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S. Hrg. 110–124

PART II: CHALLENGES AND OPPORTUNITIES FACING AMERICAN AGRICULTURAL PRODUCERS

HEARING

[BEFORE THE]

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

APRIL 24, 2007

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

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PART II: CHALLENGES AND OPPORTUNITIES FACING AMERICAN AGRICULTURAL PRODUCERS

Tuesday, April 24, 2007

U.S. SENATE,
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Washington, DC

The committee met, pursuant to notice, at 9:18 a.m., in room SD–106, Dirksen Senate Office Building, Hon. Tom Harkin, Chairman of the committee, presiding.

Present or submitting a statement: Senators Harkin, Conrad, Lincoln, Stabenow, Salazar, Casey, Klobuchar, Chambliss, Coleman, Crapo, Thune, and Craig.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Chairman HARKIN. The Senate Committee on Agriculture, Nutrition and Forestry will come to order.

First, I apologize to everyone for being late. There appears to be some big traffic jam that has plugged up everything out there. I don't think I am the only one who was caught in it, so I apologize for being late.

Today's hearing further highlights the wide diversity of our nation's agriculture production. Last week, we heard from a good cross-section of animal agriculture—livestock, poultry, and eggs. We learned about the challenges producers face in the marketplace. Today, we will hear about the issues relating to specialty crops such as dairy, organic production, honey, and community-based food systems. Our hearing covers a wide range of issues, but all are related in several ways. They are all within the scope of matters to be discussed and addressed in the farm bill which we are working to recraft. And more importantly, they are related because each is integrally related to our agricultural economy.

On our first panel are two important witnesses representing the organic food industry, from the farm to the consumer. The U.S. organic industry is the fastest-growing sector of our food enterprise in America, growing by some 17 to 20 percent per year. It represents genuine new opportunity for some who otherwise might be unable to stay in agriculture or get started farming. With this rapid growth in the organic market, the supply of domestically grown organic food often falls short of the retail demand. One of

the testimonies that we will hear that I read last night showed how much we are importing compared to what we are exporting.

We look forward to the recommendations of our witnesses for initiatives that can help those who want to pursue opportunities in organic agriculture. As Chairman, I intend to make that an important part of my Chairman's mark in the farm bill. The organic industry is disadvantaged by the lack of essential research and market data collection. We can address that in the farm bill.

Another witness will discuss how the farm bill can help agriculture producers and consumers benefit from the expanding interest in the local marketing of regionally produced food. Community-based food projects have the added benefit of helping consumers understand exactly where their food comes from.

The U.S. honey industry is facing one of the most serious threats ever from Colony Collapse Disorder. The bee losses associated with this disorder are staggering and portend equally grave consequences for the producers of crops that rely on honey bees for pollination.

Previous farm bills have not generally given a lot of attention to the issues and challenges facing producers of fruits, vegetables, and tree nuts, usually referred to as specialty crops, even though these crops make up nearly one-third of the cash receipts of all U.S. farm crops. Americans are consuming more fruits and vegetables per capita than 20 years ago, still not near the recommended requirements, however. The new farm bill can and should include initiatives to encourage fruit and vegetable consumption and to help domestic producers continue to produce, make a profit, and succeed in the face of stiff foreign competition.

The third panel this morning includes a diverse range of views and recommendations on Federal dairy policy. Again, dairy is an important part of the farm bill. The most recent annual milk sales figure of some $27 billion makes up about 10 percent of total U.S. cash receipts for agricultural commodities. In the 2002 farm bill, we included a new countercyclical Income Protection Program for dairy farmers, now dubbed the Milk Income Loss Contracts, the MILC Program, which has provided needed assistance to dairy farmers in times of low milk prices.

So again, this will be an interesting series of hearings. I look forward to the witnesses. We have a tremendous challenge ahead of us to craft a sound farm and food and energy bill that will help improve income, profitability, and new opportunities for our nation's agricultural producers while addressing the variety of additional needs and objectives that demand attention.

I might also add the farm bill, as it is called, also encompasses the broader economic well-being and quality of life for all rural Americans. It also includes the interests of consumers and the necessity of protecting and enhancing our natural resources and environment.

