PRODUCE INDUSTRY FARM BILL WORKING GROUP

March, 2006

Dear Stakeholder:

It is increasingly clear that the fruit and vegetable industry represents a vital segment of the American economy and brings to market crops that are equally essential to the health of all Americans. Lawmakers in Congress develop new policies and evaluate existing policies that can largely shape the industry's competitiveness and promote economic growth. That is why members of the produce industry have always strived to be engaged in the federal legislative process.

Arguably, the next Farm Bill has the greatest potential of any congressional initiative for improving the business and regulatory environment for the produce industry. With this in mind, produce industry leaders from across the country met in May of last year to discuss development of Farm Bill recommendations that would enhance the competitiveness of the produce industry and increase produce consumption. As a result, the *Farm Bill Working Grou*p was created – a landmark coalition of 43 members representing 20 produce organizations from every fruit and vegetable production region in the United States. After several months of thoughtful discussion, the working group produced a set of key recommendations.

Our recommendations contained in this document have their origins in our previous efforts that began with the development of the 2002 Farm Bill and continued with the passage of the *Child Nutrition Reauthorization Act of 2004* and the *Specialty Crop Competitiveness Act of 2004*. Over the last 4 years, these three efforts have served as the foundation of our work leading up to our next major challenge, which is looking at ways we can enhance Federal agriculture policy so that it can be beneficial to a broad cross-section of agricultural commodities.

This document contains more than 30 policy recommendations that we believe can provide the tools to sustain the viability and stability of our industry, while maintaining the appropriate flexibility for our producers. At the same time, these recommendations also look at the long-term investments that are critical to promoting consumption and demand for our agricultural products. Finally, these recommendations highlight the industry's efforts to adapt to changes in our business environment while providing the tools necessary to succeed.

With the completion of this effort, we believe it is essential that we reach out to you and other specialty crop leaders who share many of our priorities and discuss ways for collectively advocating a common set of priorities in the 2007 Farm Bill. We would welcome your thoughts, comments and recommendations for attracting a broad coalition of specialty crop producers and, most importantly, strengthening this policy document. We look forward to hearing from you over the next several weeks.

Sincerely,

John Keeling
National Potato Council
Farm Bill Working Group, Co-Chair

Mike Stuart
Florida Fruit and Vegetable Association
Farm Bill Working Group, Co-Chair

Tom Nassif
Western Growers
Farm Bill Working Group, Co-Chair

Robert Guenther
United Fresh Fruit and Vegetable Associations
Farm Bill Working Group, Secretariat

Fruit and Vegetable Industry Priorities for the 2007 Farm Bill

Executive Summary

Fruit, vegetable and tree nut production in the United States accounts for $34 billion in farmgate value, or 30% of farm cash receipts for crops. With the addition of nursery and greenhouse production, overall specialty crops account for over 44% of farmgate value for crops.

The fruit and vegetable industry is organizing itself to advocate for a single common set of priorities in the 2007 Farm Bill. A broad array of fruit and vegetable trade associations representing U.S. growers and shippers have been working to forge mutual objectives for the Farm Bill, to assure a common platform across regions, commodities and other interests. We intend to work closely and collaboratively with allies in all specialty crops who share many of our priorities, as well as other stakeholders across U.S. agriculture.

Statement of Principles

1. The fruit, vegetable, and tree nut industry is a critical and growing component of U.S. agriculture, deserving of full and equal consideration as other agricultural sectors in the Farm Bill. That demands a significant financial investment in mandatory spending.

2. The fruit, vegetable, and tree nut industry would not be well served by direct program payments to growers. Rather, our emphasis must be on building the long-term competitiveness and sustainability of U.S. fruit and vegetable production.

3. Government investment in the competitiveness and sustainability of the U.S. fruit and vegetable industry will produce a strong return on investment for *all of America*, not just farmers. By expanding access and availability of safe, wholesome, healthy and affordable fruits and vegetables, the Farm Bill will be a critical component in reaching the mandate of doubling fruit and vegetable consumption called for in the USDA/HHS 2005 Dietary Guidelines. That makes the 2007 Farm Bill more relevant to every Congressional district in the country than ever before.

4. Government investment in this agriculture industry is required to create a fair, level playing field with international competitors who do not face the regulatory burdens of U.S. producers. With the government's mandate that domestic producers must meet the very highest standards in environmental regulation, labor and other areas comes the responsibility to help those producers achieve cost-effective compliance. Without appropriate assistance U.S. production will re-locate to less restrictive foreign growing areas.

5. Consumers in U.S. export markets are increasingly demanding high value food products as their disposable income rises. A thriving and competitive U.S. fruit, vegetable, and tree nut industry will support strong growth in export markets and improve our agricultural balance of trade. In order to realize the goal of increasing exports, it is critical that federal policy and resources support efforts to remove the many existing international trade barriers that continue to block U.S. fruit, vegetable, and tree nut exports.

Specific Farm Bill Priorities

- **Restrictions on Planting Flexibility** – We support this long-standing provision as a fundamental matter of equity among farmers. As long as some farmers receive direct payments from the government, they should not be allowed to plant crops on that subsidized land that compete with unsubsidized farmers.

- **Nutrition Programs** – We support a strong new focus within the 2007 Farm Bill on increasing the access and availability of fruits and vegetables, particularly to children. We support expansion of the school fruit and vegetable snack program, increased commodity purchases, higher allocation to the Department of Defense (DOD) Fresh program for schools, development of a new nutrition promotion program to assist producers in enhancing their markets, and a general requirement that USDA feeding programs and commodity purchasing comply with the 2005 Dietary Guidelines.

