

**REVIEW OF DOMESTIC POLICIES  
AFFECTING THE SPECIALTY CROP  
INDUSTRY**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
LIVESTOCK AND HORTICULTURE  
OF THE  
COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED EIGHTH CONGRESS

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# REVIEW OF DOMESTIC POLICIES AFFECTING THE SPECIALTY CROP INDUSTRY

WEDNESDAY, NOVEMBER 5, 2003

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,  
COMMITTEE ON AGRICULTURE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:04 a.m., in room 1300, Longworth House Office Building, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Present: Representatives Ose, Osborne, Pence, Putnam, Janklow, Rogers, Chocola, Ross, Cardoza, Peterson, Alexander, and Larsen.  
Also present: Representatives Smith, Nunes, and Dooley.

Staff present: Pam Miller, subcommittee staff director; Elizabeth Parker, John Goldberg, Callista Gingrich, clerk; Teresa Thompson, and Lisa Kelley.

Mr. HAYES. Good morning, ladies and gentlemen.

I would like to call this hearing of the Subcommittee on Livestock and Horticulture to order. Today the subcommittee is to view domestic policies affecting the specialty crop industry.

I appreciate Mr. Larsen getting here. We are going to let him be the ranking member, at least until somebody else shows up; and I would recognize Mr. Larsen at this point for any opening remarks or statement that he might have.

## **OPENING STATEMENT OF HON. RICK LARSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON**

Mr. LARSEN. Thank you, Mr. Chairman.

I want to thank you for calling this hearing.

Just a note about my district, that we grow around in the State of Washington 180 or so different crops, and 120 of those are grown in my district, actually all specialty crops. So this is important to me, important to farmers of my district, important to the farmers of Washington and certainly important to farmers across the country, so I do appreciate you calling this hearing. It is going to be an informative one for the people I represent.

Mr. HAYES. Mr. Ross, would you like to add to Mr. Larsen's opening statement?

## **OPENING STATEMENT OF HON. MIKE ROSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS**

Mr. ROSS. Thank you, Mr. Chairman.

Mr. Chairman, thank you for holding this hearing to provide the opportunity to review domestic policies affecting the specialty crop industry. As I travel the 29 rural counties that make up the Fourth Congressional District of Arkansas, I am frequently reminded that agriculture is more than just livestock and row crops. Specialty crops are as important to local economies as other commodities in American agriculture but are too often overlooked. As good stewards of policy affecting agriculture, we have a duty to see that the programs this and previous Congresses have passed are still effective today and serving the needs of producers, processors, and the marketplace.

I recognize today's witnesses come from every aspect of the specialty crop industry and look forward to hearing their opening statements and discussing the ideas concerning specialty crop policy; and again, Mr. Chairman, I thank you for your time and attention to this matter and look forward to working with you as we address this issue together in the coming days, weeks, months, and perhaps years.

Mr. HAYES. Thank you, sir. Mr. Ose, would you like to have an opening statement?

**OPENING STATEMENT OF HON. DOUG OSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. OSE. Yes, Mr. Chairman.

First of all, I express my appreciation to you for holding this hearing which is important for not only my district but for the State of California as a whole, the impact that Federal policy has on U.S. agriculture. It is significant both in shaping markets and in generating production levels for producers and processors alike.

I would like to address the area of the agricultural sector that, as Mr. Ross said, although it is large, it is often neglected in the crafting of Federal policy affecting the livelihood of so many. In the past, Federal agricultural policy has been focused almost exclusively on major commodities like wheat, corn, rice and other program crops; and, frankly, I used to represent the district, with all due respect to my friends from the Mississippi Delta, that produces and continues to produce more rice than any others, any other in the country. Growers of these program crops receive about \$20 billion annually; and yet, in contrast, specialty crops are produced and marketed in a free market without subsidies. Specialty crop growers are the true free traders in today's global markets.

Since Federal policy seems to be heavily weighted toward program crops which, frankly, in their production and their marketing are quite different from specialty crops, I have come to the conclusion that it is time to perhaps put a little focus and spotlight on the needs of specialty crops.

Specialty crop markets evolve in the global avenues of commerce. Federal policy can no longer ignore their needs. It has become increasingly difficult for U.S. producers to compete against heavily subsidized foreign producers, both in domestic and in foreign markets. Nations of the European Union provide subsidies of a billion dollars a year to their specialty crop growers and tend to thumb their noses at us when we call them on it.

Beyond that, U.S. specialty crop producers face serious tariff and non-tariff trade barriers in export markets. When you look at this, they actually have got a Web site up now, and they started putting everything that is a specialty crop on the Web site, and, frankly, we took over the Internet. But the specialty crop industry in the United States includes fresh and processed fruits, nuts, vegetables, floral items, nursery, and many other types of commodities; and the products, by and large, are essential ingredients to the diet and nutritional well-being of many people throughout this country and the world.

The specialty crop industry stands as the largest farm good value in the United States, at \$58.7 billion; and I have some information, Mr. Chairman, I will be happy to submit for the record to back that up.

Fruits, nuts and vegetables alone comprise over \$29 billion of farm good value. Over 50 percent of all crops exported in 2002 from the United States were specialty crops, resulting in a farm export value over \$9 billion. By way of comparison, the U.S. program crops comprise about \$48 billion worth of farm good value, so you can see why, particularly in California but in many other States across the country, why this is so important.

Now, the question really is how is it that an industry with the highest agricultural value and the most direct nutritional value is confronted with a situation where they are going to lose net farm income in the coming years—and that is the reality of it, and it is being basically put upon on this market—due to increased pressure from expansion, from foreign producers, additional regulatory requirements on our producers, and the loss of valuable crop protection tools. These all contribute to a forecast that is really pretty negative in terms of net farm income for the specialty crop sector here in the United States.

Now those in the industry itself are facing an increase in the level of trade barriers from several nations and trading blocks such as China, Japan, and the European Union and matched against those countries subsidized against their own subsidy. They are looking to us for leadership. In my district in California, specialty crop operations, both large and small, are struggling to compete in light of these new challenges.

Many of the problems have yet to be addressed thoroughly, either in domestic or international policy arenas. Many of the challenges that specialty crop growers face lie within the areas of domestic agricultural policy. Again, the reason for commencing this series of hearings hopefully and the loss of effective tools for stimulating better crop production has caused the cost of production within the industry to go up dramatically. This is having an adverse impact on the ability of our specialty crop producers to compete.

Cal Dooley and I have introduced H.R. 3242, the Specialty Crop Competitiveness Act, in an attempt to address many of the issues the specialty crop industry faces. I would like to emphasize the regional nature of the bill, designed to address all areas of the industry including both fresh and processed fruits, nuts, vegetables, floral production, catfish, wine and grapes and many other sectors.

Mr. Chairman and members of the committee, I look forward to the hearing and testimony today and to working toward obtaining solutions for all the specialty crop producers across the country which we all represent and frankly latch onto to help themselves survive.

Thank you.

Mr. HAYES. I thank the gentleman from California.

Mr. Ose, you have a very large presence of Californians here, but since California just had a gubernatorial election they had more people running for Governor than other populations, I think that is appropriate.

Mr. HAYES. Do we have any other Members who would like to make an opening statement?

I would like to welcome Mr. Pence and Mr. Putnam who just joined us.

Mr. Pence from Indiana, tell us about tomatoes.

**OPENING STATEMENT OF HON. MIKE PENCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA**

Mr. PENCE. Thank you, Mr. Chairman. Thank you for holding this hearing today.

As well, I especially thank you for inviting a good, common-sense Hoosier to speak to us about the issues we will hear about today. As every member on this committee knows, it is vital to hear from people that are in farming on the ground, but it is especially poignant to hear from people that are from home, and I would like to welcome Glenn Abbett, thank him for making the arduous journey to Washington, DC, to join us for his important testimony today.

Glenn has ties, Mr. Chairman, to many Members of Congress from Indiana, including others we will hear from today, I suspect. He is a graduate, sadly, of Purdue University. Cannot be perfect. It is an IU slap, but great admiration for the university. He is in Congressman Buyer's district. He currently farms in La Crosse, Indiana, which is in Congressman Chris Chocola's district, but he is also under contact with Red Gold, Incorporated, which is a major tomato processing company which is based in my central Indiana district; and, like many Hoosier farmers, he took over his family business started by his dad and hopes someday to pass it along to his three boys.

I am especially interested to hear from Glenn on the issue of tomato growing and processing. As you probably know, I introduced the Farming Flexibility Act earlier this year, and the bill would address—to many on this committee it was not an unforeseen problem, but it has become an unforeseen problem created by the 2002 farm bill that discourages producers from diversifying their farming operations and encourages an unnecessary cycle of reliance on Federal farm program payments.

As representing a largely agricultural district and State, I was proud to support the interest of rural America in voting for the 2002 farm bill. One year after enactment, though, Mr. Chairman, as this hearing may well imply, it has become clear that some aspects of the farm bill actually discourage farmers from entering certain types of crops, particularly discourages farmers from growing fruits and vegetables for processing. This has been caused by

uncertainty over how produce production will affect the market value of a farm.

Moreover, farmers without a history of fruit and vegetable production face stiff penalties if they choose to grow these crops. As a result, most cannot reduce their reliance on farm programs.

I want to thank the chairman for holding this hearing today. I look very much forward to hearing from all the members of the panel but most especially from Mr. Glenn Abbett of Indiana. I am grateful for his participation and your leadership, Mr. Chairman.

Mr. HAYES. Thank you, sir.

Mr. HAYES. I failed miserably to thank Mr. Ose for his input and leadership in bringing this hearing today, as I was poking fun at him.

I should have complimented you appropriately first.

At this time, anyone else?

Mr. Putnam.

**OPENING STATEMENT OF HON. ADAM H. PUTNAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. PUTNAM. Thank you, Mr. Chairman. I appreciate the opportunity to make a few brief remarks here as well, and I thank you and Mr. Ose for spearheading this.

It is an interesting observation to look at the size of this subcommittee versus the size of the General Farm Commodities Subcommittee, which is darn near the whole committee; and it reflects I think an inadequate emphasis and inadequate review of the importance of fruit and vegetables and horticultural crops in this country that are a third of the value of U.S. crops sold and about 99 percent of all the free market agriculture in this country.

There are a number of issues that are unique to these crops that do not get the attention that they deserve because we spend so much time on this committee and in this Congress arguing over the different program commodities that are important and certainly feed our country and feed the rest of the world. But there are issues unique to these, such as labor, pest and disease issues, Government feeding programs, the inability of OMB to put the resources in to help States fight off pest and disease issues, all at a fraction of the cost of what the commodity programs end up bringing to bear on the American taxpayer.

Then, of course, you have trade issues. It is interesting that our administration has been very strong in supporting our domestic agricultural industry by refusing to negotiate domestic support programs in a regional or bilateral trade agreement, leaving that only to the WTO; and I commend them for their strong support of American agriculture.

The casualty of that decision is that those commodities that are free market, those commodities whose only support costs are borne by those who wish to import into this country and not by the American consumer, the American taxpayer, they are the ones left on the negotiating table. So it is a little bit ironic that we have got a bunch of free trade attorneys in Cancun or in Houston or in Miami coming up in 3 weeks, and the things that they have left on the table to trade away from this country are those commodities that are fitting that free market model that we all ought to be

proud of and continue to support and help them to be prosperous. So it is a pleasure to have a constituent here of a fellow citrus grower, Squire Smith, who has been a stalwart leader on all of these issues—and, unfortunately, there are a lot of these issues—and I just commend your leadership, Mr. Chairman, for shining a light on them.

Thank you, sir.

Mr. HAYES. Thank you.

I would like to welcome my friend, Congressman Janklow from South Dakota, and my friend, Congressman Alexander from Bayou country, and I can jump around like I want to, and I promised Congressman Upton that I would allow him to introduce his friend, Mr. Raak from Michigan.

I beg your pardon, Congressman Dooley is here.

But I told you I would let you go, Fred, because you have a lot of things to do. If you would like to introduce Mr. Raak from Michigan.

I am going to come back and see if any other Members would like to make opening statements.

Mr. UPTON. Well, I appreciate that; and I appreciate Mr. Pence's comments as well. Because the mighty Wolverines beat Nick Smith's Spartans this last week, and we are glad to have both Indiana and Purdue.

Mr. Chairman, you do have a panel of experts here at this table, and I am very proud to introduce an expert that I have listened to and have known for some time, and that is Ed Raak of South Haven, MI, to this subcommittee. He grows some 500 acres of apples, cherries, and peaches in South Haven, MI, right here on the in the southwest corner of the State. He and his wife Ardith also operate a farm market. They have a cold storage and packing facility.

He served on the Algonac County Farm Bureau Policy Development Committee as chairman of the Michigan Farm Bureau Fruit and Vegetable Advisory Committee. Most recently, he was appointed to a 20-member national study committee by AFBF president Bob Stallman, who will spend 2 years studying policy options that will increase the profitability of agriculture, enhance producers' image as good stewards of natural resources and improve farmers' ability to provide a high-quality, safe food supply for all consumers.

He has got bachelor and master's degrees from Western Michigan University. He was vice president of sales for 22 years at Curtis Burns Foods in Benton Harbor, in a community where I live; and he has served in numerous industry leadership positions in organizations like the Farm Bureau, Cherry Marketing Institute, National Fruit Brokers, Michigan Food Bank. He is a guy that we can all rely on, and I am anxious to hear his testimony.

I yield back. Thank you for allowing me to be here this morning.

Mr. HAYES. Thank you, sir; and you are welcome to stay. We know you have got apples to pick, cherries to can; and if you have got to go, that would be OK, too.

Mr. UPTON. And I think asparagus, also. Don't forget that.

Mr. HAYES. Mr. Dooley.

**OPENING STATEMENT OF HON. CALVIN M. DOOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. DOOLEY. Thank you, Mr. Chairman. I will be very brief.

I am delighted to join with Congressman Ose on H.R. 3242 which is to be sure that we can define the Federal policies that will be most helpful to the specialty crop industry. As someone who feels that there is some clear inequities in terms of how we are allocating our scarce taxpayer dollars to help agriculture, part of my impetus behind the introduction's legislation was to really try to see if we could rebalance this. I had some of the staff of the committee put together some figures, and I just want to reference those just briefly.

In 1999, we spent \$17 billion on program crops. That is netting out all the conservation programs, which a lot of the program crops—again, that is netting out the livestock, netting out anything other than what goes specifically to crops. We did a further analysis in terms of how much we were spending on what could be clearly specialty crops, and this actually overstates it somewhat, because it includes AMS purchases which could also include livestock. That number comes out to \$549 million.

We are spending \$17 billion on our program crops, we are spending \$549 million on our specialty crops, which is just a little over 3 percent. Three cents of every taxpayer dollar we are spending on agriculture in this country, and it is going to the specialty crops, which is the industry in agriculture that is actually showing some growth. I hope as we move forward here we can find a way that we can acknowledge that this \$17 billion that we are spending on the program crops, which constitutes roughly about 20 percent of gross ag receipts in this country, is not equitable.

Especially the crop industry is not asking for a handout here, but they are asking for a hand of partnership here where the Federal Government can design some programs and invest some programs for more market access. The only way we can be successful is if we put together a coalition and some of the specialty crop industry shames some of the program crop commodities into offering a little bit of help in sharing some of the \$17 to \$29 billion in 2000 that were going to those specific commodities. I hope we can be successful as we move forward this year in terms of trying to ensure that we can provide a little additional help here, because I think it is so important to ensuring that we can have that vibrant specialty crop industry that is going to be important for a lot of the rural health communities.

Mr. HAYES. Thank the gentleman.

Mr. HAYES. Congressman Janklow, would you like to add to what is going on here?

**OPENING STATEMENT OF HON. WILLIAM J. JANKLOW, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA**

Mr. JANKLOW. Thank you very much, and I will be extremely brief.

In preparing for today, I read the testimony of several of the witnesses, and it is the old story: Our Government comes together to

the table with others. We make agreements. Once the agreements are completed, everybody feels that we are going to now have bilateral, multilateral trade throughout the world and everybody is going to profit. Competition is going to reign supreme. The most efficient producers, the most effective producers, the most productive producers will be the ones that will profit the greatest. Then Congress votes on the treaty or the Senate, rather, does—ratifies the treaty.

It goes into effect; and, all of a sudden, we find out that people like our friends the Mexicans do not want to live up to the whole agreement. They come up with unique phytosanitary rules. Our friends in Europe come up with unique rules with respect to modified organisms. Our friends in South America come up with unique rules.

The bottom line is, everybody talks about free and fair trade, but it is really not practiced very well. So Congress holds hearings and everybody gets to vent, but, in the final analysis, it doesn't do much to improve the situation. So anything that we can do to bring light to the problems, anything we can do to get them up on the table and anything we can do to support our Government in its endeavor to bring about fair trade, improved trade throughout the world can only be a plus.

I mean, the reality of this situation is, notwithstanding the people that are against trade, the world has always progressed at a very dramatic rate when boardship opened up and trade has been allowed to exist. So but for some unique things that nations need to do for themselves, the reality is that to the extent you have trade you drive efficiency in your own economies.

So, Mr. Chairman, I think the things being discussed here today are terribly timely from my State. The issues being discussed here today are incredibly important and timely from my State with respect to the fairness, the reasonableness, the implementation, and the effect of the trade agreements that our country reaches.

Thank you very much for having the hearing.

Mr. HAYES. I thank the gentleman.

Congressman Janklow and I have traveled in these hearings, and he is a great friend. He is a little shy. I have been trying to draw him out to say what is on his mind. He gets better all the time. But thank you for your comments.

At this point, just a quick statement from me.

**OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. HAYES. I have to be at a number of these hearings, typically as a member much more often than as a chairman. Occasionally, it seems that the hearings are held at the pleasure and for the benefit of the chairman. What I am trying to do today is to make sure that you all clearly understand that this hearing is about you and your issues, first; second, it is about our members and their concerns.

I am here to help make sure that you all have a fair hearing and that you get to say the things that you came here to say, and that was what I was encouraging you to do when I had the opportunity

to speak with you individually before we began the hearing, and I do honestly and very sincerely appreciate you being here.

The fruit and vegetable sector is important to the American economy, as farmers earned \$28.6 billion in 2002, roughly 15 percent of all farm cash receipts. Specialty crops are not considered "program crops" and do not receive direct or countercyclical payments from marketing loan assistance. Consequently, when the full committee held hearings in preparation for the 2002 farm bill, one clear message from the majority of the fruit and vegetable industry was the importance of retaining prohibition of putting fruits and vegetables on program makers, although some now think the prohibition was not as flexible as it needs to be.

In addition to the 2002 farm bill, the subcommittee felt it was important to look at all the domestic policies that affect the industry such as the Homeland Security Act of 2002, the Agricultural Bioterrorism Protection Act and others to determine what is working and what improvements can be made. After reading the testimony, I noticed that several of the witnesses echoed each other in regard to trade, border security, block grants, among a few topics.

While this hearing is not focused on trade, I know it is vital to the survival of the U.S. fruit and vegetable industry. I agree with you, Congressman Janklow, that in this global marketplace we must make sure our producers have access to foreign markets and that non-tariff trade barriers be eliminated. Do not give away the store when it comes to agriculture. The subcommittee is committed to making sure our trade negotiators know agriculture's importance and our producers must have fairness in order to compete.

With the Department of Homeland Security controlling border inspection activities, it is imperative that agriculture surveillance measures not be diminished under the One Face at the Border initiative. Protecting our agriculture industry from foreign pests and diseases is of the utmost concern to the subcommittee, and we will remain in close contact with DHS.

I know that several of you have expressed support for State specialty block grants and were part of the 2001 economic package. Some States were not as effective in using the funding and the industry never saw the benefits. We heard concerns that some States may absorb this funding into their shrinking budgets if a block grant approach is used again. I appreciate hearing your views on how to make this program workable in all States.

As we all know, various legislation has been introduced to address some of these topics by creating more export markets, increasing domestic consumption of fruits and vegetables and improving the Federal statutes that govern the industry. I am hopeful that this hearing will be similar to the hearings conducted when the committee was working on the 2002 farm bill and serve as a beginning template for the next farm bill discussion.

Again, I thank all the witnesses for participating and look forward to today's testimony.

Mr. Raak, since you have been properly and formally introduced, if it is all right with everybody involved we will begin the process with your testimony.

I would ask you all to adhere to the 5-minute rule. This is not an attempt to muzzle or stifle what you are going to say, but you

have all done an excellent job with providing us with written testimony, which we can, we should, and we will read very carefully. But I would simply say to you, emphasize those points that you particularly want to have us keenly aware of; and, at the same time, if you have not mentioned something that you have thought of since submitting that testimony, do it now, because your testimony will be submitted fully for the record. As we go through however many rounds of questions it takes for our members to get their questions answered, this also creates an opportunity for you to make additional comments based on something you may have overlooked or something that you may have thought of based on anybody else's comments.

Again, thank you. Welcome. Make yourself at home. Appreciate you being here.

Mr. Raak, you have the floor and may proceed.

**STATEMENT OF ED E. RAAK, PRODUCER, SOUTH HAVEN, MI,  
ON BEHALF OF MICHIGAN FARM BUREAU**

Mr. RAAK. Good morning. Thank you for the opportunity to testify today on fruit and vegetable policy.

I am Ed Raak, an apple, cherry and peach producer and a farm market owner from southwest Michigan. I am here representing Michigan Farm Bureau, the State's largest general farm organization, representing over 47,000 families.

I believe farmers have a vision of the future embracing an industry that profits from growing markets, increased value-added efforts, voluntary incentive-based conservation programs and a practical, common-sense regulatory environment. This morning, I would like to share with you some of the policy issues that need to be addressed when discussing the future of our industry.

Agriculture has so much at stake with respect to trade. According to a recently published study by Purdue University, the United States may in the next 5 years begin to import more agricultural products than we export.

The answer to this dilemma is not stopping importing but rather to maintain and aggressively build import-export opportunities. Ninety-six percent of the world's population lives outside our borders, and we must have access to those markets.

Last year I had the opportunity to participate in an agricultural study mission to China. I observed firsthand the tremendous competitive advantages that Chinese agriculture has with inputs like labor. However, I also saw the opportunities we have if we are given the chance to serve their rapidly growing middle-class.

Efforts must be made to consider the impact of new trade agreements on all sectors of agriculture. While the negotiating of new trade agreements is important, the proper enforcement of current trade agreements is no less important. Perhaps NAFTA is our best example of failed implementation. While overall NAFTA has been a success, too many examples exist in which Mexico is unfairly restricting the flow of our agriculture. Michigan worked for several years to overcome Mexico's restrictive phytosanitary barriers. Then they applied a 46 percent anti-dumping duty. USTR and USDA must take aggressive actions to monitor and enforce all trade agreements.

Specialty crop producers also face considerable competition domestically from imported commodities. If any of these imported products are found to be illegally dumped and subsidized, as we found with apple juice concentrate, we favor immediate import relief for the domestic industry.

Farm Bureau does support USDA fully in utilizing all existing export enhancement programs to help develop new markets. Farm Bureau strongly supports legislation that would create a special section 301 investigation for agricultural market access, giving the United States a tool for investigating countries that unfairly limit their access of U.S. agricultural products.

One area of the new farm bill that could prove very helpful to the specialty farm industry is conservation. The Conservation Security Program must be funded in order for our industry to expand conservation initiatives that reduce ag chemical usage, provide wildlife habitat, protect soil and water. Equally, a fully-funded EQIP Program also holds great promise in assisting fruit and vegetable producers in carrying out practices and building structures that conserve our precious natural resources.

The farm bill also includes incentives for farmers markets. Farmers markets provide a unique way for the growers to capture more of the consumer's dollar for their product. Local farmers markets provide locally grown, healthy, and nutritious products to local consumers. My farm market as case in point. Without that resource, I would not be here today.

The farm bill requires the Secretary to make grants to establish, expand and promote farmers markets. We encourage Congress to fund this program.

Michigan is one of the States participating in the pilot fresh fruit and vegetable school program, and it has been very successful thus far. We need to expand the school pilot program to all States, which was introduced by Representative Fred Upton.

Lastly, with respect to the farm bill, Farm Bureau strongly opposes eliminating the fruit and vegetable planting prohibition. Any allowance to plant non-program fruits and vegetables on base acreage unreasonably and unfairly undermines the purpose of the prohibition, which is to resist destabilizing the markets of traditional fruit and vegetable producers. Therefore, Farm Bureau opposes H.R. 2181. We believe that industry growth potential can adequately be maintained as long as the current planting restriction exemptions are maintained.

As a producer of specialty crops, it is my desire to rely less on Government programs and more on my ability to be successful in today's risky environment. Producers of all crops need to have access to viable insurance options that reflect individual risk considerations.

The availability of effective protection is also another critical component of the success of the specialty crop industry. USDA must expand scientific and regulatory responsibility as a full partner with EPA throughout the entire pesticide registration process, and the USDA should cooperate with EPA to find alternatives to pesticides that have lost registered uses.

Farm Bureau strongly supports USDA Commodity Purchase programs, as they are an effective way to provide domestically pro-

duced commodities to U.S. consumers. At the same time, this helps agriculture by removing surplus commodities from the market. We support full utilization of the appropriate funds to continue these purchases.

Finally, there have been numerous pests and disease outbreaks that have recently been introduced to our country. These outbreaks, combined with a projected \$2 billion increase in U.S. agriculture imports this year, would require the United States to strengthen security procedures.

Again, thank you for the opportunity to appear before you today; and I would be happy to answer any questions.

[The prepared statement of Mr. Raak appears at the conclusion of the hearing.]

Mr. HAYES. I failed to explain the light system. Green, of course, means go. When the amber light comes on, 1 minute.

And, of course we will not be too restrictive on you, but we do have a large panel. It is almost as big as the Presidential debate on the Democratic side. So if somebody asks you a question, you want to give another answer, you can be like they do, too.

Another slight change here, since we do have some members—and all of us have a lot of obligations and have to come and go, if some of you at the end of a particular witness's testimony wants to ask a question that can be done in a short period of time, we will sort of change our format to do that. Otherwise, we will go right on through the panel and welcome Collin Peterson from Minnesota.

Anybody have a quick question for Mr. Raak?

Mr. McClung, from the right side of Texas, welcome.

**STATEMENT OF JOHN M. MCCLUNG, PRESIDENT AND CEO,  
TEXAS PRODUCE ASSOCIATION, MISSION, TX**

Mr. MCCLUNG. Thank you, Mr. Chairman.

I am John McClung. I am the president of the Texas Produce Association. We are headquartered in the Rio Grande Valley of south Texas. The Association represents the interests of Texas shippers, growers and importers. I emphasize importers for this purpose. I want to thank you for conducting this hearing today and most genuinely do so, Mr. Chairman.

I think all of us here recognize that our future in very large part depends on what happens in Washington. This is, for the produce industry, the beginning of a critical debate that will go on for some time, in our perspective; and we certainly appreciate you initiating it with this hearing.

Twenty-five years ago, Texas arguably was the third largest producer of fresh fruits and vegetables in the United States, behind California and Florida. In 2001, Texas tied for 10th place with New York. Being Texans, we took that demotion pretty hard, but you cannot argue with the statistics. Let me give you some examples:

In 1978–79—we are going back 25 years here—Texas produced 4,300,000 boxes of oranges, according to the State Statistic Service. In 2002, we produced 1,570,000 boxes. Twenty-five years ago, we produced almost 311 million pounds of carrots; 58 million last year. Over the same time span, we dropped from 108 million, almost 109 million pounds of lettuce to 5,300,000 in 1993; and at that point

the State quit counting because the crop was too small to be concerned about.

We dropped from 41,300,000 pounds of tomatoes to 18 million; from 104 million pounds of sweet potatoes to 56 million.

I can go on, but the point is there has been a severe erosion in the production of most fruit and vegetable crops in the last 25 years. There have been a couple to be fair that have either held their own or increased somewhat, dry onions and watermelons are two, but overall the trend has been sharply downward.

Our imports have increased dramatically, especially from Mexico. The U.S. imported 180,000, give or take, semi trailer loads of fresh produce Mexico, about 37 percent of it through Texas. Each semiloading is about 44,000 pounds. It is estimated that during some periods in the winter approximately 25 percent of the U.S. fruit and vegetable supply originates in Mexico, and the numbers are growing every year. So for us in Texas and I would suggested nationwide, it is impossible to talk about domestic agricultural policy without understanding the impact of imported fruits and vegetables; and of course it is not only Texas that has imported, that has impacted.

The point I want to make here, I hope, is pretty obvious. The U.S. is also increasingly dependent on imported food. For the people I represent in the Texas Produce Association, that is not necessarily a bad thing. For many of them, it is a very good thing. We have very few sizable growers and/or shippers in the Association who are not increasingly involved in growing and importing from Mexico.

For example, last year, while we were producing some 7 million bags of dry onions, we were importing 9 or 10 million, right at the top of our season, same time frame. With very few exceptions, the same people who were producing in Texas are also doing the importing from Texas.

So I would like to emphasize that this is not a "we versus they" situation. It is a complex economic situation, and it is important, though, in terms of domestic policy. Because while imports represent a tremendous opportunity for those who are capable of capitalizing on it, it does mean that for many farmers, particularly the smaller family farmers who are not well-funded and who are not able to take advantage of the opportunities on the imports side, they are the economically damaged as time goes on, more and more. These farmers just do not have the resources, financial or human, to compete in the global arena.

If, therefore, the Congress believes it is in the social, cultural and national security interests of the country to have an abundant domestic food supply and to keep these producers on the land, then domestic policy obviously has to reflect those convictions.

As you know, the Specialty Crop Competitiveness Act introduced by Mr. Ose and Mr. Dooley and a number of others has some components in it that are very important to the Texas industry. I am about out of time here, so let me just quickly say that the grant program worked well for us in 2001. We would like to see a repetition of that in some fashion.

The marketing component is obviously important. We have to market what we sell. It is not that we cannot produce onions. It is we cannot sell them.

The pest and disease exclusion component is of great importance to us. I do not want to again go too long, but we live day in and day out with the Mexican fruit problem in the Rio Grande Valley. It is a huge problem. The irony is that APHIS is, as much aware as they are, is not funded adequately to really combat that fly infestation successfully, and that is a sad matter.

Finally, there is the conservation component, again, one of the few bright spots for many producers in many situations, which is precluded to many of our folks.

So let me just again thank you for holding this hearing; and if you have any questions, I would be happy to answer them.

[The prepared statement of Mr. McClung appears at the conclusion of the hearing.]

Mr. HAYES. Next, we have Mr. Glenn Abbett, and so we are about to fight over Boilermaker versus Hoosier. But, Mr. Pence and Mr. Chocola, we are both fighting over you. You may proceed.

**STATEMENT OF GLENN ABBETT, PRODUCER, PORTER  
COUNTY, IN**

Mr. ABBETT. Thank you. I appreciate the kind words.

I am a farmer from La Crosse, Indiana. I grew up farming with my father, and it is my hope that one day our three young boys will be able to take over our family operation. I farm approximately 2,600 acres, of which more than half is leased. I grow corn, seed corn, and about 260 acres of tomatoes. My tomato production is under contract to Red Gold, Inc., an Indiana processing company.

I am here on behalf of the Canned, Frozen Food and Grower Coalition. We have come together for one reason, to seek a modification of the Federal law that restricts midwestern farmers from growing fruits and vegetables from processing on program acres.

Since 1996, farm policy generally has prohibited the production of fruits and vegetables on base acreage. However, this was not a significant problem until the 2002 farm bill made soybeans a program crop. This change meant that virtually all of the quality farmland in the States like Indiana now have program base.

This problem is twofold.

First, program restrictions. For example, I am personally affected by the prohibition on growing fruits and vegetables for processing. Over the last 8 years, I have gradually taken over our family farm from my father. Even though our father has been raising processed tomatoes for 20 years, regulations as they stand allow me to have only a limited portion of the fruit and vegetable history that was created by my father. My dad had often said that he had hoped to give me a better life through agriculture than he had had. That clearly is in jeopardy. I cannot help but think that I could do the same for my kids.

Second, fear of base acreage loss. I am struggling to get rented ground for growing my processed tomatoes. In the Midwest, most family farms rely on rented acres to grow their crops. I have found that landlords who I have approached fear, and rationally so, that future base recalculations will result in loss of base acres on their

farm if they rent it to me for processed tomato production. This means that my ability to rotate crops and to fulfill my traditional contract obligation to Red Gold is severely restricted.

H.R. 2181 would fix this twofold problem by allowing an acre-for-acre opt out from the oilseed program for production of fruits and vegetables for processing. Also, it would declare a policy that vegetable production for processing on oilseed base acres will not cause future loss of base acreage.

I realize that other witnesses do not agree with me. They make two basic points. Please let me address those.

They suggest that the 2002 farm bill restrictions do not present a real problem. That is wrong.

First, it is a problem because of the restrictions. As I have taken over my family's farming operation, we have lost producer history, which means that we cannot produce as many acres of vegetables. We lost producer history because it is not transferrable.

Second, this is a threat to base acreage. I have lost base acreage, some of my landlords have lost base acreage, and that has happened to my neighbors who also lost base acreage. This experience is generally why my landlords will not let me grow vegetables on their leased lands. My neighbors are facing the same thing.

Third, this is a threat to my market. As time goes on, about 5 percent of Midwest vegetables producers stop growing vegetables each year. That means that each year it will be harder for our processor market to stay in business. This year is the first time in history that some of them were not able to contract for the production capacity. Each year this will get worse. Eventually, we will lose processors and the canned vegetables market will be taken over by imports.

Clearly, this is a real problem.

Opponents of H.R. 2181 also claim it would somehow hurt fresh producers. That is also wrong. H.R. 2181 is narrowly tailored. It would not hurt fresh producers.

First, it would be against the law for us to grow vegetables for fresh markets. H.R. 2181 would only allow opt for fruit and vegetable production for processing. The production would have to be for processing.

Second, vegetables for processing are not the vegetable varieties produced for fresh anyway. My family has been growing processed tomatoes for 20 years; and even though it has been legal to sell them to the fresh markets, we never have.

Third, H.R. 2181 would just take us back to the 1996 farm bill situation. Under the 1996 farm bill and even before that, the Midwest processing industry was getting smaller, not expanding. There is no way that this would hurt fresh producers.

Thank you for your considering my views.

[The prepared statement of Mr. Abbett appears at the conclusion of the hearing.]

Mr. HAYES. Next, we have Mr. Matthew McInerney, one of our good Californians.

Mr. PENCE. Are we going to await questions until after all the witnesses?

Mr. HAYES. You may not have been here, but we will entertain that if it is short.

Do you have a question?

Mr. PENCE. Just one brief question.

Mr. HAYES. Let's see how brief it is.

Mr. PENCE. Mr. Abbett, thanks for your testimony. Just one question; and I appreciate your favorable comments about my legislation, the Farming Flexibility Act. Had the restrictions on fruits and vegetables that you described been in place in 1996, would you have been able to take over your family farm?

Mr. ABBETT. If the soybean base acreage was included in the 1996 farm bill, not only would I not have been able to take over the farm, we would not have had adequate acres to grow the contract tomatoes for Red Gold on the farm acres that we owned, that my dad owned.

Mr. PENCE. OK. I will be very brief.

Thank you, chairman.

Mr. HAYES. You did a good job. Those are the kind of questions that are most appropriate at this time.

Anybody else?