So there is a lot in this farm bill that we will be covering and the witnesses today will give us some thoughts and suggestions on how we might also extend to their areas whatever help and assistance that we might provide in the farm bill.

And so we will turn to our first panel, which is Ms. Kathie Arnold, National Organic Coalition of Truxton, New York; Mr. Lynn

Clarkson of the Organic Trade Association, Cerro Gordo, Illinois; Ms. Emily Jackson, Appalachian Sustainable Agriculture Project in Ashville, North Carolina; and Mr. Mark Brady from the American Honey Producers Association, Washington, DC

We will start with Ms. Arnold. In partnership with her husband, Rick, and his brother, Bob, Kathie has been farming for 27 years in their central New York town of Truxton. They have been certified organic for the last 9 years. With help from their 19–year-old son, other family members, and two non-family employees, they have about 140 dairy cows plus young stock and crop around 700 organic acres.

Ms. Arnold, welcome to the committee. I will say to all of you, your statements will be made a part of the record in their entirety, and they are very good. I read them last night. I would ask that each of you highlight the most important parts of your testimony in just about 5 minutes. If you see five minutes on the clock, start to wrap it up. I won't get nervous until you hit 7 minutes, Okay? So if you could do that, I would sure appreciate it because I would like to have more of a chance just to interact with you in questions and answers.

With that, we will turn to Ms. Arnold. Welcome to the committee and please proceed.

STATEMENT OF KATHIE ARNOLD, NATIONAL ORGANIC COALITION, TRUXTON, NEW YORK

Ms. ARNOLD. Okay. Thank you, Chairman Harkin, and hello, members of the committee. As well as the description that Chairman Harkin said about me, I also serve on the Board of the Northeast Organic Dairy Producers Alliance, which is a member of the National Organic Coalition, and I offer my testimony today on behalf of both groups.

Organic farming is a production system that enables family farms to have a viable and even thriving business that is both environmentally and family friendly. The process of transitioning is not easy for producers, nor should it be. Farmers make a commitment to produce according to the stringent standards for organic production and are rewarded when consumers buy organic products. The strong standards and the price premium go hand in hand.

While the National Organic Program has been positive overall, there is still a great deal of work to be done to ensure that standards are consistent and strong. Most notably, the issue of pasture for organic livestock remains unresolved.

Under the current USDA standards, organic livestock must be given access to pasture. But in spite of the clear requirement, this standard has not been adequately enforced by USDA. At a USDA forum on the subject a year ago, I and many others presented testimony urging a proposed rule specifying that organic dairy animals must consume at least 30 percent of their food needs from pasture for the growing season, which can be no less than 120 days. USDA's National Organic Program indicated that a proposed rule would be forthcoming, yet it is still not issued. We hope USDA will act quickly to implement a strong pasture standard. However, if they do not, there may be a need for Congress to act.

As this committee undertakes the task of putting together the 2007 farm bill, I urge your consideration of several key proposals related to organic agriculture.

One, the National Organic Certification cost share should be reauthorized and updated to reflect increased cost. This is particularly important in encouraging small and medium-sized operations to become and stay certified.

Two, the Conservation Security Program should be fully funded with mandatory funding and be available in all watersheds. An easy crosswalk should be created between organic certification and CSP so that an organic farm plan can also provide eligibility for CSP benefits.

Three, a National Organic Conversion and Stewardship Incentives Program should be created to provide financial and technical support to farmers for the adoption of advanced conservation practices as part of the process of converting to organic production.

Four, Organic Research Programs should be reauthorized at a higher funding level, as Chairman Harkin suggested, to reflect organic's 3 percent share of the U.S. food retail market. Also, changes should be made to renew and enhance the public capacity for classical plant and animal breeding versus the current emphasis on biotech.

Five, as food processors and retailers consolidate and dominate markets, farmers' leverage to negotiate fair prices and fair contract terms is in jeopardy. The Agricultural Fair Practices Act of 1967 should be amended to require processors to bargain in good faith with associations of producers.

Six, when genetically engineered material is detected in organic product due to contamination beyond producers' control, farmers and processors can lose markets and are unfairly forced to bear the costs. A liability regime should be established so that farmers who suffer such contamination can recoup their losses from the manufacturers of genetically engineered seeds.