- **State Block Grants** – We support an expansion of the State Block Grants for Specialty Crops program originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the FY06 Agricultural Appropriations bill. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

- **International Trade --** We support programs to increase foreign market access, to increase funding for the Technical Assistance for Specialty Crops program, and creating a new Export Division within APHIS to attack with much greater vigor the real but too often hidden trade barriers facing our industry in SPS issues. We will also work with allies to seek continued support for the Market Access Program

- **Invasive Pests and Disease** – We support significant new investment in prevention of the unintentional introduction of plant pests and diseases. Investment in prevention is more cost-effective than mitigation.

- **Research** – We support significant new investment in research for specialty crops, through both the National Research Initiative and programs within CSREES and ARS.

- **Conservation Programs** – We support a mandatory allotment of funding for specialty crop production within EQIP similar to what currently exist for the livestock industry. We will work with all allies to expand general support for conservation programs.

- **Unique Attributes of Specialty Crop Producers** – Due to the nature of high-value specialty crop production, many current Farm Bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operations, etc. We support a thorough review of all farm programs to ensure that specialty crop producers have access to benefits comparable to other farmers, rather than being excluded or limited simply due to a higher-cost of production.

2007 Farm Bill Policy Recommendations

COMMODITY SECTION

OVERVIEW

Fruit and vegetable production across the United States accounts for over $26 billion in farm cash receipts, representing 28% of the U.S. total crop value. While our domestic production remains strong, we have seen increasing imports in our sector. In all horticultural products, the U.S. imported $21.9 billion and exported $12.3 billion worth of goods in 2003.

Over the years, the produce industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, adapt to new technology, and compete in an increasingly global market place. Today, growers are facing the most strident economic conditions and regulatory challenges they've seen in decades. Meanwhile, the consumption of our commodities seems to be stagnating. While the perishable nature of our products present unique challenges and highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We're proud of our commitment to free markets, and don't want that to change.

The fruit and vegetable industry also produces crops that are vital to the health of Americans and represent a significant segment of American agriculture. However, because they are not considered "program crops," fruits and vegetables are often ignored when it comes to the development and implementation of U.S. farm policy. Yet, like producers of program crops, the fruit and vegetable industry faces significant challenges in the production and marketing of their commodities that must be addressed if they are to remain competitive.

While the produce industry does not grow fruits and vegetables in every Congressional district, our industry is important to the good health of Americans and to the efforts in our country to prevent disease, reduce obesity, and improve the well-being of our citizenry. We are also working hard to fulfill consumer needs for great-tasting, high-quality fresh vegetables, and affordable healthy food choices, but we need agricultural policy priorities to assist us in that effort. It is in this context that we raise the importance of fruits and vegetables today – not as simply one more sector of the agricultural economy, but as a vital national priority in every Congressional district and to the health of our nation overall. The industry strongly believes government policy should provide incentives for private investment, tools to increase profitability, and help to those producers who are committed to constant improvement to better serve consumer needs. We do not want policies that sustain yesterday's business; we want investment in the future.

Ultimately, the goal of any fruit and vegetable Federal agriculture policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our products and not distort the production of those products with respect to domestic and international markets

POLICY STATEMENT

The Federal government should elevate its financial investment into program priorities for the produce industry and work cooperatively to ensure U.S. fruit and vegetable producers are competitive in domestic and international markets. In turn, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of fruits and vegetables, and not distort the production and marketing of these commodities in the United States.

POLICY RECOMMENDATIONS

- Planting Flexibility Restrictions – The fruit and vegetable industry strongly supports maintaining or strengthening the current restrictions that prevent the planting of fruits and vegetables on acres receiving program payments. This includes not allowing any temporary loss in program benefits as a remedy for one year or other short-term shifts to fruits and vegetables.

    - *Policy Recommendation* – Maintaining current law regarding U.S. planting flexibility policy.

- Disaster Assistance Payment Limits – The current $80,000 payment limit on disaster payments is not equitable for fruit and vegetable producers. Due to higher input and labor costs, possible loss per acre experienced by fruit and vegetable producers as a result of a disaster is generally significantly greater than for program crops. FSA currently maintains a data base that has cost of production figures for various agricultural enterprises. This cost of production data should be used to index disaster program benefits.

    - *Policy Recommendation* – The fruit and vegetable industry supports restructuring the current disaster assistance payments to allow producers of commodities with higher cost of production to receive proportionally larger disaster assistance.

- Disaster Assistance Adjusted Gross Income Limits – Currently the $2.5 million AGI eligibility limit for disaster assistance applies if 75% of income is not from farm or ranch income. If 75% of income is from farming or ranching (Schedule F) then income can exceed $2.5 million and disaster benefits are still available. Individuals who are actively involved as first handlers may not qualify for disaster assistance even though their income is dramatically reduced due to a failure of the local crop. In addition, individuals that would be defined as first handlers also do not qualify despite being an active participant in fruit and vegetable operations.

    - *Policy Recommendation* – The fruit and vegetable industry supports modifying the current definition of farming and ranching to include individuals that derive 75% of their income from farming, ranching, or as a first handler of fruits and vegetables to be eligible for disaster assistance. First handler may be defined as any person who receives or otherwise acquires fruits and vegetables from a producer and prepares for marketing or markets such commodity or who prepares for marketing and markets of that person's own production.

- Fruit and Vegetable Inclusion in Federal Disaster Assistance Funding **–** As natural disasters occur, Congress and the administration frequently develop disaster assistance packages to aid those agricultural producers that have suffered losses due to disasters. As an element of those disaster packages, it is important that fruit and vegetable producers be eligible. In certain cases disaster payments have been tied to existing USDA programs for which fruit and vegetable producers are ineligible or do not historically participate.

    - *Policy Statement* (*Sense of Congress*) – During consideration of disaster assistance to producers suffering losses due to natural disasters, including government imposed quarantine restrictions, it should be the Federal policy that all commodities including fruits and vegetables should be included for payment eligibility.

