulf Maritime Association