Mr. Matthew McInerney from Newport Beach, California.

**STATEMENT OF MATTHEW M. MCINERNEY, EXECUTIVE VICE PRESIDENT, WESTERN GROWERS ASSOCIATION, NEWPORT BEACH, CA**

Mr. MCINERNEY. Thank you, Mr. Chairman; and if I could just get a clarification on my start time, if we could start back at 5 minutes. I apologize. I am from California. We always ask for more.

Mr. HAYES. Nothing like whining witnesses.

Mr. OSE. And don't you forget it, Mac.

Mr. MCINERNEY. Mr. Chairman, good morning; and thank you for the opportunity to testify at this very important hearing today.

My name is Matt McInerney. I am an executive vice president of Western Growers who represents specialty crop producers in the States of California and Arizona. We believe that a competitive specialty crop is essential for the production of an affordable supply of nutritious fruits and vegetables that were vital to the health of all Americans. My message today is that Federal agricultural policy must be improved if our growers are to continue providing these affordable fresh produce items to the American public.

Growers of specialty crop face a "crisis of competitiveness" that must be addressed by Congress. It is quickly becoming virtually impossible for growers to compete in today's global markets against foreign producers who are already heavily subsidized and/or minimally regulated.

As regulations increase to control the impact of agricultural practices on air, water, and soil quality, production costs for U.S. growers are increasing rapidly. The loss of effective crop protection fuels due to the Food Quality Protection Act have also resulted in increased costs.

Recently, USDA's Economic Research Service issued a report that noted that total U.S. net farm income is forecasted to be increasing by 14 percent in the year 20003. However, the report also noted that not all farm types or regions will experience similar income growth. Producers of specialty crops are especially susceptible to higher energy and higher labor costs, the two fastest-rising ex-

pense categories in 2003. Lower average income is expected for these farms, since modest gains and receipts will not be enough to compensate for higher expenses.

This is certainly true with respect to specialty crop growers and producers being price takers, not price setters. To repeat, Mr. Chairman, net farm income for specialty crop growers is declining.

The U.S. specialty crop industry consists of quite a diverse group, over some 250 types of crops, including fruits, vegetables, nuts, nursery, forage crops, flowers and wine grapes. This diverse array of crops was valued at some \$58.7 billion in 2002, about 53 percent of the total value of all U.S. crops. Exports of U.S. specialty crops in 2002 were \$9.3 billion, whereas imports were valued at \$11.4 billion, for a trade deficit of some \$2.1 billion. Fresh and dried fruits, vegetables and nuts alone were valued at \$29.9 million at the farm gate in 2002, with \$5.5 billion of that being exported.

While specialty crops make a large contribution to our Nation's economy, they have very different characteristics and needs concerning Federal program crops.

Recently, Western Growers has co-chaired an effort of specialty crop organizations to develop comprehensive legislation that will meet the needs of our growers. These proposals are incorporated in the Specialty Crop Competitiveness Act that was recently introduced by Representatives Ose and Dooley. Western Growers is strongly supportive of this legislation and urges Congress to expedite its legislation.

I would like to touch first on marketing promotion programs that have recently come under legal and constitutional challenges in recent years, and thus the benefits they provide to growers and consumers are in jeopardy. We need to research and identify new concepts and tools that can assist these growers in this competitive area.

Western Growers recommends that the Federal law be changed to permit these orders to implement food safety programs. This would allow growers to implement good ag practices, as defined by the FDA and USDA, and other programs designed to keep fruits and vegetables free from adulteration or microbial contamination. It would also help the public's demand for greater food safety.

Additionally, there is still much work to be done to increase consumer awareness of the importance of fruits and vegetables in the healthy diet. School garden programs have proven effective in this area at the State level. Western Growers recommends that this concept be expanded on a nationwide basis, with a focus on urban areas. This would give millions of schoolchildren the great opportunity to learn about the importance of fruits and vegetables and how it connects with their daily consumption and how it can influence a healthy diet.

Another marketing issue is the Hunts Point Terminal Market scandal. Under the procedures of the Perishable Agricultural Commodities Act, even though a grower/shipper has received an award through an administrative proceeding, it can be appealed to the Federal court. In many cases, these awards are so nominal they will not pay for the legal costs involved in defending these cases. We therefore ask for some consideration and the possibility of rec-

ommending that an arbitration proceeding be created that could be used to resolve this problem.

Finally, in order to improve USDA's inspection and fair trading programs, AMS has established a National Training and Development Center at the Fresh Products Branch. It is critical that this facility have the resources necessary to properly train inspectors and provide a vital service to growers and consumers alike. This is critical to preventing further scandals like Hunts Point and also to the exporting of fruits and vegetables.

In closing, I urge that members closely examine many other areas within my written statement. These issues are addressed by the Comprehensive Specialty Crop Competitiveness Act, and Western Growers looks forward to working with you to improving and enacting this legislation.

On a final note, Western Growers would like to express its strong support for the policy prohibiting fruits and vegetables from being grown on subsidized acres already enrolled in USDA farm programs.

Again, thank you for the opportunity to be here today, sir.

[The prepared statement of Mr. McInerney appears at the conclusion of the hearing.]

Mr. HAYES. I have been joined by Congressman Nunes from California, and we will hear from him in just a moment.

Our next witness is Catherine Means and got all these folks interested in colleges. Are you going to tell us about the Blue Hens this morning?

**STATEMENT OF KATHERINE A. MEANS, VICE PRESIDENT,  
ISSUES MANAGEMENT, PRODUCE MARKETING ASSOCIATION,  
NEWARK, DE**

Ms. MEANS. I would be happy to talk about the Blue Hens, but I am actually a Kansas graduate and a Jayhawk. Basketball season is coming.

Mr. HAYES. I didn't steal your coach. That was somebody else.

Ms. MEANS. Certainly was.

Thank you, Mr. Chairman and members of the committee, for the opportunity to address you and to provide full written testimony for the record. We appreciate your attention to U.S. policies related to specialty crops and for the opportunity to present the views of the Produce Marketing Association today.

PMA represents produce marketers from farm to fork, and within the United States our members handle more than 89 percent of the fresh produce sold at the consumer level.

My purpose today is to focus on synergy, how working together we can implement public policy that not only shores up a vital U.S. industry but also advances the health of this Nation by further ensuring a safe, affordable, nutritious supply of fresh fruits and vegetables.

Policy that evens the playing field, provides strong tools for industry players and creates new opportunities to deliver fresh fruits and vegetables to the public will create that synergy and spur both economic and public health. Because our time is limited, I will not go into great detail on any of the following. Our written comments expand further, and I will be happy to answer any questions.

Expand the successful block grants for States program. By providing additional funding to States, Congress can offer the flexibilities needed to address diverse issues across a diverse industry.

Previous block grant money was transformed by the Five A Day Program into significant consumer education, just 1 example of the good these grants can do.

Last year, the Produce for Better Health Foundation launched Five A Day the Color Way, a campaign to promote healthier eating of fruits and vegetables. Its development and implementation has been made possible with specialty crop grants from agriculture departments in California, Florida, and Arizona that came from the block grants authorized by Congress. To date, \$16 million in leveraged funds have been spent on implementation of the campaign, a superb return on the initial \$2.6 million investment from the 2001 block grant program.

Work to enhance Federal marketing orders. Strong and effective marketing order programs are important to producers of the covered commodity and the marketplace as a whole because they provide research, statistics, product enhancements, promotion and marketing opportunities, and programs aimed at consumers to boost consumption.

Again, the synergy between a health industry and a healthy America comes to the fore. Expand the synergy between government and industry programs. A PMA member recently attended produce inspection training at the USDA Center in Fredericksburg, Virginia. The Center trains USDA inspectors and is also used by industry members who want to do a better job of inspecting produce themselves. Having seen the training first hand, this member then sent many other individuals from his company to the training, which is a fee for service program. By the same token, industry programs can help government efforts. In the past, PMA, through its fresh produce academy, has helped train school food service personnel, and we stand ready to assist USDA again. This will help ensure that the produce making its way into our schools will be the freshest, tastiest and most nutritious possible.

We are now beginning discussions with USDA on this subject. Assure sufficient funding for effective and responsive import export border program which assure the safety of the food supply and the agricultural production environment. Support research initiatives that give the industry the information resources it needs to improve its practices and compete in an ever-changing and ever challenging global marketplace. Expand research into new areas that address marketplace concerns, particularly taste and convenience. If every piece of produce tasted delicious every time and was convenient to use, consumption would skyrocket. Helping the industry respond to consumer demands will increase consumption, again driving that synergy between industry and public health. Enhance an already safe food supply through research into and information on effective practices to reduce microbial pathogens for industry and consumers.

PMA actively supports the partnership for food safety education and its fight back program. We commend the Federal agencies for their commitment and drive in this important public private consumer education program that teaches everyone about safe food

handling practices. The synergy created within programs that exist and those that can be created demonstrate the power and effectiveness of Federal programs on our industry. The efforts made at the policy level are multiplied at the business and consumer level to establish a competitive industry and a healthy nation.

Thank you for your attention to this important issue and for giving me this time to speak. The Produce Marketing Association is eager to help you in any way that we can. Please call on us at any time.

[The prepared statement of Ms. Means appears at the conclusion of the hearing.]

Mr. HAYES. Thank you for your excellent testimony. At this time I would like to recognize our friend, Devin Nunes from California, to introduce Mr. Joel Nelson from Exeter, California. Congressman Nunes.

Mr. NUNES. Thank you, Mr. Chairman. I want to first thank Congressman Dooley and Congressman Ose for introducing H.R. 3242, which I am a cosponsor of with them and I want to encourage you to try to move the bill this year if possible. I know it will probably end up being next year at this late date. But look forward to helping the specialty crop growers out. And I think that the two of you are very—doing your due diligence to introduce this bill now and hopefully we can move it next year. With that I want to welcome my good friend and my constituent who lives actually in Visalia, I believe which is my hometown where I live now also, Mr. Joel Nelsen.

Joe, welcome here and thanks for coming to Washington.

Mr. HAYES. Mr. Nelsen, we welcome you. And excuse me for not introducing Congressman Tom Osborne from the great State of Nebraska, who joined us several minutes ago. Mr. Nelsen, please proceed.

**STATEMENT OF JOEL NELSEN, PRESIDENT, CALIFORNIA  
CITRUS MUTUAL**

Mr. NELSEN. Good morning, Mr. Chairman, and thank you. Again, my name is Joel Nelsen and I am president of California Citrus Mutual. It has been my pleasure to represent family farmers producing over a billion dollars of citrus each year employing approximately 14,000 people in that position. This product mostly fresh goes around the world. It is sold domestically. To accomplish that objective, another 11,000 people are dependent upon our industry for their jobs. Our annual payroll, ladies and gentlemen, is \$465 million.

In my brief time this morning, I wish to address two issues of importance. One is the concept of peer review for the USDA APHIS Agency; and the second is the Department of Homeland Security's proposal now called "One Face at the Border".

In my written statements, I cite comments from academia and government as to benefits of peer review. As one who has been on the opposite end of a high profile dispute with APHIS, I can tell you that peer review will streamline the development of controversial rules within the Department of Agriculture. Allow me to explain. Our industry disagreed with the Department on the scientific foundation justifying a significant shift in a disease exclu-

sion policy related to citrus. It was a regulatory political and legal battle that could have been avoided had a peer review concept been adopted by this agency. I can assure you that because of our unprecedented victory, an entire produce industry is now empowered to challenge government where they believe a risk to stakeholders is unacceptable.

Other agencies of government already utilize it and so should APHIS. That is why we have asked it to be incorporated in H.R. 3242. Earlier this year the office of management and budget urged all departments of government where it is not presently initiated to start a process of peer review for rules based on science because and I quote, fewer lawsuits and a more consistent regulatory environment are the end result. Mr. Chairman, CCM knows from experience that this statement is true. Peer review will streamline the rule making process and will eliminate the political pressures often associated with efforts in the phytosanitary arena. It is a good tool for growth to use in facilitating export opportunities, and it is a vehicle that strengthens USDA's role in cutting edge science related to phytosanitary issues.

The Agency's role was once the protection of domestic agriculture. The report issued by the National Plant Board just a few years ago better defined the mission of APHIS. Its role is now the protection of domestic agriculture and the facilitation of import proposals. This has led to the adoption of a managed risk concept, the use of systems approaches for detection and mitigation, plus the willingness to carve out pests in the disease-free areas within pest infested regions of the world. The adoption of peer review will create a more stable environment for stakeholders, governments and you, our elected representatives.

This discussion segues into my second topic, One Face at the Border. The world is shrinking as we all know and because producers around the world seek access to this market our pest exclusion program is being overwhelmed. The number of infestations is unacceptable and the amount of eradication programs taking place continues to stagger the mind and our respective budgets.

The Department of Homeland Security has now authorized the responsibility for protecting domestic agriculture from invasive pests and diseases. Today I am urging the Agriculture Committee to take a close look at this proposal, because we, as stakeholders, have serious reservations about it. The quality of our pest exclusion program is at risk in my estimation. Numbers don't tell the story, Mr. Chairman. We concede there will be more bodies at the points of entry, but we know the focus will shift from pests and diseases to contraband, terrorism and documentation. Today we have individuals with years of experience and even college degrees protecting domestic agriculture at our borders. If this proposal is implemented as drafted, people with 2 days of training will now have that responsibility.

That, sir, is unacceptable. I urge you to conduct hearings on the subject. As my time runs down, allow me to leave you with one simple fact. Since the Department of Homeland Security has assumed responsibility for agricultural inspections, it is my understanding that the number of interceptions and requests for secondary reviews is down considerably. Is this because there is less cargo

to inspect or fewer people bringing contraband into the United States? No, I doubt that. I submit it is a focus—it is because the focus is changing and the dilution of our inspection program is already occurring.

Mr. Chairman, my time is up, but I can answer any questions you may have about these subjects or others of important to the fresh fruit and vegetable industry. Thank you for your time and attention.

[The prepared statement of Mr. Nelsen appears at the conclusion of the hearing.]

Mr. HAYES. Thank you very much for your testimony sir. And Congressman Ose has a question.

Mr. OSE. Mr. Nelsen, I want to go back to this pest exclusion thing briefly. You are referring, if I understand you correctly, to the reduction and training for agricultural inspectors at the border from 90 hours to 23 hours.

Mr. NELSEN. That is one aspect of it, yes, sir. It is also the Department of Homeland Security's intention to reduce the amount of the dogs at these inspection stations. We have specialists—and while it may sound humorous, they are outstanding in ferreting out contraband products loaded with pests and diseases. The Department of Homeland Security envisions a process where one dog is going to be looking for drugs. It is going to be looking for plants, adulterated products of that nature. We will have a dog standing at every border sniffing and howling for every product coming across if this policy is implemented, sir.

Mr. OSE. Thank you, Mr. Chairman.

Mr. HAYES. Thank you, sir. And at this time, I would like to recognize Mr. Squire Smith, president of the Florida Citrus Mutual, Lakeland, Florida. Mr. Smith, welcome. Thank you.

#### **STATEMENT OF SQUIRE SMITH, PRESIDENT FLORIDA CITRUS MUTUAL**

Mr. SMITH. Thank you, Mr. Chairman and subcommittee. I am Squire Smith, president of Florida Citrus Mutual. I am a citrus grower and also care for approximately 2,000 acres of citrus in the central Florida area. I am accompanied today by Andy Levine, executive vice president and CEO of Florida Citrus Mutual. I am pleased to present testimony today on domestic policies affecting the citrus industry. Florida Citrus Mutual is a voluntary cooperative association whose active membership consists of more than 11,000 Florida citrus growers for processing and fresh consumption. We account for 80 percent of all oranges grown in the United States for processing into juice and other citrus products.

The current futures price of orange juice is the lowest recorded in 3 years. Projected production and carryover level for this season are the highest in over a decade. With Brazilian output continuing to expand, this is an extraordinarily difficult time for orange growers in Florida, many who have are now operating at a loss.

In contrast to many of the agricultural industries which appear before this committee, U.S. orange growers do not receive any form of price support. In fact, the U.S. industry that grows oranges for processing is unique among U.S. agricultural industries in that it does not receive any production or trade distorting domestic sub-

sides. The U.S. orange juice tariff is the only agricultural program from which orange growers in Florida benefit. But that is not to say that the domestic policies do not affect us.

A number of issues are important to the U.S. citrus industry. Assuming our continued viability through the integrity of the tariff. Because of increased trade over the past 10 to 15 years, pest and disease issues such as citrus canker, Mediterranean fruit fly and other exotic pests and diseases brought into the country by our trading partners, will demand close attention and a strong commitment—committed government industry partnership.

USDA-APHIS, through this transition period with the Department of Homeland Security, must have the necessary resources to meet the rapidly growing workload placed on our ports and airports by the increase of imports. It is absolutely imperative that we do not lose the agricultural focus at these entry points when we move to a One-Face-at-the-Border philosophy. Florida citrus industry is working very closely with Florida commissioner of agriculture, Charles Bronson and the U.S. Department of Agriculture, to eradicate citrus canker, a bacterial disease that could easily destroy the Florida citrus industry. This program has become extremely expensive, both financially and politically. A strong proactive effort for pest and disease interdiction is the only means by which we can protect vulnerable sentinel States like Florida.

We are also concerned about policies that affect agricultural labor, our most critical resource. For many years American farmers have been forced to operate with a workforce that is largely undocumented. To date the only solution for those employees and workers have been the H-2A program, which is complex, expensive and litigious. That of the 1.6 million agricultural workers in the country, less than 50,000 or 2 to 3 percent legal guest workers, will be placed in the H-2A program this year. The Agricultural Jobs Opportunity Benefits and Security Act, or ag jobs of 2003, seeks to address the shortcomings in current labor law. Ag jobs will provide a mechanism for covered workers to be better off and will improve border and Homeland Security and ensure the security and safety of our domestic food supply by expanding the legally document the workforce.

One program that has been beneficial to the U.S. fruit and vegetable industry and the Florida citrus industry particularly is the use of specialty crop block grants in the 2002 disaster appropriation. While we realize there are nuances of this program that made implementation of the grants challenging, this was the first time that the horticultural industry was able to take advantage of a program that had the flexibility to address the wide range of challenges that our industry faced.

The Florida citrus industry took advantage of the program to deal with citrus canker issues, perform research on citrus products and analyze foreign market access opportunities. We would strongly encourage the Congress to continue funding these types of programs in the future. The U.S. citrus industry would like to enhance our export market just as the U.S. program crop industry, seek greater foreign market access. However the fact is that the cost of producing orange juice is such that only developed country markets can be expected to support significant new market demand, regard-

less of where that juice is produced. Without continued strong consumption, none in the North American and the European developed country markets, the U.S. citrus growers cannot expect to see rapid increase in demand in any currently less developed countries until those countries experience increased GDP personal income levels and higher consumption.

Florida orange growers are the most efficient in the world in terms of production and yield per acre. Yet for reasons well beyond the Florida growers control, our economic survival is contingent on the continuation of the Florida orange juice tariff. Any reduction in the tariff on orange juice under FTAA or WTO or any other agreement to which Brazil is a party would prove catastrophic to our industry and very damaging to the State of Florida. Any tariff reduction would critically damage the entire Florida citrus industry, the economic impact of which has been estimated at \$9.13 billion in industry output, \$4.18 billion in value added activity, and 87,500 jobs.

The U.S. Government's approach to domestic policy that impacts the fruit and vegetable industry, including the citrus industry, is, to a large extent, driven by the U.S. trade policy as it affects the industry. Our ability to properly address issues of pest and disease interdiction and eradication, labor law reform, agricultural research and export market growth, depend almost entirely on the balancing impact of the tariff, which assures that the industry can continue to exist in an unsubsidized domestic environment, along with otherwise artificially manipulated global competition.

I appreciate the opportunity to be here and to address the committee this morning and would entertain any questions.

[The prepared statement of Mr. Smith appears at the conclusion of the hearing.]

Mr. HAYES. Thank you very much.

At this time I would like to welcome back Mr. Tom Stenzel, also a fruit and vegetable pro. He is from Washington. Maybe we can get him to spend more time in Texas, California and Florida. He will get over some of this Washington/Potomac fever.

**STATEMENT OF TOM STENZEL, PRESIDENT AND CEO, UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION**

Mr. STENZEL. I need to do that Mr. Chairman. Thank you very much. Let me just say on behalf of the national fresh fruit and vegetable industry, we really do appreciate your leadership, that of Congressmen Ose and Dooley in calling attention to all of these issues. I could pretty much echo 98 percent of what has been said on the panel today. If you want to know about the other 2 percent ask me. You have heard from many of our allied associations about the tremendous importance of our industry.

By any measure, fruit and vegetable sector is a major player in the rural farm economy where we grow our products, in the overall U.S. domestic economy with jobs throughout the perishable distribution chain and in retail supermarkets and restaurants where raw agricultural commodities really morph into becoming consumer ready to eat foods, and finally in international trade, where export of high value fruits and vegetables is a critical opportunity that trade policy should nurture, not discourage. Sometimes we still feel

small. I often envy my fellow producer groups not because of their direct support programs. We don't want those, but because those programs often require so much of your attention that they crowd out focus on our issues.

We just don't seem as important. But as you have listened to the testimony today, let me propose a new paradigm for our sector of agriculture. To consumers, consumers of our agricultural products who eat and shop and raise their kids in all 435 congressional districts, we fruit and vegetable growers are among their very most important business partners. When Members of Congress look to fulfill their constituents' needs, can there be any more important priority than assuring a safe abundant and affordable supply of healthy fruits and vegetables?

We may no longer grow fruits and vegetables in every district. Our numbers are dwindling, but our industry is of vital importance to the good health of constituents in every urban and agricultural distribution alike. U.S. dietary guidelines issued by USDA and HHS call for Americans to consume from five to nine servings of fruits and vegetables every day. Yet our national Five-a-day health objectives are one of the least met public health goals in America.

Our members are working hard to fulfill consumer needs for great tasting high quality fresh fruits and vegetables and affordable healthy food choices. But we need agricultural policy priorities that assist us in that effort. It is in that context that we raise the importance of specialty crops today not simply as one more sector of agriculture coming to the table, but as a vital national priority in every congressional district.

Two years ago, during discussion of the farm bill, United presented a series of broad recommendations to promote demand for our products while assisting producers in increasing their competitiveness in a global market. We believe government policy should provide incentives for private investment, tools to help increase profitability and a help to those producers who are committed to continuous improvement to better meet consumer needs. We don't want policies that sustain yesterday's business. We want investment for the future. That is one area where the block grants have been so successful across the country providing State departments of agriculture and local specialty crop producers to work together to invest in infrastructure research areas where they need to be more competitive.

Ultimately the goal of any fruit and vegetable farm policy should be to enhance the tools necessary to drive demand, utilization and consumption of our products and not distort the production of these products which have to be defined by the domestic and international marketplace. The farm bill began to make progress toward these objectives, but so much more is required to bring fruit and vegetable producers the tools they need to meet national public policy objectives.

If the Members of Congress are concerned about the crisis of obesity facing this and future generations, we need look no further for a big part of the cure than a comprehensive agricultural policy that increases the competitiveness of fruit and vegetable producers and the consumption of our products.

In closing, let me say again how delighted we are with this hearing and commend the committee for taking up what is likely to be a long and difficult challenge, to increase the attention of our colleagues and to grow the support for the specialty crop sector through sound public policy. We also appreciate Congressman Ose and Dooley and your leadership in introducing H.R. 3242, and look forward to working together with all of you in this regard. Thank you.

[The prepared statement of Mr. Stenzel appears at the conclusion of the hearing.]

Mr. HAYES. Thank you very much.

And as I have done several times, I have overlooked introducing Congressman Cardoza, who we appreciate being here with us. Do you have any comment at this point you would like to make before we start questioning.

Mr. CARDOZA. I would just like to say that I share the concerns of a lot of these gentlemen, and as Mr. Dooley and Mr. Ose have worked on this issue, Mr. Putnam and I have a bill that is also concerned about specialty crops, and we are going to try and work hard to take care of these gentlemen and ladies.

Mr. HAYES. Thank you, sir. At this time we will begin our first questions and I am going to call on Mr. Ose first.

Mr. OSE. Thank you Mr. Chairman. One of the things that I— one the approaches, methodologies, if you will, that I have always used is to try first to do no harm. And in that respect, I want to go back to this issue of pest exclusion and APHIS. Mr. Nelsen, I am sitting up here. I am trying to get straight in my head this call out the dogs policy where we are going to have a dog stationed at the border. That dog is going to do multiple tasks.

Now, I am sitting here trying to envision this. Does the dog lift the left paw for drugs and the right paw for pests? I mean, what does he do when he finds something really bad?

Mr. NELSEN. He howls. The Beagle Brigade at USDA is world renowned candidly as to its effectiveness in sniffing out contraband product, whether it be mostly at airports but conceivably at border stations as well, and it is focused on agriculture. We have them in California in San Francisco, Los Angeles, San Diego. We even tried them in Fresno at one point because of its keen location as the No. 1 agricultural region in the world. But what Homeland Security is now envisioning is that this dog that has been highly trained to focus on specific commodities will now be expanded in its learning curve and try to discover other contraband product ranging from drugs.

Mr. OSE. This is the point I want to examine. Does the dog howl at a high pitch for drugs and a low pitch for fruit or—

Mr. NELSEN. No, sir. It depends on whether it is a he or a she. It is very loud, sir. It is very loud. You haven't seen the Beagle Brigade?

Mr. OSE. Yes, I have seen it. In terms of you are going to have one dog, multi tasking—

Mr. NELSEN. That is correct.

Mr. OSE. Is there any practice or real world experience with dogs being multi tasked in this manner?

Mr. NELSEN. Not to my knowledge, but that is not a definitive no. I am more concerned quite candidly as to whether or not the individual citizen inspecting at the border can be multi tasked to look for all of the contraband that is coming across the border.

Mr. OSE. You are getting my point here. I am just trying to have a little fun with the dog corps.

Mr. NELSEN. We have concerns as to the number of hours just ag inspectors are required to spend at border stations looking for contraband. And now they are going to be tasked looking at immigration papers, they are going to be looking for drugs. They are going to be looking for contraband product and then they are going to be asked to identify whether that contraband product or legitimate product has pests or diseases. This is highly specialized areas no matter which arena we are talking about, and to ask one individual to have multi degrees and experience in examining this product, these issues, these individuals, this paperwork is extremely troubling to the fresh fruit and vegetable industry.

Mr. OSE. All right. Now, Mr. McClung, you were—your testimony, I believe was that you have growers on both sides of the Texas Mexico border producing on both sides shipping back and forth?

Mr. MCCLUNG. Yes, sir. There are very few shippers who are not also producing or contracting to have production done on both sides of the border.

Mr. OSE. And do you expect that practice to continue?

Mr. MCCLUNG. I expect that practice not only to continue, but to grow in the future. Some, many shippers or some at least are no longer growing in Texas. They are sourcing strictly out of Mexico.

Mr. OSE. Well, that has been my experience too. And it is interesting all the way up to my district in basically the elbow of California, I have growers who are on both sides of the border. Frankly, some of them are in two hemispheres, Chile and California kind of deal. And the issue that I have is that as we attempt to confront our Homeland Security issues, as Mr. Nelsen has testified, we are stripping our infrastructure of people, not dogs, but people who can eyeball fresh fruit and produce and the like, and identify pests and the like or disease that we wish to exclude.

And I have to tell you, this is almost like item No. 1 on my list. I have no intention and I know Mr. Dooley shares this. We have no intention of sacrificing domestic production for foreign production here. That is not our objective. I am trying to figure out what we need to do in this bill to ensure, if anything more, to ensure that we don't cook our own goose. I mean, Mr. Chairman I will come back for a second round. I see my time has expired. But if we can come back to that I would appreciate it.

Mr. MCCLUNG. The discussion you were having with Joel about the dog issues is an interesting one. If you go down to the Far Reynosa Bridge which is 3 or 4 miles from my office, the first line of defense on product coming into the country, and that long line of trucks is the inspectors on the ground with their dogs. That is—behind that, coming back into the country then, once the truck goes through that process it goes through the more high tech closer investigations. It runs through the x-ray machines, all of that sort of thing. But the people on the border will tell you that most of the

illegal finds they have, of whatever kind they are, come from the dogs and from those inspectors on the ground with the dogs at the first inspection point. And it is because of the capabilities of both the humans and the dogs.

The only difference is in south Texas, we don't have real beagles. We have whatever we can find. And they are pretty scruffy.

Mr. OSE. Mr. McClung, do you have any evidence to indicate that the dogs can be trained for multiple items?

Mr. McCLUNG. I just don't have the expertise to answer that. I am as worried as Joel and the rest of these panelists are about what is going on on the border. At the risk of getting myself in trouble, we have a real terrorism border problem. But it is little tiny terrorists, the fruit flies are much more of a terrorist to us than the focus that the administration is putting on border issues now.

Mr. OSE. Thank you, Mr. Chairman.

Mr. HAYES. Good question. Quick question for the whole panel. Have any of you all or your associations begun or continued to dialog with DHS about this issue?

Mr. NELSEN. Mr. Chairman the irony of that question is the answer is yes. And this afternoon several of us are meeting with Commissioner Bonner about it. Some of us have met with APHIS as it relates to what has actually taken place and type of cooperation between the officials and the experienced individuals at APHIS vis-a-vis those now at DHS. So we have initiated that dialog. And from this individual, Mr. Bonner will get an ear full this afternoon.

Mr. HAYES. OK. Well that is very important and very constructive and we encourage you to continue that process, and if you need any assistance from us the members of the committee would be more than happy to help with that. Mr. Ross.

Mr. ROSS. Thank you, Mr. Chairman. And for Mr. McClung and to all the members of the panel, thank you for making your way to our nations capital to share with us your thoughts on specialty crops.

Mr. McClung, as you know the cost of an expanded block grant program is rather high. The CBO score for the specialty crop and grants and loans sections of H.R. 3242 that many of you highlighted in your testimony costs over \$2.3 billion over 5 years. However, if money is available in the future to create a more expansive block grant program, how can we establish methods to ensure the funds are used to promote agriculture instead of shoring up State budgets and are displacing funds otherwise spent on agriculture programs in general? Any ideas for us there, sir?

Mr. McCLUNG. Well, I am very pleased that question is raised, Mr. Ross. As satisfied as we were in Texas with the block grant program in 2001 monies, there is concern that there be a clear definition if any future programs as to what is included and the products that are covered and what it is the intent of Congress to have that money used for. Now I recognize that the more limitations you all put on the program, the more difficult it is to get the program through. But the fact is that that is a legitimate concern. That said, we thought that the 2001 program worked very nicely.

Of course, Texas didn't get as much money as we should have, but that is neither here nor there. Seriously, the way that formula was constructed to distribute revenues, I think that California came up with \$68 million or something. And Texas got \$3.3 million, as I recall, and Florida got \$19 million. So I would ask you to look at the formula. But that said, the program worked very well for us.

Mr. ROSS. Anyone else on the panel want to respond to that?

Mr. STENZEL. Mr. Ross, if I could, looking at the State block grant program from a national level, we saw pretty much across the board success with that program actually delivering the monies into infrastructure support, R&D, programs that were really prepared in concert with the grower community in each given State. I do think there are some principles that need to be addressed with any future block grants, that the funds cannot be used to supplant funds that States otherwise would be required or be spending on their own.

Also, I think as Mr. McClung stated, as much direction as you can provide, combined with flexibility. I won't speak for my colleagues in the national associations and State departments of agriculture, but I do know that we have been working very closely together. They are very supportive of this program. One of the ironies of the specialty crop industry, the reason we don't get as much focus is we are those 180 different commodities. That is where a program really wouldn't work for all of our different commodities. But the block grant opportunity lets State department of agriculture focus on what the growers in their particular areas need.

Mr. NELSEN. Mr. Ross, I would like to add to that too. As a recipient of a portion of the block grant funds from California, we used it to improve the fruit frost weather program for the citrus industry. We modernized it, made it real-time as it relates to frost conditions in the State of California, the Citrus Belt. We have also used it in the State of California, insured rules were established so that it did not supplant State general funds or Federal programs as well, if you will. We used it to assist our efforts in exporting our product. And in fact, at Citrus Mutual, we even quantified the value of these dollars for our industry and the program we implemented in economic value to the State. I can clearly identify how our industry reaped economic rewards which generated into more jobs, higher revenue and more income taxes paid into our general fund. We commissioned Arizona State University to do that on several of the aspects in which we used block grant funds.

Mr. MCINERNEY. If I could just reiterate a part of what Joel said is that we would give clear instructions that would not supplant existing programs in individual States. The current legislation speaks specifically to it should benefit only specialty crops in individual States. The final note that I would like to make is that perhaps Florida and California are the best model for how a collaborative effort occurred on State departments of agriculture reaching out to stakeholders in individual States, discussed merits of how that money should be invested and quantified by both States about how the monies were spent in programs and the payback to industry in enhanced research promotion, education, and other conservation efforts that those monies were put into.

In the State of California alone, there were some four separate hearings, over 300 comments of people prioritizing how that money should be invested in agriculture. That might be a model to be followed in the future.

Mr. ROSS. One final follow-up and that is under this legislation, you are taking care of my sweet potato and tomato growers, right?

Mr. NELSEN. Definitely.

Mr. STENZEL. Absolutely.

Mr. ROSS. All right.

Mr. HAYES. Thank you, sir. Congressman Janklow.

Mr. JANKLOW. Thank you very much, Mr. Chairman. This is a tremendously interesting educational panel for somebody like me. But I don't think you people really understand dogs. There is a long history of dogs that are guard dogs, attack dogs, drug dogs, explosive dogs, seeing eye dogs, sheepdogs, bird dogs and foxhounds, all being in the same kennel. I am the only one in the world that can sell them, though. The reality is that is just stupid trying to do all those things with a dog.

A dog's smell brain is only good for 30 minutes. They have two ways that they smell. And their smell brain is a huge separate part of the brain but it is only good for 30 minutes and then it has to rest. You can't train any dog to do all those things. You can't train a doctor to do them either. Medicine figured out a long time ago you have got to have specialists, that everybody can't be a generalist and get down to the real nitty gritty sometimes that you have to get down to.

So I mean the humor that you all see in this is well placed. I think the administration in responding—any administration, in responding to 9/11 probably has put their focus on the kinds of overt deliberate dangerous types of acts and moved to the back burner, things like fruit flies, karnal bunt, hoof and mouth disease, and a whole host of types of things that can devastate an industry. Had the attack been along, let's just say the hoof and mouth front, as opposed to flying airplanes into buildings, my guess is that is where the focus would be today, with the other things being secondary. That is human nature to respond that way. I guess my question is, and let me make one other comment. It is amazing to me that I can listen to a whole panel of you and for one of the few times in my public career, I haven't heard a group of panelists all asking to empty the Treasury in terms of huge amounts of additional funding.

What you are asking for is process and procedure. And to make it work. No different than a rules committee in athletics comes up with a set of rules and then you have to have referees and you have to enforce them and you have to enforce them during the game, not some long time afterwards.

What is it that we should do as the most important thing to make sure that any trade agreements that are entered into are really enforced? Now I know the answer is simple. We can go enforce them. But even the mechanisms for enforcing these things take forever. I mean, I am familiar with the fight over sheep and over honey, the R-CALF fight and the years that this takes to get determinations from administrative agencies.