- Tree Assistance Program **–** Tree Assistance Program (TAP) provides financial relief to owners of eligible trees, bushes, vines, and forest land damaged by natural disasters. To qualify for TAP, eligible applicants must: (1) have suffered qualifying tree, bush, or vine losses of 15 percent or greater from a natural disaster for the individual stand, plus normal mortality; (2) have owned the eligible forest trees when the natural disaster occurred; however, eligible orchardists are not required to own the land on which eligible trees, bushes, and vines are planted; (3) be in compliance with highly erodible land conservation and wetland conservation provisions; (4) replace eligible trees, bushes, and vines within 12 months from the date the application is approved; and (5) rehabilitate pecan trees within 12 months from the date the application is approved.

    - *Policy Recommendation* – Given the high costs of tree replacement, the payment limitation authorized under the TAP program should be increased to $150,000 per person per year. (The 2002 Farm Bill authorized funding up to $75,000 per person).

CONSERVATION SECTION

OVERVIEW

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. Because of these factors, the industry should consider any available assistance that encourages producers to invest in natural resource protection measures they might not have been able to afford without such assistance.

POLICY STATEMENT

The Federal government should offer a basic level of funding assistance and credit to preserve its commitment to support conservation initiatives to guarantee a safe, healthy and sustainable environment within produce production areas.

POLICY RECOMMENDATIONS

- Expand and Improve the Environmental Quality Incentives Program (EQIP) – Among all conservation programs, EQIP has arguably been the most effective and widely used program for fruit and vegetable producers. However, despite increases in funding for EQIP in the 2002 Farm Bill, the program is significantly oversubscribed in many states. Approximately $95 million in projects were unfunded in 2004. Further, current program criteria can inhibit the development and implementation of new systems and technologies. The following recommendations would significantly enhance its effectiveness for fruit and vegetable producers:

  Policy Recommendations –

  - *Funding*. Specialty crop producers should receive a mandatory allotment of 25% of total funding.

  - *Water Conservation*. Conservation of ground and surface water for irrigation should be added as a separate national priority, rather than being included within the non-point pollution category.

- *Air Quality*. Create air quality program under EQIP with dedicated funding.

Report Language –

- *Pesticide Stewardship*. NRCS should work with land grant universities and other entities to develop model programs for using EQIP funds to enhance pesticide stewardship.

- Expand Scope for Conservation Security Program (CSP) **–** Fruit and vegetable producers have been unable to participate in the CSP to a significant degree because of the limited number of watersheds currently available in this relatively new program. However, the concept of the program – linking payments to environmental performance – is attractive to many producers. Fruit and vegetable producers recommend the following enhancements to the program:

Policy Recommendation –

- *Environmental Objectives*. Air quality, water conservation and pest management objectives are equal priorities with soil and water quality objectives.

Report Language –

- *Watersheds*. The number of watersheds contained in the program should be increased significantly, particularly in states with farmlands in environmentally sensitive areas.

- Eliminate the Adjusted Gross Income (AGI) Limitation on Conservation Programs – The structure of fruit and vegetable operations which includes a broad diversification of business opportunities can effectively eliminate many growers from conservation program eligibility because of the AGI limitations and off farm income.

- *Policy Recommendation* – The AGI limitation should not apply to conservation programs.

- Improve Specialty Crop Producers' Access to Technical Assistance Programs **–** For many fruit and vegetable producers, access to high quality technical assistance can be a determining factor in whether or not they participate in conservation programs. Technical assistance plays a key role both in the planning and implementation of programs such as EQIP. The following recommendations will improve access and, therefore, participation in conservation programs by specialty crop producers:

Policy Recommendations –

- *Private Sector Capacity*. Create a new mechanism that establishes a private sector cadre of experts trained to access, identify, and introduce producers to cost-share programs, and to assist them in completing program applications.

- *Technical Service Providers (TSPs)*. Make greater use of TSPs to assist producers in the planning and implementation of conservation measures. Streamline and simplify application certification procedures.

- *Resources*. Use a resource- and needs-based formula to enhance funding for NRCS conservation technical support to applicants.

INTERNATIONAL TRADE SECTION

OVERVIEW

The economic well-being of the produce industry and other agricultural commodity sectors depends heavily on exports which account for one-third or more of domestic production, provides jobs for millions of Americans, and makes a positive contribution to our nation's overall trade balance. This year, the value of U.S. agriculture exports is projected to be a record of $64.5 billion. Unfortunately, imports are forecasted in 2006 at record levels of $61.5 billion. With the United States' 2006 trade balance forecasted to be at its lowest point in 20 years, serious attention must be made to our current trade policies which help expand market access. Without improved international trade policies that advance open and fair trade practices in the global market, the U.S. surplus in agricultural trade, which has declined over 90% since 1996, will continue to fall.

U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products. Without further commitment to export market development by the Federal government and commitment to reducing tariff and non-tariff barriers to trade, the U.S. produce industry will continue to lose market share to global market competitors.

POLICY STATEMENT

To eliminate the trade inequities created by the combination of world subsidies, tariffs, and domestic supports as measured against the current U.S. tariff structure and trade policy. Aggressive policy measures should be enacted to maintain and expand U.S. agricultural exports, counter subsidized foreign competition, maintain and enhance U.S. agriculture's favorable trade balance, improve agricultural income, protect and increase export-related jobs, and strengthen U.S. trade negotiating positions under the WTO.

POLICY RECOMMENDATIONS

- Technical Assistance for Specialty Crops (TASC) **–** The fruit and vegetable industry strongly supports the TASC program first initiated in the 2002 Farm Bill. This program has been critical over the last 4 years in helping the specialty crop industry address specific sanitary and phytosanitary (SPS) non-tariff trade barriers. In addition, because of the unique and specific SPS issues associated with fruit and vegetable export markets, the TASC program should maintain its focus on specialty crops. Finally, any increase in funding should not undercut the ongoing mission of FAS.