Seven, organic producers are required to pay a 5–percent surcharge on their crop insurance rates, yet are often reimbursed for losses based on conventional prices without recognition of the higher value of their organic products. These inequities should be rectified.

Thank you for your consideration of these proposals and for this opportunity to testify.

[The prepared statement of Ms. Arnold can be found on page 75 in the appendix.]

Chairman HARKIN. Ms. Arnold, thank you very much for a very succinct statement. I will have some questions about the loopholes I want to ask you about after a bit.

Now we turn to Mr. Lynn Clarkson of the Organic Trade Association of Cerro Gordo, Illinois. He is the President of Clarkson Grain Company, which supplies organic grains, oil seeds, and ingredients for foods and feeds. Based in Illinois, Clarkson Grain Company purchases organic corn and soybeans directly from farmers from Texas to Minnesota, from Pennsylvania to the Rockies, and serves certified organic clients throughout the U.S. and Canada as well as parts of Asia and Western Europe.

I might just add, Mr. Clarkson, the written statement that you have is one of the best overall recitations of everything that goes into organic from the beginning to the end that I have ever read and I appreciate it very much.

STATEMENT OF LYNN CLARKSON, ORGANIC TRADE ASSOCIATION, CERRO GORDO, ILLINOIS

Mr. CLARKSON. Thank you, Mr. Chairman.

Chairman HARKIN. Please proceed.

Mr. CLARKSON. Good morning, Chairman Harkin, distinguished Senators from the Agricultural Committee. This hearing is focused on the challenges and opportunities facing American agricultural producers. In that context, I would like to talk to you about organic agriculture and production utilizing my experience in the marketplace where my company supplies corn, whole soybeans, soy oil, soy flours, and soy lectin. These are the products that come from the farmers between the mountains, the materials that have to be processed in some way before they become consumer items in general. The products that we handle are finding wonderful homes as ingredients in breakfast foods, baby foods, soy beverages, and animal feeds throughout the country and in some foreign countries.

My written testimony, as the Chairman has stated, covers to the best of my ability every aspect of organic agriculture and production and points out both the great successes of organic with American consumers and the increasing shortfall of U.S. production.

The Organic Trade Association currently studies the marketplace because the United States Department of Agriculture does not have the authority to do so comprehensively. U.S. organic food and beverage sales were about $14.6 billion in 2005 and occupied about 2.5 percent of the retail marketplace. As the Chairman has suggested, organic is one of the fastest-growing segments in retail, but in terms of acreage, ERS tells us that about one-half percent of U.S. cropland and one-half percent of U.S. pastureland is now certified organic, for a total of about four million certified organic acres in the United States.

We can derive from those numbers the U.S. farmers are not keeping up with consumer demand for organic products. While we lack official collection of import data, it is pretty clear to those of us in this marketplace that imports are substantial and increasing.

Clarkson Grain and the OTA want to enhance the ability of U.S. farmers to provide as much organic food, fiber, and other products as possible for our country. To that end, the farm bill is an opportunity to grow this segment.

OTA's four 2007 farm bill objectives are: Provide technical and conversion assistance and cost share certification for farmers who are considering going organic; overcome some hurdles placed in the way of organic, including a lack of data about organic prices, markets, crops, farms, processors, and crop loss experience that impedes access to reasonably priced crop insurance and bank loans; enhanced economic and agronomic research from the USDA. If we try in the organic world to understand what the production base is, what the demand base is, we are often flying blind. We do not have good data on which to base decisions. Finally, we need to be sure that both USDA in general and the National Organic Program

in specific have the resources to keep up with the dramatic growth that organic certification programs demand. Consumers need to have confidence in the label and USDA's attention to NOP, the National Organic Program, will ensure that fact.

The organic community really needs parity of resources to build sound infrastructure as we compete in the marketplace. We are bringing you one of the greatest success stories in U.S. agriculture. We are unsubsidized. We are entrepreneurial. We are doing a great job in finding markets. We are not doing as great a job in finding adequate production. We could absorb without much change in price at all a doubling in the U.S. production base at this time.