I am familiar with the issues involving arsenic, where an administration came out with a new set of arsenic rules that they said was peer reviewed and went through the whole system of it. The west reacted violently to it, and I chaired the Western Governors Task Force on the issue. We went to the National Academy of Sciences. They came back and said there was no safe level of arsenic. That was good enough for me, because I have grandchildren and when the National Academy of Sciences comes out with that kind of decision, then I think it is incumbent upon us to do something about it. But I, like you and everybody else in America, wouldn't trust a single Federal official or a group of Federal officials.

Somebody once said for God so loved the world he didn't send a committee. And so these peer review committees, inside of agencies that are self-selected and self-promoted are truly dangerous. What is the most important thing we could do in a legislative sense, is it the Ose bill or is it, what?

Mr. STENZEL. If I may, Congressman, we think that is an extremely good place to start. So let's focus there. As I was listening to your comments, in Congressman Ose's earlier comments that many of his constituents are also now, they are U.S. growers, but they also bring in product from other companies; we don't have a problem with that. We don't have a problem with production in other countries. But you know what? The other countries' governments play ours for a fool in trade policy.

And that is really what has happened to us. We have signed pretty good trade agreements. But we don't execute them well. Particularly in the area of SPS and for the fruit and vegetable and specialty crop sector that has now become the trade barrier of choice, because it is so hard to knock down. The tariffs are easy. You can point to them you can see them and then you can debate over the tariffs and negotiate. But on the SPS barriers that we face around the world in every major countries that could be a positive importer of U.S. fruits and vegetables we have got SPS barriers.

So if you ask me what is the one thing that we could do it is to increase the resources at USDA to put scientists in there, to have a full-time team of experts that works on nothing but helping U.S. exports of specialty crops. That would be the most important thing, because right now those very same individuals are spending as much, if not more of their time on petitions to bring product into the United States. Those same scientists are trying to help trading partners bring product in. Let's make sure that we put the adequate funding into building that team of experts who will help us fight down the SPS barriers around the world.

Mr. MCINERNEY. Congressman, my one comment would be that perhaps if we focused our energies on free trade agreements that would provide market access for specialty crop industries into countries that could afford our products, that would be the focus and where the resources should be directed. Candidly, the existing free trade agreements that are in the process right now will provide little to no benefit to the specialty crop industry.

As a matter of fact, it appears in many of those, part of one of the encouragements is for those countries to enhance or expand their production of specialty crops to export into the United States.

I think Congressman Ose mentioned it in his opening statement. The specialty crop industry in the U.S. is the bastion of free trade. We are the free traders. Give us the market access to countries that can afford our product. Access to Europe. Bring down subsidies. In the year 2000, Europe alone had some \$11 billion of subsidies to specialty crop producers. That is not a level playing field. South Korea access to the Japanese market. We need markets to export our product.

Mr. NELSEN. Congressman, H.R. 3242, in cooperation with Congressmen Dooley and Ose, as an industry, we have prioritized issues that we think need to be resolved through a partnership with stakeholders and government. Now, as which one emerges as No. 1 or No. 2, that is going to evolve as we continue this dialog and certain dynamic start affecting us to a greater degree.

Our industry, collective industry, citrus industry, if you saw another med fly outbreak in Florida and California, you would see us running back here for an eradication program faster than blazes because we would be prevented from doing any exports. Each and every one of the points that the gentlemen on my left and right have raised are certainly important. We are not a single issue industry. It is about time that Congress has focused its time and attention on the specialty crop industry. We are huge. I cited some figures just in the amount of labor and revenue we generate. Extrapolate that out across America. We are much bigger than the commodity groups and we do a far more efficient job in production and we can do a better job if some of the opportunities identified in H.R. 3242 are focused on and implemented as this bill passes. Hopefully this year, but certainly with this Congress.

Mr. JANKLOW. Thank you Mr. Chairman.

Mr. HAYES. Mr. Smith.

Mr. SMITH. Mr. Chairman. I would like to make one comment. Mr. Stenzel had said that the tariffs are easy. But, and I guess that is probably exactly right unless you are in the crosshairs in negotiations. And Florida orange juice has been controversial on that regard. There are basically two producers in the world today of orange juice. Brazil and Florida. We represent 90 percent of the orange juice produced today in the world, and if you tamper with the tariff that gives us some sense of fair trade in our production of citrus in Florida, it gives Brazil a monopoly and achieves none of the objectives of free trade being increased competition and lower price to the consumer.

So our position is that any lessening of that tariff, even though it is simple, would be a devastating factor for the Florida citrus industry.

Mr. MCCLUNG. If I might, Mr. Chairman, one point I would like to bring up again is this flex acres provision situation. I am not unsympathetic to Mr. Abbett's concerns about flex acres. But when flex acres were included in the 1995 farm bill, it was because of the recognition that it was a protection that the fruit and vegetable sector badly needed. We weren't seeking subsidies. We weren't seeking a handout. But we were asking that our supply production be protected in terms of volume. The reason is that as Tom Stenzel said a little bit ago, we are not an industry. We are a bunch of little industries. And it is remarkable how little price flexibility there

is when you increase the supply of any one of our commodities by even a very small amount. Broccoli, for example, 2 or 3 percent increase in supply nationwide will drop the price on that crop very substantially.

So there are these small amounts of elasticity in the supply situation, and the flex acres protection frankly, was a means of protecting us without having to put Federal resources into the industry. And I would ask you to very carefully think about whether or not weakening those protections is in the interest of the industry or the country.

Mr. ABBETT. I appreciate those comments, and I guess, to a certain extent, I agree. The 1996 provisions, my farm is able to live with. It is the 2002 provisions that eliminate all the acres that I used to lease for growing the production, tomatoes for processing over the last, well, I am 32, so I have been involved with it all 20 years of our family's farming operation. It is those acres, those leased acres that I need for rotation purposes that are being excluded now because of the addition of the soybean. I think it is the unintentional of the soybean acres that is the real issue.

And H.R. 2181 basically just gives us back to that position where we can assure our landlords that they are not going to lose those acres if we plant fruits and vegetables on their acres. And I want to make a clear point that we have never gained or received any subsidies for the fruits and vegetables we grow. It never has happened in the 20 years. Those acres are always off limits for subsidies. The only subsidies we every get are for the program crops that we grow on the other 90 percent of our farm.

So, in rebuttal to that, I would be more than happy, and I think H.R. 2181 would get us back to that 1996 level of protection without inadvertently putting those of us who have been traditional tomato production growers in a situation where we can't take on our family heritage.

Mr. HAYES. Thank you. I think this is obviously a compelling important question, and I encourage you all to think some more about it. Follow up on that a little bit, Mr. Stenzel, you made a very relevant comment about other countries' government playing our government for fools when it comes to trade policy. Looking at a number of issues, I would tend to agree.

And then Mr. McInerney said our Government needs to provide more access to markets through our free trade agreements. Those statements seem to be somewhat in conflict, both with history and reality. There is a lot of truth in both of them. How do we reconcile those two positions and come up with fairness in trade policy, which picks up on Congressman Janklow's question, if any or all of you will comment on that.

Mr. STENZEL. Mr. Chairman, I think Mr. McInerney and I would agree that both of those statements are true and we need to do both. The reflection of history may tell us we just haven't done it very well up until this point in time. We have got to increase market access, and I think the point there is most of the free trade agreements being negotiated now by the United States really are with marketplaces that don't offer a lot of potential for our products. Quite the reverse.

The agreements are being negotiated where the U.S. marketplace is the great prize when it comes to fruits and vegetables for imports. So all we are asking, in terms of market access, is let's go do the hard work. Let's go get access to the European community, to Japan, to South Korea, where we know we have products that will sell and compete effectively. That is where the government has got to do it. And then secondly, as part of those trade agreements, we can't underestimate what these SPS issues mean. We have a great SPS agreement under WTO, but it doesn't work. Congressman Janklow said it very well. It is setting the rules after the game is over. We can go and spend a million dollars to fight a scientific trade issue; 2 years later we might win, but we have lost really the opportunity to get into these markets. It is just too much to have to tear down each individual one without government help.

Mr. HAYES. Mr. Nelsen, you are the other half of the question.

Mr. NELSEN. I don't think you want me to answer this question. I get very passionate about the inequities in our trade policy, Mr. Chairman. Our industry faces a billion dollars in subsidized competition just from the EU. It is eroding our export opportunities in Asia. It does not enable us to export to Europe. They are competing with us domestically. The market erosion for the California citrus industry, it is obscene, sir, and it is not because we are doing a poor job. We are doing a better job producing a better quality product. But the problem is being able to export our products in the face of unfair competition. Now, our department, the USTR and our foreign agricultural service will argue that they are fighting as much as they can to overcome these barriers for our exports. There are provisions within H.R. 3242 which gives them some additional tools to accomplish these objectives. My definition of harmonization is if they don't want to come down to our level of subsidies, which is zero, and they don't want to come down to our level of tariffs which is maybe one or 2 percent in our particular case, then by God we will go up. Now that is a level playing field.

Mr. HAYES. Mr. Ose.

Mr. OSE. Could I yield to Mr. Dooley or would you care to recognize him.

Mr. HAYES. I think you were supposed to tell me before I made the mistake not after I made the mistake.

Mr. OSE. Mr. Chairman you didn't make a mistake.

Mr. HAYES. Well I think Mr. Dooley is probably it. My score sheet here has got the order in which everybody came has gotten so marked up I may have overlooked you unfairly. Mr. Dooley, please proceed.

Mr. DOOLEY. Thank you Mr. Ose. And I want to commend the entire panel for your presentation and Mr. Stenzel, I appreciate your remarks. I think you have done a great job in terms of advancing somewhat of a positive vision of how we move forward. And Mr. Nelsen, I would agree that it is overdue for Congress taking a look in terms of how we can be more helpful for specialty crops. But I would also say that it is long overdue that the specialty crops industry has put together a coalition to most effectively advance your priorities. When I have listened to all the testimony here, whether it is the trade problems that you are facing, the lack of resources at APHIS, I contend that a lot of that is due to the

lack of that coalition being developed and the resources within USDA are being allocated, and that is consistent with the dollars they are putting out, which are going to the traditional commodities. I don't want to create an insurrection here necessarily, or guerilla warfare, but I think we are at that point, that this industry has to come together and make some very specific requests of USDA in terms of getting an adequate amount of money to ensure your interests are being advanced. When we talk about the \$17 billion that's going to the traditional commodities, the program crops, I mean, that has created a lot of the problems. I mean your problem with—you are talking about in terms of flex acres, the problem there is that \$17 billion is being capitalized into land values and landowners don't want to risk losing that.

I mean, and it is again a function of our commodity programs. When we talk about a lot of trade problems we are facing, and for those of us who were in Cancun at the WTO summit that broke down, it didn't break down over specialty crop interest in tariffs. It broke down over the fact that the United States is providing an incredible amount of money subsidizing their program crops which has become a barrier for this country being able to get involved in negotiations that can advance market access for all of you.

When we talk about the EU, if we are looking at the unfair playing field here, it is the EU with their subsidies, I mean we might provide \$3 billion in cotton subsidies. The EU provides \$2 billion on subsidization of olive oil, and it goes into canned peaches and a whole lot of other things. My point here is that the industry has to come together to understand that you have to be a force to put pressure on all of us in Congress as well as some of the program crops to take a more balanced approach, is that the legislation Mr. Ose and I introduced, I mean, if you total the whole thing up, I don't know if it has been scored yet, but it is probably about \$600 million a year.

There is going to be a lot of our colleagues that are going to say, well, where are you going to get this \$600 million when we are running a deficit? Well, the challenge that I am going to make to all of you if you are not willing to stand up and say there is this fact that we are spending \$17 billion plus on half a dozen crops out there. Perhaps we could, you know, encroach upon some of that \$600 million, or that \$700 and \$17 billion to get \$600 million.

If you folks aren't willing to step up and do something of that nature, we are not going to be successful here. And for those of you involved in the Farm Bureau, unless the Farm Bureau is going to step up and start being an advocate for more balanced approach here, we are never going to change this.

The stakes are very high here. And you have got a group of colleagues here that are willing to make a difference in terms of rebalancing here. But we have got to have the specialty crop industry coming together, and I would even go beyond just the legislative effort that Mr. Ose and I are introducing. This industry needs to be coming together and making specific requests to the administration in terms of how they are developing their budget. It is a travesty we don't have the amount of resources we need in APHIS. But as the industry really put together that effort to ensure that USDA would be allocating more resources there. We have got a list of co-

sponsors of our H.R. 3242 that I think everyone of them would sign on to a letter requesting some of this, or also responding to some of the border inspection issues.

And I think that is the effort and the strategic plan that we need to be putting together in order to be more successful in terms of getting not an inordinate amount of money, but just enough to be allow us to be successful. And so I hope, and this was again, it was a speech it wasn't a question, obviously. But it is something that I am very frustrated with is that I think that the specialty crop industry has been too reluctant to be a little more direct in making their challenges here. And unless you do that, for all the work that Mr. Ose and I and others are going to do or try to do we are not going to be successful at the end of the day.

Mr. OSE [presiding]. Does the gentleman yield back?

Mr. DOOLEY. I yield back. I didn't bring up dogs, but I want to let everyone know I like dogs, too.

Mr. OSE. I have to say it is quite a different view from here. But on the dog thing, I mean I have got the stupidest dog in the world. I can't even teach it to lay down.

Mr. Ross brought up the point about the CBO scoring which Mr. Dooley just referenced it is \$600 million a year. It is actually \$500 million a year is what the CBO came back at after 5 years. I would hasten to add however, that on the California-based expenditures for USDA CCC funds on treating infestations and the like, I just want to put this in the record.

In 2003 this year, we spent \$70 million fighting bovine TB. We spent \$40 million fighting Mexican fruit fly. We spent \$87 million on exotic New Castle disease and spent between \$2 and \$5 million on the olive fruit fly. That is California only.

So in terms of generating funds to pay for the expenditures authorized under this legislation, I dare say we could take 10 percent of that \$200 million I just listed, dedicate it to APHIS and the like to protect our border points of entry. And take the \$180 million and move it over here to help the specialty crops. Now, Mr. Raak, in Michigan, do you have any information about similar expenditures by CCC for battling plant disease and the like?

Mr. RAAK. I do not.

Mr. OSE. OK.

Mr. Abbett, in Indiana, do you have anything of that nature?

Mr. ABBETT. Nope, me, neither.

Mr. OSE. OK.

There is somebody from Florida here.

Squire Smith, do you have any information in terms of expenditures in Florida, specifically dedicated to battling infestations or disease affecting the specialty crops?

Mr. SMITH. I think that over the past 5 years, the number I am hearing is \$500 million on citrus canker.

Mr. OSE. In Florida alone?

Mr. SMITH. Florida alone, yes, sir.

Mr. OSE. By USDA CCC or industry-wide?

Somebody behind you is shaking their head.

Mr. SMITH. OK.

Mr. OSE. But it is USDA money?

Mr. SMITH. USDA, \$250 million.

Mr. OSE. OK; so they spent 250 million bucks in Florida over the past 5 years, battling canker.

Mr. SMITH. Yes, sir.

Mr. OSE. And we spent 200 million this year in California.

Mr. Raak?

Mr. RAAK. We have a program that we are studying, on fire blight, a virus that continues, and we are also spending great dollars on TB, for bovine.

Mr. OSE. OK.

Mr. RAAK. I can get you those numbers at your will.

Mr. OSE. We would appreciate that.

My point, Mr. Chairman, in bringing this up, is I have always subscribed to the theory, spend a dime now, save a dollar later, and I dare say we are going to be approaching a half a billion dollars a year, if not more.

Maybe we ought to take 10 percent of that and go visit, as some of these people are going to with DHS today, and say hey, why don't you guys beef up the border security things and put people with those dogs and let them bark any way they want, and then take the balance of the money and perhaps get it dedicated to the specialty crops. That way, we do not impose on the program crops. We make friends, not enemies.

Mr. HAYES. You are the chairman, now.

Why don't you make that happen?

Mr. OSE. Adjourned. No.

The other item I would like to add, Mr. Chairman, is we do have a Web site on specialty crops. The way to access it *www.house.gov/Ose*, and there is a link that you can go to the specialty crops. We welcome input as to how to improve it.

It is awfully good, now, but we welcome input, in terms of how to improve it as we go forward.

Thank you, Mr. Chairman.

Mr. HAYES. I should have known better than to give you the gavel.

Congressman Janklow.

Mr. JANKLOW. Thank you very much.

I just got a couple of questions.

The tariffs in one of your gentleman's testimony, they talked about the tariffs in other countries, 10 percent of assessed valuations, and Brazil was 68 percent and it was a declining set of numbers for other countries.

How do you propose we deal with those situations? I mean, seriously, how do we deal with them?

The reality of the situation is the recent trade talks that fell apart fell apart over an aligned group of really developing nations and nations with human potential clout that banded together from Brazil, Argentina, Chile, and Mexico to the People's Republic of China, and everybody in India and everybody in between.

How do you—how do you propose in a trade sense we deal with these issues?

I am familiar with the fact that with the hoof and mouth disease, it was a real problem a few years ago. Brazil and Argentina had hoof and mouth and would never tell anybody. It took action by our Agriculture Department to ban the import of meat from those coun-

tries, even before those countries admitted officially they had a problem.

To the extent they are willing to do that, I cannot see any different than with any of the other types of bacterias, viruses, pesticides, or what have you that come with respect to these commodities. When we bring meat into this country, at least the outside has been taken off. When we bring fruits and vegetables into this country, the outside is on, and anything that has been subjected to in the growing cycle probably has not been removed that well.

How do you propose we deal with these issues?

What can the Congress do?

Mr. RAAK. I have dealt in exports most of my career, and we have a different mindset in the United States. We are not as tenacious as foreign countries, and we do not have a mindset that if it does not happen this generation, maybe it will happen 2 generations down that we will get into the United States to get some of their capital.

I have seen it in many parts of the world, where we could not get into another country, but, yet, we would quickly let this country—let that country come to this country because there were U.S. dollars, private dollars in industries and they could help get that product into this country, apple juice as being a case in point, and, if anyone saw the apples being produced in China, it would raise your hair.

Mr. JANKLOW. We have trouble in this country, not in the sanitary sense, but we have trouble in this country dealing with fruits and vegetables; I mean you cannot teach adults to like fruits and vegetables. It is something you grow up with if you are going to be successful with it, and you can go to school lunch program, after school lunch program and, because of the clout of the industry that sells to the school lunch program, it is really not nutritious; I mean, it meets the standards of vitamins and minerals and carbohydrates, et cetera, but it does not really meet the standards of the kinds of fresh fruits and vegetables and things that children need for growing bodies and that sustain you into wellness and adulthood. We cannot even deal with it domestically very successfully.

Yes, sir?

Mr. MCCLUNG. If I may, Mr. Janklow, as going through the WTO process, the administration and the previous administrations have tried to reduce non-tariff barriers and other impediments to trade. Phytosanitary barriers are the real barriers to move product across country lines.

Mr. JANKLOW. This is one of the biggest that countries use against us.

Mr. MCCLUNG. Oh, sure, it is. The problem is that APHIS is frequently under tremendous pressure to cheapen the science and respond to the political economic pressures, and, hopefully, the Congress will be able to at least partially encourage and fund a facility so that science does prevail on these issues.

Right now, Mexico is pressing very hard for the United States to—for the world to recognize a thing called low pest prevalence zones, where you can have reduced numbers of certain pests and still have that product eligible for export in our case, citrus to the United States. We have got grave misgivings about that where we

are from, because we have worked a long time with Mexico's fly suppression programs, and they are not very successful, so we really believe that we have a formidable problem if Mexico is allowed to export untreated citrus to the United States, not just in Texas, but throughout the citrus producing regions, and APHIS is quietly supporting that effort to accommodate the Mexicans, so it is an area where I just think we have to be very vigilant and try and keep as much science in the process as possible.

Mr. HAYES. Mr. Ose, you got another question or we wind down here and head down the home stretch?

Mr. OSE. I do, Mr. Chairman. Thank you.

We have had a lot of comment today, and these witnesses come from disparate parts of the country.

Mr. Dooley mentioned the nature of our cosponsor list, which is now in excess of 40, and we have got folks from California, obviously, but New York, Oregon, Washington, Georgia, Mississippi, Texas, Virginia, Michigan, Pennsylvania, Minnesota, and Kentucky.

My point in bringing that up is that this is not something that is unique to, say, California, despite the advocacy that Cal and I have for this.

This is not unique to California in any sense of the word. This is a national issue that affects—I mean, the Members of Congress from those States and I frankly could not remember the different delegation numbers, but there are large numbers of people across this country committed to the specialty crop industry in one form or another, and there are significant numbers in the House of representatives who look at this not as a competition with the program crops, but as an adjunct to the program crops, which is the appropriate way to look at this.

This is not a competition with the program crop. This is an adjunct, because I think you will find some of our program crop people are also in the specialty crop business, so I would just add that caveat. And then finally, I know, given the breadth of discussion here, Mr. Chairman, I cannot just help but think that we might be well-served by additional hearings, and I look forward to having that conversation with you.

Mr. HAYES. Congressman Janklow, no questions?

Mr. JANKLOW. No, sir, Mr. Chairman.

Thank you very much. This has really been enlightening for me, thank you very much.

Mr. SMITH. Mr. Chairman?

Mr. HAYES. Mr. Smith.

Mr. SMITH. As a follow-up to Mr. Janklow's question on trade policy issues, as it relates to the Florida citrus juice industries, you cannot reward countries with access if they are violators of trade policies.

In the past, we have had situations that we have dealt with. Also, with must deal differently with countries on commodities where they are net exporters of products and monopolistic in their nature, which is what we are dealing with in our arena today.

Mr. HAYES. Thank you.

I have got about three pages of questions here. I know you all have been sitting for a lengthy bit of time.

Mr. Raak, it was very interesting about the mindset. I am wondering how to deal with that.

For the entire panel, several of you mentioned your concerns about homeland security and the border, and we talked about that in bits and pieces, and the fact that officers receive significantly less training than when APHIS trained inspectors. We talked about DHS, and you have had some conversations.

Based on your visits with us this morning, how do you intend to pursue that issue and can we assist you with that?

Mr. Nelson?

Mr. NELSON. Since I raised it, Mr. Chairman, the answer is yes, give us an opportunity to sit down and dialog with Commissioner Bonner. I have an idea of how he is going to respond to us, and then let's hold DHS accountable for what they are supposed to be doing, based on the development of DHS.

I would go so far as to say if we are not completely identified as partners, as stakeholders, with our congressional committee here, that if we are not satisfied with what they are doing then maybe we need to reevaluate what we did in the developing the Department of Homeland Security and move this portion of our border security back to APHIS and PPQ, because if the expertise is necessary and it is and they are not willing to conduct themselves with the original game plan, then take it away from them. It is as simple as that, but together, we have got to coordinate our dialog, hold hearings to determine how they plan to, let's say, give them the benefit of the doubt, modify based on input that they will begin receiving this afternoon, but let's hold them accountable for what they are attempting to do and how well they are doing it.

Mr. HAYES. Good point.

I appreciate you and Congressman Janklow for bringing that whole issue up.

Pam, if you would stand up.

Pam Scott Miller is our chief staff person, among other extremely capable folks in the room, who keep us informed with how that dialog proceeds, and, hopefully we can, with a phone call, get the job done, rather than go through the whole committee and hearing. We are certainly willing to do that, but we appreciate you keeping us up to speed on that, because, as Congressman Janklow said, our response is based on planes flying into buildings, but they do not necessarily have to be the way and that does not have to be the way in the future.

A program like State specialty crop grants in my opening statement, I mentioned in some States, a success. In other States, not a success.

What advice would the panel recommend to make sure the program is workable in all States?

Anybody grab a microphone and I will recognize you.

Mr. McInerney.

Mr. MCINERNEY. Congressman, I think the most important thing would be to direct State departments of agriculture to have dialog with their industry in their individual State, that they would prioritize those comments from stakeholders in a collaborative effort and again, looking at California and Florida as a model, as to how to take these moneys, would be, I think, a wise thought.

The other is specific language that the money is to be directed to specialty crops only as current legislation suggests and further that it does not supplant existing programs within the State.

Mr. HAYES. That is an interesting thought.

Just to comment from experience, when we tell States what to do, they will typically say mind your own business, and they are much more responsive to the people who pay taxes directly to them, pay their salaries, so I would kind of flip it back to you and make sure folks in the State that are affected by this are the ones calling for those kinds of things.

Now, the obvious exception to that, if we want to send them money, then they will like us, but let let's make sure we do not let them get away.

Anybody else got a comment on that?

OK, next question: Mr. Abbett, you were talking about 2181 only affecting fruits and vegetables grown for processing, not for the fresh market. I want to ask the witnesses who represent the fresh produce industry their thoughts on how the fresh market would be affected by such a change.

Mr. Stenzel.

Mr. STENZEL. Mr. Chairman, I was waiting for you to ask about the other 2 percent of the testimony that I did not agree with. This is the section, with all due respect to Mr. Abbett. He is in a tough situation.

With due respect, what changed in the 2002 farm bill had nothing to do with fruits and vegetables. It is the fact that soybean producers became a program crop, so I would suggest that, when the soybean producers come back to the Congress and give up their program, then he will be back to the 1996 farm bill.

We think it is simply a matter of fairness and equity. Mr. McClung talked about a 1 percent increase in supply in individual given products, having a much greater impact on price. We simply have to make sure that the program crop system does not subsidize competition for fresh fruits and vegetables.

I understand, in this particular attempt, that we would carve out that they are under contract for processing, but the amount to go in and out of the program over the course of the farm bill, just does not make sense, in terms of providing that same protection that, as it is going to be soybean acres under the program, that is their choice. It is the people who own that land. If they want to get out of soybean acres and just grow tomatoes for processing, great, we would love to have them.

Mr. HAYES. Well, we better talk soybeans, better for the price at \$8.50 now than it was at \$4.

Mr. Abbett, do you want to respond to that?

Mr. ABBETT. Yes.

Again, it takes me back, and I understand the purpose of the prohibition in the first place. The real issue here is I guess maybe pose it as a question: If the fluctuations in the supply that you are speaking about is such an issue, why didn't we have those fluctuations from 1996 to the current farm bill? I just do not see where those current fluctuations; I have spelled it out. Because we are producing these tomatoes for production and production only, and I can go on and on, the penalties for entering a fresh market with

our production tomatoes can sometimes be twice the value of the tomato we are growing.

Clearly, I would not do that. The whole purpose we got, we got in the process in the beginning, was to get away from these subsidy crops that cost the Government money and makes it less valuable farming operation for us and, now, we are boxed into this corner where they are giving us almost no choice but to go back to growing those subsidy crops because of our inability to rotate and our inability to lease acres.

We have not even talked about whether I would be able to grow in this organization, just to continue on as it has been, so my main question is: If the supply to the fresh market is the real issue, and all I am asking us to do is to take us back to the level of the 1996 farm bill, is there evidence of supply fluctuations during that time frame and if not so then why would there be an objection to just giving us the flexibility we had with the initial—the initial prohibition that was put in the 1996 farm bill?

Mr. STENZEL. I think the direct answer to that is this is not a debate between the fresh fruit and vegetable industry and a farmer who wants to grow processed tomatoes in Indiana. It is with the soybean industry and that is who came and changed the rules in 2002 farm bill with making soybeans a crop, so we were not letting you grow tomatoes or grow for processing. We have nothing to do with that.

It is now the landowner who is being subsidized by the Federal Government, and the Federal taxpayer who does not, because of his soybean-based acreage, who does not want to rent you the land anymore.

I apologize on his behalf, but it is not our issue, and so if that is a serious issue for production agriculture in this country, I suggest it is got more to do with the soybean program than it does fresh fruits and vegetables.

Mr. HAYES. Interesting, and I will get with you in a minute, as we discuss issues and panelists kindly come forward to talk to us, oftentimes it seems to me the folks come to Washington with the idea of us and Congress coming back with some sort of consensus. Does not usually happen that way.

What I see is the opportunity for you all, prior to but especially after we had these hearings to talk among yourselves as you are closest to the issues involved in bringing as close to consensus as you can to us, as we proceed in solving both policy and practical issues, and you all do a lot better than we do, and maybe somebody appears to argue with it, but I do not know who they were in their right mind.

Ms. Means.

Ms. MEANS. I just want to make a comment on the fresh market versus the processed market as well. I can appreciate that Mr. Abbett is not moving into the fresh market, not everybody does that necessarily, but sometimes, in some commodities, the process market sets the floor for the fresh market.

It is more expensive to harvest a fresh crop than it is a processed crop in many instances, and when you have a certain floor set, sometimes fresh market is affected by the process industry and the

prices they are getting. So although they are not exactly the same, there are interplays economically with the prices that are received.

Mr. HAYES. Like I say, I would encourage you all to talk about this, to go forward.

Mr. McClung, in regard to marketing orders you mentioned marketing regulations need to be fine-tuned. Can you be specific, as to what those problems are?

Mr. MCCLUNG. I was referring, Mr. Chairman, specifically, to the lack of teeth that the Department of Agriculture has when you have somebody on the marketing orders, a producer, who declines to pay their assessments or drags their heels on paying their assessments. It is often the check is in the mail kind of thing, and it goes on for months.

We have had several instances they have involved with and the Texas marketing orders where we had producers who or shippers, because it is actually the shippers who pay those assessments who declined to pay their assessments and oftentimes it is really not very much money, but other shippers find out about it and they say well, if Joe does not have to pay his, why should I have to pay mine?

USDA has no real muscle for being able, at the agricultural marketing, at the oversight administrative level, to have no teeth to enforce that.

The only thing they can do is go to general counsel's office. They take forever to decide not to do anything about it because they have what they consider to be a more important thing to pursue and besides that you have to go to the Department of Justice if you are going to take any substantive action, so it is a very awkward and unworkable situation, and what we need is for USDA to have some enforcement capability, some fighting capability at the department level, at the AMA—at the agency level.

Mr. HAYES. And you scare me to death with that approach. You give Federal agencies more teeth and oftentimes they will chew up the wrong things.

Seems like this is the perfect place for powerful high paid executive for an association to step in and get their members in line, rather than give some Federal agency more teeth.

Anyway, that would be my thought and suggestion on that.

USDA writes a regulation, so is there something that this Congress, with this comment in mind, needs to do in terms of fine tuning the loss so that regulations can be written better, or is this an issue that USDA and you sort of answered—is this an issue that they have the authority to address?

Mr. MCCLUNG. I do not believe they have—the USDA has the ability to implement fines or any other—I cannot imagine what other procedures you would have, but to incorporate funds, I think they have to come back to Congress to get the authority to do that. I am not certain about that.

Mr. HAYES. OK; and again, toss it back in your court: Do everything you can to solve it without bringing that one up here, but if you have to come back to us, feel free, and I think the last question I have is for Mr. Abbett. Your testimony states availability of farm ground for fruit and vegetable production has been dramatically reduced. I would appreciate you submitting data for the record, and

would appreciate you submitting data on the amount of acres planted to fruits and vegetables now compared to before the 2002 farm bill, I would love to see the comparison.

It is interesting, as you mention the regulations, that allow you to have a very limited portion of fruit and vegetable history that has been established by your family.

The farm bill allows you and the farm to keep the production history, so you cannot explain how the regulations are limiting your history, so if you would—you would continue to work with us and we will work our way through that one.

Mr. ABBETT. OK.

Mr. HAYES. The bill that Mr. Ose and Mr. Dooley have before us is very lengthy and it covers a lot of territory. Certainly, it has some very positive aspects to it, and, again, your willingness to be here today and to participate in the process uniquely qualifies you all to help us and the subcommittee to shape that legislation, so that, at the end of the process, we have done no harm, and hopefully helped as opposed to hurt things.

Basically, that concludes my questions.

Do any of the panelists, and, again, we want to emphasize our appreciation for their time, effort, energy and money to get here, think of anything that you might like to bring to this committee's attention and while you are thinking about that, I want to recognize Congressman Janklow for whatever time he may consume.

Mr. JANKLOW. Thank you very much, Mr. Chairman.

I would like to be very brief.

Several of you, a couple in your testimony, one of you specifically alluded to the best science approach the Department claims to take, with respect to the promulgation of rules, regulations.

Could you provide the committee with specific examples, every example you know of, where the Department has claimed best science and peer review and promulgated rules?

I am aware there was one that was overturned and went to court. It does not go into details on the testimony, so as to just what was the nexus of that and how protracted was the litigation and how expensive.

The same thing with the one that is apparently under attack, but any examples that you may have, it would be helpful if we could have information like that for the thought process that we have to go through.

Mr. NELSON. Congressman, that was my industry. We would be more than happy to provide that, but in a quick summary, our legal fees for the first issue, \$800,000, and the science was flawed.

The second issue is still yet to be concluded, oral arguments are now scheduled in January.

We will go back to comments Congressman Dooley made. He said we have got to get energized, and he is right. We played the game with the last farm bill. United Fresh Fruits and Vegetables Association leadership enabled us to participate.

Our industry has taken a look at the science and said USDA does not peer review. Nobody peer reviews USDA as it relates to the foundation they present.

Other agencies do it. Australia is now doing it, except they have a system that is very flawed.

We believe we can design with your help a system for our department to be on the cutting edge and to facilitate——

Mr. JANKLOW. I read that, sir, in your testimony, but specifically could you provide us with with the rules or regulations that were flawed or you claim to be flawed, and also your suggestions on how to fix it?

Mr. NELSON. Yes, not a problem.

Mr. JANKLOW. Thank you, and one last comment.

Mr. Chairman, I just, as an advertisement, all these capabilities of these dogs that I sell, they also have the ability to put a cask around their neck in the wintertime and rescue people in the Alps, so they were really good dogs.

Mr. HAYES. You are more than welcome.

Congressman Janklow, you got some specialty crops out in the Dakotas that got some long tail feathers, and all of that.

Anyway, we will not get into that.

Mr. JANKLOW. Our specialty crops are from the hunters.

Mr. HAYES. Yes.

Any comments from the panelists that you would like to throw back at us at this point?

Do not go home and tell people we treated you nice, because more people may want to come up here.

Mr. NELSON. Mr. Chairman, this is not the end of this discussion. We are energized. This is the beginning, sir, and we will be back.

Mr. HAYES. Mr. Abbett?

Mr. ABBETT. Yes, I would just like to add that it is my belief that the intention of the inclusion of the soybeans is base acreage. The intention was not to box me into the corner like it has and what we are looking for is a fair and just action that Congress needs to make through H.R. 2181 to accomplish the objective which just gives me the same level of ability to grow the fruits and vegetables that we had through the 1996 farm bill.

Thank you.

Mr. HAYES. So noted.

Mr. McClung.

Mr. MCCLUNG. Mr. Chairman, I would like to invite you and your colleagues and your staff to come down to the border at your convenience and look at what is really going on at the primary crossing points so you can judge for yourself how much of the concern is real and how much of it is just emotion, and because I think that what is happening at the border is awfully important these days, and it is going to increasingly be so-so, if you have an opportunity, please come down and see us.

Mr. HAYES. Thank you, sir. Might do that.

All right.

Thank you again for all being here, thanks to the staff for helping to put this meeting together, and this lady who has been typing up all of your important testimony, we thank you, and, without objection, the record of today's hearing will remain open for 10 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of the panel. This hearing of the Subcommittee on Livestock and Horticulture is adjourned. Thank you.