  Policy Recommendations –

  - *Funding* FY 2008 funding at $4 million and increased $2 million in each consecutive year to a maximum of $10 million per year of funding by 2011.

- *Flexibility*. The TASC participant may petition U.S.D.A to extend beyond the 3-year project timeframe which is prescribed in the current regulations. Any extension would be approved by the Administrator of FAS.

- *Carryover Funding*. Funds not obligated as part of the yearly TASC allocations shall be carried over for utilization in the next fiscal year.

Mandatory Funding $38 million over 5 years

International Maximum Residue Limits (MRL) Database – The International Maximum Residue Limits (MRL) Database provides users with a list of MRL tolerances by active ingredient to desired export destinations. Users may query by crop, pesticide active ingredient and pesticide type. Over 300 fruit, vegetable and nut commodities are covered, as are 272 pesticides approved by the EPA for use on those commodities in the U.S. MRL data is included from 70 countries, the European Union and the Codex Alimentari U.S. Commission. Each country included in the database represents, at a minimum, $1 million in annual export revenue for U.S. horticultural commodities. This database is especially useful for growers, exporters, chemical manufacturers, and regulators as an aid for determining the MRL's of U.S. trading partners.

- *Policy Recommendation* – FAS shall be directed to fund ongoing updates to the MRL database project and will not supplant funding currently allocated for ongoing FAS programming requirements.

Modernization Report on Important Agriculture Laws – Congress has established an Antitrust Modernization Commission (AMC) to review U.S. antitrust laws. In the Spring of 2005, the AMC announced that it would review the limited antitrust immunity offered by the Capper-Volstead Act, Export Trading Company Act, and other agriculture-related statutes.

- *Policy Statement (Sense of Congress)* **–** Estimate impact on the importance of agriculture laws including, the Export Trading Company Act, Capper-Volstead Act, and the Agricultural Marketing Agreement Act to U.S. agricultural production and marketing.

Coordination of Trade Objectives between key USDA agencies – It is clear that for effective market access throughout the world for the specialty crop industry, SPS issues must be addressed as part of any current or future trade agreements. To be successful in this effort, the specialty crop industry believes that a coordinated and unified strategy must be in place between all of the key government departments that are responsible for agriculture trade matters.

- *Report Language* – Seek report language that will encourage key agencies such as FAS/APHIS/USTR to work toward increased coordination of export trade objectives and greater transparency on work related to SPS issues.

- Market Access Program (MAP) – The Farm Bill Steering Committee, representing a broad range of fruit and vegetable interests and participants in the Market Access Program, supports USDA's Market Access Program at a level to be determined by the Coalition to Promote U.S. Agricultural Exports. In addition, the Steering Committee supports any programmatic changes that the Coalition wishes to move forward during the 2007 Farm Bill discussion.

INVASIVE PEST AND DISEASE SECTION

OVERVIEW

The Animal and Plant Health Inspection Service (APHIS) is the USDA regulatory agency charged with protecting U.S. agriculture from the introduction, establishment, and reemergence of plant pests and diseases that could harm production or damage export markets, a role of great importance to the specialty crop industry. Until 2002, APHIS held sole responsibility for operating the inspection program, whose primary purpose is to inspect incoming passengers and cargo at U.S. ports of entry (borders, airports, and seaports) for prohibited plant and animal materials. APHIS border inspection was supported for the most part by user fees collected for inspection services, supplemented by annual appropriations that covered the costs of new equipment, training, etc. In 2002, in the law creating the Department of Homeland Security, Congress transferred the inspection function and more than 2,600 APHIS inspectors to the DHS Border and Transportation Security mission area.

Losses to invasive pests and disease now cost the industry more than $120 billion annually. The pest prevention mission of public agricultural agencies in the United States is to protect agriculture, the environment, and its citizens from the economic and environmental harm that injurious plant pests can cause. Satisfying this mission while, at the same time, providing for equitable and orderly domestic and international trade, is a major challenge.

With the liberalization of international trade in agricultural commodities and commerce coupled with the evolving responsibilities of DHS, protecting the health of our nation's crops is becoming an increasingly important and difficult task. It is vital that the United States maintains its responsibility for the protection of the nation's food supply, our agricultural economy, and plant health. Therefore policies established should provide the greatest reduction in risks, establish a consistent and clear communication structure, and provide for problem resolution with built-in accountability.

POLICY STATEMENT

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 stakeholders 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.

POLICY RECOMMENDATIONS

- Animal Plant Health Inspection Service Threat Identification/Mitigation Program – International trade is rapidly expanding and the relevance of international borders as barriers to pest movement is diminishing. As trade expands, so does the risk of accidentally or intentionally spreading exotic plants or pests. A stakeholder review of the USDA's plant safeguarding system in 1999 found that a "broad range of highly reliable information on international pest is needed to enable APHIS PPQ to effectively safeguard America's plant resources."

In addition, The *Animal Health Safeguarding Review* found in 2001 "that the U.S. cannot achieve exclusion, detection, assessment of risk or eradication, and control of foreign and animal diseases without adequate, scientifically sound, rapidly accessible and completely communicated international information that identifies pest and disease threats."

- *Policy Recommendation* – APHIS will develop a program that determines and prioritizes foreign threats to domestic production of fruits and vegetables, including bio terrorism. This program will be modeled after the Cooperative Agricultural Pest Survey approach. As a component of this task, APHIS should work with ARS in developing domestic mitigation and/or eradication efforts where appropriate. The goal of this program is to protect the interest of the domestic fruit and vegetable industry and preventing pest and disease threats in the United States. Funds shall not be used for eradication efforts that enhance import opportunities into the United States. It was recognized that in order to accomplish this, language should be put forth that would mandate DHS communication and sharing interception data on a regular basis with APHIS.