There are some—since I have about a minute left, there is one anecdote I would like to stick in about easy things that might be changed inside our government and structure. Senator, have you ever tried a blue corn tortilla chip? Well, you and I and most of the people in this room understand that what you ate was corn. There is one large organization we deal with that does not officially recognize that as corn and that is the USDA, because the USDA program, corn program, is hinged to definitions by the Grain Inspection, Stockyards, and Packers Administration on what is corn, and that is pretty much defined as white and yellow corn. To add insult to injury, under the current discount rules and damage rules, every kernel of the finest blue corn that I could deliver you in the world would be regarded as damaged.

So it is a little difficult for an organic farmer who wants to participate in the SEAL Program in Iowa, Mr. Chairman, to participate. So there are some things that really take very little money, but it takes some managerial control.

And finally, I would like to compliment the Chairman's home State for having done an exceptionally good job at the State level of supporting organic agriculture.

So in conclusion, I and the Organic Trade Association look forward to working with you all on achieving great results for the organic industry. Thank you very much for this opportunity to speak to you.

[The prepared statement of Mr. Clarkson can be found on page 107 in the appendix.]

Chairman HARKIN. I learn something new every day. I didn't know blue corn wasn't corn. I have some questions about that, too.

Okay. Now we turn to Emily Jackson, Appalachian Sustainable Agriculture Project, a not-for-profit organization that supports farmers in rural communities in the mountains of Western North Carolina and the Southern Appalachians.

Ms. Jackson, welcome to the committee and please proceed.

STATEMENT OF EMILY JACKSON, APPALACHIAN SUSTAINABLE AGRICULTURE PROJECT, ASHVILLE, NORTH CAROLINA

Ms. JACKSON. Thank you, and thank you, Chairman Harkin and members of this committee, for the chance to speak with you today. My name is Emily Jackson and I am here on behalf of the Community Food Security Coalition. My purpose here today is to explain how the farm bill provides a strategic opportunity to reevaluate our current agricultural policy and to describe the policies and pro-

grams that farmers urgently need to stay profitable, to supply existing and emerging markets, such as what Mr. Clarkson just told us about, and to strengthen the small and family farms that are critical to food security and community vitality across America.

I work for a non-profit organization in Western North Carolina called the Appalachian Sustainable Agriculture Project, or ASAP, and I have also been a farmer. Our organization supports farmers and rural communities and our mission is to expand regional community-based food systems that are locally owned and controlled, environmentally sound, economically viable, and health-promoting. To these ends, we help farmers in our region, many of whom are transitioning out of tobacco, connect to local markets and institutions such as schools and hospitals. The experiences of North Carolina farmers transitioning out of tobacco correlate well to any farmer trying something other than growing commodity crops and we have found that developing skills and ability to access local consumers and buyers has made the change easier for growers.

In doing this work, there are a number of barriers that we have found which, if lifted, have the potential to increase the amount of fruits and vegetables that farmers are able to deliver directly to the consumers.

In schools and the work that I do, confusion about USDA's rules related to local procurement means that even with competitive prices and desire to support local farmers in their region, schools are hesitant to purchase local products from family farms in their region. By amending the farm bill with a no-cost provision to state that a geographic preference can be used when writing a bid for school food, farmers and kids will both benefit. Farmers will have an increased access to a steady, reliable market, and the kids will have access to fresh, healthy food in their school cafeterias.

Farm-to-cafeteria programs that introduce students to the farmers that grew their food and provide nutrition education in addition to the local food being served in their school cafeterias has been very successful in Western North Carolina and school systems all across the country. Funding to support expansion of these kinds of programs would be very helpful and we urge you to reauthorize increased funding for the Community Food Project's Competitive Grant Program.

As I am sure you have heard from other witnesses before the committee, hunger, obesity, and other diet-related diseases and food insecurity are all rising in both urban and rural communities. This is, in part, a result of the lack of affordable access to fresh fruits and vegetables and other foods vital to a healthy diet. Local food producers around the country are an important part of this solution, but they face major barriers in transporting their products to market, to under-served markets, and other barriers include lack of processing, distribution, information, technology, infrastructure.