[Whereupon, at 12:34 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

#### STATEMENT OF ED RAAK

Thank you for the opportunity to testify today to discuss future public policy options for the fruit & vegetable industry. I operate an apple, cherry and peach farm as well as a farm market in Allegan County in southwestern Michigan. I am here representing Michigan Farm Bureau, the State's largest general farm organization, representing over 47,000 farm families.

I believe farmers have a vision of the future embracing an industry that profits from: growing markets, increased value-added efforts, voluntary incentive based conservation programs, and a practical, common sense regulatory environment. However, to bridge the gap between where we are today and where we need to be in the future, will require an expanded public investment in agriculture.

Michigan is pleased to have Dan Wyant, Director of the Michigan Department of Agriculture, serving on the USDA Fruit & Vegetable Industry Advisory Committee. The specialty crop industries have very little history of participation in Federal farm programs unlike the more traditional program crops. This industry will be faced with both opportunities and challenges in the future that will require policy decisions to help move the industry forward. Outlined below are some of these policy considerations:

**Growing Markets.** According to a study done at Purdue University, the United States may in the next few years begin to import more agricultural products than we export. The reason for this is a combination of our growing consumer demand for imported products, coupled with stagnant growth in our primary exports. The answer to this dilemma is not to stop importing, but rather to maintain and aggressively build export opportunities for our products. Ninety-six percent of the world's population lives outside of our borders, and we must have reasonable access to the markets in other countries so that we can serve all consumers. Last year I participated in an agricultural study mission to China. I observed first hand the tremendous competitive advantages that China agriculture has with inexpensive inputs, like labor. However, I also saw the opportunities that we have if we are given the chance to serve their rapidly expanding middle class.

**Strict adherence to agreements.** To grow our export markets, it is imperative that the trading environment we operate in be as open and fair as possible. The commodities that I produce, fruits and vegetables, do not receive program payments under the 2002 farm bill. I get all of my income from the marketplace. If I am shutout of the international market by unfair practices imposed by other countries, I lose a portion of my opportunity for enhanced income. We must insist on strict adherence to all bilateral and multilateral agreements to prevent unfair practices by competing nations and to ensure unrestricted access for our farm products in world markets.

**Impacts on all sectors must be considered.** It should be noted that the U.S. Doha Round goals of improving market access and the reduction and/or elimination of subsidies is just as important for the horticultural crop producer as it is for the producer of bulk grain commodities or livestock. Efforts must be made to consider the impact of trade agreements on all sectors of agriculture. We appreciate the very visible and aggressive position that has been taken by the U.S. Trade Representative in protecting the interests of agriculture in the current round of WTO negotiations. A positive outcome will only be achieved from these negotiations if all countries agree to the same set of market-opening standards.

**Proper enforcement.** While the negotiating of new agreements is of critical importance, the proper enforcement of current trade agreements is no less important. Nothing is more disappointing to agricultural producers than to have our negotiators bring back a favorable agreement only to have the implementation by the other party not live up to the advanced billing. Perhaps NAFTA is our best example of failed implementation. While overall NAFTA has been a success, too many instances exist in which Mexico is unfairly restricting the flow of our agricultural exports. With apples, the Michigan industry worked for several years to overcome Mexico's very restrictive phyto-sanitary barriers. Then, just when we satisfied their requirements, they applied a 46 percent anti-dumping duty. We encourage aggressive actions by the USTR and the USDA in monitoring and enforcing all trade agreements.

**Illegal imports.** Horticultural crop producers face considerable competition within our home market from imported commodities. If any of these imported products are found to be illegally dumped or subsidized, we favor immediate import relief for the

domestic industry. Producers of raw commodities should also be given legal standing in petitioning for relief on processed products. Legal options to provide financial assistance to the domestic industry should be explored, and changes in domestic trade policy should recognize the seasonal and/or regional production of commodities in anti-dumping/countervailing cases.

Market access. Farm Bureau supports USDA fully utilizing all foreign market export programs (EEP, MAP, FMD). Farm Bureau also strongly supports H.R.2579, the U.S. Agricultural Products Market Access Act of 2003 introduced by Michigan Representative Dave Camp. This legislation would create a special section 301 investigation for agricultural market access similar to that already in place for intellectual property. The bill would require the office of the U.S. Trade Representative to investigate and report on countries that unfairly limit access of U.S. agricultural products to their markets. By highlighting the onerous trade programs and actions of such countries, the United States can more easily engage its resources towards negotiating market-opening solutions. The act is another tool for use in resolving trade disputes.

Conservation. Farm Bureau supports proactive, voluntary-incentive driven conservation initiatives that will provide farmers with additional tools to enhance their resource conservation efforts. The Conservation Security Program (CSP) authorized by the 2002 farm bill, but not yet funded, would provide opportunity for the fruit and vegetable industry to expand conservation initiatives that reduce ag chemical usage, provide wildlife habitat and protect soil and water. Farm Bureau urges you to provide the necessary funding for CSP.

The Environmental Quality Incentives Program (EQIP) also holds great promise in assisting fruit and vegetable producers in carrying out practices and building structures that conserve our precious natural resources. The hallmark of this program should be flexibility, in which producers, with local assistance and local approval, identify and develop voluntary management plans that will address resource concerns. We urge full funding of this program.

Risk Management. As a producer of specialty crops it is my desire to rely not on government programs but more on my ability to be successful in today's risky environment. However, my ability to manage risk can be improved with affordable and workable crop insurance programs, and when necessary disaster assistance programs.

Producers of all crops need access to viable insurance options that reflect individual risk considerations. Options should include revenue based programs, such as adjusted gross revenue programs, in addition to multi-peril coverage. These programs should be simplified as much as possible, be updated to reflect current production and planting practices, utilize actual production history, and use the private sector as the primary delivery agent. Until improved crop insurance programs are made available to producers of all commodities, we support the continuation of disaster assistance as long as these programs are implemented in a manner that does not undermine the integrity, future participation and development of new crop insurance/risk management programs.

Marketing. Specialty crop industry groups have instituted a number of state, regional and national programs that are funded through producer assessments. These programs, commonly referred to as check-offs, have been very successful in carrying out promotion, consumer education, research and development programs. Recently, legal challenges have been brought against several of these programs charging infringement on the individual producer's right to free speech as protected by the First Amendment. Last summer the courts ordered one of the largest horticultural check-off groups, the Washington State Apple Commission, to cease their multi-million dollar consumer advertising program. While we fully uphold the rights of individuals within our constitution, we are very concerned regarding the liberal interpretation that the courts are making in these matters. We strongly suggest that Congress examine ways to protect these very popular programs from further attack.

We also support a more effective Federal marketing and bargaining act for producers. Producers in all states should be able to organize marketing and bargaining associations and, if organized pursuant to the law, have such associations recognized by food processors as the organization with which they must negotiate prices and terms of sale when purchasing farm products. Mandatory recognition of and negotiation with legitimate bargaining associations, which is currently absent in the Agricultural Fair Practices Act, can provide producers with greater leverage to meaningfully negotiate with buyers of farm products and bring greater equity to the table when establishing prices and terms of sale. The experience has been very successful in Michigan and California, has strengthened the relationship between producers and processors in those states, and should be expanded nationwide.

Crop Protection Tools. Farm Bureau supports proper implementation of the Food Quality Protection Act and FIFRA. The availability of effective crop protection tools is a critical component to the success of the specialty crop industry. FIFRA Registration and FQPA Re-Registration and Review are vitally important for the establishment of new and alternative pest control tools for the industry. We urge EPA to work with USDA to improve the registration process so that specialty crops have the tools needed for productivity and growth. We also urge Congress to properly fund the Office of Pesticide Policy at USDA, and the IR4 program for specialty crops.

USDA must expand its scientific and regulatory responsibility as a full partner with EPA throughout the entire pesticide registration process. USDA should cooperate with EPA to find alternatives for pesticides that have lost registered uses. We support increased funding for the collection of pesticide use data and the pesticide residue data program. Integrated Pest Management (IPM) should continue to be a budget priority for USDA.

Fruit & Vegetable Planting Restriction. Farm Bureau strongly opposes weakening or eliminating the fruit and vegetable planting prohibition on program crop acreage bases contained in the 2002 farm bill. Any allowance to plant non-program fruits and vegetables on base acreage unreasonably and unfairly undermines the purpose of the prohibition, which is to resist destabilizing the markets of traditional fruit and vegetable producers.

Farm Bureau policy supports maximum planting flexibility among program crops, but also seeks to have the farm bill implemented in a manner that will minimize any negative impact on non program crop producers. For this reason Farm Bureau has opposed adding any additional flexibility to the fruit and vegetable planting restriction beyond what is already included in the farm bill. We believe that the planting restriction protects non program producers (who historically do not receive farm program benefits) by preventing traditional program crop producers (who historically do receive farm program benefits) from easily switching to non program crops. Due to the relative acreage size of program vs. non program crops, a small acreage shift from program crops to non program crops could have a very dramatic and negative impact on annual vegetable and dry bean market prices.

The 2002 farm bill, section 1106 Planting Flexibility, protects non program producers by restricting the planting of non program crops (fruits, vegetables and dry beans other than lentils, mung beans and dry peas) on base (program) acreage. However, the planting of fruit, vegetables and dry beans on base acreage is allowed under the following conditions:

- In areas with a history of double cropping;
- On a farm that has a farm history of planting non program commodities on base acres. In this case program benefits (direct and counter-cyclical payment) are reduced on an acre for acre basis; and
- By a producer with an established producer history of a specific fruit or vegetable. The quantity planted under this provision may not exceed the producer's average annual planting history from either the 1991-95 or 1998-2001 crop years (excluding any crop year in which no plantings were made). Again, program payments are reduced on an acre for acre basis.

We believe that the farm history and/or producer history exemptions will provide adequate flexibility for most traditional fruit, vegetable and dry bean growers, even with the addition of soybeans as a program crop.

Added flexibility from the planting restriction will also be afforded to producers because producers will be allowed to sign up annually for farm program participation. This means that some producers who do not have any farm or producer history could on an annual basis plant fruits and vegetables by simply foregoing all program benefits on that farm in that crop year.

Farm Bureau opposes H.R. 2181, introduced by Congressman Pence. We believe that total planting flexibility and industry growth potential can adequately be maintained as long as the current planting restriction exemptions are maintained.

Tree Assistance Program. Farm Bureau supports the Tree Assistance Program (TAP), reauthorized by the 2002 farm bill. TAP provides payments to growers who incurred losses due to natural disasters, including plant diseases, insect infestations, droughts, freezes, and related conditions. Congress recently approved funding for TAP for fire blight losses in Michigan, retroactive to fiscal year 2000, as a part of the fiscal year 2004 Legislative Branch Appropriations bill.

Eligible tree farmers are those who grow trees for harvest for commercial purposes and own 1,000 acres or less. Eligible orchardists are those who produce annual crops from trees for commercial purposes and own 500 acres or less. Eligible growers who have suffered 15 percent or greater loss, adjusted for normal mortality, would either receive up to 80 percent reimbursement for replanting and rehabilita-

tion costs or sufficient seedlings to reestablish the stand. Payments would be capped at \$75,000.

Farm Bureau urges USDA/FSA to implement TAP in a timely manner that is consistent with the law, and urges USDA to work together with industry for effective implementation.

Specialty Crop Block Grants. In 2001, Congress passed an emergency agricultural assistance package that included money to support activities that promote agriculture, with priority being given to specialty crops. This block grant program was utilized effectively in Michigan, and there has been very positive feedback on the program.

Michigan received \$500,000 for the promotion of agriculture, \$3,250,000 for specialty crops and \$334,857 for the Emergency Food Assistance Program, totaling \$4,084,857.

The Michigan Department of Agriculture (MDA) distributed \$2.1 million of the \$3.25 million for a grant program for the specialty crop industry to enhance or develop markets. MDA also put \$1.15 million of the \$3.25 million into the state agricultural development fund for the support of grants for value added agricultural processing and agricultural production ventures for specialty crops. MDA used \$500,000 for the establishment and expansion of export markets, implementing funded value-added projects, and providing administrative support for grant development and processing.

Specialty Crop block grants have been introduced again this session as a part of H.R. 3242. Farm Bureau policy currently does not address the issue of block grants.

USDA Commodity Purchases. Farm Bureau strongly supports USDA Commodity Purchase programs as they are an efficient and effective way to provide domestically produced commodities to U.S. consumers while helping agriculture by removing surplus commodities from the market. The fruit and vegetable industry is especially well served by these types of programs. We support full utilization of the appropriate funds to continue these purchases.

Farm Bureau also supports section 10603 of the 2002 farm bill, requiring the Secretary to use not less than \$200,000,000 of section 32 funds to purchase fruits, vegetables and other specialty food crops each fiscal year. A minimum of \$50,000,000 per year of these funds is to be spent on the purchase of fresh fruits and vegetables for distribution to schools and service institutions. Michigan was one of the pilot states for the fresh fruit & vegetable school program, and it has been very successful thus far.

We support H.R. 2832, introduced by Representative Hastings, to expand the school pilot program to all states.

#### FARMERS MARKETS

Farmers Markets provide a unique way for fruit & vegetable growers to capture more of the consumer's dollar for their product. Local farmers markets provide locally grown, healthy and nutritious products to local consumers.

Section 10605 of the 2002 farm bill requires the Secretary to make grants to eligible entities for projects to establish, expand and promote farmers' markets. The Secretary is to establish criteria and guidelines for the submission, evaluation, and funding of proposed projects, although no deadline was given.

Congress has yet to provide any funding for this program, and subsequently, USDA has not provided any program details. This farm bill program would provide very targeted and beneficial assistance for these innovators, and we urge you to fund the program. We also support H.R. 2626, introduced by Michigan Representative Fred Upton, that would provide grants to schools to buy locally grown fresh fruit, vegetables and produce.

Country of Origin Labeling (COOL). COOL will allow consumers to make more informed choices about their purchases of fruits, vegetables and meats. American consumers prefer to know where their food is grown. In multiple national surveys, more than 70 percent of produce shoppers support country-of-origin labeling for fruits and vegetables. In Florida, where such labeling has been the law for more than 20 years, more than 95 percent favor produce origin labeling in stores.

Title 10, section 10816 of the 2002 farm bill requires mandatory country of origin labeling for beef, lamb, pork, fish, perishable agricultural commodities and peanuts after a two-year voluntary program. USDA has recently published the final rule for the program, with mandatory implementation scheduled for September of 2004. Farm Bureau supports the country of origin labeling provisions in the farm bill.

One Face at the Border. Farm Bureau has worked closely with the Department of Agriculture on homeland security issues and appreciates the leadership of Sec-

retary Veneman and Deputy Secretary Moseley. The creation of the Homeland Security Council at USDA has assisted in protecting our borders, food supply, research and laboratory facilities and technology resources from any intentional acts of terrorism. The quick and decisive actions taken at USDA assured consumers that measures were in place to protect the U.S. food supply from attack.

In light of recent pest and disease outbreaks that have been introduced into this country as a result of trade, (Exotic Newcastle Disease, Mexican Fruit Fly, Emerald Ash Borer, *Ralstonia Solanacearum*, *Phytophthora*, etc), and a projected \$2 billion increase in U.S. agriculture imports this year, we must strengthen security procedures for product inspections, pest control, eradication, and emergency management.

Farm Bureau supports increasing resources to the Animal and Plant Health Inspection Service to improve surveillance measures and accountability at U.S. points of entry to prevent the introduction of foreign plant and animal pests and diseases. It is imperative that these resources, including personnel, training and quality control not be diminished under the proposed One Face at the Border initiative by the Department of Homeland Security.

The training for the new Customs and Border Protection officers would have to be extensive to know when a passenger, piece of luggage or cargo container needs further inspection by agricultural specialists. The traditional APHIS border inspectors were trained intensively for eight weeks under Veterinary Services and the Plant Protection and Quarantine Service. Many had an advanced degree in an agriculture related field, were highly trained in animal and plant disease identification and understood their movement. Under the initial system proposed by DHS, the new Customs and Border Protection officers would receive only 16 hours of training regarding agriculture. If DHS expects to ensure effective protocols with minimal training via secondary inspectors, how will the department meet the timing needs of perishable commodities and live animals?

When APHIS border functions were transferred to the new Department of Homeland Security, we were given assurances that the integrity of the programs would remain intact. However, having one face at the border administering customs, immigration and agriculture programs could be a daunting task. After all, the function of ag inspectors alone is very complex, ranging from cargo containers carrying potentially harmful insects to a traveler carrying mud from a Foot and Mouth Disease infected livestock operation.

While we appreciate Commissioner Bonner's outreach to agricultural stakeholders, we urge further dialogue between DHS, USDA and industry on this initiative and the further defining of DHS responsibilities relating to food safety and safe trade.

Agriculture and consumers must be assured that food safety will remain a priority under the department. To that end, Farm Bureau advocates the importance of trained agriculture specialists at our Nation's points of entry and strongly emphasizes the need to ensure sufficient staff resources for the new Customs and Border Protection officers.

Thank you again for this opportunity to testify, and for your interest in helping to move the fruit and vegetable industry forward.

#### ANSWERS TO SUBMITTED QUESTIONS

**In your testimony, you stated that Michigan Farm Bureau is supportive of maintaining the existing planting prohibition on non-program crops and that to not to do so would potentially destabilize the traditional fruit and vegetable market. Can you describe why this would have a negative impact on the specialty crop industry?**

Farm Bureau policy supports maximum planting flexibility among program crops, but also seeks to have the farm bill implemented in a manner that will minimize any negative impact on non program crop producers. For this reason Farm Bureau has opposed adding any additional flexibility to the fruit and vegetable planting restriction beyond what is already included in the farm bill (see response No. 2). We believe that the planting restriction protects non program producers (who historically do not receive farm program benefits) by preventing traditional program crop producers (who historically do receive farm program benefits) from easily switching to non program crops.

Due to the relative acreage size of program vs. non program crops in Michigan, even a small acreage shift from program crops to non program crops could have a very dramatic and negative impact on annual market prices for non program crops. To illustrate, Michigan's two major program crops are corn and soybeans. In 2003, 2.3 million acres of corn and 2.1 million acres of soybeans were planted in Michigan. Just one percent of the combined acreage of corn and soybeans (44,000 acres) is

equal to 37 percent of total vegetable acreage in Michigan. Switching as little as one-tenth of one percent of combined corn and soybean acreage would more than double Michigan's acreage of such crops as processing tomatoes, fresh snap beans, fresh carrots and fresh onions.

We believe that given the opportunity of expanded flexibility that enough program crop producers in Michigan could switch to non program crops so that it will cause harm to the non program crop industry. Non program producers have chosen to refrain from receiving farm program payments, and they should not have to suffer the consequences of additional competition from traditional program crop producers who can simply return to their program payments if market prices collapse due to over planting.

**Do you feel that adequate industry growth can be achieved if the existing planting restrictions are maintained?**

The 2002 farm bill, section 1106 Planting Flexibility, protects non program producers by restricting the planting of non program crops (fruits, vegetables and dry beans other than lentils, mung beans and dry peas) on base (program) acreage. However, the planting of fruit, vegetables and dry beans on base acreage is allowed under the following conditions:

- In areas with a history of double cropping;
- On a farm that has a farm history of planting non program commodities on base acres. In this case program benefits (direct and counter-cyclical payment) are reduced on an acre for acre basis; and
- By a producer with an established producer history of a specific fruit or vegetable. The quantity planted under this provision may not exceed the producer's average annual planting history from either the 1991-95 or 1998-2001 crop years (excluding any crop year in which no plantings were made). Again, program payments are reduced on an acre for acre basis.

We believe that the farm history and/or producer history exemptions will provide adequate flexibility for most traditional fruit, vegetable and dry bean growers in Michigan, even with the addition of soybeans as a program crop. Non program crop producers who are currently utilizing either the farm or producer history exemptions should attempt to structure their operations to provide for the maximum amount of planting flexibility.

It is very important to recognize the differences between farm history and producer history.

Farm history is established when a farm has a history of planting non program commodities (fruits, vegetables and dry beans) on base acres, even if it is only one acre. Farm history is specific to that farm, but is not acreage specific or crop specific. In other words a farm with farm history can plant any fruit or vegetable on as many acres as they choose on that farm, and simply give up program benefits on an acre for acre basis in that crop year. The ability of producers to establish farm history during the 1998-2001 period will further improve flexibility.

Producer history is established by a producer(s) of a specific fruit or vegetable, regardless of whether the fruit or vegetable was planted on base acres. Producer history is not tied to a specific farm, and may be moved by the producer to another farm for rotational or other purposes. However, producer history is specific to the commodity and to the producer's average annual planting history in the 1991-1995 or 1998-2001 crop years. Therefore, producers who wish to expand acreage or change commodity mix under the producer history exemption may potentially face planting restrictions.

Added flexibility from the planting restriction will also be afforded to producers because the 2002 farm bill allows for an annual sign up for participation. This means that producers who do not have any farm or producer history could, on an annual basis, plant fruits and vegetables by simply foregoing all program benefits on that farm in that crop year.

The addition of soybeans as a full program crop under the 2002 farm bill and the establishment of soybean base acres will potentially reduce the total amount of "free" acreage available for non program crop production. However, due to Michigan's crop diversity, large number of traditional fruit and vegetable producers and the relatively sizable amount of non base acreage available, we believe that total planting flexibility and industry growth potential can adequately be maintained.

STATEMENT OF JOHN M. McCLUNG

Mr. Chairman, members of the subcommittee, my name is John McClung, and I am president of the Texas Produce Association, headquartered in the Rio Grande

Valley of South Texas. The association represents the interests of Texas Shippers, growers, and importers of fresh fruits and vegetables.

I want to thank you for conducting this hearing today, and for allowing the Texas association the opportunity to participate. Like farmers and packers nationwide, we in Texas strive daily to survive in a complex, rapidly changing business environment. In very large part, of course, our future will be decided by government, either in Austin or, more likely, here in Washington. So we believe this hearing on domestic policy is an important early step in a critical debate.

Twenty-five years ago, Texas arguably was the third largest producer of fresh fruits and vegetables in the United States, behind only California and Florida. When the Congress devised the formula for allocating the specialty crop grant monies in 2001, Texas tied for tenth with New York. Being Texans, we took the demotion pretty hard, but you just cannot argue with the production statistics. For example, in 1978–79, Texas produced 4,300,000 boxes of oranges, according to the state Agricultural Statistics Service; in 2002 we produced 1,570,000 boxes.

In 1978 we produced 310,700,000 pounds of carrots, compared with 58,000,000 pounds 25 years later. Over the same time span, we dropped from 108,700,000 pounds of lettuce to just 5,300,000 in 1993, when data collection was discontinued. We dropped from 41,300,000 pounds of tomatoes to 18,000,000; from 104,500,000 pounds of sweet potatoes to 56,100,000; 64,800,000 pounds of bell peppers to 16,000,000. There are numerous other commodities with the same steep declines. To be sure, a few crops have held their own or increased: dry onions and watermelons, to name two. But overall, the trend has been sharply downward.

At the same time, our imports have increased dramatically, particularly from Mexico. I don't have comparative data for you today, but based on U.S. Department of Agriculture import statistics, last year the U.S. imported some 180,000 semi-trailer loads of fresh produce from Mexico, about 37 percent of it through Texas. Each semi load is about 44,000 pounds. It is estimated that during some periods in the winter, approximately 25 percent of the U.S. fresh fruit and vegetable supply originates in Mexico, and the numbers are growing every year. Many observers attribute the increases to NAFTA, others point out that the trends were well underway long before 1995. But in any event, it is impossible to talk about domestic agricultural policy in Texas without understanding the impact of imported fruits and vegetables.

Not only Texas is impacted, of course. Let me give you one example. Twenty-five years ago, some 95 percent of all Persian limes consumed in the U.S. came from Florida. As the result of economic pressures, introduced diseases such as canker, and other local forces the Florida lime industry is virtually gone. Last year, some 95 percent of all Persian limes consumed in the U.S. came from Mexico, almost all of them imported through Texas. And, bear in mind, lime consumption in the U.S. has been on a steady uphill trend over all that time. Last year, we imported some 17 million 40 pound cartons of limes through Texas, with an average value of \$7–8 per box. We only produced about 8 million 40-pound boxes of oranges and grapefruit combined in Texas, so our imports of limes alone were about double our domestic production of citrus.

The point I want to make here is obvious, or at least I hope it is. The U.S. is increasingly dependent on imported food. For the people I represent in the Texas Produce Association, that isn't necessarily a bad thing—for many of them it's a very good thing. We have very few sizeable growers and/or shippers of vegetables in the association who are not increasingly involved in growing in and importing from Mexico. Last year, while we were producing some 7 million bags of dry onions, we were importing 9 or 10 million. With a few exceptions, the same people are contract growing and marketing onions in the U.S. and in Mexico. The same is true of melons and other crops.

Interestingly, the policy of this Administration with regard to vigorously seeking new free trade agreements wherever they can find them encourages the U.S. industry to globalize, since these agreements virtually without exception tilt the field to foreign sources. The WTO train wreck in Cancun can only amplify this situation.

So for many in the industry, imports absolutely represent an opportunity, and the future of the younger generation. Some have given up growing in the U.S. and produce or source only from Mexico. As this picture evolves, it generally is correct to say that the larger, better funded entities take advantage of these new opportunities while the smaller growers—what you and I might think of as family farmers—are unable to participate and ultimately suffer the consequences.

These family farmers, many of whom have been on the same land for generations, just do not have the resources, financial or human, to compete in the global arena. If, therefore, the Congress believes it is in the social, cultural, and national security interests of this country to have an abundant domestic food supply and to keep these producers on the land, then domestic policy must reflect those convictions.

Just 3 weeks ago, the largest domestic produce trade show in the country, the Produce Marketing Association convention, was held in Orlando. The industry in Texas is very proud of its participation in that show we are one of the largest exhibitors with 28 booths representing virtually every aspect of the fruit and vegetable industry from aloe to zucchini. But we were dwarfed by the high tech Mexican entry, which was the largest in the show with some 45 booths, all paid for by the government of Mexico. In mentioning this fact, I'm not suggesting that the U.S. should revert to a protectionist trade policy with Mexico or any other country. But I am saying that we should modernize our domestic programs to reflect the economic realities the domestic sector is dealing with if we want that sector—particularly the tens of thousands of smaller producers—to continue to be viable.

As you know, the Specialty Crop Competitiveness Act of 2003 was recently introduced by Representatives Ose and Dooley, along with a number of original cosponsors. The Texas Produce Association vigorously supports that bill. Without seeking subsidies, it addresses many areas where domestic growers and shippers badly need help that they cannot provide for themselves. While all titles of the legislation are of importance to the industry, there are four of them that I want to emphasize today.

First, the specialty crop grant program. From our perspective, the 2001 program was a real success. It provided badly needed funds to engage in promotion, safety, pest exclusion and other activities designed to maintain a competitive position. We are asking that you continue that approach through the SCCA.

Second, the marketing component. Along with running the association, I also manage three Federal marketing orders in Texas onions, melons, and citrus. I don't think anyone else in the country manages three such orders. I am a strong supporter of marketing orders they serve the industry and consumers well. But the underlying regulations need to be fine tuned in several aspects. In the area of enforcement alone the USDA is simply unable to deal with scofflaws in a timely and effective manner, and believe me such nose thumbing is contagious. The SCCA begins to address this problem.

Third, the pest and disease exclusion component. In Texas, we live day-in-day-out with the Mexican Fruit Fly. It is a threat that hangs over the citrus industry every season, and costs us millions of dollars to combat. Now new flies *Serpentina* and *Obliqua*, to name two have raised their hungry heads. Should canker, for example, become established in our citrus groves, it would rapidly destroy the Texas citrus industry, since we have such a small production base that it would rapidly overrun us. And, of course, there are dozens if not hundreds of other threat organisms out there that we are most eager to avoid. To that end, APHIS PPQ simply must be adequately funded. To date, it is not. Since the agency's border functions were transferred to Homeland Security, former APHIS inspectors now report to an agency and a department that has other, higher priorities than intercepting fruit flies. That's a shame, because fruit flies are the real threat along the Mexico/U.S. border.

Fourth, the conservation component. Down in the Rio Grande Valley, ecotourism has emerged as big business, representing revenue of about \$100 million a year in the three counties of the lower Valley, and 2000 jobs. Even my crustiest old farmer friends, who used to derive endless amusement from bird watchers, and saved their hottest invective for environmental activists, now recognize that there's dollars in them there tree huggers. They also know that one potential option for land they cannot farm profitably is to put it into conservation programs, but of course, that requires that such programs be open to them and adequately funded.

Thank you once again for conducting this hearing and permitting the Texas industry's involvement.

#### ANSWERS TO SUBMITTED QUESTIONS

##### **Do you anticipate the Texas growers will continue to contract and market with Mexico for specialty crops?**

Yes, definitely. There are a number of compelling reasons sourcing from Mexico is attractive. First, Mexico has a longer and somewhat different season for some commodities, which means we can prolong our sales period with our buyers by having Mexican product available. This is essential, since the clear emphasis from retailers is on product year around from a given supplier. Secondly, the many problems customarily associated with doing business with Mexico are slowly being "normalized" so more U.S. agribusinessmen are willing to get involved; transportation is improving as well. Third, Mexico doesn't have the shortage of water, labor, and land that we do, at least in some areas. Fourth, Mexican growers/suppliers are constantly getting better at meeting our quality requirements. I do want to clarify, however, that pure growers from the U.S. are not nearly so involved in Mexico as

are U.S. shippers and shipper growers. The simple reason is that pure growers often are too small and lack sufficient resources to play across the border. Doing business in and with Mexico still is tricky; every grower/importer I know has war stories, and for that matter, the Mexican grower/exporters I talk to have plenty of gripes of their own. But the benefits on both side of the frontier are obvious, growing, and much too tempting to abandon.

**Do you anticipate an increase in the state's production of specialty crops in the near future? Why?**

Some commodities may increase under some conditions, but overall I doubt there will be much growth. Watermelons, onions, curiosities like maroon carrots, some greens, maybe cantaloupe, will yo-yo a bit in future years, but citrus looks like it will be stable at about 30,000 acres (assuming no freezes), and other vegetable crops—carrots, cabbage, et cetera—are slowly retreating. Of course, in the past 8–10 years, the Rio Grande Valley has had a fairly severe drought, and there now are indications the drought may be easing. Additionally, Mexico has refused to pay us the Rio Grande River watershed water they owe us under the 1944 treaty. So, water has been a key variable in limiting acreage for some crops.

**Would it help your future PMA showings if the Federal Government paid for your booth entries?**

No. I really wasn't complaining about the Mexican government paying for their pavillion—just wanted to make it clear that Mexico is very serious about capturing as much of the U.S. produce market as it can. The last thing I need is USDA mucking around in the industry's trade show plans.

For some trade shows overseas, it is appropriate for the government to help organize participation and pay the freight, but not for a well established domestic trade show—that's the industry's responsibility.

Thanks for asking, though. I think.

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STATEMENT OF MATTHEW M. MCINERNEY

Mr. Chairman, thank you for the opportunity to testify today concerning domestic agriculture policy for specialty crops. Western Growers commends you for holding this very timely hearing and looks forward to working with the members of this subcommittee and staff on the issues discussed here today.

Today, growers of specialty crops face a crisis of competitiveness that cannot be ignored by Congress and the Bush Administration. As markets become increasingly globalized, as Federal and state regulation of our industry increases, and as trade barriers continue to deny our growers access to foreign markets, it is becoming more and more difficult for growers to compete against foreign producers who are heavily subsidized and/or minimally regulated in both the domestic and international markets.

USDA's Economic Research Service recently issued a report entitled "Agriculture Economy Improves in 2003." This report noted that, in the aggregate across the nation, net farm income is forecast to increase by 14 percent in 2003. However, the report also noted that "not all farm types or regions will experience similar income growth. . . . Producers of specialty crops (vegetables, fruits, nursery) are especially susceptible to higher energy and labor costs (the fastest rising expense categories in 2003). Lower average income is expected for these farms, since modest gains in receipts will not be enough to compensate for higher expenses (emphasis added).

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops that are vital to the health and well-being of all Americans. In addition, with all the concerns about food safety and bio-terrorism today, a secure domestic food supply is a national security imperative. My message to you today is that Federal agriculture policy must be improved dramatically if we are to achieve these critically important objectives. My testimony will suggest numerous ways that Western Growers believes that, working together, we can achieve these goals.

PROFILE OF THE U.S. SPECIALTY CROP INDUSTRY

The U.S. specialty crop industry consists of over 250 different types of crops, including fruits, vegetables, nuts, nursery, forage crops, flowers and winegrapes (see attachment A). This diverse array of crops was valued at approximately \$58.7 billion at the farm-gate level in 2002. The value of specialty crops is further magnified because of the critical role that growers, shippers and processors play in sustaining

the economic vitality of rural areas throughout the nation. Specialty crops are grown in all 50 states and U.S. insular possessions, from Maine to Hawaii, from Alaska to Florida, and all states in between.

In addition to being the largest segment by value of the U.S. agricultural sector, specialty crop growers are large exporters. In 2002, exports of U.S. specialty crops were valued at approximately \$9.3 billion. Thus, specialty crop growers further contribute to the U.S. economy by strengthening our balance of trade with our trading partners. Also, it is important to note that specialty crops face the highest level of import competition among all agricultural crops in the U.S. domestic market, with imports valued at roughly \$11.4 billion in 2002.

As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at \$29.9 billion at the farm gate in 2002, with \$5.5 billion being exported. There are at least 215 different types of fruit and vegetable crops being grown today throughout the United States. According to USDA, there are 81,956 farms that produce one or more types of fruit, and 31,030 farms that produce one or more types of vegetable in the United States (based on the 1997 Census for Agriculture). Although the topics discussed below are applicable to most types of specialty crops, the rest of my statement will focus specifically on fruit and vegetable growers that comprise the membership of Western Growers.

#### CHALLENGES FACING FRUIT AND VEGETABLE GROWERS

While fruit and vegetable crops make a large contribution to our Nation's economy, this economic activity is in jeopardy due to a number of challenging trends facing growers, shippers and processors today. With the increasing globalization of agricultural markets due to the growth in international trade, and dramatically increased Federal and state regulation of our industries, it is becoming impossible for many U.S. growers to compete against heavily subsidized and low-cost foreign producers in both the domestic and international markets. Most importantly, U.S. growers continue to face many tariff and non-tariff trade barriers in foreign markets, including many phytosanitary barriers that are of highly questionable scientific validity.

In essence, fruit and vegetable growers face a "crisis of competitiveness" due to the confluence of a number of trends:

- stagnant export growth due to lack of access to foreign markets;
- heavily subsidized foreign competition;
- rapidly increasing production costs;
- the loss of cost-effective crop protection tools due to the Food Quality Protection Act and other Federal laws;
- increasing import competition from growers in nations with minimal regulation;
- increasing pest and disease problems resulting from the growth of international trade;
- increasing Federal and state regulation, such as clean air and clean water restrictions;
- growers of crops like tobacco and cotton converting their land to fruits and vegetables;
- a proliferation of Free Trade Agreements that do not offer any real opportunities for fruit and vegetable growers to expand exports.