  Mandatory Funding – $100 million per year ($500 million over 5 years)

- Emergency Eradication Programs **–** Protecting the health of our nation's crops is becoming an increasingly difficult task with the passage of bi-lateral and regional trade agreements. These trade agreements have led to an increased flow of specialty crops across our borders making the United States more susceptible to plant pests and diseases. Currently, the introduction of foreign pests and diseases has cost the nation millions of dollars in control and eradication efforts and lost production capabilities. In this vein, it is incumbent upon the Federal government to respond to these emergency situations and develop eradication programs that are cost effective and targeted to the specific needs of each circumstance.

  - *Policy Recommendation* – Secretary shall be directed to access CCC funds for emergency eradication programs without encumbrances. These funds would be used for domestic emergency eradication only. If compensation to growers were warranted, such a program should be administered with existing FSA services so as not to dilute APHIS resources to accomplish the eradication goal.

- APHIS Export Division **–** A major impediment to increasing exports of U.S. specialty crops is the current backlog of sanitary and phytosanitary (SPS) export petitions at USDA's APHIS. This greatly limits the ability of U.S. specialty crop producers to increase exports.

  - *Policy Recommendation* – USDA is directed to create an SPS Export Division within APHIS. The purpose of this division will be to process current and new SPS petitions for removing SPS trade barriers in export markets. In addition, this division would be responsible for establishing a public docket for export petitions similar to that which now exists for import petitions. The division would be charged with completing existing export petitions within 5 years of enactment.

- SPS Report – The Uruguay Round's Sanitary and Phytosanitary (SPS) Agreement establishes a multilateral mechanism to protect human, animal, and plant health in World Trade Organization (WTO) member countries. As a WTO member, this Agreement protects U.S. exporters from other countries' use of health-related measures to disguise barriers to trade. Unfortunately, while these programs have been in place, for specialty crops, there have been inconsistent results in bringing down SPS barriers.

  - *Policy Recommendation (Report Language)* – Require that all initiated trade agreements (including notification of trade agreements) sent to Congress are accompanied by a report on the current SPS barriers for agricultural products.

- Multi-species Fruit Fly Research and Sterile Fly Production – Med fly eradication historically has been a volatile program until the development of a sterile med fly program. This technology has proven successful in several instances and is now threatened by the lack of supply consistency. The Hawaiian Med fly facility has supplied sterile flies for several infestations but is now in such disrepair that it can no longer be considered a viable source for sterile med flies. One facility exists on foreign territory which has managed to satisfy the demands for sterile flies in recent history. However, this singular approach to sourcing leaves our states vulnerable should quality or supply issues develop. The industry believes that an alternate source is necessary, and given the successful history of the Hawaiian facility, funds should be authorized to modernize the facility.

  - *Policy Recommendation* – Authorize construction of a warehouse and irradiator containment facility in Waimanalo, Hawaii, to support fruit fly rearing activities and to house an irradiator (irradiation is used to sterilize fruit flies which are subsequently used to eradicate exotic fruit fly infestations). Authorize $15 million for construction and start up, and $1.0 million annually ongoing for maintenance.

NUTRITION SECTION

OVERVIEW

The fruit and vegetable industry has the good fortune to offer consumers a healthy and nutritious product that is recognized as critical to preventing cancer and other chronic diseases, reducing obesity and diabetes, and maintaining overall good health. The Dietary *Guidelines for Americans* call for the consumption of 5 to 13 servings a day of fruits and vegetables as a cornerstone of good health. Yet, on any given day 45% of children eat no fruit at all, and 20% eat less than one serving of vegetables.

Over the past several years, the fruit and vegetable industry has become immersed in nutrition policy. Frankly, we have been surprised with what we've learned. Despite the best efforts of many in government, the nutritional health of our nation's children in far too many cases has been secondary to other considerations. Critics will cite numerous impediments to increasing fresh fruits and vegetables in the school lunch and breakfast programs and the Supplemental Nutrition Program for Women, Infants and Children (WIC), and to creating a new healthy school food environment. But to overcome those challenges, Congress has to look no further than the students, teachers, principals, foodservice personnel, school nurses, parent-teacher organizations and community leaders now participating in the incredibly successful fruit and vegetable school snack program now under way.

While nutrition policy is not solely a Farm Bill issue, we have a unique opportunity to make sure that policies under the purview of the House and Senate Agriculture Committees are carefully considered so that the new *Guidelines* are fully implemented. To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans.

POLICY STATEMENT

Across the life span, proper nutrition is critical in promoting good health, preventing disease, and improving quality of life. Therefore, agriculture policies and related domestic and international nutrition assistance programs should support incentives and key strategies that help Americans reach national health goals and ultimately reduce health care costs.

POLICY RECOMMENDATIONS

- School Fruit and Vegetable Snack Program – The School Fruit and Vegetable Snack Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children in participating schools. This program allows children to experience the great taste of fruits and vegetables and thereby has the potential to build lifelong healthy eating habits.

  Policy Recommendations –

  - *School Expansion*. Expand the School Fruit and Vegetable Snack Program to 100 schools in every state.

- *Evaluation*. USDA shall develop a report that evaluates the program's impact.

Mandatory Funding – $200 million per year ($1 billion over 5 years)

- Fruit and Vegetable Nutrition Promotion Program **–** Establish a new Fruit and Vegetable Nutrition Promotion Program to help Americans increase their consumption of fruits and vegetables to meet the *2005 Dietary Guidelines*. Meeting Federal health guidelines would require Americans on average to double their consumption of fruits and vegetables, an increase in demand that would create significant value to U.S. growers in market opportunity. The program would be a cost-effective way for the Federal government to invest in sustainability of U.S. fruit and vegetable growers while tackling the critical obesity and health crisis that is draining federal funds for ever-escalating health care costs.

