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Dec. 18, 2015

Dear Members of the Arizona State Transportation Board,

Today I urge you to consider the economic benefit to the state of Arizona of accelerating the construction of major improvements to SR-189 (Mariposa Road) in Nogales.

SR-189 is an outmoded state highway which serves as the conduit for more than 85 percent of the commercial truck traffic between Arizona and Sonora, and it is a vital link to boosting prosperity for the state. Without major improvements to SR-189, the future I-11 and Sonoran Corridor will not realize their full trade benefit.

Indeed, without major improvements, and without completing them faster, Arizona will lose business to states that are more serious about boosting their infrastructure linkages to Mexico, such as Texas.

The Nogales produce industry crosses approximately 5.5 billion pounds of produce at a value of approximately \$3 billion each year. Mexico represents 39 percent of all imported fruits and vegetables consumed in North America annually. Arizona accounts for about 40 percent of all Mexican produce imported into the U.S. by volume.

The Fresh Produce Association of the Americas (FPAA) was founded by produce distributors in 1944. Today the FPAA has over 100 member companies involved in the importation and distribution of fresh produce from Mexico. The association is focused on critical business objectives that ensure the health and viability of the produce industry.

Among the most pressing issues for Nogales-based members of FPAA is improving infrastructure to help the state maintain and grow its market share. The \$220 million revamp of the Mariposa Port of Entry should enable truck crossings to grow from the 1,600 per day to up to 4,000 trucks per day, which is the capacity of the port.

However, Arizona has seen its market share of Mexican imports decline rapidly. According to the Eller College of Economics and Business at the University of Arizona, Nogales generated \$2.8 billion in produce imports in 2010, while Pharr, Texas, generated \$1.3 billion in trade. That year, Nogales had 57.1 percent of the market share compared to Pharr's 26.5 percent.

In 2014, Nogales' lead in market share had shrunk significantly. Nogales had \$2.9 billion of fresh produce trade compared to \$2.5 billion for Pharr. Nogales had 41.4 percent of the market share while Pharr had increased to 35.7 percent.



Texas economic development groups have hosted meetings in Nogales to lure away importers. They offer considerable concessions in the form of tax breaks, more permissive building codes, and economic improvement zones. But most importantly they are promoting the Durango-Mazatlan corridor, which links Sinaloa to south Texas via Mexican Highway 40, as the fastest way to move fresh produce from West Mexico to the Eastern U.S. See attached article.

In the face of this, the state of Arizona needs to send a strong message of commitment. Arizona needs to move construction of SR-189 to FY 18, instead of FY 21 as scheduled. And Arizona should pull out all the stops to construct the “ultimate” buildout of SR-189, instead of an interim measure that may not be adequate in terms of public safety.

A recent 2040 traffic projection of SR 189 from ADOT showed that an “ultimate” buildout of the SR-189 improvements would result in a time savings of nearly 10 minutes per truck, as measured from the time it exits the Port of Entry at Freeport Drive until it merges with Northbound I-19. For southbound trucks heading to the Port of Entry, the “ultimate” buildout would result in additional time savings of three minutes.

Taken together, and compounded over a potential 4,000 truckloads being imported daily by that time, providing the “ultimate” buildout would result in 52,000 minutes of extra trucking capacity per day. Considering that an average load of imported produce currently takes about 2.5-4 hours to leave the Port of Entry, make its delivery and return to Mexico, this equates to about 300 extra trips that could be taken per day.

There also is the matter of public safety. Along SR-189 is an intersection with Frank Reed Road, where the Nogales High School lets students out in the afternoon, at the same time as produce crossings are peaking. The study projected an increase from 18,708 vehicles per day in 2011 to 38,090 in 2040 at that intersection. This safety concern is among the reasons FPAA supports the “ultimate” buildout of SR-189, which includes a grade-separated interchange at Frank Reed Road and SR-189. The interim solution buildout does not include a grade-separated interchange at Frank Reed Road, and it would expose students and their families to increased danger as truck traffic climbs over the years.

The Arizona State Transportation Board should accelerate construction of the “ultimate” buildout of SR-189 to ensure public safety while maximizing economic development.

Sincerely,

A handwritten signature in black ink, appearing to read "LJ", with a long horizontal flourish extending to the right.

Lance Jungmeyer
President, Fresh Produce Association of the Americas



About FPAA: The Fresh Produce Association of the Americas (FPAA) was founded by produce distributors in 1944. Today the FPAA has over 100 member companies involved in the importation and distribution of fresh produce from Mexico. The association is focused on critical business objectives that ensure the health and viability of the produce industry. The members of the FPAA consist of U.S. distributors and associate members. Distributors directly import fresh produce from growing operations in Mexico. Associate members are a variety of companies, from unique buyers procuring product from distributors to industry-associated companies such as custom house brokers, seed companies, packaging providers, trucking firms, financial institutions, insurance companies, and more.

Trucks from Mexico cross the border carrying already sorted, packaged and palletized produce, and these trucks offload the produce into U.S. warehouses. The product is held in these refrigerated warehouses until it is loaded on a U.S. truck that will carry it to the buyer or buyers across the United States and Canada. A majority of the volume crosses counter-seasonally to production times in the U.S. The major commodities are tomatoes, watermelons, bell peppers, cucumbers, eggplant, squash, green beans, melons, and more.

A study highlighting the economic impacts of the fresh produce import industry and production-sharing (aka maquiladora) in Santa Cruz County, Arizona shows that the fresh produce importing industry in Santa Cruz County generates:

- \$437.7 million in direct and secondary economic output in Santa Cruz County (*this is more than 1/3 of the county's economic output*)
- \$45 million in tax revenue to the state and county
- About 4,000 direct and secondary jobs, representing \$190 million in wages (*representing more than 22% of total jobs and nearly 25% of total wages*)
- There is a multiplier effect, benefitting more than 80 local services, from commercial equipment to packaging to legal to insurance services.
- Arizona is poised to benefit from expanding fresh produce imports. From 2002-2012, Mexican produce imports have grown 42% from 8 billion pounds to more than 14 billion pounds, according to USDA.
- More than 85% of the 750,000 annual commercial truck crossings between Arizona and Mexico flow through the Mariposa Port of Entry in Nogales, Arizona.

The study was conducted by The University of Arizona (Eller College of Management, Economic & Business Research Center, and the College of Agriculture & Life Sciences) and made possible by a grant from the US Economic Development Authority, administered by Nogales Community Development.