As you can see from this list, our growers face many extremely difficult challenges today. Their ability to remain competitive will be further challenged by the expected reduction or phase-out of crops such as tobacco and cotton, and the expected shift of this acreage to fruits and vegetables. Trends of this nature could put enormous downward pressure on the economic returns of fruit and vegetable growers. We are working with economists to perform an economic analysis of the impact of shifts away from tobacco and cotton into fruits and vegetables. Our preliminary findings which show that there could be substantial adverse impacts on our growers.

I want to stress that growers of fruits and vegetables have very different characteristics and needs compared with the Federal program crops. As such, current agriculture policies do not adequately address the needs of our growers in meeting the challenges outlined above. Given this threat to the economic viability of fruit and vegetable growers and the communities which they sustain, a targeted Federal policy response is essential.

Western Growers believes that Federal agriculture policies should fully recognize the needs of fruit and vegetable growers, shippers and processors. The Federal Government has an important role to play in making sure that our growers can remain competitive in global markets, despite the formidable challenges faced today.

WG has partnered with other organizations to develop a comprehensive approach to Federal agriculture policies that will meet the needs of specialty crop growers. The major areas of this program are as follows:

- grants and loan programs needed for investment in our industry;marketing;
- foreign market access;
- research and extension;
- pest and disease exclusion policy;
- conservation/environment.

The policy proposals that we believe will address these areas are incorporated into the Specialty Crop Competitiveness Act of 2003 (H.R. 3242), which was introduced by Representatives Doug Ose (R-CA), Cal Dooley (D-CA) October 2, 2003, and now has 30 bipartisan cosponsors. I would like to explain the rationale behind the Federal policy changes made by this legislation and provide additional suggestions for the consideration of Congress.

#### SPECIALTY CROP BLOCK GRANT PROGRAM

In 2001, Congress enacted a Specialty Crop Block Grant program as part of Market Loss Assistance legislation approved by Congress. This program has proven to be very successful in providing states with funding needed for investment in research and strategies aimed at increasing consumption of fruits, vegetables and other specialty crops and allowing growers to become more competitive in global markets. Grants authorized by this program have gone to activities like the Produce for Better Health Foundation's national "5 A Day" nutrition campaign. So far, the \$2.5 million grant received from the 2001 block grant program has allowed the foundation to leverage an additional \$16 million in cash and in-kind promotion dollars to promote fruit and vegetable consumption.

While the 2001 block grant program was a good start, there is still a great amount of work to be done to increase consumption of nutritious fruits and vegetables in order to promote healthy eating habits among all Americans, especially children. In fact, the average American is still not consuming the recommended daily servings of fruits and vegetables, as suggested by the "5 A Day" for Better Health program sponsored by the Produce for Better Health Foundation and the National Cancer Institute. Increasing the health of all Americans through greater consumption of fruits and vegetables is critical to improving our quality of life through reduced illness, and also reducing our economic expenditures on health care.

H.R. 3242 builds on the success of the 2001 legislation by establishing a similar program through which the Secretary shall use \$470 million of funds annually for five years for block grants to the agriculture departments of the 50 states. These grants must be used to support production-related research, commodity promotion, food safety and inspection, environmental and other programs that enhance the competitiveness of specialty crop producers. Each state shall receive a minimum of \$2,000,000 for five years. The grant allocations shall be made in an amount that represents the proportion of the value of specialty crop production in the state in relation to the national value of specialty crop production for the previous calendar year. The funds shall not be used to provide direct payments to producers, and would be characterized under the WTO's "green box" category.

By promoting the consumption of fruits and vegetables, this program will boost economic productivity in the U.S., enable growers to become more competitive in world markets, and reduce long-term health care costs related to obesity and other problems arising from poor diets. A study by USDA's Economic Research Service estimated that healthier diets could prevent \$71 billion per year in medical costs, lost productivity and the value of premature deaths associated with coronary heart disease, cancer, stroke, hypertension, obesity and osteoporosis. Moreover, a recent study in the journal Health Affairs estimates that medical spending on problems linked to excessive body weight and obesity in 1998 totaled \$92.6 billion, or 9.1 percent of the Nation's medical expenditures in that year.

#### MARKETING ISSUES

Because of the highly perishable nature of many fruits and vegetables, growers face unique and challenging marketing problems. There are many areas of Federal agricultural policy which can assist U.S. growers in the effective marketing of the crops. More effective marketing will also benefit consumers by increasing the availability of nutritious fruits and vegetables at affordable prices.

Congress and the Administration should work to enhance the functioning of marketing orders and promotion programs as tools for the fruit and vegetable industry to increase consumption and to facilitate marketing opportunities. As you know,

marketing orders are industry self-help programs, in existence since 1938, which are used for collective research, promotion and quality programs. Marketing orders and promotion programs stabilize the agricultural economy, promote agricultural products, protect consumer health, and provide funding for vital research and new product initiatives. These programs benefit both growers and consumers.

However, marketing order promotion programs have come under legal and Constitutional challenges in recent years, and thus the benefits they provide to growers and consumers are in jeopardy. An elimination of marketing order promotion programs would deprive fruit and vegetable growers of the tools they need to remain competitive in today's markets. We need to research and identify new concepts and tools that can assist growers in remaining competitive.

In order to improve the ability of marketing orders to benefit growers and consumers, Federal law should be changed to permit marketing order committees to implement food safety programs. This would allow growers to implement good agricultural practices, good manufacturing practices, and other food safety programs deemed to make fruits and vegetables safe for consumption purposes and free from adulteration or microbial contamination. This change would help meet the public's demand for greater levels of food safety beyond the food safety programs implemented by the government in recent years. Unfortunately, the existing law does not allow growers to adopt food safety programs under a marketing order. Western Growers believes that the law should be amended to give marketing order participants the authority to adopt new food safety programs that would improve on those measures already in existence.

Another marketing issue important to fruit and vegetable growers is the need to increase consumer awareness of the importance of nutritious fruits and vegetables to a healthy diet. While many schools are teaching school children the essentials of a balanced diet, a few school systems are using small garden plots to demonstrate the importance of fruits and vegetables and the process of food production. For example, a recent Washington Post article described how a school garden in Washington, DC, has been successful in achieving these objectives. The Specialty Crop Competitiveness Act will expand on this concept by establishing a pilot school garden program in urban areas of New York, New Jersey, Illinois, Pennsylvania and Michigan. This program will provide school children in these major metropolitan areas with the opportunity to experience the benefits of a school garden.

Another issue that needs to be addressed is the adverse impact on growers and shippers of the USDA inspection scandal at the Hunts Point Terminal Market and the many still unresolved damage claims. Under the procedures of the Perishable Agricultural Commodities Act (PACA), even though the grower/shipper received a damage award, the defendant in the procedure can appeal and receive a de novo hearing in Federal court. In many cases, the damages awarded to a grower/shipper will not pay for the legal proceedings involved. In one case, a shipper received an award of \$1,500 after spending over \$70,000 in legal fees in Federal courts. In other cases, the wholesaler involved in the illegal activity went out of business and the shipper had no opportunity to collect a damage award. In this case, the Federal Government, whose employees were fully or partially responsible for the damages, should pay the award.

Clearly, the current system is not working for the grower/shippers. Because of the de novo procedure, which requires a new trial in a Federal court that entails much costly litigation, many grower/shippers are foregoing the opportunity to obtain damages that resulted from the fraud perpetrated by USDA inspectors.

Western Growers recommends that an arbitration proceeding be created that can be used to resolve this problem for growers related to Hunts Point. In this proposal, the plaintiffs have an option to either submit the complaint to the arbitration panel or proceed through the PACA process, and the plaintiffs would be permitted to terminate their case(s) before PACA without prejudice and re-file before the arbitrator. In addition, this proposal would extend the statute of limitations for filing for damages only for those grower/shippers damaged in the Hunts Point matter.

In order to improve the accuracy and reliability of USDA's inspection and fair trading programs, the Agricultural Marketing Service has established a new National Training and Development Center (TDC) of the Fresh Products Branch. This facility is designed specifically to train Federal and state government inspectors of fresh produce. It is critical that this inspection facility have the resources necessary to properly train inspectors that provide a vital service to growers and consumers alike. Improved training of inspectors is critical to preventing future scandals like that experienced at Hunts Point, and also critical for the expansion of U.S. fruit and vegetable exports. In addition to their training duties, we understand that the TDC staff is also highly trained support personnel for the purpose of administering AMS's Continuity of Operations (COOP) emergency support program.

Western Growers is aware that \$1.5 million is needed annually for the proper operation and maintenance of the TDC facility, located in Fredericksburg, Virginia. We urge Congress to immediately enact legislation to authorize this critical funding.

#### FOREIGN MARKET ACCESS

A full examination of the state of the domestic fruit and vegetable industry would not be complete without some discussion of the impact of specialty crop commerce in today's global marketplace.

With a fruit and vegetable farm gate benefit to the U.S. economy of \$29.9 billion (FY 2002), \$5.5 billion is exported. Fruits and vegetables provide more value to the economy than any other agricultural sector. However, unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance. Over the last several years, the trade deficit for fruits and vegetables has ranged from \$1.3 to \$1.8 billion annually.

Over the last seven years, U.S. imports of fruits and vegetables have increased by almost 60 percent (to \$7.3 billion in 2002), while U.S. exports have increased only 7.3 percent (\$5.5 billion). There are a number of reasons for this, one being the tremendous subsidies which the European Union provides to its industry, which exceeded \$11 billion in 2000. Plus, Japan subsidizes its fruit and vegetable growers, thereby creating incentives to deny U.S. exports entry to its market.

Additionally, the recently completed free trade agreements (FTAs) and those currently in the process of being negotiated are with countries which offer U.S. fruit and vegetable growers very limited export opportunities. Many of the countries are not economically developed enough to be able to afford high value products, and therefore the market for our exports is negligible. The fruit and vegetable industry would like to see FTAs with Asian Pacific Rim countries. While there is some ongoing trade with many of these countries, a significant number have very high tariff rates and significant phytosanitary barriers which greatly limit U.S. exports.

Since the impact of multilateral and regional trade agreements has not materialized into a favorable balance of trade for fresh and processed fruits and vegetables (HTS Chapters 7, 8 and 20), Western Growers has several recommendations that are designed to address this problem and increase U.S. exports.

Congress should direct USDA to conduct a study on why and to what extent U.S. fruits and vegetables (HTS Chapters 7 & 8) have not benefited from the Uruguay Round, and to prepare a foreign market access strategy plan aimed at increasing fruit and vegetable exports that were guaranteed access under the Uruguay Round. Included in the plan should be an assessment of known foreign trade barriers that are incompatible with the Uruguay Round, and a strategy for removing such trade barriers.

Many of the foreign trade barriers that restrict the expansion of U.S. fruit and vegetable exports are bogus phytosanitary problems used by foreign governments to block access to their market. The Technical Assistance for Specialty Crops (TASC) program was established to provide assistance to U.S. growers to engage in research and other activities needed to remove such trade barriers. Western Growers believes that we should immediately accelerate these efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding from \$2 million to \$10 million per year.

Western Growers is concerned that developing countries are being advised by representatives of the U.S. government to plant fruits and vegetables for export to the U.S. Attached is an article from *The Economist* magazine which demonstrates this trend (Attachment C). We believe that the Bush Administration should find other business candidates for assisting developing countries to increase their exports to the U.S. Perhaps the Administration should look at the trade items being manufactured and produced by other countries, such as China, and recommend these products for manufacture and export by developing countries.

It is no secret that the World Trade Organization Sanitary and Phytosanitary (SPS) agreement is being used to open markets. Unfortunately, this appears to be a one-way street. After almost seven years, the SPS agreement is opening U.S. markets without the promise that foreign markets would be open for our products. The problem is that there is a lack of transparency in APHIS SPS priorities. We are not faulting APHIS for the imbalance between the agency's efforts on SPS import petitions verses export petitions. When we claim lack of transparency, we mean the following: how many export petitions are pending before the agency, what is the time frame between resolving an import petition verses an export petition after the risk assessment is completed; and what is the staff allocation between import petitions verses export petitions, etc.

APHIS cannot accomplish our objectives entirely. There are many SPS cases that fail to remove the trade barrier because of a lack of sufficient evidence available to the government. APHIS is not equipped to conduct this work, but the industry, with assistance from other government agencies, could develop the evidence needed to open the foreign market if the resources are made available. We need the expertise and support from these government agencies such as FAS, ERS and ARS. Why should business be held responsible for countries using suspect excuses for preventing our crops from entering these countries when the US is making a major effort to cooperate with the relatively new WTO SPS program? Congress should help the fruit and vegetable industry to adopt a major program to reap the opportunities made possible by the Uruguay Round.

Another recommendation that will promote the growth of exports of U.S. fruits and vegetables is to ensure that a dispute resolution corporation is included in each new trade agreement the United States enters into. While questionable domestic fruit and vegetable trade practices can be resolved under the Perishable Agricultural Commodities Act (PACA), there is no mechanism for arbitration with international trade problems, other than the dispute resolution corporation (DRC) established under the North American Free Trade Agreement (NAFTA). The NAFTA DRC provided for the establishment of a tri-national fruit and vegetable dispute resolution body whereby policies, standards and services necessary for resolving disputes could be handled in a timely and cost-effective manner. The NAFTA DRC has been particularly helpful in facilitating trade in perishable commodities among the three NAFTA countries and has led to fair and consistent trade practices. This method of adjudication has proven very effective for the NAFTA countries and will provide a means for promoting international trade in fruits and vegetables with other nations if incorporated into future trade agreements. This, in turn, will help U.S. growers to be more competitive in world markets.

Another important component of a comprehensive strategy to increase exports of U.S. fruits and vegetables is to establish a new USDA office that will focus solely on representing U.S. grower interests in international matters concerning intellectual property rights (IPR). We recommend that USDA establish an office for encouraging the development and protection of intellectual property rights for plants. This office will be directed to work closely with the Office of Patents, Trademarks and Copyrights at the Department of Commerce in implementing these goals.

Finally, Western Growers would like to thank the members of this subcommittee and the full House Agriculture Committee for their strong support for the Market Access Program (MAP). This program has proven to be very successful in assisting U.S. fruit and vegetable exports to be more competitive in world markets. It is critical that Congress fund MAP at the maximum authorized level, and we urge you to continue working with your colleagues on the Appropriations Committee to provide this invaluable investment in our industry.

#### SPECIALTY CROP RESEARCH

As U.S. specialty crop growers try to remain competitive with other sources of fresh produce, being able to economically produce crops and avoid environmental damage is critical. In the face of increasing scrutiny over the impact of agricultural practices on air, water and soil quality and endangered species, production costs for growers have been increasing rapidly. The loss of effective crop protection tools due to the enactment of the Food Quality Protection Act has also resulted in increased production costs. Thus, focusing USDA research and resources on identifying and developing economical and environmentally sustainable solutions to the challenges facing today's growers is vital for this sector of the industry to remain competitive.

A prime example of this is the need to develop safe and cost effective alternatives to methyl bromide as its use is phased out under international agreements. Western Growers urges Congress to direct USDA to prioritize methyl bromide alternative research and extension activities, which identify—with growers and the crop protection industry—the hurdles, both scientific and economic, to registration of alternatives. The development of any alternative technique to methyl bromide must include analysis of the cost to the grower or processor associated with the new technique, and how the cost will relate to international trade, especially in competition with countries not prohibited from using methyl bromide. Western Growers recommends that funding be authorized for competitive research and extension grants to identify and assist in bringing cost-effective alternatives to market, as well as for demonstration projects for specialty crops.

In addition, with the development of new scientific information on methyl bromide's impact on the environment, we also believe that it makes sense for Congress to reexamine the risks and benefits of extending the current phase-out deadline.

## PEST AND DISEASE EXCLUSION

With the increase in international trade that we have seen in recent years, and which we expect to see more of in the near future, comes increased threats to U.S. fruit and vegetable crops from invasive pests and diseases from abroad. In order to meet these increased threats, greater levels of assistance and resources are necessary from the Animal and Plant Health Inspection Service (APHIS). APHIS is not only responsible for ensuring that imports will not add to the pests already in the U.S., but also is instrumental in helping U.S. producers find solutions to phytosanitary concerns of importing countries so that U.S. growers can export.

Western Growers believes that APHIS must work to become a model of how petitions for importing fruits and vegetables into the U.S. are evaluated. In our experience, the phytosanitary trade barriers of other countries which block U.S. exports are often not based on valid scientific evidence, but are merely thinly disguised protectionist measures. Unfortunately, APHIS is in a similar position when decisions on import petitions are subject to political and other pressures. Any effort to strengthen and increase the transparency of APHIS's process for evaluating import petitions will ultimately help the U.S. to increase exports by providing other nations with a model on how to evaluate phytosanitary matters.

As the arena of pest risk assessments and measures for pest exclusion are rapidly developing, Western Growers recommends that Congress enact legislation that requires APHIS to develop a process whereby critical decisions are subjected to scientific peer review. We believe this is essential in order to ensure that the best science available is being used to make regulatory decisions regarding pests and diseases that can devastate our industry. Other government agencies have successfully utilized a peer review mechanism, notably the Environmental Protection Agency, and we believe it is now time for APHIS to follow suit.

Also of concern to fruit and vegetable growers is the potential of increased introduction of new pests with the changed focus for border protection in the United States. With the formation of the Department of Homeland Security (DHS) and its focus on protecting the American people from terrorism, Western Growers fears that the need to focus on preventing the introduction of harmful pests and diseases into the U.S. could be lost or compromised. The DHS's current plans to train the front-line inspectors (one-face-at-the-border program) require only 2 days for training on agricultural inspections out of 71 total training days. In contrast, under APHIS's management of this responsibility, agricultural inspectors underwent 3 months of training and had to have a degree in biology. Needless to say, we do not believe that 2 days of training is adequate.

APHIS already has been unable to keep up with the increasing trade of agricultural products and other goods that may carry pests, as well as the increased number of foreign travelers. Each new pest that is introduced in the U.S. increases the cost of production and closes potential export markets for our growers. It is critical to the health and competitiveness of the fruit and vegetable industry to maintain strong protection of U.S. borders against the introduction of harmful pests.

## PLANTING FRUITS AND VEGETABLES ON SUBSIDIZED ACREAGE

Western Growers strongly supports the current policy of prohibiting fruits and vegetables from being grown on subsidized acreage enrolled in the USDA farm programs. This is essential to ensure that growers of fruits and vegetables who do not receive subsidies are not put at a competitive disadvantage or subject to the disruption of produce markets due to artificially imposed signals arising from changes in government policy.

Along with other produce organizations, WGA worked hard to ensure that Congress abided by this policy in writing the 1990, 1996 and 2002 farm bills. The 2002 farm bill prohibits the harvesting of fruits and vegetables on all USDA contract acres, with certain narrow exceptions specified in the law. WG will strongly oppose any new legislation that would allow subsidized producers to compete against non-subsidized growers in the production of fruits and vegetables.

Western Growers remains committed to ensuring that the fundamentally fair policy of prohibiting subsidized growers from competing against growers who do not receive government assistance in fruit and vegetable production remains the law of the land, and that the law is effectively enforced. Our growers face enough challenges competing against subsidized producers in foreign countries without having to deal with the same problem among U.S. growers. Growers already have maximum flexibility to grow fruits and vegetables as long as they are willing to forgo Federal program subsidies.

Again, Mr. Chairman, thank you for the opportunity to testify at this important hearing. Western Growers looks forward to working with you and your colleagues

to improve Federal agriculture policy for specialty crop growers through the Specialty Crop Competitiveness Act of 2003 during the 108th Congress.

## ATTACHMENT A

## U.S. SPECIALTY CROP ECONOMIC VALUES—2002

(FIGURES IN BILLIONS OF DOLLARS)

## TYPE OF SPECIALTY CROP/ FARMGATE VALUE

Fruits, Vegetables and Nuts \$29.9  
 Forage (hay, pasture, seeds, and minor field crops, hops) \$12.5  
 Nursery \$9.4  
 Floral Industry \$4.9  
 Winegrapes \$2.0  
**Total \$58.7**

## ATTACHMENT B

## COMPARISON OF ECONOMIC VALUES SPECIALTY CROPS AND PROGRAM CROPS

## Category/Specialty Crops/Program Crops

(IN BILLIONS U.S. \$ FOR FISCAL YEAR 2002)

Farmgate Value/\$58.7/\$47.9  
 Farmgate Export Value/\$9.3/\$22.2  
 Value of Imports/ \$11.4/\$3.9  
 Free Trade Agreement Benefits/No/Yes

SOURCE: USDA/ERS; USITC Trade DataWeb

## ANSWERS TO SUBMITTED QUESTIONS

**In your testimony, you stated that the administration should focus on FTA's with the Asian Pacific Rim countries. Can you elaborate on this suggestion and explain why some of these FTA's will be beneficial to the U.S. specialty crop industry?**

**Would greater market access to the Asian Pacific Rim countries open up increased market opportunities to U.S. specialty crop producers?**

Tariffs on a number of fresh vegetables, such as carrots, broccoli, cucumbers and lettuce, in many of the Asian Pacific countries range from 27 percent to 40 percent. In some of these countries, such as Japan, where the tariffs may not be so high, there are phytosanitary problems which block U.S. exports. For example, Japan's interpretation of "official control" policy results in damaging fumigation of U.S. lettuce imports for a number of pests which officials at the Animal and Plant Health Inspection Service have confirmed exist in that country.

Even with these trade problems, Japan, Taiwan and South Korea currently rank in the top ten countries importing U.S. fresh fruits and vegetables. Asian consumers like the quality and freshness of our products, and we believe that if the trade restrictions were removed, our exports would increase several fold.

**You mentioned in your testimony that the PACA provides a resolution to questionable fruit and vegetable trade practices, but there exists no mechanism for dispute arbitration with international trade problems. Can you elaborate on what you would like to see in place to solve these problems?**

Currently, the only practical mechanism for arbitration with international trade problems for fruits and vegetables is the Dispute Resolution Corporation (DRC). This was established by the North American Free Trade Agreement (NAFTA). The NAFTA DRC is a tri-national fruit and vegetable dispute resolution body whereby policies, standards and services necessary for resolving disputes can be handled in a timely and cost-effective manner. The NAFTA DRC has been particularly helpful in facilitating trade in perishable commodities among the three NAFTA countries and has led to fair and consistent trade practices. This method of adjudication has proven very effective for the NAFTA countries and will provide a means for promoting international trade in fruits and vegetables with other nations if incorporated into future trade agreements.

Western Growers believes that including a dispute resolution mechanism like the DRC in NAFTA for fruits and vegetables in all future FTA's will promote the growth of U.S. exports. This will ultimately help U.S. growers be more competitive in world markets.

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### STATEMENT OF KATHERINE A. MEANS

Thank you, Mr. Chairman, for your attention to U.S. policies related to specialty crops, and for the opportunity to present the views of the Produce Marketing Association today. We will be happy to work with you and the members of the subcommittee and staff in any way that you find useful. Our resources are at your disposal.

PMA is the largest global not-for-profit trade association representing companies that market fresh fruits and vegetables. Our 2,400 members range from grower-shippers and supermarket retailers to hotel and restaurant chains and overseas importers. Within the United States, PMA members handle more than 90 percent of fresh produce sold at the consumer level. The association is funded primarily by members' dues, revenues from exhibits, product sales, and meeting registrations.

PMA's purpose is to sustain and enhance an environment that advances the marketing of produce and related products and services. We also offer consumer outreach through our consumer Web site, *www.aboutproduce.com*. 0

My purpose today is to focus on how, working together, we can implement public policy that not only shores up a vital U.S. industry but also advances the health of this nation by further ensuring a safe, affordable, nutritious supply of fresh fruits and vegetables. Congress and Federal agencies have begun good work in this area in many ways, and I encourage everyone involved to continue further advance this good work.

Our industry is actually many industries that are highly inter-related. We grow a wide variety of specialty crops in all 50 states that are sold in stores and restaurants in all 50 states and consumed in all 50 states. We are an integrated supply chain from seed to store and restaurant that uses the services of many other industries such as transportation, technology, marketing services, consumer outreach, and more. Our products are perishable and our markets are sensitive, even volatile at times. We operate in a fairly pure economic system that responds to supply and demand. We are affected by news reports, trends and fads, and the global marketplace.

Many of my colleagues testifying today will offer specifics about the size of our industry, and I commend their information to you without repeating it here. They will offer specifics about various policy options that can enhance the viability and visibility of our industry. I will briefly touch on some of those topics, but my main intent is to bring to your attention the economic and public health benefits you can bring to reality for this industry.

This is one of those rare times when supporting the economic health of an industry can directly impact public health for the better. Policies that even the playing field, provide strong tools for industry players, and create new opportunities to deliver fresh fruits and vegetables to the public, particularly to children, will spur both economic and public health.

An even playing fieldThe fresh produce industry is full of fast-paced marketing innovators who take risks with their eyes wide open. The vagaries of weather, the latest consumer trends, labor availability, global access issues, and harmonization throw wild cards into what might appear to be a simple industry, one that grows and markets fresh produce. The industry willingly accepts the risks that go along with fresh produce production and marketing, yet I think we can better even the odds with some key policy direction. The players in this business are not looking for hand-outs, they are looking for even-handedness.

- Ensure that the uniqueness of the fresh produce industry is recognized in government programs. These high-value, high-input, highly perishable crops are very different from other crops, and the Federal programs that serve this industry need to be tailored to those needs. Increasing the limits on loans that USDA can offer specialty crop producers would be one way to recognize the differences of this industry because it would take into account the higher input needs and greater risk associated with fresh produce production. In addition, we recommend that appropriate parties review and assess whether programs open to U.S. agriculture in general meet the needs of and are being used by the specialty crop industry, making any adjustments as necessary.

- Fund additional research into global access issues for U.S. producers. Government research into export markets and opportunities already helps U.S. exporters

understand potential markets to a certain extent. Additional research into those markets could help exporters better understand issues such as safety/security requirements, marketing/labeling issues, consumer demographics and trends, financial considerations, even specific guidance on doing business in other countries.

- Assure sufficient funding for USDA, FDA, and other Federal programs that are needed at the border for exports and imports. Import-export programs are essential to assuring the safety of the food supply and the agricultural production environment, and they need to be highly responsive to this industry where markets can change by the hour.

Strong tools for industryOur industry is made up of highly competitive companies that seek every edge they can get. Although many of these “competitive edge” factors are unique to the companies, and they would like to keep them that way, there are a variety of tools the Federal Government can provide to enhance the overall competitiveness of the industry.

- Support research initiatives that give the industry the information resources it needs to improve its practices and compete in an ever-changing and ever-challenging global marketplace. Whether they involve technology, marketing, product development, or food safety/security issues, research programs offer information tools that smart produce marketers will use to become more efficient and more productive, which could result in more abundant and cheaper fresh produce for consumers.

- Expand research into new areas that address marketplace concerns. One of consumers’ greatest complaints about some fresh produce items is taste. If every piece of produce tasted delicious every time, consumption would skyrocket. Research into taste issues would help equip the industry to respond to that demand. Another consumer demand is convenience. Research into more ways to offer produce in convenience packs would help answer that need. Helping the industry respond to consumer demands will increase consumption and enhance public health.

- Ensure that U.S. producers have access to the best information and crop protection tools. Research into crop protection, including integrated pest management, sustainable agricultural practices, and replacements for crop protection tools that are being phased out or are no longer available is critical to maintaining a competitive specialty crop industry. Such research will also benefit the environment.

- Enhance an already-safe food supply. Pathogenic contamination of fresh produce is rare, yet even one foodborne illness outbreak linked to fresh fruits and vegetables is too many. In the interest of public health, provide research into and information on effective practices to reduce microbial pathogens for industry and consumers. PMA actively supports the Partnership for Food Safety Education and its Fight BAC program. We commend the Federal agencies for their commitment and drive in this important public-private consumer education program that teaches everyone about safe food handling practices.

Creative opportunitiesSometimes opportunities knock; sometimes they need to have the door pushed open just a little bit; sometimes they appear out of nowhere. Having flexible resources and a mindset open to opportunities allows government and industry to seize those opportunities and make the most of them.

- Expand the successful block grants for states program. By providing additional funding to states, Congress can offer the flexibility needed to address diverse issues across a diverse industry. As I mentioned, we are many industries linked together, and each state agriculture department will be closer to the issues that affect the industry sectors in that particular state and the solutions, such as research, promotion, or other programs that will enhance the competitiveness of those sectors. The success story I’m about to relate about how block grant money was transformed by the 5 A Day program into significant consumer education is only one example of the good these grants can do.

I call your attention to this specific success story. This opportunity involves a little push by the Federal Government and an open mindset on the part of state governments.

The Produce for Better Health Foundation (PBH) is a consumer education foundation seeking a healthier America through increased consumption of fruits and vegetables. PBH is a member of the National 5 A Day Partnership, consisting of government agencies, nonprofit organizations, and industry working in collaboration to expand the 5 A Day for Better Health program, which is the Nation’s largest public-private, fruit and vegetable, nutrition education initiative with 5 A Day coordinators in each state, territory, and the military.

To move more fruits and vegetables onto America’s plate, PBH launched “5 A Day The Color Way,” an innovative, multi-faceted campaign to promote healthier eating. The campaign, launched in October 2002, urges consumers to eat a colorful variety of fruits and vegetables. This creative program has captured the attention of produce marketers and consumers alike. Its development and implementation has

been made possible with specialty crop grants from California Department of Food and Agriculture, Florida Department of Agriculture and Consumer Services, and the Arizona Department of Food and Agriculture. Those grants came from the block grants authorized by Congress.

The results are significant. To date, \$16 million in leveraged funds have been spent on implementation of the Color Way campaign, representing a superb return on the initial \$2,565,000 investment from the 2001 block grant program.

Between January and August of 2003, the campaign made nearly 500 million consumer impressions through industry activities (supermarkets and marketers), school curriculum, health professionals, and a television public service announcement. The industry is also on board with this program, adding further reach. Many companies have supported the Color Way campaign. To date, the in-kind value of distribution of 2.8 million Color Way Guides, alone, is worth \$400,000. The estimated value of in-kind industry activities, from January-August, 2003, surpasses \$1 million.

Another activity involves the Salad Bars and Salad Options Project in Florida. The project's goal is to implement a pilot salad bar and salad options program that can be sustained in future years without PBH intervention. The first year of the pilot was tested in 12 elementary, middle, and high schools in four Florida school districts in 2002–03 school year. Materials to augment project, including bookmarks, book covers, foodservice promotional handbook, table tents, posters, and signage were developed. Florida School Foodservice Pilot Project best practices training models were developed and distributed to new school districts involved in a second year expansion of the pilot, school year 2003–2004.

The year one plate waste study showed a fruit and vegetable consumption increase of 9–31 percent. The overall evaluation showed a mean fruit and vegetable consumption increase of 6 percent for all schools. Departments of Education have requested Florida pilot materials to start their own salad bar and salad option program for school year 2003–2004, based on the outcome of the Florida project.

The “percent A Day The Color Way Color of Life Public Service Announcement,” paid by the Arizona Department of Agriculture Specialty Crop Grant was distributed to 1,000 television stations nationwide in early February. At the heart of the spot is the message, “Eat your colors every day to stay healthy and fit.” The total leveraged dollars to support the PSA development and distribution were a \$203,000 grant from Arizona Department of Agriculture, again from the block grant program, and a \$60,000 industry sponsorship. From February through August, the PSA reached nearly 80 million viewer impressions with an in-kind advertising value of about \$1.5 million.

- Work to enhance Federal marketing orders. Just as the block grants to states put the financial resources in the hands of the people closest to the issues at the state level, strong and effective marketing order programs allow resources to be focused on a particular crop. Who can better decide about production programs, marketing initiatives, or research activities than the producers themselves, organized through a marketing order? Some PMA members are marketing order organizations, and many members are served by marketing orders. Not only are these important to producers of the covered commodity, they are important in the marketplace as a whole because they provide research, statistics, product enhancements, promotion and marketing opportunities, and programs aimed at consumer to boost consumption. Here again, the synergy between a healthy industry and a healthy America comes to the fore.

- Seize opportunities to maximize the use of existing Federal expertise by allowing private-sector use, including fee-for-service use. A PMA wholesaler member spoke with me recently about the Agricultural Marketing Service inspection training center in Fredericksburg, Virginia. This facility, which trains USDA inspectors, is also used by industry members who want to do a better job of inspecting produce themselves. Having attended the training at Fredericksburg, this member then sent many other individuals from his company to the training. Another member called me to ask whether I knew of any inspection training resources. I did not hesitate to recommend the Fredericksburg center. It is in the government's best interest to fund this strong program for its own purposes, and having such a credible resource for industry to use.

- While speaking of training, PMA—through its Fresh Produce Academy—stands ready to assist USDA in providing hands-on training to school foodservice personnel. This will help ensure that the additional produce making its way into our schools will be served in the freshest, tastiest, and most nutritious state possible. We are now beginning discussions with USDA on this subject.

The synergy created within programs that exist and those that can be created demonstrate the power and effectiveness of Federal programs on our industry. The efforts made at the policy level are multiplied at the business and consumer level

to establish a competitive industry and a healthy nation. Thank you for your attention to this important issue and for offering me this time to speak. The Produce Marketing Association is eager to help you in any way we can. Please do not hesitate to call on us at any time.

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#### STATEMENT OF JOEL NELSON

Good morning Mr. Chairman, members of the subcommittee, my name is Joel Nelson and I am president of California Citrus Mutual (CCM). We are a citrus producers trade association with a voluntary membership of an estimated 1500 growers. Our industry consists of approximately 3000 growers most of which are family farmers. On an annual basis they produce almost a billion dollars worth of citrus on approximately 300,000 acres located throughout California.

The industry employs 14,000 people with an annual wage of \$465 million. In addition another 11,000 people are dependent upon our industry for their job and their productivity adds another billion dollars to the state's economy. As my colleagues and I divided up responsibility for this important hearing I volunteered to offer thoughts on two subjects.

One is the inclusion of a peer review mandate in HR 3242, the Specialty Crop Competitiveness Act of 2003 coauthored by Congressmen Cal Dooley and Doug Ose. The second is a proposal from the Department of Homeland Security that has been named "One Face at the Border."

#### PEER REVIEW

In 1998 our industry became painfully aware that USDA was moving forward on a rule making that encompassed several innovative proposals based on science formulated by the department. When challenged as to the soundness of the scientific foundation USDA responded that they were the final arbitrators of science in this area. As an industry we did not accept this response. A lengthy high profile political drama unfolded for over two years that ranged from the halls of Congress, over to the State Department, the office of U.S. Trade Representative and up to the Vice President's office in the Clinton Administration.

Simultaneously a scientific debate raged within the regulatory process. Our experts challenged the department's staff who responded equally as strong. Eventually we lost the political battle. This allowed the regulatory process to be completed unsatisfactorily in our view. We then opened the legal venue and after another two years emerged victorious.

The machinations around that victory continue and it has empowered other commodities to challenge USDA's role as the sole entity determining scientific efficacy in facilitating imports from pest and disease infested areas. Additionally USDA facilitated another citrus oriented rule that in our view repeats the mistakes of the previous effort. That too is now being challenged in court.

I bring this to the chairman's attention because it could all have been avoided. To paraphrase an old melody, FDA does it, EPA does it, Fish & Wildlife Service does it and NOAA does it; to name a few Federal agencies that do it. Several California government entities do it. What is it? It is peer review.