  - *Policy Recommendation* – The program would be administered by USDA AMS using funds from CCC in a manner similar to the Market Access Program. USDA would form cooperating partnerships with non-profit U.S. fruit and vegetable trade organizations, non-profit state and regional fruit and vegetable organizations, U.S. fruit and vegetable agricultural cooperatives, commodity boards and commissions, and small U.S. businesses in the fruit and vegetable industry. Small businesses would be eligible to apply for support through trade organizations, as in the current MAP program.

    This would be a matching funds program, requiring investment from fruit and vegetable producers. Based on the MAP model, trade organizations must meet a 10% minimum match requirement; individual companies must provide a minimum 50% match. Funds available for this program would be subject to rules and regulations to be developed by AMS, requiring USDA approval as to the appropriate nature and compliance of the activities before receiving matching funds.

    Mandatory Funding – Create matching grant program of $75 million per year ($450 million over 5 years).

- Dietary Guidelines & Federal Feeding Programs – USDA must ensure that all Federal feeding programs are consistent with the *2005 Dietary Guidelines*. The Farm Bill addresses the Food Stamp Program and commodity purchases for special nutrition programs and school lunch programs.

  - *Policy Recommendation* – All USDA feeding programs and commodity purchasing programs authorized and/or funded in the Farm Bill shall be required to base food allocations according to the *2005 Dietary Guidelines*.

Commodity Purchasing – USDA commodity purchases should provide the best quality fruits and vegetables, in the form that schools and other feeding recipients most desire, through the most efficient and effective means that benefit both growers and end-users. Those goals will likely result in increasing support for fresh produce purchases through various channels, and greater planned purchases rather than continued dependence on economic justification of surplus status in order to initiate action.

Policy Recommendations –

- *Section 32 Purchases.* The $200 million minimum threshold in fruit and vegetable purchases in the 2002 Farm Bill was clearly intended by Congress to be an *additional* $200 million in purchases, despite USDA's interpretation. Need to establish that the minimum threshold for fruit and vegetable purchases out of the Section 32 contingency or "reserve" fund is set at $400 million per year, and is additional purchasing over the current fruit and vegetable purchases. This provision will score at $200 million in increased spending per year.

- *DOD Fresh Program.* Concurrently, out of that $200 million increase, one-half should be allocated to DOD Fresh, increasing current spending from $50 million to $150 million, in order to increase schools' access to fresh produce. This provision will not score, because it is an internal allocation of funds already required to be spent. USDA's direct commodity purchases, while important, are overwhelmingly canned, frozen or dried (98-99%) due to infrastructure and logistics challenges, and cannot meet the needs of schools for fresh produce in the form that many kids want to eat. The DOD Fresh program is the only mechanism currently in place that can efficiently and effectively deliver fresh, quality produce to schools within USDA feeding programs. The demand for fresh produce from schools in the DOD Fresh program far exceeds the $50 million currently allotted.

Mandatory Funding – $200 million per year ($1 billion over 5 years)

- *School Preference Study.* Conduct a study of school preferences for commodity distribution, including level of desire for fresh produce; analyze logistical impediments to increasing fresh produce purchases and distribution to schools; and report recommendations for improving access and availability of fresh produce through USDA commodity programs.

- *Evaluation of Commodity Purchase Process.* Conduct a comprehensive, independent evaluation (similar to the external IOM Report on WIC) of the USDA commodity purchasing process, especially with regard to Section 32 contingency funds and the program procedures for surplus removal of commodities. Evaluate USDA regulations and operations, as well as underlying statutory authority.

- Many industry sectors believe a program of planned commodity purchases could better serve growers and support pricing, enhance program efficiency and effectiveness, expand the selection of foods that could be purchased (including more perishable products), and all be completed with no additional cost to the government. Evaluate these issues and publish recommendations for reform to enhance overall effectiveness.

- Food Stamps – The Food Stamp Program provides low-income households with coupons or electronic benefits they can use like cash at most grocery stores to ensure that they have access to a healthy diet. It is the cornerstone of the Federal food assistance programs, and provides crucial support to needy households and to those making the transition from welfare to work. It provided an average of $2.1 billion a month and helped put food on the table for some 10.3 million households and 23.9 million individuals each day in Fiscal Year 2004.

Policy Recommendations –

- *Food Stamp Nutrition Education*. Define the mission and scope of the Food Stamp Nutrition Education program to focus appropriately on the most effective interventions to drive behavior and environmental changes to better assist food stamp recipients and eligible population in eating a healthful diet rich in a variety of fruit and vegetables consistent with the *Dietary Guidelines*.

- *Food Stamp Fruit and Vegetable EBT Pilot*. Provide $10 million for states to develop and pilot test innovative programs that encourage increased consumption of fruits and vegetables by providing incentives for purchase of fruits and vegetables made through use of electronic benefit transfer cards (EBT).

  Mandatory Funding – $10 million per year ($50 million over 5)

Policy Statement –

- *Nutritional Supplements.* The Farm Bill Steering Committee opposes any policy recommendation as part of the 2007 Farm Bill for the use of food stamps to purchase nutrition supplements or anything other than food.

RESEARCH & DEVELOPMENT SECTION

OVERVIEW

Research serves as both a foundation and a catalyst for growth in the advancement of any industry. Federal investment in agricultural research dedicated to the economic vitality and long-term viability of United States specialty crops has been extremely limited. Specialty crops and their research needs are unique and important. These crops are typically characterized by high production input costs, unique market challenges, and are a significant source of essential nutrients required for good health. The Specialty Crop Competitiveness Act of 2004, recognized and elevated the importance of specialty crop research by modifying 7 USC 5925 adding language to the USDA list of high priority research and extension activities which states: "Research and extension grants may be made under this section for the purpose of improving the efficiency, productivity, and profitability of specialty crop production in the United States."

The specialty crop industry also faces a range of challenges in meeting more stringent water quality and water conservation goals, and new air pollution control requirements. With dramatic reductions in Cooperative Extension staff and research personnel, support for applied specialty crop research has been significantly curtailed. Farmers must receive assistance from USDA researchers to find practical air and water pollution solutions. When farms implement these solutions, the surrounding communities also benefit, with better air and water quality, and with healthier local economic bases.

The new USDA/DHHS *Dietary Guidelines* have recommended the daily dietary intake of Americans be at least 52% fruits, vegetables and foods derived from specialty crops. Federal investments in agriculture should be allocated to reflect the national importance of these products to the American diet. Research funding to the USDA Agriculture Research Service (ARS), Cooperative State Research, Education, and Extension Service (CSREES), Economic Research Service (ERS), National Research Initiative (NRI), National Agricultural Statistics Service (NASS) and other USDA programs, should be significantly increased and/or reallocated to appropriately and proportionally represent the important role that specialty crops play in the maintenance of human health.

Federal investments in research and development for specialty crop production, processing, marketing, and consumption which influence public access to these vital commodities must be re-emphasized in the next farm bill. Funding that emphasizes nutrition will provide significant return on investment through better health among the U.S. populace and at the same time enable specialty crop producers to secure a competitive position in the global marketplace.

POLICY STATEMENT

T*o increase economic efficiency and assure global economic competitiveness within the specialty crop sector, as well as document applicable health and environmental benefits to all Americans. The industry supports coordinated Federal research to assure future economic competitiveness by specialty crop growers in domestic and international markets and improve the public health.*

POLICY RECOMMENDATIONS

- *Development of Specialty Crop priority as part of the National Research Initiative (NRI)* – Significant reductions in research personnel and support for applied specialty crop research has been significantly curtailed in recent years. This trend must be reversed and research funding to Federal research institutions and land grant universities should appropriately and proportionally represent the important role that specialty crops play. Research funding that emphasizes strategies to improve the quality, safety and consumption of fruits, vegetables, and tree nuts through value-added and convenient new products has the potential to provide significant returns on investment through improved health in the U.S. populace, and at the same time, enable specialty crop producers to secure a competitive position in the global marketplace.

    - *Policy Recommendation* – Mandate the development of a Specialty Crop priority area within the overall areas of emphasis of the NRI. As part of this priority area, funding should be dedicated to applied research and extension programs. The goal of this action would be to increase the priority level of specialty crop research.

- *Establishment of grant program within USDA to improve the efficiency and competitiveness of specialty crop producers* – Research provides a foundation for the growth of any industry and acts as catalyst for change. Federal investment in specialty crop research to assure the economic vitality and long-term viability of the specialty crop industry has been limited, despite the fact that specialty crops and their research needs are unique and important. These crops are typically characterized by high production input costs, unique market challenges and the fact that there are a plethora of specialty corps produced in numerous growing regions throughout the country, each with their unique challenges.

    - *Policy Recommendation* – Distributed through CSREES, a new program should be established where grants under this program shall be evaluated and awarded on the basis of substantial specialty crop industry input and direct involvement. The program will be utilized to fund research that addresses the short-term, intermediate, and long term needs of the specialty crop industry in production technology, mechanization, marketing, product development, food security, and food safety to improve the competitiveness of the specialty crop industry. This program may also be used to fund development and implementation of industry-specific strategic plans to prioritize research and develop industry and research collaboration. Grant applications may be considered from a wide variety of interest including non-profit U.S. fruit and vegetable trade organizations, non-profit state and regional fruit and vegetable organizations, U.S. fruit and vegetable agricultural cooperatives, commodity boards and commissions, university research and extension programs, and small U.S. businesses in the fruit and vegetable industry.

    Mandatory Funding – $200 million per year ($1 billion over 5 years)

- National Clean Plant Network – The United States' programs for the production of clean planting stock for several key horticultural crops are in jeopardy due to the lack of public funding. The U.S. grape, fruit tree, and nut tree industries depend upon the continuation of these programs. Existing programs need to be expanded to provide growers of these important specialty crops with the plant materials they need.

    - *Policy Recommendation* – Create a National Clean Plant Network (NCPN). Develop a sustainable national funding source for clean planting stock programs for key horticultural crops. Provide funding to established centers that have the expertise, facilities, and climate necessary to efficiently produce, maintain, and distribute healthy planting stock for fruit trees, nut trees, and grapevines. Form an advisory committee that includes industry representatives and researchers from throughout the country to communicate priorities to the NCPN.

      Mandatory Funding – $5 million per year ($25 million over 5 years)

- *Prioritizing current Federal research activities for specialty crops.* – Valued at $55.9 billion in 2004, specialty crop production represented over 50% of total plant agricultural production value in the United States. In order to address the competitive needs of our nation's specialty crop growers, Federal research funding should reflect the vitally important role that specialty crops play in American agriculture.

  Report Language –

    - Integrated projects combining research, extension and education, such as Initiative for Future Agriculture and Food Systems (IFAS), the CSREES program grants, National Research Initiative (NRI) and others which are especially valuable for specialty crops.

    - Direct the ARS and CSREES to cooperatively and actively engage with and support producers in the development and implementation of applied research and extension.

MISCELLANEOUS SECTION

POLICY RECOMMENDATIONS

- State Block Grants – Authorized at $44.5 million under the *Specialty Crops Competitiveness Act of 2004*, this program recreates the successful 2001 State Block Grant Program for Specialty Crop production in all 50 states. In FY 2006, $7 million was appropriated and states will now be able to apply to USDA for funds to promote specialty crop competitiveness in their state. This program allows states to invest in programs and projects that support production-related research, commodity promotion, food safety and other programs that enhance the competitiveness of specialty crop producers. Due to the variety of crop production among states, the "state grant" nature of the program is essential to the success of the program and benefit to local producers.