In 1995 then Columbia University Provost Jonathon R. Cole stated: "peer review has been an essential part of the American science scene and one of the reasons why American science has done so well." In 1999 the General Accounting Office wrote: "To help ensure the quality and integrity of the research, U.S. science has traditionally relied on independent reviews by peers." Earlier this year the Office of Management & Budget issued a proposal urging all government agencies, if they had not already done so, to implement a peer review process for regulatory decisions based on science.

In the statement announcing this policy direction OMB's Dr. John Graham stated: "fewer lawsuits and a more consistent regulatory environment" are the end result. Mr. Chairman CCM wholeheartedly supports this position and I have attached our comments to the Office of Information and Regulatory Affairs on this subject.

Federal rules "based on science" are being challenged to a greater degree thereby lengthening the rule making process. As we move more and more into cutting edge arenas peer review will reduce the length of a process, eliminate controversy, reduce political pressure, eliminate or reduce litigation and provide a valuable tool for government, not a tool against it.

That's why Sec. 502 of the Specialty Crop Competitiveness Act was written. There is a correlation between pest infestation growth and recent changes in the United States import policies. The adoption of a managed risk concept by our government

and the foreign policy direction to assist those countries economically by facilitating more imports to the United States has added risk to our producers and placed more pressures on our pest exclusion program.

Producers, admittedly, are skittish about the competition but more importantly they are sensitive to infestations and subsequent quarantines, which causes loss of marketing opportunity both domestically and in the export arena. USDA is being challenged, USTR is being challenged, the State Department is being blamed and you and your peers are placed in a political box. Peer review is a tool for government and more specifically USDA. Notwithstanding concerns expressed by our friends at the Department this tool must be included in the Specialty Crop Competitiveness Act.

#### ONE FACE AT THE BORDER

Which takes me to my second subject, the DHS proposal to have "One Face at the Border" for inspections. It is being couched as a more efficient use of resources, specifically manpower at key border stations. Presently well trained personnel and animals are searching for drugs, contraband plants, illegal documents and terrorist related articles at points of entry into the United States.

When Congress transferred the authority of APHIS/PPQ to the new department agricultural stakeholders were concerned that eventually a dilution of our pest exclusion capability would result as the emphasis for plant interdiction and inspection would be placed on terrorist related articles. "Eventually" has occurred much sooner than anticipated.

I ask you to recall the testimony of Commissioner Robert Bonner on October 16th to the House Select Committee on Homeland Security. DHS is "repackaging" our border inspection process in an effort to strengthen our defenses against terrorist activities. This cannot be argued against and as one who was boarding a plane on September 11 when the flight was subsequently canceled I applaud our President's efforts in this area. But we cannot allow an unintended consequence to occur and in my view the dilution of agricultural inspection services is an invitation to more pest introductions, more quarantines, more eradication efforts, more costs and more impacts on our economy.

Mr. Chairman, in the interests of efficiencies we cannot allow these unintended consequences to occur. A dog cannot sniff for every need; an individual cannot look for bugs, drugs, residues and documents simultaneously. Being able to handle a multitude of tasks is one thing, but this simply raises concerns about the quality of inspections. Several years of experience and education cannot be acquired in 16 hours of training.

I don't think it is a coincidence that there has been a significant drop in the number of interceptions forwarded for identification to USDA labs in the past 10 months. To be sure the 75 percent reduction can be attributed to reduced tourism but not in its entirety. I submit the importation of food products is as normal today as it was prior to September 11 and for some commodities it has increased. I believe an argument can be made that while the number of personnel inspecting is increasing their focus on agricultural related inspections has decreased.

Mr. Chairman we're playing with fire. I can supply you with hard numbers from California's Department of Agriculture related to exotic pest invasions. The numbers are staggering. More zero's will be added if one includes Florida, Texas and other states. At one time, in the interests of efficiency there was a process for secondary inspections for example. That is an Ag inspector was not always on the premises but Customs or whomever could arrange for the proper inspection in a timely fashion. That process has been eliminated.

In conclusion I repeat my request, the fresh fruit and vegetable industry urges the House Agricultural Committee to conduct hearings with Department of Homeland Security officials, our own APHIS/AQI officials and determine whether we are maintaining the integrity of our pest exclusion system. This transfer of authority may, and I emphasize the word may, may not lead to the desired results.

Mr. Chairman, I thank you once again for this opportunity to offer thoughts on a couple of key issues effecting the Nation's specialty crop industry. I am available to respond to any questions you may have today on these subjects or in the future.

#### ADDENDUM

In response to the request for added information on the scientific concerns specific to CCM testimony before the House Agricultural Sub-Committee I have attached a paper summarizing the two issues in question. Again, CCM reiterates the delay in rule implementation and the controversy could have been avoided had a peer review process been implemented at USDA/APHIS.

There is no question that lost marketing opportunity results from an infestation and subsequent quarantine. The opportunity lost is not limited to export markets however. Product is forbidden from entering into any state/area in which potential host commodities are produced. Thus, in California's case we could be limited in our ability to market fruit in Texas, Florida, Arizona, Oregon and other states that produce fresh fruits and vegetables.

This lost marketing opportunity ultimately effects the local economy. Wages lost, the "ripple effect" of reduced revenue in rural economies and state revenues is the end result. USDA/APHIS firmly believes that their science is correct. A peer review will ratify this viewpoint thus state and industry stakeholders can have a higher comfort level with a proposal.

However, should a rule have flaws state government and stakeholders are more susceptible to pest/disease introductions. Better to have those flaws identified prior to rule implementation and avoid the eradication costs and subsequent quarantines.

A peer review policy and process can run on a parallel track with a rule making. It can also be done prior to the issuance of a formal proposal. APHIS will argue that this would lengthen the development of a rule to an unacceptable time frame. We submit stakeholder comments; hearing requirements and post hearing activity will be significantly reduced once a peer review is included in the rule making process thereby reducing the time for a rule making.

The issue of cross training as it relates to the Department of Homeland Security policy for agricultural inspection remains a point of concern. CCM expressed considerable dismay at the hearing on the "One Face at the Border" proposal by DHS. One individual responsible for all aspects of border security whether it is agricultural pests, drugs, terrorists or documentation; is overload at best and dilution of our exclusion system at worst.

It's apparent that DHS is beginning to understand the importance of not weakening the existing border pest/disease exclusion system. CCM and others have become aware of an evolving policy that will satisfy many concerns expressed. Words on paper, however, is not policy implemented and we continue to believe that the Agriculture Committee must be very aggressive in its oversight of AQI activities within DHS.

For example the senior PPQ position will soon become vacant. Industry strongly believes that the replacement should be an individual already experienced with the AQI program.

While extremely important we remain concerned that existing border security priorities will overshadow the continued need to focus on pest and disease inspections. On site training, two days of training for the existing 18,000 security personnel, extra training for senior management and the maintaining of existing agriculture inspection locations is all part of the new DHS program.

But how is all that to be implemented and in what time frame? What will be the interaction between existing DHS personnel and AQI leaders? How will requests for secondary inspections really work? Will Ag Specialists have autonomy?

We are encouraged that the original "One Face at the Border" proposal is being modified. Nevertheless we believe DHS should establish an "advisory team" consisting of industry and state stakeholders to assist in this transition effort. If nothing else it could become an effecting communications vehicle for distributing accurate information as to the status of the pest/disease exclusion system.

"Cross"training" is an efficiency buzzword. The committee must assist industry in assuring that there is substance to the effort.

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#### STATEMENT OF TOM STENZEL

Good morning Mr. Chairman and Members of the Committee. My name is Tom Stenzel and I currently serve as President and CEO of United Fresh Fruit & Vegetable Association (United). I greatly appreciate the opportunity to testify this morning on behalf of the U.S. fruit and vegetable industry.

As the national trade association representing the views of producers, wholesalers, distributors, brokers, and processors of fresh fruits and vegetables, United has provided a forum for the produce industry to advance common interests since 1904. Over the years, the produce industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, conform to new technology, and compete in an increasingly global market place. While the perishable nature of our products present unique challenges and highly volatile markets, the industry has not relied on traditional farm programs to sustain the industry. Rather, we have relied on the economics of supply and demand. However, many of the

economic stresses inherent to other commodity sectors are impacting the fruit and vegetable sector as well as other issues unique to our industry.

#### TODAY'S PRODUCE INDUSTRY<sup>1</sup>

The Face of the Produce Industry in 2003—The U.S. fresh fruit and vegetable industry is focused on adding value and decreasing costs by streamlining distribution and understanding customer needs. This dynamic system has evolved towards predominantly direct sales from shippers to final buyers, both food service and retail, with food service channels absorbing a growing share of total volume. The makeup of the industry is also changing as more produce companies introduce value-added products like fresh-cut produce, designed to respond to the growing demands for convenience in food preparation and consumption. In turn, fresh produce also continues to be a critical element in the competitive strategy of retailers, and its year-round availability is now a necessity for both food service and retail buyers.

Fresh fruit and vegetable products move quickly through the marketing system to combat spoilage. After harvest, fresh produce is handled and packed either by a shipper or grower-shipper. Produce grown in the United States may be exported, or sold direct to consumers, retail stores, or foodservice establishments. Sales from grower-shippers to retailers and foodservice establishments might be mediated by wholesalers or brokers, or might occur directly. These marketing channels have undergone considerable change since the late 1980's. Prior to 1987, fresh fruit and vegetable markets were more fragmented; most transactions took place between produce grower-shippers and wholesalers on a day-to-day basis, based on fluctuating market prices and quality levels. Today, a typical produce sale may take place between a multi-product grower-shipper and a large supermarket retailer under a standing agreement or contract specifying various conditions and terms, including marketing services provided by the grower-shipper, volume discounts, and other price adjustments and quality specifications. Changes in these marketing services coincided with the growth of value-added and consumer-branded products, increasing variety, consolidation of food wholesalers and retailers, the expansion of the foodservice sector, and the greater role of produce imports and year-round supply.

Grower-shippers serve a number of domestic produce customers, including wholesalers, self-distributing retailers, foodservice firms, and direct markets. The share of fresh vegetable purchases by wholesalers was estimated to vary from 35 to 55 percent in 1994, by retailers 20 to 40 percent, and by foodservice establishments 25 to 45 percent.

Distribution is the Key—Because of produce's highly perishable nature, the industry's distribution system has evolved in order to move product quickly and efficiently from the major production areas to the retail markets. A number of different, often competing industries form the produce distribution system that procures, packs, ships, warehouses, facilitates transactions between buyers and sellers, and distributes to local retailers and foodservice outlets. After being harvested, fresh produce is handled and packed either by a shipper or by the grower. For instance, bulk lettuce is often washed and packaged in the field; grapes are pre-cooled and shipped; and potatoes are stored, packed, shipped, and often repacked near the point of harvest. To estimate the value of fresh fruits and vegetables at the production level, these handling and packing costs are added to growing costs to derive the total value of fresh produce before it is shipped to market. Because the production of fresh produce is highly integrated with the harvesting, packing, and shipping systems, production values are estimated using the shipping point, or f.o.b. (free-on-board), values.

Fruit Production—The Nation's largest fruit-producing states are California, Florida, and Washington. Based on data from the National Agricultural Statistics Service, 48 percent of 2000 fruit acreage was in California, 24 percent in Florida, and 8 percent in Washington. Michigan, New York, Oregon, Pennsylvania together accounted for 10 percent.

California is the largest producer of grapes, strawberries, peaches, nectarines, and kiwifruit. The State is also a major producer of a variety of other non-citrus fruit like apples, pears, plums, and sweet cherries and second in citrus production. California's fruit-friendly climate gives it an advantage over other fruit-producing states. Florida's primary fruit crop is citrus. Washington is the largest apple producer and an important producer of grapes and pears.

Most fruits are grown to serve both fresh and processing markets. The fresh-market sector accounts for about half the value of U.S. fruit production, with over three-quarters of that generated by non-citrus fruit production. California's production accounts for more than one-fourth the value of all fresh fruits.

The fresh fruit industry relies heavily on export markets for sales, with an average of 16 percent of available supplies exported during 1995–2000. In value terms, fresh fruit leads total U.S. fruit exports, with about \$2.0 billion in sales annually, just over 50 percent of the total fruit (excluding tree nuts) export value. Canada is the leading destination for U.S. fresh fruit, generally accounting for over a third of all fresh fruit exports. Other major markets are Japan, Mexico, Taiwan, and Hong Kong. These five countries purchased 76 percent of U.S. fresh fruit exports in 2000.

In value terms, apples (\$368.3 million) led U.S. fresh fruit exports in 2000. The apple industry has actively pursued export markets, as relatively stagnant domestic demand has coincided with expanded production. The same is true for grapes and oranges, the second and third-ranked fresh exports (\$360.0 million and \$300.5 million, respectively). Exports accounted for 25 percent, 19 percent, and 23 percent of domestic supplies of apples, grapes, and oranges respectively in 2000. The percentage of domestic supplies that is exported has increased for apples over the last two decades, but has declined slightly for grapes and oranges.

While growth in U.S. fruit exports has been strong, the United States has remained a net fruit importer. U.S. fruit imports also grew during the last two decades, due in part to the growing ethnic population in the United States and the increased demand for new products. Not only have imports expanded for commodities already produced domestically, creating competition for U.S. producers, but imports have also increased for new items, such as tropical fruit.

Imported fruit has become increasingly important for domestic fresh fruit consumption. Of the various fruit and fruit product categories, growth in U.S. fruit imports has been the strongest in fresh fruit. Fresh fruit imports as a share of domestic consumption rose from 35 percent in 1990 to 42 percent in 2000. Bananas claim nearly 70 percent of the volume of fresh fruit imports. Without bananas, fresh fruit imports rose from 12 percent of domestic consumption in 1990 to 19 percent in 2000. Sold year round in the domestic market, bananas rank number one in U.S. per capita fresh fruit consumption, followed by apples and oranges. To meet domestic demand, virtually all bananas are imported, primarily from Costa Rica, Ecuador, Colombia, Guatemala, and Honduras. Excluding bananas, fruit imports rose an average 10 percent annually between 1976 and 2000.

Mexico is the United States' largest supplier of fresh and frozen fruit, accounting for over 30 percent of the value of fresh and frozen fruit imports (excluding bananas). Mexico ships mostly limes, tangerines, mangoes, grapes, pineapples, papayas, avocados, and strawberries. U.S. production of these commodities—except for tangerines, grapes, and strawberries—is minimal. Geographic proximity and NAFTA provide Mexico with a competitive advantage over other exporting countries, with lower transportation costs and lower or no tariffs. During NAFTA's first year of implementation, the import share of domestic consumption for fresh fruit (excluding bananas) was 13 percent. Following the devaluation of the Mexican peso in December 1994, import volume soared, partly as Mexican fruit exporters took advantage of the more attractive prices in the U.S. Import share of consumption for U.S. fresh fruit (excluding bananas) rose to 14 percent in 1995 and 15 percent in 1996. This share has continued to increase gradually during the remainder of the decade, reaching 19 percent in 2000.

Chile is also a major supplier of fresh fruit, with a 20-percent share of the U.S. import market. Chile enjoys the advantage of having a counter-seasonal production schedule with the United States: its Southern Hemisphere location means that it can provide fresh fruit at times that the U.S. produces little, particularly from November through March. Expanded trade with Chile—beginning in the mid-to-late 1980's—extended the availability of certain fruits in the market without direct competition with domestic production and provided U.S. consumers with fruit choices beyond the traditional domestic winter fruits of citrus, apples, and pears. Important fruit imports from Chile are grapes, stone fruit, avocados, and kiwifruit. Due to lack of direct competition with U.S. fruit producers, Chilean fruit face relatively low tariffs.

Other fruit and fruit product suppliers to the United States are Brazil, the largest supplier of orange juice, and Argentina, Chile, and China, the leading suppliers of apple juice. Western Europe is a major supplier of processed fruit products such as wine and fruit juices. Southeast Asia provides the largest share of canned fruit products, specifically the Philippines and Thailand for canned pineapple.

Vegetable Production—While frequently viewed as a single industry, the vegetable industry is actually composed of hundreds of independent markets that function within the U.S. food marketing channel. Vegetables averaged 8 percent of all farm cash receipts (crops and livestock) between 1995 and 1999 and 14 percent (\$14.9 billion) of crop receipts. This was generated on about 1 percent of all U.S. harvested

acreage. Consumer expenditures for fruits and vegetables are growing faster than for any food group other than meats.

With some exceptions, vegetable farms are largely individually owned and relatively small with two-thirds harvesting fewer than 25 acres. However, relatively few farms account for most of the vegetables and melons produced. In 1997, about 11 percent of vegetable and melon farms had sales in excess of \$500,000, yet they accounted for about 70 percent of vegetable and melon acreage. The U.S. harvested 1.4 million short tons of vegetables in 1999, up about one-fifth from 1990. Although output has been rising, aggregate vegetable and melon acreage has been relatively stable, indicating increasing production per acre.

Vegetable production (including potatoes, sweet potatoes, mushrooms, beans, peas, and lentils) occurs throughout the United States, with the largest acreage in California, North Dakota, Idaho, Michigan, Minnesota, Washington, and Wisconsin. More than half of all vegetable production occurs on irrigated acreage. The Upper Midwest (Wisconsin, Minnesota, and Michigan) and the Pacific States (California, Washington, and Oregon) report the largest vegetable acreage for processing, while California, Florida, Georgia, Arizona, and Texas harvest the largest fresh vegetable acreage. California and Florida produce the largest selection and quantity of fresh vegetables. California also produces vegetables for processing (especially tomatoes) while the Upper Midwest States (Michigan, Wisconsin and Minnesota) grow a large portion of the peas, snap beans, and sweet corn used in canning. The Northwestern States (Washington, Oregon, and Idaho) supply the lion's share of frozen vegetables and more than half the potatoes. Significant potato production also takes place in Wisconsin, Colorado, and North Dakota. North Carolina, Louisiana, and California produce three-fourths of the sweet potato crop.

Climate causes most domestic fruit and vegetable production to be seasonal, with the largest harvests occurring during the summer and fall. Imports supplement domestic supplies, especially of fresh products during the winter, resulting in increased choices for consumers. For example, Florida produces the majority of domestic warm-season vegetables like fresh tomatoes during the winter and spring, while California produces the bulk of U.S. output in the summer and fall. Fresh tomato imports, primarily from Mexico, boost total supply during the first few months of the year and compete directly with winter and early spring production from Florida.

Vegetable yields have been rising. The major source of higher yields has been the introduction of more prolific hybrid varieties, many of which exhibit improved disease resistance as well as increased fruit set. The adoption of drip irrigation, plastic mulches, row covers, more effective pesticide sprays, high-density planting, and other improved technology also boosted yields. Shifting from less productive areas to higher-yielding areas has also contributed to higher U.S. average yields over time. For example, much of the U.S. potato and onion production has moved from lower-yield eastern states to western states, which have higher yields and lower unit production costs.

Vegetable output likely will continue to rise faster than population growth over the next decade due largely to continued emphasis on health and nutrition, resulting in expanding consumer demand. In 1992, the fruit and vegetable industry, in cooperation with the National Cancer Institute, embarked on a campaign (National 5-A-Day) to increase awareness of, and substantially expand, U.S. fruit and vegetable consumption. This continued emphasis on vegetables and melons will likely result in further gains in per capita use.

**Consumption Increases Expected to be Modest**—While produce farm receipts are expected to rise to a total of \$8.5 billion 2003–2012, per capita domestic use is expected to increase a total of only 5.7 percent during the same period. Domestic per capita use of the major vegetables and melons is projected to grow at a faster rate than the major fruits. For the major vegetables and melons (including potatoes), domestic use will increase by about 7.0 percent during 2003–2012, while the increase in domestic fruit use will be less than 3.6 percent. Total consumption of vegetables (all vegetables, including potatoes, and melons) is projected to reach about 473.7 pounds, while per capita consumption of fruits (including citrus and non-citrus fruits, and berries) is expected to reach 302 pounds. Overall Americans are spending more on fresh produce, and in addition to buying a greater quantity of produce, they are buying new value-added products. As consumption has increased, so has the demand for variety, convenience, and quality, as evidenced by the explosion in produce department offerings. Many products (for example, lettuce and tomatoes) are available year-round, produce is precut, and more packaged and branded products are available. The share of branded produce increased from 7 percent in 1987 to 19 percent in 1997, while fresh-cut produce and packaged salads rose from 1 percent to 15 percent of total sales.

Export Demand Important to U.S. Produce Industry—With production of the major fruits and vegetables increasing in recent years and domestic consumption of these commodities remaining flat, U.S. growers have relied on export demand for some major fruits (e.g. apples, grapes, oranges, sweet cherries, and prunes) and vegetables (e.g. potatoes) to soften downward pressures on domestic prices. Effort in the form of product introduction and promotion abroad had started paying off when the Asian economic crisis hit. The affected Asian economies are now recovering well, and several other developing economies in Asia, Central and South America, Eastern Europe, and Africa are also showing growth. In the future, though, it is the overall world economic growth that will greatly influence U.S. fruit and vegetable exports. It is expected that the developing countries of the Pacific Rim region, Eastern Europe and South America have more potential for U.S. export growth, as their economies are likely to grow faster than the mature economies of Western Europe and North America.

Projections on trade are in line with those published by the U.S. Department of Agriculture (USDA). Specifically, the value of fruit and vegetable imports is expected to grow at an average rate of 3.3 percent a year which is unchanged. Therefore, the average trade deficit of \$3.55 billion for fruits and \$1.6 billion for vegetable is forecasted for the same time period. Exports of the major fruits and vegetables will also grow during this same period. The value of fruit and vegetable exports are expected to grow at an average rate of 2.8 percent for fruits and 3.4 percent for vegetables and melons, per year during 2003–2012. As in the past export growth continues to be influenced by developments in trade and production support policies at home and abroad.

#### DOMESTIC POLICY ISSUES FACING THE PRODUCE INDUSTRY

From the background on given, it is clear that the produce industry operates in a global marketplace. Our members are being asked to be year round suppliers of fresh produce. This has resulted in operations that were once solely domestic to an operation that provides domestic produce in the summer and sources foreign produce in the winter months. In the produce industry, our balance of trade has shifted. We import more produce than we export. United believes that it is vital that the US government provide the tools necessary for domestic producers to remain viable in a global marketplace. While we have natural climate cycles and production variables that allow for counter markets—winter/summer for some products - we do have direct competition on some products, as well as direct competition for export markets. United has undertaken efforts to identify areas of Federal policy which we believe will assist in maintaining the competitiveness of the produce industry in this global marketplace.

Two years ago during our testimony before the House Agriculture Committee during the reauthorization of the farm bill, United presented broad based recommendations of the produce industry. Overall the produce industry strongly supported the development of farm policies that sustain financial stability and viability of our Nation's agriculture industry while maintaining appropriate flexibility for our producers. Ultimately, the goal of any farm policy developed by Congress, the Administration, and commodity groups should not advocate recommendations which distort the market place, but rather promote the development of policy from a "market basket" approach. This market basket approach will look to advance policy that promotes consumption and demand for our agricultural products while developing tools for the agriculture industry that will drive utilization of the tremendous resources we offer the world. Simply stated, the produce industry's farm bill Working group supported the overall farm policy goal:

Federal farm policy should be developed for the produce industry which ensures good producers are not put out of business due to forces beyond their control. In turn, the Federal Government should elevate its financial investment into program priorities for the produce industry and work cooperatively in achieving the industry's continued growth and prosperity. Ultimately, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our agricultural products and not distort the growth of U.S. agricultural products in the domestic and international market place. Therefore, Congress should utilize the farm bill to allocate funding that ensures the produce industry receives a proportionate share of outlays for our industry program priorities.

While we believe that the Farm Security and Rural Investment Act of 2002 did take a step in the right direction for the produce industry, we believe that there are additional areas where the Federal Government can assist in maintaining the competitiveness of the produce industry.

The farm bill contained, and United members believe that any future broad agricultural policy must maintain the planting restrictions for fruits and vegetables on program crop acreage. Fruit and vegetable producers feel that they should not be forced to compete with acreage enrolled in direct commodity assistance programs and Federal funds going to production on those acres. Also, we do not believe that there should be modifications for maintaining base acreage for years out of the commodity program, and therefore no special arrangements for producers that wish to produce both fruits and vegetables and program crops. Fruit and vegetable producers wish to compete on an even playing field, and direct government payments that may impact planting decisions, viability of a market, and displace commodities in other areas of the country, are not acceptable to the produce industry.

As the specialty crop production across the country varies in different states and regions, so do the individual elements that impact production from weather, to land values, local regulation and local pest and disease pressures. Specialty crop producers also face additional costs to maintain a viable production—whether it is investing in trees for several years that are not mature enough to produce a crop, or costs to maintain multiple crops on the same acreage in a given year. In 2001, Congress provided specialty crop grants to states to enable the flexibility of meeting the specific needs of the state's specialty crop interests. United support recreating this program as part of a national effort to address local needs of the specialty crop/produce industry.

This effort should concentrate on local efforts to promote the competitiveness of the specialty crop industry, such as research in production methods, promotion of commodities and food safety programs. The produce industry decided during Farm Policy discussion in 2000 and 2001 that fruit and vegetable producers were not interested in direct commodity payments that have resulted in over production and distorted land values for traditional row crops/"major" commodities. Broad based Federal programs that allow for targeted efforts that support the competitiveness of the local specialty crop production base are needed and this grant program is a proven, effective policy option.

With regard to existing policy on loans for fruit and vegetable growers, we believe that the limit on direct operating loans for producers of perennial fruit and vegetable crops should be increased from \$200,000 to \$500,000. Also, the limit on guaranteed operating loans for producers of perennial fruit and vegetable crops should be increased from \$731,000 to \$1.5 million. Again, the production demands for the specialty crop industry are different than those of other commodities. While some crops may be harvested once a year, in the produce industry, it is not unusual to harvest three different crops from the same ground in one year.

#### FOOD SAFETY INITIATIVES

The Federal Food, Drug, and Cosmetic Act (FFDCA) provides ample authority to the Food and Drug Administration (FDA) to assure the safety of fresh fruits and vegetables. Under the FFDCA, FDA is granted wide latitude to refuse food into interstate commerce if it appears from an examination, or otherwise, that a food is adulterated, misbranded, or has been manufactured, processed or packed under unsanitary conditions. Today, grocery retailers and restaurant operators routinely ask their produce suppliers what measures have been implemented to assure safety. Likewise, insurance carriers ask their grower, packer and shipper clients to take appropriate steps to minimize food safety related risks. The produce industry has made great strides domestically and internationally to identify potential sources of microbial hazards in fresh fruits and vegetables, and is will implement prudent measures to prevent the outbreak of problems in the future.

The fresh produce industry is committed to reducing the risk of foodborne illness and is highly intolerant of unsafe food that may result in foodborne illness and can affect public perception about the health benefits of increased produce consumption. Stringent voluntary measures should continue to be employed to identify and reduce potential sources of microbial hazards in fresh fruits and vegetables. Additionally, the fresh produce industry supports the implementation of prudent measures including education initiatives, at both the industry and consumer levels, to reduce occurrences of microbial pathogens and to promote sound sanitary practices. United supports the creation of a public/private food safety education initiative to educate consumers and growers, shippers and handlers of fresh produce about scientifically proven practices for reducing microbial pathogens and consumer/handler messages for reducing the threat of cross contamination through unsanitary handling practices.

United also supports allowing growers to work collectively on food safety programs such as ISO 9000 standards, Hazard Analysis of Critical Control Point programs and other programs under Federal marketing orders.

#### USDA'S INSPECTION SERVICE AND FAIR TRADING PRACTICES PROGRAMS

USDA's fruit and vegetable inspection is a voluntary, fee-for-service program, administered by the AMS since 1928. The objective of the inspection program is to facilitate trade by providing buyers and sellers of fresh fruits and vegetables with impartial and accurate information about the quality (inherent, non-progressive characteristics, such as size or shape) and condition (defects of a progressive nature, such as decay or ripeness) of shipments of fresh produce based on well-known, published USDA standards.

The inspection program for fresh fruits and vegetables is available at shipping points located in growing areas and at wholesale markets and other points where large volumes of fresh produce are received. At shipping points, inspection is requested by growers, processors or packers for quality assurance, to satisfy the requirements of state or Federal marketing orders, or to verify compliance with specifications on fresh produce. At wholesale markets, fresh produce inspection is most often requested to resolve a dispute between a buyer and seller about the quality or condition of delivered produce. In either case, the inspection program enables financially interested parties to verify the extent to which shipments meet expectations.

At wholesale markets, either the seller or a prospective buyer can request AMS inspection. Although shippers at times initiate the request, most often it is buyers that ask for inspections, generally when they suspect that the shipment does not meet contract requirements and are seeking an adjustment in the price. Approximately 180,000 inspections are performed at wholesale markets each year and the cost can vary depending on a variety of factors (e.g. amount of product involved, whether quality and condition or just condition are evaluated, etc.). An hourly rate of \$43 is charged, with an average two-hour inspection to determine the quality and condition of a shipment typically costing \$86.

The AMS also administers the Perishable Agricultural Commodities Act of 1930 (PACA). PACA established a code of fair trading practices covering the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It protects growers, shippers, distributors, retailers and others who deal in those commodities by prohibiting unfair and fraudulent practices. Specifically, PACA: (1) prohibits unfair and fraudulent practices in the fresh and frozen fruit and vegetable industry; (2) provides a means of enforcing contracts between buyer and seller; and (3) helps ensure that produce-related assets remain available to pay suppliers if a receiver enters bankruptcy proceedings. Most traders of fresh or frozen produce must obtain a valid PACA license which is issued by the Fruit & Vegetable Programs and that license fees support the administration of the PACA program. United strongly supports maintaining the PACA.

The October 1999 bribery and racketeering scandal at Hunts Point Terminal Produce Market in New York severely damaged the fruit and vegetable industry's confidence in USDA's inspection system. Fruit and vegetable growers, and indeed the entire produce industry, depend heavily on the inspection system to provide a credible and consistent third-party analysis of product condition at both shipping point and upon arrival.

In June of 2000 Congress appropriated funds for USDA to create a Produce Inspection Training Facility, now located in Fredericksburg, VA. This training facility provides the vital function of training existing inspectors, new inspectors and for a fee, partners with the industry to train industry representatives. This facility has made amazing strides at reeducation, providing refresher courses and providing uniformity in grading and produce inspections. USDA's oldest grading standards were developed in 1928 for blackberries and okra. USDA recently announced their efforts on a long-term strategy to update all produce standards and provide new electronic inspection equipment in the field to aid in the inspections. United supports these efforts to update grading standards, where necessary, with the involvement of the affected industry parties. With these new updated standards and technology to be implemented over the next several years, it is vital that Congress provide a funding commitment to the inspection training center.

#### AGRICULTURE RESEARCH

Research serves as a foundation for the advancement of any industry. Unfortunately, over the years, investment in Federal agricultural research specifically targeted to meet the needs of the fresh produce industry has been directed to limited

priorities and areas of need. Investments in Federal research should be re-examined to meet the unique research and development needs of the fresh fruit and vegetable industry including competitive prominence in both the domestic and international marketplace. In particular, Federal research dollars should be focused in the areas that quantify the clean air benefits of the specialty crop industry in relation to urban sprawl or fallow land; develop cost effective and efficacious new crop protection tools and Integrated Pest Management (IPM) systems to address the loss of key pesticides through the implementation of the Food Quality Protection Act (FQPA); identify and prioritize the harmful economic/health impact of foreign invasive pests and diseases now threatening the U.S. and for the development of corresponding eradication/control programs; and conducting pre- and post harvest research targeted to maintaining and enhancing the quality of fresh produce (including taste and appearance).

The lack of available methyl bromide alternatives continues to be a problem facing the produce industry as the U.S. moves forward with obligations under the Montreal Protocol and the phase out of methyl bromide. United urges USDA to elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the current phase-out deadline for methyl bromide based on the economic impact of leaving U.S. farmers and the food industry with no viable alternative.

United also supports the national specialty crops development initiative grant program, a long-term program to improve efficiency and competitiveness of specialty crop producers in the world marketplace. This effort between the Agricultural Research Service (ARS) and Cooperative State Research, Education and Extension Service (CSREES) working jointly with the specialty crop industry, should develop workshops to create a comprehensive strategic plan that addresses short-term, intermediate-term and long-term needs in production technology, marketing, product development and food safety issues essential to maintain a competitive specialty crop industry.

#### PEST AND DISEASE EXCLUSION PROGRAM POLICY

The liberalization of international trade in agricultural commodities and commerce coupled with global travel has greatly increased the number of pathways for the movement and introduction of foreign, invasive agricultural pests and diseases. Fruit imports increased from 1.35 million metric tons in 1990 to 2.82 million metric tons in 1999, while imports of fresh citrus products alone increased from 101,000 metric tons in 1990 to 348,000 metric tons in 1999. Vegetable imports increased from 1.90 million metric tons in 1990 to 3.73 million metric tons in 1999 and fresh tomato imports have doubled during that period as well. In addition, states such as California and Florida are seeing record numbers of tourists and other visitors arriving each year. Some 330 million visitors entered California and Florida collectively through airports, seaports and highways in 1998, a combined increase of over 4.5 percent over the previous year. Also, new pest pathways such as wood packing materials are emerging.

With economic damages from invasive pests and disease now exceeding \$120 billion annually, the fresh produce industry supports expedited and aggressive actions by the Federal Government in cooperation with the industry and stake holders at the state and local levels to eradicate and protect the domestic market from increasing threat of exotic pests and diseases entering the U.S. through international commercial shipments of products as well as the importation of agricultural contraband by vacationing travelers and commercial smugglers.

Because of the vital function that the Animal Plant Health Inspection Service plays in safeguarding our plant resources in the fruit and vegetable industry, United supports the creation of an invasive pest and disease response fund to provide for the emergency and research needs of APHIS. APHIS must have the resources available to move quickly on eradication efforts once an invasive pest has been identified and the resources to take actions to prohibit the pest from entering the U.S.

In an effort to strengthen the work and underlying science of APHIS, United supports an independent scientific peer review process on the importation or exportation of specialty crops to and from the U.S. The peer review should include the preparation of risk assessments and the design and mitigation measures in place to avoid potential contamination. Given the global market place that the produce industry and others in agriculture operate within, the deliberate or unintentional introduction of pests and disease is a primary concern with our members.

Recognizing the need to address food security, we commend the U.S. Customs and Border Patrol (CBP), Department of Homeland Security (DHS) and the U.S. Depart-

ment of Agriculture (USDA) for their leadership in working with the private sector, including our industry, to ensure that appropriate steps are in place to minimize the potential of terrorist action to contaminate foods. However, let us keep in mind the American food supply continues to be the safest in the world. Continuing to ensure the safety and security of fresh fruits and vegetables whether produced domestically or abroad is a top priority of the entire produce industry. With this in mind, we have serious reservations pertaining to the new activities and training of the new CBP Officers and Agricultural Specialists.

While the intention and in concept creating a CBP corps of officers who will present “one face at the border” to travelers and the importing community is good, we have doubts that these individuals will be adequately prepared to address invasive pests and disease issues. We support the creation of the CBP Agriculture Specialist position which will complement the work of the CBP Officers and be stationed at ports with large volumes of cargo importation, particularly in those hubs where the agriculture industry imports much of the flowers, fruits, vegetables, meat, and other products of an agricultural interest. However, the reality of most inspections and processing on the “frontlines” will be managed by CBP Officers whose background and training will be seriously lacking for the identification of pests and disease. Also, there is a real possibility that CBP’s belief that there will be a unified cargo operation enabling a “one-stop process” for importers and that cargo can be examined more quickly and thoroughly, is misguided. Speed of inspections is secondary to thorough and accurate inspections.