  - *Policy Recommendation* – Retain statutory language of the Specialty Crop Competitiveness Act of 2004 regarding the participation of specialty crop interests in the Block Grant Program. Develop guidelines to ensure appropriate assignment of these resources to the specialty crop sector.

    Mandatory funding – $500 million per year ($2.5 billion over 5 years)

- Intellectual Property Rights – Intellectual property rights (IPRs) include many forms of legal protection that give inventors varying degrees of exclusive use rights. These include patents, plant breeders' rights, trademarks, and copyrights. Since the mid 1900s plant breeders in the U.S. could obtain Plant Variety Protection (PVP) to obtain exclusive market rights to a new variety, while still allowing farmers to reuse seed. Many countries grant protection similar to the PVP, which is internationally recognized by the International Union for Protection of New Varieties of Plants (UPOV). However, concerns continue to surround the ability for the U.S. government to respond and monitor the potential infringements upon IPRs in competing countries.

  - *Policy Recommendation* – Expand the USDA Office of Technology Transfer (OTT) to ensure that U.S. specialty crop intellectual property rights are interfacing with governmental and non-governmental organizations. This endeavor would continue to focus on encouraging the development and protection of intellectual property rights for plant material.

    Mandatory Funding – $10 million per year ($50 million over 5 years)

- Marketing Orders & Food Safety – In general, the produce industry believes that marketing orders and promotion programs share common goals to stabilize the agricultural economy, promote agricultural products, protect consumer health, and providing funding for necessary research and new product initiatives. Overall, these programs benefit producers, consumers, and the agricultural economy. Ideally, the programs assist farmers in allowing them to collectively work to solve marketing and promotion problems. At this time, food safety discussions are not allowed as part of the current operations of federal marketing orders. By allowing this dialogue as part of the marketing order functions, the produce industry believes enhancements in market access to increase export market development will be achieved.

- *Policy Recommendations* – Amend all fruit and vegetable marketing orders to authorize administrative committees, with the approval of the Secretary, to establish through informal rulemaking provisions to regulate the handling of produce to address food safety concerns.

- Fruit and Vegetable Market News Allocation **–** To be competitive, fruit and vegetable growers need timely price, shipping, and delivery information. Without this information, growers are at a severe disadvantage in domestic and international markets. In addition, there is a need to assure U.S. entities that this information will be available to resolve international trade disputes governed by international trade agreements. Unfortunately, the current AMS Market News funding allocation for fruit and vegetable price information is not sufficient to provide market prices, shipping or deliver information to U.S. fruit and vegetable growers, nor is it sufficient to resolve trade disputes.

  - *Policy Recommendations* – Provide funding from the Commodity Credit Corporation for fruit and vegetable Market News activities at AMS, and future funding shall be indexed for inflation on an annual basis.

    Mandatory Funding – $9 million per year ($45 million over 5 years)

- USDA Office of Pest Management **–** Established in September 1997, the USDA Office of Pest Management Policy (OPMP) has a mandate to integrate the Department's programs and strategic planning pertaining to pest management; coordinate USDA's role in pesticide regulatory process; and strengthen the Department's support for agriculture by helping develop alternative pest management tools. This policy recommendation would establish a permanent office in the Secretary's office.

  - *Policy Recommendation* – Require that the Secretary of Agriculture establish and fund an Office of Pest Management within the Secretary's office.

- Emergency Pesticide Exemption (Section 18 Petition) – This provision would provide authority to the Administrator of the Environmental Protection Agency (EPA) to exempt any Federal or State agency from any provision of the FIFRA Act, if the Administrator determines that an emergency condition exists which requires such exemption. Each state is responsible for submitting the petition describing the emergency situation, and the petition must contain information sufficient for the Administrator to make a proper evaluation of the emergency.

  - *Policy Recommendation* – The provision requires the Administrator to establish a transparent process for the consideration of such emergency petitions. This includes a requirement to notify the House and Senate Committees on Agriculture after the sixtieth (60) day as to the status of the petition and provide justification of why there is a delay by the Administrator on making a decision on the State's petition.

- Transportation Policy – Increasing fuel and energy costs coupled with road weight limitations and restrictions on driver hours is having a tremendous impact on the produce industry. This is compounded by the limited availability of truck and rail services making for a crisis throughout the country. The produce industry supports the development of a grant program through the USDA Transportation Services Branch to help assist local and regional transportation needs specific to the specialty crop industry.

  - *Policy Recommendation* – Expand the Transportation Services Branch of USDA – AMS to create a grant program for state and local government, grower cooperatives, individual growers, individual shippers and state and regional grower and shipper organizations to expand and improve transportation infrastructure and address regional intermodal transportation deficiencies that will improve the cost effective movement of fresh fruits and vegetables to markets either within the U.S. or abroad.

    Mandatory Funding – $75 million per year ($375 million over 5 years)

Produce Industry Farm Bill Working Group

American Mushroom Institute
California Association of Wine Grape Grower
California Citrus Mutual
California Grape and Tree Fruit League
California Table Grape Commission
Cherry Marketing Institute
Florida Citrus Mutual
Florida Fruit and Vegetable Association
Florida Tomato Exchange
Georgia Fruit and Vegetable Grower Association
Grower-Shipper Association of Central California
Idaho Grower Shippers Association, Incorporated
National Potato Council
National Watermelon Association
Northwest Horticultural Council
Sunkist Growers, Incorporated
Texas Citrus Mutual
Texas Produce Association
United Fresh Fruit & Vegetable Association
U.S. Apple Association
Western Growers Association