United strongly supports the goal of strengthening the safety and security of our food and the public, however, we must not neglect the Federal Government’s responsibility of protecting our Nation’s agricultural crops from invasive pests being transported into this country. We need officials on the “frontlines” of our borders and ports to take seriously their role in this endeavor. Thus, we recommend CBP work with the agricultural stakeholders to better prepare the corps of new CBP officers to protect our Nation’s agricultural industry.

#### CONSERVATION

Today, consumers have affordable access to the most abundant and diverse food supply in the world. However, aside from market diversity and competitive prices, consumers demand that food be held to a very high standard. Likewise, consumers want an agricultural production system that not only produces abundant, affordable and safe food and fiber, but also conserves and enhances the natural resource base and protects the environment.

Unfortunately for producers, investments in natural resource management and conservation are rarely recouped. The short-term economic value for the farmer does not compare to the ecological and fiscal benefits for the public and for future generations. The benefits increase for the public in the form of a more stable and productive farm economy and an improved environment. Protecting the environment and productivity today will mean less cost for producing products in the future and will therefore assist in ensuring sustainability in the years ahead.

For the produce industry, there continues to be mounting pressures of decreased availability of crop protection tools that can be used to provide the abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry’s ability to be competitive in a world economy. FSRIA took great steps towards an improved Federal financial commitment to conservation practices on working lands, however, there were limitations that were included in the program that have restricted the participation of the specialty crop industry. Diversification between several different business operations within one entity restricts the participation of several fruit and vegetable growers due to the \$2.5 million gross income cap as stipulated under FSRIA. United would support the removal of this eligibility requirement and notes that, while traditional major crop commodity producers have been under this requirement for direct payments in the past, the fruit and vegetable industry is not structured to comply with these financial classifications.

#### BIOTERRORISM

The dramatic impact of the terrorism attacks of September 11, 2001 has led to a new focus in public policy aimed at promoting greater safety and security and preventing terrorist action. As our members provide over 1,000 different fresh fruits and vegetables to American consumers from both domestic growers and around the world, we take seriously our responsibility for prevention, detection, and all necessary actions to protect consumers from intentional contamination of our products. However, our world has changed and the produce industry must continue to change

with it. Food security is a new issue for the entire food industry as a whole and this issue must be addressed to build a strong and credible food supply. Food security systems should be risk-based as well as recognize and respond to new risks as they arise. These systems should provide the same level of protection to consumers, whether produced domestically or abroad, efficiently steward new technologies to the market; and effectively educate and communicate to stakeholders throughout the supply chain. The attention to food safety controls that operators in our industry have already proactively implemented in their operations can have a significant impact on food security.

Congress passed the Public Health Security and Bioterrorism Preparedness and Response Act (the Bioterrorism Act), which President Bush signed into law on June 12, 2002. Title III of the Bioterrorism Act (Protection of the Food Supply) requires FDA to issue regulations for Administrative Detention; Registration of Food Facilities; Establishment and Maintenance of Records; and Prior Notice of Imported Food Shipments. FDA is required to issue final regulations addressing these requirements no later than December 12, 2003 and has recently released interim final rules on registration of food facilities and prior notice of imported food shipments. The Bioterrorism Act is widely comprehensive, and affects the food industry in many ways. The general purpose throughout the Act is to determine if credible evidence exists that the food presents a threat of serious adverse health consequences or death to humans or animals.

The U.S. Food and Drug Administration (FDA) should be commended for its leadership in working with the private sector, including our industry, to ensure that appropriate steps are in place to minimize the potential of terrorist action to contaminate foods. However, let us keep in mind the American food supply continues to be the safest in the world. Continuing to ensure the safety and security of fresh fruits and vegetables whether produced domestically or abroad is a top priority of the entire produce industry. The produce industry takes seriously its responsibility for prevention, detection, and all necessary actions to protect consumers from intentional contamination. Food security systems should be risk-based and recognize and respond to new risks as they arise, provide the same level of protection to consumers, whether produced domestically or abroad, efficiently steward new technologies to the market, and effectively educate and communicate to stakeholders throughout the supply chain. We must continue to stress that industry and government efforts can only reduce the risk of intentional contamination, not eliminate all risk. In any risk management system, one reaches a point of diminishing returns in reducing risk, versus increasing costs or taking steps unacceptable to society at large.

It is crucial that the implementation of the regulations of the Bioterrorism Act do not unnecessarily disrupt the flow of commerce. If even a small percentage of produce are delayed or removed from the marketplace, the cost implications could be immediate and dramatic. FDA in issuing final regulations should allow flexibility and take into account the produce industry's diversity of products and complexity of global production and distribution. Flexibility is critical in that many prescriptive recommendations would be inappropriate or not applicable to our diverse industry. The produce industry is committed to ensuring the security of its products. The industry is proud of the contribution it makes to the health of Americans by providing wholesome foods essential for good health. It is important to always consider that increasing the consumption of fresh fruits and vegetables is a critical component of public health, and that risk management steps are properly weighed with the public health impact on the cost and availability of fresh produce. It is important to always consider that increasing the consumption of fresh fruits and vegetables is a critical component of public health, and that risk management steps are properly weighed with the public health impact on the cost and availability of fresh produce.

#### AGRICULTURAL LABOR

The produce industry relies on agricultural labor to harvest fruits and vegetables across the United States. A workable H2A guest worker program is vital for the produce industry to remain competitive in the global marketplace. United has been working within broad coalitions on agricultural labor reform supporting an effort that would provide earned adjustment in status and reforms to the H2A guest worker program, introduced by Congressmen Berman and Cannon as H.R. 3142, Agricultural Job Opportunity, Benefits, and Security Act of 2003.

Currently, when enough domestic farm workers are not available for upcoming work, growers are required to go through a lengthy, complicated, expensive, and uncertain process of demonstrating that fact to the satisfaction of the Federal Government. They are then allowed to arrange for the hiring of legal, temporary, non-immigrant guest workers. Reforms would replace the current quagmire for qualifying

employers and prospective workers with a streamlined “attestation” process like the one now used for H-1B high-tech workers, speeding up certification of H-2A employers and the hiring of legal guest workers, set a new wage standard, more realistic and reflective of true market conditions, for in each occupation, replacing the currently-mandated unrealistic, arbitrary, and artificial “premium” wage for H-2A employers (called the Adverse Effect Wage Rate), which often combines completely dissimilar worker categories in one, arbitrary, state-wide rate. Participating employers would continue to provide for the housing and transportation needs of H-2A workers. Other current H-2A labor protections for both H-2A and domestic workers would be continued. H-2A workers would have new rights to seek redress through mediation and Federal court enforcement of rights granted under this Federal immigration program. State court jurisdiction would be available and limited to claims under state laws.

Outside the H-2A program, reforms would create a new program in which farm workers already here, but working without legal authorization, could earn adjustment to legal status. To qualify, an incumbent worker must have worked in the U.S. in agriculture for at least 100 days in a 12-month period over the last 18 months prior to the bill’s introduction.

This would not spur new immigration, because adjustment would be limited to incumbent farm workers with a significant work history in U.S. agriculture. The adjusting worker would have non-immigrant, but legal, status. Adjustment would not be complete until a worker completes a substantial work requirement in agriculture (at least 360 days over the next 3-6 years, including 240 days in the first 3 years). Up to 500,000 workers would be eligible. Their spouses and minor children would be given limited rights to stay in the U.S., protected from deportation. The worker would have to verify compliance with the law and continue to report his or her work history to the government. Upon completion of adjustment, the worker would be eligible for legal permanent resident status. Considering the time elapsed from when a worker first applies to enter the adjustment process, this gives adjusting workers no advantage over regular immigrants beginning the legal immigration process at the same time.

While there is no perfect solution for agricultural labor, United and others in the produce industry have been working for agricultural labor reform for some years and it still remains an element of Federal policy impacting fruit and vegetable production that is in need of reform.

United appreciates the opportunity to testify at this hearing about domestic policy impacting the produce industry. There are many levels of Federal policy and government regulations that impact the industry. The comprehensive review that is being undertaken by the committee is strongly supported by United and our members.

<sup>1</sup> Information researched from USDA’s Reports: Understanding the Dynamics of Produce Markets; U.S. Fresh Produce Market—Marketing Channels, Trade Practices, and Retail Pricing Behavior; USDA Economic Research Service and NFAPP 2003 Fruit and Vegetable Outlook..

#### ANSWERS TO SUBMITTED QUESTIONS

**Mr. Stenzel, in your testimony you refer to the increase in vegetable yields due to more efficient hybridization and improved disease resistance. You also state that shifting from less productive areas to higher productive areas has contributed to these higher yields in the past.**

**The tobacco quota program is in trouble and the Federal Government will eventually have to look at other options after the buyout is complete. Do you think that plating specialty crops on old tobacco acres may provide an avenue for an increased specialty crop yield?**

I believe there are two different issues of increasing yield and increasing production acreage. If former tobacco acreage is to come into fruit and vegetable production, United believes that it they should do so based on market conditions. Can the produce industry handle a significant increase in acreage without adverse market affect, most likely we cannot. Regional growers make their commodity selection based on predicted acreage and regional conditions and expected market prices. Significant changes in that acreage may have adverse impacts on prices due to over-supply.

Our industry’s efforts to improve yields are based on those factors of best climate, soil, and viable fruit and or vegetable varieties. This reference is typically shifting acres in production and trial and error of what works for individual operations in terms of varieties or commodities. United’s concern with a significant change in production from tobacco to fruits and vegetables would flood the market with produce

and cause reduced prices for growers across the country. Produce operations across the United States compete not just with neighboring operations for markets, but across the country, given our increasing ability to move perishable commodities in an efficient and cost effect manner.

United would want to ensure that similar regulations and requirements for planting fruits and vegetables on "program commodity" acreage applies to tobacco acreage, because without these requirements, fruit and vegetable growers would be forced to compete with the tobacco buyout payments.

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Introduction

Good morning, Chairman Hayes and members of the Subcommittee. My name is Glenn Abbett. I am honored to appear before your subcommittee to discuss the important issues facing the specialty crop industry in the U.S. I commend you for holding a hearing on such an important matter.

I am a farmer from Lacrosse, Indiana. I grew up farming with my father, and it is my hope that one day my three young boys will be able to take over the operation of the farm from me. I farm approximately 2600 acres of land, of which I own 1155 acres and lease the rest. I grow corn, seed corn, and soybeans, and also about 260 acres of tomatoes each year. Like other Midwestern fruit and vegetable growers, I do this under contract. In my case, it is with Red Gold, Inc., an Indiana tomato processing company.

I am here today on behalf of the Canned, Frozen Food and Grower Coalition. CFFGC is a group of fruit and vegetable farmers, processors, trade associations, and others from across the Midwest. We have come together for one reason – to seek a modification of federal law to allow Midwestern farmers to take some of their land out of the soybean program to grow fruits and vegetables for processing.

The Issue

Since 1996, farm policy generally has prohibited the production of fruits and vegetables on base acreage. However, this was not a significant problem for Midwestern fruit and vegetable

production until the 2002 Farm Bill made soybeans a program crop. This change meant that virtually all of the quality farmland in states like Indiana now has a program base. Since the Farm Bill generally prohibits planting fruits and vegetables for processing on program acres, the availability of farm ground for fruit and vegetable production in the Midwest has been dramatically reduced. Because some farmers drop out of fruit and vegetable production each year, the problem continually gets worse. As a result, the Farm Bill is now choking off the ability to grow fruits and vegetables for processing in the Midwest. The problem is twofold:

#### Unworkable Restrictions

I am personally affected by the prohibition of fruits and vegetables for processing. Over the last eight years, I have gradually taken over our family farm from my father. Even though my family has been raising processed tomatoes for more than twenty years, the regulations as they stand allow for me to have a very limited portion of the fruit and vegetable history that was created by my father. My dad often said that he only hoped to give me a better life through agriculture than he had. That clearly is in jeopardy. I can't help but think about how I could do the same for my kids.

#### Fear Of Base Acreage Loss

Secondly, I am struggling to get rented ground for growing my processed tomatoes. In the Midwest, most family farms rely on rented acres to grow their crops. I have found that landlords I have approached fear (and rationally so) that future base recalculations will result in loss of base acres on their farm if they rent it to me for the purposes of growing processed tomatoes. This means

that my ability to rotate for integrated pest management purposes and to fulfill my contracts with Red Gold is severely restricted or unavailable because of my reliance on rented ground. Just this week, another tomato grower I know was told by the largest land-leasing company in Indiana that he was prohibited from growing tomatoes on the land he leased from them.

H.R. 2181 – “Farm Flex”

The U.S. Department of Agriculture has recognized this problem and made accommodations in implementing the Farm Bill, but Congressional action is necessary to adequately address this unfair, unnecessary, and unintentional situation.

I urge Congress to:

- Permit production of fruits or vegetables for processing on oilseeds base acreage, provided that an acre for acre reduction in program payments is made;
- Clarify that Congress intends for any future recalculation of base acreage to treat vegetables grown for processing on oilseed base acreage the same as oilseed production. Congress has already addressed a similar issue for popcorn farmers and we ask for similar recognition.

This two-step approach would have several benefits. It would:

- Enable farmers like me to diversify my operation and continue to produce a higher value crop on land that would otherwise be locked into the farm program.
- Make it easier for farmers to *stop* producing fruits and vegetables for processing.

Under the current scheme, farmers do not have a base on their vegetable ground and

must either grow program crops outside of the program or be forced for economic reasons to continue in fruit and vegetable production; and

- Reduce government expenditures by allowing farmers to forego government payments on program acreage that is in production of fruit and vegetables for processing.

#### Farm Flex is Narrowly Tailored

Finally, I wish to emphasize that the suggested legislation would have no adverse affect whatsoever on other fresh fruit or vegetable producers. Fruit and vegetable grower associations in Pennsylvania, Indiana, and Ohio have all called for this change. No Midwest grower association opposes it.

The bill only deals with fruits and vegetables that are grown for processing, not for the fresh market. Moreover, varieties of fruits and vegetables for processing are different from varieties grown for fresh markets and are simply not suitable for fresh consumption. Introduction of processing vegetables into fresh markets is not a realistic concern. Processing fruits and vegetables are grown under contract between a grower and a processor, and therefore are not subject to the supply fluctuations that occur in the fresh market industry. They are processed in one of many of the facilities located throughout the Midwest. The varieties are bred to maximize attributes that are desirable for processing and not fresh consumption. The price is usually established months before planting and is generally based on the anticipated value of program crop production in the area.

Lastly, any suggestion that the changes I have proposed would encourage an increase in Midwest fruit and vegetable processing is wrong. Even prior to the enactment of the 2002 Farm Bill, tonnage of processed fruits and vegetables in the Midwest declined significantly over the previous twenty years. This change would not threaten fruit and vegetable production in the rest of the country. I am simply stating that access to an important and viable crop option for my operation and for thousands of other family farmers across the Midwest is very important and should not be discouraged by unnecessary federal policies.

For the sake of thousands of family farmers growing fruits and vegetables for processing, and for the general health and continued viability of the industry, I urge members of this committee to support H.R. 2181. Many groups outside our coalition support the concepts found in H.R. 2181, and their letters of support are appended to this testimony.

**Testimony of Glenn Abbett**

**on behalf of the  
Canned, Frozen Food and Grower Coalition  
before the**

**House Agriculture Committee  
Subcommittee on Livestock and Horticulture**

**Supplemental Responses To Subcommittee Members' Questions  
From the Subcommittee Hearing of**

**November 5, 2003**

**Hearing to Review Domestic Policies Affecting The Specialty Crop Industry**

Dear Chairman Hayes,

It was an honor to appear before your Subcommittee and I truly appreciate the interest you and your colleagues have taken in this issue. I also appreciate the opportunity to add supplemental testimony to the record and to respond to the questions raised by you and other members of the Subcommittee.

You asked that I submit data substantiating my testimony regarding the decreased availability of farm ground for fruit and vegetable (FAV) production in the Midwest. This year, 2003, is the first full growing season affected by the 2002 Farm Bill's regulations. For this reason, the full effect of the FAV restrictions has not yet been realized. That said, the 2002 Farm Bill establishes a strong inhibiting influence on fruit and vegetable production for all soybean base acreage, despite the presence of producer history. The precedent established to exclude from soybean base acreage land that traditionally produces soybeans but was in FAV as part of a crop rotation production during the base acreage calculation period, established a strong disincentive for future production of FAV on soybean base acreage. Therefore, according to data from USDA's National Agricultural Statistics Service for my own state of Indiana, some 5,600,000 acres that were previously open to fruit and vegetable production are now inaccessible for new growers or those desiring to rent from landlords.<sup>1</sup> In Illinois, some 8.5 million acres were added to the program base by the 2002 Farm Bill, leaving just 300,000 available for FAV production out of almost 22 million cropland acres in the State. These are statistics for only two states; similar figures could be expected across much of the Midwest's FAV Belt.

I can tell you that from my experience, and from talking to fellow growers, land for fruit and vegetable production has become significantly harder to come by. As I mentioned in my testimony,

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<sup>1</sup> Indiana Soybean Production History, <http://www.nass.usda.gov/in/historic/hsoyl.txt>

Page 2  
November 17, 2003

landlords simply are not willing to sacrifice program payments so that tenants can grow fruits and vegetables for processing. For example, I've attached a copy of an advertisement from a Hutchinson, Minnesota newspaper, plainly announcing cropland for lease, but "No canning crops." I also am attaching four letters into the record; letters denying rental land to me and another Indiana farmer solely because we desire to grow vegetables for processing on that land. (Exhibits A to D)

You also asked me to submit data on the amount of acres planted to fruits and vegetables now as compared to before the 2002 Farm Bill. Again, because this year is the first full year under the new Farm Bill, the full effects of the FAV restrictions have not yet been realized, and the data for 2003 is not yet available. I would like to note, however, that records from the years 1996-2002 show a steady decline in acres planted to fruits and vegetables for processing. (Exhibit E) The figures indicate that under the 1996 Farm Bill, the rules we are trying to get back to under H.R. 2181, fruit and vegetable production in the Midwest did not increase at all and actually declined in some commodities. This clearly indicates that implementation of H.R. 2181 would not cause a sudden upsurge of FAV production in the Midwest, as some have suggested.

Finally, you asked me how the regulations limit my FAV history, given that my father had established producer history. I have very little individual production history because the bulk of the farm's history was established over the years 1991-1995 and 1998-2001. During this time, my family's farms were in my *father's* name. For this reason, the history is his alone. I cannot inherit or otherwise obtain any history created by my father. Therefore, the only history the regulations allow me is that established under Abbett Farms LLC, a corporation that was created when I assumed management of the family farming operation in 2001. We were simply lucky that we began this transition in 2001. Had we waited until 2002 to transfer the farm, *all* of my father's historic base would have been lost. Many have found themselves in this no-man's land of producer history. Even with the history I was able to maintain, as you can see by the attached document, this represents only a small portion of the historical FAV production on my family's farm. (Exhibit F)

I also include for the record a letter that starkly demonstrates the harsh application of the FAV history rule. It is a letter from the Anderson County FSA Office in Indiana to Charlotte Ousley, the recently widowed wife of a Red Gold FAV producer. Her late husband, Herb, had grown tomatoes for Red Gold for nearly 40 years. Now because of the strict FAV planning restrictions, neither she nor her children can use his planting history to continue growing this crop that they have the expertise, equipment, and desire to produce. This seriously threatens her ability to keep her farm intact. (Exhibit G)

I also would like to take this opportunity to address some questions posed by the Subcommittee's Vice-Chair, Congressman Doug Ose. First, Mr. Ose asked if it would be accurate to say that I favor allowing producers who do not have any farm or producer history to, on an annual basis, plant fruits and vegetables and still receive program benefits in that farm year.

I do not advocate growers receiving any farm program benefits on acreage used for FAV production. That is why H.R. 2181 provides for an acre-for-acre reduction in farm payments on such land.

Page 3  
November 17, 2003

However, I do believe farmers should be able to grow fruits and vegetables if they choose. It is imperative, however, that FAV producers be allowed to participate in the farm program on the acreage they use for program crop production. Virtually all Midwestern FAV producers use only a portion of their land for FAV, with the rest used for program crops. It would be unfair and very difficult for these farmers to profitably grow corn and soybeans outside the program while competing with their neighbors who receive program payments for the same crops. That is why the approach taken in H.R. 2181 is the right one.

Mr. Ose also asked if Red Gold advocates an acre reduction in program payments for the planting of FAV. Having spoken to Red Gold officials on this matter, the answer to that question is definitely "yes." This has been the cornerstone of their efforts to modify FAV treatment under the Farm Bill. H.R. 2181 would allow for the flexibility needed to address the problems of attrition in the grower base, but it would not allow producers to receive program payments for land planted to FAV.

And finally, many of those who testified in opposition to H.R. 2181 have suggested that the planting restrictions contained in the current Farm Bill provisions are necessary to maintain market stability. This is not the case. H.R. 2181 actually promotes market stability because the bill allows FAV production on base acreage only if these FAV are used for processing. Any fruits or vegetables grown on base acreage would be subject to severe penalties if a producer sought to sell it on the fresh market. This provision actually would give fresh market producers more protection from Midwestern farm program participants than they have now.

Overholt Farms  
266 E. 1125 S.  
Kouts, IN 46347  
219-766-2444

Dear Glenn Abbett,

11/9/03

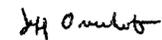
Jeff and I have reviewed your offer to raise tomatoes on our farm. We have concern over the effect raising tomatoes would have on our farming operation. We were very happy when soybean acres were added as a program crop in the 2002 Farm Bill. Program payments for soybeans will help our farm be profitable for many years to come.

We know that if we allow you to raise tomatoes on our farm, any future base recalculation will leave us short on base acres. While your proposal looks good for the short run, we just cannot be left short on base acres in the future.

We regret that we cannot make this work, but the uncertainty over our farms ability to produce income will into the future out weighs the short term gains you proposed with respect to your tomato production.

Sincerely,

Dave and Jeff Overholt



**MAXWELL FARMS**

Mark and Kim Maxwell  
101 East 250 South  
Valparaiso, IN 46383  
219-462-3581

November 7, 2003

Mr. Glenn Abbett,

Thank you for your consideration of our farm for your tomato production. We believe that it is not in our best interest to lease farmland to you for tomato production. It is our understanding that if we rent you land for fruits and vegetables, we will lose program acres the next time the USDA does a base re-calculation. We just cannot afford to lose program acres on our farm. Program payments figure directly into our ability to be profitable crop farmers. We are sorry that we are not able to work with you on this venture. Thank you for thinking of us, and please keep us in mind for the future.

Sincerely,



Mark and Kim Maxwell Farms

Marty and Matt Good Farms  
401 E. 300 S.  
Valparaiso, In 46383  
219-462-1727

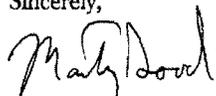
Mr. Galen Birky,

11/11/03

We appreciate you asking us to raise tomatoes on our farm. At this point in time, we do not want to rent out our farm ground for FAV's. We know that if the FSA ever recalculates base acres in the future, we would then miss out on government programs on those acres that were used for tomatoes. We rely on those government dollars, and also worry about how our farm may have a discounted value because it would not produce as much government income.

We are sorry that we could not make this work, and hope that you understand our concerns.

Sincerely,



Marty and Matt Good Farms

*Velde Good and Sons Farm  
689 S. Smoke Rd.  
Kouts In, 46347  
219-766-2381*

Galen Jon Birky Farms LLC,

November 8, 2008

We thank you for thinking about us for the production of tomatoes on our ground. It is not wise for us to do this now. We are afraid that if there is ever another base calculation, we will lose FSA payments that we need in order to have a profitable business. While the tomato rent seems appealing, the loss of program dollars over the long run is to risky.

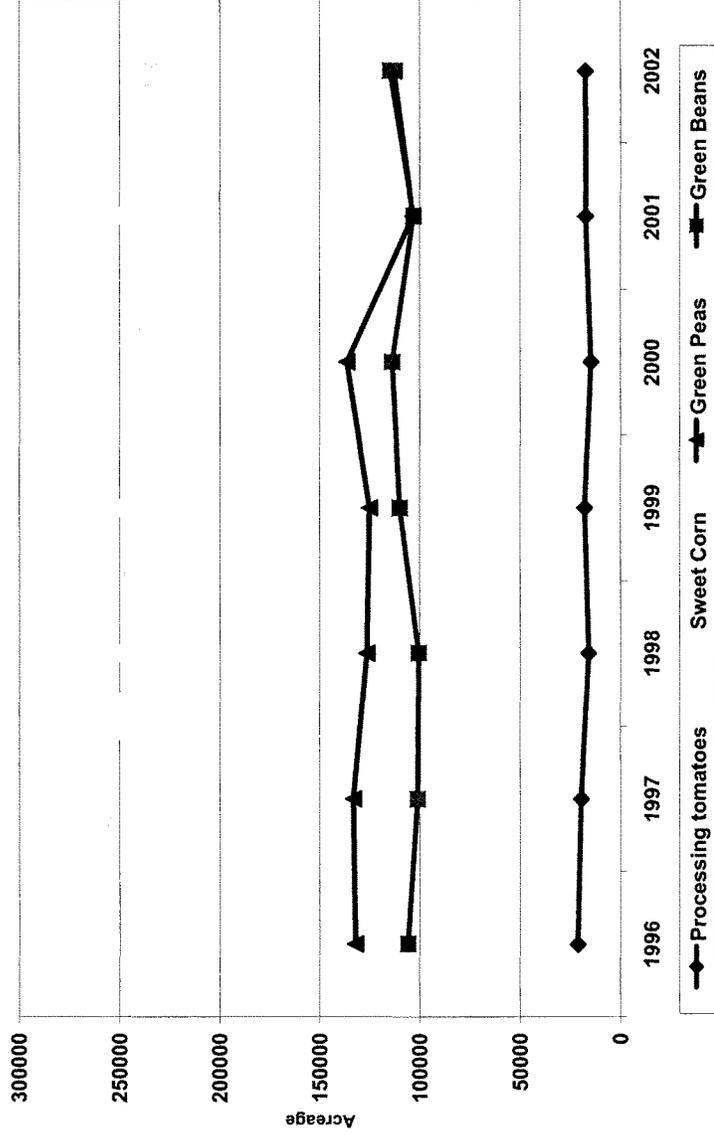
Please accept our apologies for not accepting your proposal.

Sincerely,



Velde Good and Son's Farm

Four Major Crop Acreage



### Fruit and Vegetable History Calculations

#### Lou Abbett- 1991-1995

|                          |                           |
|--------------------------|---------------------------|
| Farm #2458               | Farm #3996                |
| 1991- 0 FAV              | 1991- 0 FAV               |
| 1992-18.2 acres tomatoes | 1992- 0 FAV               |
| 1993-0 FAV               | 1993- 65.0 acres tomatoes |
| 1994-0 FAV               | 1994- 60.0 acres tomatoes |
| <u>1995-0 FAV</u>        | <u>1995- 0 FAV</u>        |

|                            |                       |                   |
|----------------------------|-----------------------|-------------------|
| Farm #4298                 |                       |                   |
| 1991-140.0 acres tomatoes  |                       |                   |
| 1992-53.6 acres tomatoes   |                       |                   |
| 1993-0 FAV                 |                       |                   |
| 1994- 101.1 acres tomatoes | 20.0 acres cucumbers  | 58.3 acres onions |
| 1995- 110.5 acres tomatoes | 20.0 acres navy beans | 61.3 acres cucumb |

|  |                            |
|--|----------------------------|
| Farm #573 (in transfer from Porter Co) | Farm #4                    |
| 1991- 0 FAV                            | 1991- 105.0 acres tomatoes |
| 1992- 61.6 acres tomatoes              | 1992- 73.5 acres tomatoes  |
| 1993- 68.1 acres tomatoes              | 1993- 106.8 acres tomatoes |
| 1994- 0 FAV                            | 1994- 120.0 acres tomatoes |
| 1995- 0 FAV                            | 1995- 100.0 acres tomatoes |
|  | 70.2 acres navy beans      |

#### Producer Summary

|                                    |                                |
|------------------------------------|--------------------------------|
| <b>Tomatoes- 1991- 245.0 acres</b> | <b>Cucumbers- 1991- 0</b>      |
| <b>1992- 206.9 acres</b>           | <b>1992- 0</b>                 |
| <b>1993- 239.9 acres</b>           | <b>1993- 0</b>                 |
| <b>1994- 281.1 acres</b>           | <b>1994- 20.0 acres</b>        |
| <b><u>1995- 210.5 acres</u></b>    | <b><u>1995- 61.3 acres</u></b> |
| <b>1183.4 – 5 = 236.7</b>          | <b>81.3 – 2 = 40.7</b>         |

**Navy Beans- 1991- 0**

**Onions- 1991- 0**

|                         |                  |
|-------------------------|------------------|
| 1992- 0                 | 1992- 0          |
| 1993- 0                 | 1993- 0          |
| 1994- 0                 | 1994- 58.3 acres |
| <u>1995- 90.2 acres</u> | <u>1995- 0</u>   |
| 90.2 acres              | 58.3 acres       |

**Lou Abbett-1998-2001**

|                           |                            |
|---------------------------|----------------------------|
| Farm # 3996               | Farm # 4298                |
| 1998- 70.0 acres tomatoes | 1998- 23.3 acres tomatoes  |
| 1999- 0                   | 1999- 106.0 acres tomatoes |
| 2000- 43.0 acres tomatoes | 2000- 33.0 acres tomatoes  |
| 2001- 0                   | 2001- 0                    |

**Producer Summary**

**Tomatoes-1998-93.3 acres**  
**1999-106.0 acres**  
**2000- 76.0 acres**  
**2001- 0**  
**275.3 – 3 = 91.8**

**Abbett Farms LLC-1998-2001**

|                            |
|----------------------------|
| Farm #4298                 |
| 1998- 0 acres              |
| 1999- 0 acres              |
| 2000- 0 acres              |
| 2001- 121.7 acres tomatoes |

**Producer Summary**

**Tomatoes- 121.7 acres**

**\*All the producer history calculated on this document is for Lou Abbett and Abbett Farms LLC as indicated in the columns. Glenn Abbett does not have individual history in any of the years 91-95 or 98-01. Information was calculated by Sherry Ross-Program Technician USDA**



**Madison County Farm Service Agency**  
 1917 University Boulevard, Anderson, IN 46012-5103  
 Phone: (765) 644-4249 TDD#: (317) 290-3343 Fax: (765) 640-9029

November 7, 2003

Charlotte Ousley  
 2742 W 1025 N  
 Alexandria, IN 46001-8403

Dear Ms. Ousley,

We regret to inform you that since the passing of your late husband, Herb Ousley, all of the producer history that he carried toward being able to plant fruits and vegetables on contracted base acres has been lost.

Producer history is calculated using planted fruits and vegetables during crop years 1991-1995 or 1998-2001. Each individual that had a share in the fruit and vegetable crop receives credit for their share of producer history (r-DCP Amend. 3, par. 477 D). As an example, Bill and Tim are tomato growers that farm on 50% - 50% shares. In 1998, 1999, 2000, and 2001, 200 acres of tomatoes were planted and split 50% - 50% between Bill and Tim. In 2001, the same 200 acres were planted; however, Tim had 25 acres of tomatoes that he did not share crop with Bill. In order to calculate the producer history you would do the following:

| Crop Year                                  | Acres Planted to Tomatoes |
|--|---------------------------|
| 1998                                       | 200                       |
| 1999                                       | 200                       |
| 2000                                       | 200                       |
| 2001                                       | 200                       |
| 1998 through 2001 annual average plantings | 200<br>(800 / 4)          |
| Bill's share (producer history)            | 100<br>(200 * 50%)        |
| Tim's share (producer history)             | 100<br>(200 * 50%)        |

Unfortunately, only producers that were recorded as having a share of the crop on the certification forms (FSA-578's) can receive producer history for the planted crop. Since only Herb Ousley was listed (as receiving 100% share), none of the producer history can be carried forward to any member of your family that wishes to continue with the farming operation. If you have any questions regarding this matter, or if I can be of further assistance, please feel free to contact our office during the normal business hours of 8:00 a.m. until 4:30 p.m., Monday through Friday.

Sincerely,

Erin Hreskowsky  
 County Executive Director  
 Madison County Farm Service Agency

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**Statement of Squire Smith  
Before the  
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE  
November 5, 2003**

Mr. Chairman, members of the Subcommittee on Livestock and Horticulture, I am Squire Smith, President of Florida Citrus Mutual. I am a citrus grower and I also care for approximately 2,000 acres of citrus in the Central Florida area. I am accompanied today by Mutual's Executive Vice President and CEO Andy LaVigne. I am pleased to present testimony today on domestic policies affecting the citrus industry. FCM is a voluntary cooperative association whose active membership consists of more than 11,000 Florida growers of citrus for processing and fresh consumption. FCM's membership accounts for more than 90 percent of Florida's citrus growers and as much as 80 percent of all oranges grown in the United States for processing into juice and other citrus products.

Last Thursday, October 30<sup>th</sup>, the nearby futures price of frozen concentrated orange juice fell to 67.3¢ per pound of solids. This is the lowest price recorded in 3 years. The nearby futures price is regarded by the industry as the most reliable indicator of the U.S. wholesale price of orange juice, and the wholesale price is, in turn, the strongest determinant of the price of oranges for processing. Thus, this is an extraordinarily difficult time for orange growers in Florida, many of who are now operating at a loss and will be going out of business this season. For the committee's information, the break-even price for citrus producers is in the 70 – 75-cent range.

In contrast to many of the agricultural industries, which appear before this committee, U.S. orange growers do not receive any form of price support. In fact, the U.S. industry that grows oranges for processing is unique among U.S. agricultural industries in that it does not receive ANY production or trade distorting (WTO-designated "amber box") domestic subsidies. The U.S. orange juice tariff is the only "agricultural program" from which orange growers benefit. But that is not to say that domestic policies do not affect us.

The large amount of domestic support bestowed on other U.S. agricultural industries allows them to compete abroad with the support of taxpayer dollars, and makes foreign tariff elimination an important strategic objective for them. In order to enhance their access to foreign markets, they must often support the reciprocal elimination of both U.S. and foreign tariffs for all agricultural commodities. This has made the survival of the U.S. citrus industry an uphill battle.

While subsidies are used to help level the playing field for agricultural industries whose top markets are abroad, tariffs are used to level the field for industries like orange juice, whose top markets are in the United States. In this way, the U.S. orange juice tariff is, for our industry, just as important as domestic subsidies are for other industries.

#### **Domestic Policy Issues**

A number of issues are important to the U.S. citrus industry, assuming our continued viability through the integrity of the tariff. Because of increased trade over the past 10 – 15 years, pest and disease issues, such as citrus canker, Mediterranean Fruit Fly and other exotic pests and diseases brought to this country by our trading partners, will demand close attention and a strong, committed government-industry partnership. In this regard, we continue to support vigilant enforcement activities by USDA through APHIS and counterpart foreign plant health inspection services, to prevent the introduction of devastating citrus diseases from foreign sources.

USDA-APHIS, through this transition period with the Department of Homeland Security, must have the necessary resources to meet the rapidly growing workload placed on our ports and airports by the increase of imports. It is absolutely imperative that we do not lose the agriculture focus at these entry points when we move to a “one face at the

border" philosophy. The Florida citrus industry is working very closely with Florida Commissioner of Agriculture Charles Bronson and the U.S. Department of Agriculture to eradicate citrus canker, a bacterial disease that could easily destroy the Florida citrus industry. This program has become extremely expensive – both financially and politically. A strong, pro-active effort for pest and disease interdiction is the only means by which we can protect vulnerable, sentinel states like Florida.

We are also concerned about policies that affect agricultural labor, our most critical resource. For many years American farmers have been forced to operate with a work force that is largely undocumented. Most agricultural workers, those who are primarily responsible for putting food on America's tables, have been working in the shadows of illegality. The situation, as it exists today, is unacceptable. To date, the only solution for both employers and workers has been the H-2A program. This program is so complex, expensive and litigious that of the 1.6 million agricultural workers in the country, less than 50,000 (2% to 3%) legal guest workers will be placed in the H-2A program this year. This system is irrevocably broken and reform of the program is needed now. The Agricultural Jobs, Opportunity, Benefits, and Security Act of 2003 (AgJOBS), seeks to address the shortcomings in current labor law. The legislation will provide a two-step approach to a stable, legal and safe agricultural work force by (1) Streamlining the H-2A guest worker program to make it more accessible to employers while maintaining worker protections and (2) Providing a one-time adjustment to legal status through an earned adjustment program for experienced farm workers already working here who lack legal documentation. Further, AgJOBS will provide a mechanism for covered workers to be better off, and it will improve border and homeland security

and ensure the security and safety of our domestic food supply by expanding the *legally documented* workforce. We support this critical improvement of U.S. agricultural labor policy.

One program that has been beneficial to the U.S. fruit and vegetable industry, and the Florida citrus industry particularly is the use of specialty crop block grants in the 2002 disaster appropriations. While we realize there were nuances of this program that made implementation of the grants challenging, this was the first time that the horticultural industry was able to take advantage of a program that had the flexibility to address the wide range of challenges that face our industry. The Florida citrus industry took advantage of the program to deal with citrus canker issues, perform research on citrus products and analyze foreign market access opportunities. We would strongly encourage the Congress to continue funding these types of programs in the future.

**Tariff Reduction Would Undermine Any Benefits U.S. Citrus Growers Might Realize from U.S. Domestic Agricultural Policy Improvements**

The U.S. citrus industry would like to enhance our export markets, just as the U.S. program crop industries seek greater foreign market access. However, the fact is that the cost of producing orange juice is such that only developed country markets can be expected to support significant new market demand, regardless of where that juice is produced. Without continued, strong consumption in the North American and European developed country markets, U.S. citrus growers cannot expect to see rapid increases in demand in any currently less developed countries until those countries experience increased GDP, personal income levels and higher consumption

The Florida citrus industry does not object to the improvement of U.S. ties throughout the world via stronger trading relationships and, in fact, we have supported many such programs over the years, such as the Caribbean Basin Initiative. However, our industry and global market are highly unique and import sensitive – not because we lack competitiveness, but because of the structure, dynamics and history of the Brazilian-dominated global orange juice industry. Florida orange growers are the most efficient in the world in terms of production yield per acre. Yet, for reasons well beyond Florida growers' control, our economic survival is contingent on the existence of the U.S. orange juice tariff on Brazilian juice. ANY reduction in the current tariff on orange juice under the FTAA, the WTO or any other agreement to which Brazil is a party would prove catastrophic for our industry and very damaging to the State of Florida.

The Administration's FTAA proposal on agriculture is lopsided to the extent that it puts all U.S. agricultural tariffs on the table, while leaving all domestic subsidies off the table. In so doing, the Administration's proposal effectively, if unwittingly, singles out agricultural industries for demise based exclusively on the location of their markets, without consideration of the effect on the U.S. economy. Not only is this an unsound approach to trade policy, it is also guaranteed not to meet any of the stated objectives of trade liberalization: foreign industrial growth, lower prices to consumers, and increased living standards. Furthermore, it completely undermines any domestic policy benefits, which might be targeted to such a non-subsidized sector through elimination of the trade policy equivalent of a domestic policy support program.

It is well established that any reduction in the U.S. orange juice tariff would devastate the U.S. industry that grows oranges for processing. Furthermore, any tariff reduction would critically damage the entire Florida citrus industry, the economic impact of which has recently been estimated at \$9.13 billion in industry output, \$4.18 billion in

value-added activity, and 89,700 jobs.<sup>1</sup> Perhaps even most damaging to the U.S. economy is the fact that, since this Florida industry is Brazil's only competitor of global significance, its demise would not bring cheaper orange juice to the U.S. breakfast table, but would eventually unleash the Brazilian oligopoly to raise U.S. orange juice prices. For all of these reasons, FCM strongly opposes any reduction in U.S. orange juice tariffs under the FTAA or any trade agreement to which Brazil is a party.

As noted above, the U.S. citrus tariff is the only form of "assistance" U.S. orange growers receive, and it costs U.S. taxpayers nothing. Furthermore, because most duties paid on U.S. orange juice imports from Brazil are subject to duty drawback, the Brazilian processors effectively pay only about \$1.5 million, or 2.3 percent ad valorem, in orange juice duties.<sup>2</sup> At the same time, non-citrus U.S. agriculture is now receiving over \$20 billion annually in direct government payments.<sup>3</sup>

It is by no means true that the United States has the highest agricultural tariffs in the hemisphere. According to the FTAA Hemispheric Database, the following figures

<sup>1</sup> Alan Hodges, et al, "Economic Impact of Florida's Citrus Industry, 1999-2000," *Economic Information Report*, EIR 01-2. University of Florida, Institute of Food and Agricultural Sciences, Food and Resource Economics Department, July 2001, p. 3.

<sup>2</sup> Estimated by FCM based on the assumption that duties are drawn back on an amount of FCOJ imports from Brazil equal to 90 percent of U.S. FCOJ exports. In 2002, U.S. domestic exports of bulk FCOJ (2009.11.0060) were 441,664,083 liters. If we assume that 90 percent of these exports resulted in drawback, then import duties were drawn back on 397,497,675 liters of imports. In 2002, the import duty was 7.85¢/liter. Since 99 percent of import duties are drawn back, the amount of duties drawn back on 397,497,675 liters of imports would have been \$30,891,532. In 2002, 411,577,471 liters (valued at \$61,658,753) of bulk FCOJ were imported from Brazil, and \$32,308,827 in duties were collected on these imports. So, post-drawback, U.S. Customs netted only about \$1,417,295 (\$32,308,827 - \$30,891,532) in duties on Brazilian bulk FCOJ during 2002. This means that the tariff really only cost U.S. importers .34¢/liter (\$1,417,295/411,577,471 liters), which equals only 2.3% ad valorem (\$1,417,295/\$61,658,753) in 2002.

<sup>3</sup> "Farm Income and Costs, Direct Government Payments, ERS, USDA ([http://www.ers.usda.gov/briefing/farmincome/data/GP\\_T7.htm](http://www.ers.usda.gov/briefing/farmincome/data/GP_T7.htm)).

represent the percentages of tariff lines in each country's tariff schedule that have duties equivalent to 10 percent ad valorem or above:<sup>4</sup>

|               |     |
|---------------|-----|
| Brazil        | 68% |
| Argentina     | 67% |
| Venezuela     | 66% |
| Colombia      | 63% |
| United States | 11% |

### CONCLUSION

The U.S. Government's approach to domestic policy that impacts the fruit and vegetable industry, including the citrus industry, is to a large extent driven by the US trade policy as it affects the industry. Our ability to properly address issues of pest and disease interdiction and eradication, labor law reform, agricultural research and export market growth depend almost entirely upon the balancing impact of the tariff, which assures that the industry can continue to exist in an unsubsidized domestic environment alongside otherwise artificially manipulated global competition.

I appreciate the opportunity to address this subcommittee and will be pleased to answer any questions

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<sup>4</sup> FTAA Hemispheric Database online at <http://198.186.239.122/chooser.asp?Idioma=Ing>.

## STATEMENT OF CALIFORNIA FIG ADVISORY BOARD

The California Fig Advisory Board, representing both growers and processors of California produced figs, wishes to express its support of the Specialty Crop Competitiveness Act of 2003 (H.R. 3242). Figs are a true specialty commodity with nearly 100 percent of the U.S. production produced on approximately 14,000 acres in California, an acreage figure that is quite small even when compared to other specialty crops. While figs have an extremely good nutritional profile, many consumers, domestic or foreign, have not been exposed to our product, nor do they know of its healthful benefits.

Grants to states to enhance the competitiveness of specialty crops, such as the highly successful California Grown program, have been beneficial to commodities such as California figs. Continuation and expansion of this program will continue to play an important role in the marketing of our commodity.

We are especially focused on title III of the Act regarding international trade. Our commodity is often overlooked in foreign trade negotiations and we believe would benefit greatly with an enhancement in the area. One such example is the country of Japan, which prohibits the use of a common food preservative, potassium sorbate, on dried figs entering that country. Without this material, U.S. processors are unable to ship high moisture figs for fear they may prematurely mold and rot. Furthermore, establishment of a specialty crop representative could help to present our case when dealing with various tariff trade issues on foreign product coming into the United States. Lastly, such a representative could help to expand the opportunities in a number of potential foreign export markets.

Other beneficial aspects of the Specialty Crop Competitiveness Act of 2003 include continued implementation of food safety programs, additional research initiatives, development of new crop protection tools in the "reduced risk" category and to develop other strategies that could reduce overall pesticide use. Funding for USDA-APHIS to reduce and/or eliminate threats posed by invasive pests and disease is also of great interest to our industry.

Mr. Chairman, we truly believe that the Specialty Crop Competitiveness Act of 2003 has a great number of benefits to growers and processors of California figs and we wholeheartedly support this piece of legislation.

## STATEMENT OF CALIFORNIA DRIED PLUM BOARD

On behalf of the California dried plum industry's 1,200 growers and 22 packers, I am writing in support of the Specialty Crop Competitiveness Act of 2003. As with most specialty crops, we have difficulty generating enough funds to remind consumers both domestically and internationally about the nutritional attributes of dried plums and why they should be an integral part of consumers' diets.

## TITLE I—SPECIALTY CROP GRANTS

The Specialty Crop Block Grant program could continue the extremely successful California Grown program that has increased Californians' purchase intent for buying California agricultural products. Similar programs have worked equally well in other specialty crop states.

## TITLE II—MARKETING

USDA purchases of specialty crops like dried pitted plums and dried fruit and nut mix for school lunch and other domestic feeding programs have also been very helpful to our industry during times of surplus inventories. We support the expansion of these programs which help low income U.S. consumers like women, infants and children, senior citizens and Native Americans while reducing agricultural surpluses.

## TITLE III—INTERNATIONAL TRADE

The California dried plum industry exports over 45 percent of its crop annually and is very concerned about recent threats to its export markets. The European Union's Free Trade Agreement with Chile eliminated the 9.6 percent import duty paid on Chilean prunes entering the EU, which were already significantly cheaper than California prunes due to Chile's very low labor costs. Further disadvantaging California prune exporters was the increase in the EU prune producer subsidy that has allowed the French to reduce their prune prices by 9.6 percent to help them

compete with duty-free Chilean prunes. The EU prune subsidies are offered to processors who pay a minimum guaranteed price to French prune growers which is twice as much as the price received by California growers.

An August 27, 2003 USDA Trade Policy Monitoring Report entitled "Influence of the EU-Chile FTA on U.S. Exports of HTP Products to Germany" concluded that "Dried prunes is the only product that is likely to be affected."

As a result of these unfair EU trade practices, exports of California prunes to the European Union fell by 15 percent last marketing year, a loss to the industry of \$10.6 million. With the recent collapse of the World Trade Organization negotiations, we expect no relief this marketing year from these trade practices and similar devastating results.

The California dried plum industry respectfully requests \$20 million from the Specialty Crop Competitiveness Act of 2003 to provide relief to its growers and packers who have sustained these export market losses. Thank you for your consideration.

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#### STATEMENT OF BILL PAULI

The California Farm Bureau Federation (CFBF) applauds the House Agriculture Livestock and Horticulture Subcommittee for scheduling this hearing to discuss and review domestic policies affecting the specialty crop industry. Leading the Nation in fruit and vegetable production, California specialty crop growers know well the pressures that have led to tree and vine removal programs, oversupply due to dumped foreign product and crop losses without suitable risk management programs. Good news does exist for the industry such as the increasing per capita consumption of fruits and vegetables and the sector's projected growth in exports. Unfortunately in pursuit of such opportunities, local costs are surpassing global prices and the industry is hurting. In order to maintain a U.S. specialty crop industry, we need to seriously look at how domestic decisions and programs are impacting the viability of the industry.

While working to provide a reliable food supply through responsible stewardship of our country's natural resources, growers are attempting to balance numerous issues such as global competition, retail consolidation, unfunded government mandates, trade barriers, rising input costs and low commodity prices. Specialty crop growers are determined to find solutions outside the traditional U.S. farm support programs. Solutions can be identified through meaningful review and reform of domestic policies that impair the viability and global competitiveness of specialty crop producers. It is important to note, that unlike major program commodities, the specialty crop industry lacks any kind of a safety net and provides \$28 billion in economic benefits to our nation "larger than any other sector."

The following comments describe Farm Bureau's perspective on how industry is influenced and reacting to particular issues and policies. Corrective actions and suggestions are also recommended. A summary of the primary recommendations can be found at the conclusion of this document.

**Fruit and vegetable planting prohibition:** The farm bill provision that prohibits the planting of fruits and vegetables on program crop acres must be maintained and implemented with the same spirit with which it was included in the 1996 farm bill. This provision was meant to prevent producers from "double dipping" "benefiting from volatile fruit or vegetable markets and then slipping back into government subsidy payments. While this provision has not been changed directly, structural changes to farm bill title I programs have greatly reduced the penalties for producers who choose to plant a fruit or vegetable crop on base acres.

Any weakening of the prohibition would destabilize fruit and vegetable markets that do not receive benefits under title I. What might seem like a small acreage shift relative to the size of national soybean production could be devastating to fruit and vegetable markets. The fruit and vegetable industry agreed to forego inclusion in direct payment programs for strong support of this prohibition. CFBF urges that it be maintained.

**Risk Management:** Specialty crop producers have special risk management needs. While crop insurance has broad and generally predictable application among the major farm commodities there are unique problems within specialty crops that deserve Congress' attention. For many commodities, viable crop insurance programs are still lacking. To encourage maximum producer participation, Congress should pursue risk management programs that meet the needs of every commodity, small and large, in the most efficient and cost effective manner possible. Consideration should be given to cost-share programs that are actuarially sound and do not influ-

ence markets. CFBF encourages attention to and improvement of the adjusted gross revenue program.

The House Agriculture Subcommittee on General Farm Commodities and Risk Management has recognized the unique issues facing specialty crop producers. We encourage their efforts.

Homeland Security / Safe Trade / Border Protocol: Farm Bureau has worked closely with the Department of Agriculture on homeland security issues and appreciates the leadership of Secretary Veneman and Deputy Secretary Moseley. The creation of the Homeland Security Council at USDA has assisted in protecting our borders, food supply, research and laboratory facilities and technology resources from any intentional acts of terrorism.

Trade that is safe from the accidental and/or intentional introduction of pest and/or disease is critical to the health of our food supply and the health of our domestic agricultural industry. Congressional leaders must commit to safe trade that requires science-based inspection protocols and increase border inspections to ensure safety of incoming food products. U.S. imports of agricultural products are expected to grow in 2004 by \$6.5 billion, from 2002 figures, with horticultural products projected to account for more than half the increase. CFBF strongly encourages that adequate funding be provided for APHIS to update detection methods, prevention strategies, monitoring systems and response actions. After all, according to the USDA Plant Protection and Quarantine (PPQ), "dramatic increases in international travel, trade and containerized cargo make total reliance on traditional inspection procedures impractical."

Californians, unfortunately, know how an intentional or accidental introduction of a foreign animal disease or exotic pest to the food supply can be devastating. USDA and the California Department of Food and Agriculture have spent in excess of \$200 million to control outbreaks of Exotic Newcastle Disease, bovine tuberculosis and the Mexican Fruit Fly "all of which came from outside our borders. Prevention is less costly than control and eradication.

CFBF supported the transfer of APHIS border functions to the new Department of Homeland Security (DHS), given assurances that the integrity of the programs would remain intact. It is imperative that personnel, training and quality control not be diminished under the "One Face at the Border" initiative proposed by the DHS. CFBF urges further dialogue between DHS, USDA and industry on this initiative and the further defining of DHS responsibilities relating to food safety and safe trade.

Agriculture and consumers must be assured that food safety remain a top priority under the department. To that end, Farm Bureau advocates the importance of trained agriculture specialists at our Nation's points of entry and strongly emphasizes the need to ensure sufficient staff resources for Customs and Border Protection.

Nutrition: In order to deliver healthy diets, Congress should increase funds for fruit and vegetable nutrition programs and pass the "Healthy America Act" to promote improved nutrition and health by enhancing Federal nutrition programs to provide greater access to, and expanding the role of, nutritionally valuable fruits, vegetables and 100 percent juice products.

In addition to the Healthy America Act, CFBF supports funding for the Global Food for Education Program and urges oversight and enforcement of regulations requiring government institutions to purchase U.S. grown food products.

Retail Consolidation: The trade and marketing of fresh fruits and vegetables has undergone significant change the last several years with acquisition and mergers among chain stores and increased selling of products by warehouse-club stores. According to a USDA ERS report on U.S. Fresh Produce Markets released September 2003, "econometric analysis indicated that retailers do influence prices paid to fresh produce shippers and by consumers for some commodities." Concentration among food processors, distributors, marketers and retailers works to the disadvantage of agricultural producers and growers. Anti-trust legislation should be strictly enforced to ensure fair prices for agricultural products in state, national and international markets. CFBF encourages Congress to continue monitoring the impact of retail consolidation (including fees and services) on the industry.

Country-of-Origin Labeling: CFBF supports implementation of country of origin labeling in an efficient, commonsense, cost-effective manner in keeping with Congress' intent.

Farm Labor: Specialty crop production is labor intense and as a result, higher labor costs and standards contribute to the cost disparities between world producers. Many factors contribute to the composite labor costs—OSHA standards and reporting requirements, out of control worker's compensation insurance costs, wage and housing standards. California agriculture employs over 400,000 workers as part of

a seasonal and year-round work force. While there is general agreement that our country is dependent upon a foreign workforce to help grow and harvest our crops, not enough is being done to create an efficient, legalized process. Farm Bureau supports the Ag Jobs bill recently introduced in the House and Senate and we urge Congress to make immigration reform a priority.

**Regulations:** In any business the ability to compete comes down to the cost of producing versus what it cost your competitor to produce the same product. The United States faces stiff challenges competing with foreign producers especially among specialty crop products. The decline in California's garlic industry to a flood of cheaper product from China is the latest example. A major cause of our declining competitiveness is higher costs due to regulatory burdens, both the cost of compliance and handling the reporting requirements.

In addition to labor, other regulatory costs add to the burden, including air quality compliance matters, emerging water quality requirements, restrictions on methyl bromide use, higher water costs due to endangered species protection and wetland concerns.

Congress has attempted to rein-in regulatory costs by passing regulatory review legislation in which new regulations are subject to congressional review and various cost-benefit analysis requirements. But, more needs to be done, including studies on the cumulative impact of regulations and a more determined effort on the part of Congress to review the costs and benefits of existing regulations. And, if Congress concludes that more regulations and higher standards are the desired course, then Congress should examine ways to provide regulatory offsets or true incentives to farmers for the benefits that they routinely provide, such as wildlife habitat and carbon sequestration.

**Research:** Research and new technologies will be key to helping our specialty crop producers compete, whether it's improved production, better and less costly disease and insect protection or mechanization. CFBF encourages Congress to continue its support of research of new technologies.

**Trade; Open and Fair:** The future of American agriculture is dependent upon maintaining existing export markets and creating new opportunities. To increase market access for U.S. products, we must first be aware of promising new and emerging market opportunities. CFBF encourages such studies. Secondly, the U.S. must invest in marketing and promotion tools directed at those targeted markets, such as funding for the Market Access Program (MAP).

For trade to truly be open, barriers must be brought down. Many barriers exist in the form of sanitary and phytosanitary (SPS) provisions. Open trade must include scientific-based trade protocols that regulate U.S. imports and exports. The Technical Assistance for Specialty Crops program (TASC) helps producers resolve problems caused by SPS market barriers. Funding for TASC should be increased from \$2 million to \$10 million per year, as provided for in the Specialty Crop Competitiveness Act of 2003. Resolving SPS matters is a high priority for agriculture in ongoing U.S. Free Trade Agreement (FTA) talks. Unlike the U.S.-Chile FTA, Congress should require complete resolution to SPS matters as a prerequisite to any and all FTA votes.

**Trade Remedy and Import Sensitive Products:** U.S. antidumping laws should be streamlined, more transparent and take into account seasonal and regional issues. Producers of specialty and perishable commodities who can show prima facie evidence of import injury should be provided financial assistance that includes, but not limited to, legal and research expenses. To more effectively address the needs of import sensitive products, new trade policies should be identified. Thanks to a specialty crop block grant funded by USDA, this work is currently be researched by Dr. Mechel S. Paggi, Director, Center for Agricultural Business at California State University Fresno. Such grant-supported research programs are of great value to the industry.

**World Trade Organization Ag Negotiations:** Many U.S. fruit, nut and vegetable commodities have little to zero tariff protection while some of our trading partners still maintain high tariffs. And while trading partners like the European Union provide their specialty crop industry with subsidies in upwards of \$10 billion annually, U.S. growers receive virtually zero support "no safety net. For trade to be beneficial for U.S. agriculture it must be based upon fair policies and these inequities need to be corrected.

The World Trade Organization Doha Round presents a unique opportunity for the horticultural industry to reform inequitable trade policies that place our producers at a competitive disadvantage. For this reason, many U.S. specialty crop organizations, including the California Farm Bureau, have formed the HORT Alliance (Horticultural Organizations for Responsible Trade). The Alliance is a coalition dedicated to pursuing aggressive and meaningful reform in the WTO agricultural rules govern-

ing market access, trade distorting internal supports, the use of export subsidies and the treatment of import-sensitive items.

**Enforcement of Trade Agreements:** China, the world's largest producer of fruits and vegetables, needs to speed up progress in meeting commitments the country made to become a WTO member. CFBF commends the House for recently passing a resolution urging China to meet WTO commitments and maintain a more flexible currency. Further, it is imperative that intellectual property laws be mutually enforced, respected and protected by all trading partners "including China. The U.S. should insist upon strict implementation and enforcement of trade agreements.

**Crop Protection Tools:** The Food Quality Protection Act and other regulations must be implemented in a scientific, balanced, and transparent manner to ensure the continued availability of safe and effective chemicals, including methyl bromide. Further, in holding true to the intent of "transition," CFBF encourages EPA to implement FQPA in manner that will not disrupt agricultural production nor undermine our competitiveness in international markets.

To summarize, CFBF encourages Congressional attention and action with regard to the following issue areas and domestic policies:

Maintain the farm bill provision that prohibits the planting of fruits and vegetables on program crop acres.

Pursue risk management programs that meet the needs of every commodity in the most efficient and cost effective manner possible while giving attention and consideration to cost-share programs and the adjusted gross revenue program.

Commit to safe trade that requires science-based inspection protocols, increase border inspections to ensure safety of incoming food products and provide for adequate funding for APHIS to update detection methods, prevention strategies, monitoring systems and response actions.

Further dialogue between DHS, USDA and industry on the "One Face at the Border" initiative and the defining of DHS responsibilities relating to food safety and safe trade.

Monitor the impact of retail consolidation (including fees and services) on the industry.

Implement country-of-origin labeling in an efficient, cost-effective manner.

Support the Ag Jobs legislation and meaningful immigration reform.

Study the cumulative impact of regulations and review the costs and benefits of existing regulations while providing regulatory offsets or true incentives to farmers for the benefits that they routinely provide, including conservation practices.

Invest in marketing and promotion tools directed at emerging markets for specialty crop products and increase funds for the Technical Assistance for Specialty Crops Program to \$10 million.

Streamline and make more transparent U.S. antidumping laws. Provide financial assistance to producers of specialty and perishable commodities who can show prima facie evidence of import injury.

Thank you, Mr. Chairman for scheduling this hearing and for the opportunity to provide comments on domestic policies affecting the specialty crop industry.

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#### STATEMENT OF SUNKIST GROWERS

Sunkist Growers is a 110 year-old, non-profit, non-stock membership cooperative marketing association owned by and operated for the benefit of farmers who produce approximately 65 percent of Arizona and California citrus fruit. It was formed to market its members' produce, to develop and maintain reliable markets and gain the best return for their fruit, and to consistently supply consumers with top quality fresh citrus fruit and processed citrus products.

Sunkist is principally engaged in the sale of fresh oranges, lemons, grapefruit and tangerines, and the manufacture and sale of citrus juice and peel products. Its face-to-face sales network has led to universal distribution of citrus from Sunkist, making Sunkist—one of the most renowned brands in the world.

Membership is limited to farmers and cooperative associations of farmers. Only member-farmers may serve on the Board of Directors, the cooperative's governing body which controls policies and finances.

With that background, Sunkist Growers would like to offer the following observations regarding the current state of the fresh citrus industry in the U.S., for use in the subcommittee's analysis of domestic policies affecting the specialty crop industry.

## TRADE

Sunkist has long been a proponent of liberalized trade. Sunkist aggressively lobbied in support of Trade Promotion Authority (TPA) for President Bush in the hope that armed with that authority, the Administration would seek remedy to the many long-standing obstacles to trade thwarting our efforts to export our growers' fruit into key foreign markets.

The U.S. fresh citrus industry is under considerable pressure due to the unfair trade arena in which we have been forced to compete. In the early 1980's, despite formal GATT rulings in our favor, the European Union succeeded in imposing discriminatory tariffs that forced us from their market. Many of our other valuable export markets are similarly shrouded in massive tariffs that dramatically increase the cost of our fresh citrus and reduce its appeal for consumers.

It is extremely difficult to explain to our growers why a Japanese farmer sells his oranges in the U.S. under a 2 percent duty, but Americans must sell theirs to the Japanese under a 32 percent duty, costing them millions of dollars each year. Unfortunately, the Japan-U.S. tariff disparity is exceeded in other prime export markets.

The damage that U.S. growers suffer has been magnified recently, due to the tremendous volumes of foreign fruit flooding the American market. Those low-price product surges, entering with no significant duty applied, compromise the valuable domestic market. Couple that damage in the domestic market with stagnant export opportunities due to high foreign tariff barriers, and American fresh citrus growers face enormous competitive challenges.

In regard to recent initiatives by the Bush Administration to establish free trade agreements (FTAs) with a host of foreign countries, our view is that the US government has been focusing on efforts to benefit foreign producers but not American growers. For our survival, it is imperative our government also aggressively pursue FTAs with countries that offer meaningful opportunity for US fruit and vegetable exports. Why not FTAs with Korea, Japan, Taiwan, India and the EU? Our growers ask for more opportunity not just more foreign competition.

Additionally, we urge the full Committee to consider the suggestion to establish a position at the Office of the Trade Representative (USTR) for horticulture, along with increased funding for the Technical Assistance for Specialty Crops in the Farm Bill from \$2 million to \$10 million annually. These recommendations, along with a number of other suggestions, offered in legislation by Rep. Ose and Rep. Dooley would benefit specialty crop producers in enforcement and compliance with bilateral and multilateral trade agreements.

## U.S. SANITARY AND PHYTOSANITARY POLICY CHANGES

Sunkist also is extremely concerned about recent rulemaking proposals offered by the Department of Agriculture relating to sanitary and phytosanitary protocols and the U.S. Government's response to outbreaks of exotic disease and pest infestation.

On October 1, 2002, the Animal and Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture (USDA or Department) published a notice of proposed rulemaking in the Federal Register to amend its fruit and vegetable regulations for certain imported products. That proposal, which was made final earlier this year, further reduces the sanitary and phytosanitary standard for foreign producers seeking access to the U.S. market.

Sunkist believes that lowering SPS import standards represents a serious risk for the introduction of Mediterranean fruit fly (*Ceratitis capitata*) (Medfly) and numerous other quarantine pests and diseases into the United States. The U.S. Government's diminution of SPS standards presents a significant risk to the U.S. citrus industry as well as to production areas of at least 250 other vulnerable host commodities for this pest alone.

In adopting such policies, it appears that USDA/APHIS is abandoning its historic role serving as the guardian of phytosanitary security for American agricultural production. Instead USDA now seems to be redefining itself as the trade facilitator, primarily to the benefit of offshore producers and to the phytosanitary detriment and risk of American agriculture.

This is not a theoretical exercise. In 2001, APHIS and/or state officials found Medfly larvae in Spanish clementines in California, Louisiana, North Carolina, Maryland, New Jersey and Pennsylvania. These quarantine pests entered the United States in legal commercial shipments of Spanish fruit.

As a general matter, failures to address phytosanitary security matters have significant direct and indirect costs associated with them. As it regards Medfly, in addition to the direct eradication costs, there are also economic costs associated with such outbreaks. Studies have been conducted to estimate the economic costs of a sustained Medfly infestation in California. According to the California Department

of Food and Agriculture, the annual economic cost to the state is estimated between \$1.3 and \$1.8 billion. This figure includes direct crop losses, increased pesticide use, quarantine compliance, increased production costs and trade restrictions. In terms of environmental concerns, it is estimated that the increased pesticide use would be from 280,000 to 5 million pounds of active ingredient.

Despite the phytosanitary and economic dangers that these potential outbreaks hold, USDA has proposed capping the amount of resources the Federal Government will contribute to pest and disease eradication. Once the defined caps have been exceeded, the burden of eradication will fall to state and local entities. However, given inadequate resources at those levels, it is far more likely that the costs will simply be shifted to industry itself.

Taken together, these actions by the Federal Government cause great concern for American citrus producers. In short, the Federal Government is encouraging the following:

- Dramatically increasing the volume of offshore fruit entering the U.S.
- Lowering the sanitary and phytosanitary security standards imposed upon foreign product.
- Reducing the Federal Government involvement in cleaning up the pest and disease infestations which result.

Instead, Sunkist Growers strongly urges the Subcommittee to consider Rep. Ose's and Rep. Dooley's recommendations to develop an adequate emergency eradication/research fund that could be accessed to address economic and health threats posed by invasive pests and disease as determined by the Secretary of Agriculture, expand funding for APHIS pest detection and increase stakeholder involvement and transparency in all aspects of the Federal Government's sanitary and phytosanitary policy making process.

#### NUTRITION

Sunkist Growers, along with the United Fresh Fruit and Vegetable Association and a host of other health organizations and specialty crop associations, is strongly supportive of USDA's Fruit and Vegetable Pilot Snack Program included in the 2002 Farm Bill.

This program, currently available in only 107 schools nationwide, should be immediately expanded to all fifty states. The program assures participants of receiving a healthy, fresh fruit and vegetable snack every day they attend school. At 25 cents per student, it's an investment worth making in the lives of our children.

Additionally, pending nutrition legislation offered by Rep. Putnam and Rep. Cardoza is strongly supported by Sunkist. Their recommendations in expanding school breakfast and lunch programs, enhancing access to fruits and vegetables under the Women and Infant Children (WIC) program, expanding funding for the Department of Defense fresh program, along with ensuring that USDA purchases are consistent with the U.S. Dietary Guidelines for Americans, are extremely productive initiatives and we would recommend their consideration by the Committee.

#### CROP INSURANCE

During the most recent reauthorization of the Farm Bill, Sunkist Growers, along with a number of other California specialty crop organizations including Blue Diamond Growers, the California Association of Winegrape Growers, the California Grape and Tree Fruit League and the California Kiwifruit Commission, supported the expansion of an RMA pilot called the Adjusted Gross Revenue program to California.

Due to the present financial distress of specialty crop agriculture in California as well as in other states, and our desire to avoid future costly demands for subsidies that other agricultural commodities receive, these organizations found AGR to potentially be an excellent alternative.

This unique USDA risk management tool was designed with substantive input from specialty crops, though it covers all agricultural commodities. It provides producers with the "self-help" option of insuring a portion of their farm income, based upon an average of their last 5 years' tax returns. Given the administration's initiatives to enable foreign fruit and vegetable producers to secure expanded and more favorable access to the U.S. consumer marketplace, AGR will be a critical "trade adjustment assistance" tool for American producers adversely impacted by these imports.

We are extremely pleased that, in the 2002 Farm Bill, the Committee approved expansion of AGR into eight counties in California on a test basis. However, the need for expansion of this program statewide still exists, and the opportunity to benefit from its introduction into the most agriculturally-diverse state in the country

would yield significant data to benefit RMA as it considers refining and making permanent this valuable risk management tool.

AGR should be greatly expanded and could eventually replace both the citrus dollar program and the production guarantee program. However, while the pilot program certainly is more meaningful and offers greater prospects for efficiency and success in addressing the risk management needs of producers of specialty crops—particularly when built upon a multi-peril policy foundation, it does, nevertheless, suffer some real deficiencies as presently devised.

- Notably, growers can participate in AGR only after five years of actual production activity. New producers, who are in greatest need of insurance, are precluded from the program. Provision must be made for newer producers to be included in the program, perhaps by indexing expenses using the county averages for that commodity.

- Additionally, from an underwriting perspective, it doesn't allow any farm operation to expand and must provide upward trending in operations and indexing.

- Conversely, AGR doesn't, as presently designed, allow for downsizing of farming operations and consequently forces over-coverage.

- A problem exists in what records are considered acceptable as evidence of gross revenue and there is clear need for consistency in accounting expenses and revenue.

- In the event of shock loss in any of the base years or subsequent years used for AGR participation, and given the limited 5-year data base utilized, the subsequent coverage will be inadequate to provide for grower needs. Therefore, there is a need for underwriting adjustment to exempt any shock year losses or expand the data base years.

In general, we have often seen other insurance products generated by RMA that were clearly retreads from programs designed to serve the more traditional program crops. These products often did not take into account the realities that a perennial grower of citrus, pears, apples, et al must address.

For example, specialty crop growers have far higher risks than commodity crop growers—and pay much higher premiums. Therefore, there is a real need to offer improved underwriting subsidies designed especially for these specialty crop risks. Additionally, there is a real need for RMA to train people to understand the accounting that compliments perennial producers, as opposed to more traditional row crop producers.

In conclusion, for RMA to develop truly beneficial programs for specialty crop producers, they must engage in a collaborative effort with industry that makes the roll-out of these products the end-result, rather than the beginning of the process. Launching programs at the 11th hour and expecting participation by producers is unrealistic and puts RMA and the industry in a game of catch-up, trying to refine flawed programs, rather than constructing beneficial ones from the ground up.

In the short-term, the needed expansion of the Adjusted Gross Revenue program to all of California's counties would provide both specialty crop producers and RMA with significant benefits. This expansion should take place without delay.

Mr. Chairman, in closing Sunkist Growers would like to thank you for scheduling this hearing of the Subcommittee and for considering our observations and suggestions regarding domestic policies affecting the specialty crop industry. We look forward to working with the Subcommittee and full Committee in the future as you seek to improve the health of America's essential specialty crop industry.