Each community has a unique solution and a unique situation, and by supporting programs like the Community Food Project's Competitive Grant Program, the Value-Added Producer Grants, and the Farmers' Market Promotion Program, all of which are in existence now, you empower communities to find innovative solutions to their own problems which, over the long run, will lead to increased sustainability. These existing and new policy tools to pro-

vide farmers access to domestic markets are urgently needed and I ask that you include them in the farm bill with increased funding.

For greater detail of the things that I have just outlined, I would like to enter for the record two recent documents, the "Healthy Food and Communities Initiative" and the joint report by USDA and the Community Food Security Coalition, "Healthy Food, Healthy Communities: A Decade of Community Food Projects In Action."

[The following information can be found on pages 232 and 240 in the appendix.]

I thank you for your time and your leadership on behalf of a strong and vital food and agriculture system in the United States.

[The prepared statement of Ms. Jackson can be found on page 149 in the appendix.]

Chairman HARKIN. Ms. Jackson, thank you very much. We will make those a part of the record.

Now, we will turn to Mr. Mark Brady, American Honey Producers Association. Mr. Brady is from Waxahuchie, Texas, has been a commercial beekeeper for over 30 years. He is President of the American Honey Producers Association, a national organization of beekeepers actively engaged in most commercial honey production and agricultural pollination throughout the country.

Mr. Brady, welcome. Please proceed.

STATEMENT OF MARK BRADY, AMERICAN HONEY PRODUCERS ASSOCIATION, WAXAHUCHIE, TEXAS

Mr. BRADY. Thank you, Mr. Chairman and the members of this committee. On behalf of the American Honey Producers Association, thank you for allowing me to testify today about issues facing the U.S. honey industry.

America's bees and beekeepers are having a rough time lately. Honey producers all across the country are seeing staggering bee losses from a mysterious new condition called Colony Collapse Disorder, or CCD. Some are losing 90 percent of their bees. The problem appears to be spreading and we are still not sure what is causing this new CCD.

CCD affects more than honey. Over 90 crops depend on honey bees for pollination, including almonds, apples, oranges, peaches, and many others. Honey bee pollination directly adds about $20 billion to the U.S. farm economy each year. One-third of the human diet is pollinated by honey bees.

We appreciate very much the letter on CCD that Senator Baucus and 43 other Senators, including many on this committee, sent recently to the USDA. We urge Congress to make sure we have the tools to defeat this serious new threat to our industry.

In addition to CCD, U.S. honey producers face many other challenges. The numbers of bee colonies and beekeepers are falling at a time when demand for pollination is increasing. Our share of the U.S. honey market has fallen sharply. Unfair imports are keeping down honey prices at the same time our production costs are increasing. We are dealing with pests and diseases that are increasingly more difficult to control. We are concerned about the environment and effects of the new and existing farm chemicals on our

bees. Beekeepers and their bees are also under great stress from the heavy demands of moving colonies to pollinate crops around the country.

CCD and other problems are making it hard for U.S. honey producers to maintain strong bee colonies for honey production and pollination. As outlined in our testimony, there are a number of steps that Congress could take to help our honey industry address these problems.

New and sustained research by the ARS labs and other researchers is critical in the fight against CCD and other threats. We recommend additional targeted funding for this vital work and we requested at least $1 million in new funding through the appropriations process for the ARS research on CCD.

The Marketing Loan Program for honey must be continued. Based on recent CBO data indicating minimal or no budget impact, Congress should also consider raising the loan rate from 60 to 75 cents per pound, extending the loan term from nine to 12 months, and adding the reseal provision.

Congress should provision one-time loss payments for honey producers suffering recent bee losses. Congress should also press the USDA to implement an already authorized Crop Insurance Program for honey producers.

Congress must consider new ideas to encourage beekeepers to help the environment, such as pollination incentives and/or green payments. The protection of bees must be a key part of our environmental enforcement and approving new farm chemicals.

Congress should look at common-sense ways to ensure that U.S. consumers can be sure that they are buying real American honey, including reasonable trade law compliance changes to current country of origin labeling rules.

The current CCD crisis should be a loud wake-up call about the essential role that American bees and honey producers play in the U.S. farm economy. We must act now to prevent further serious damage to our industry and to make sure that we have healthy bees to pollinate the fruits and vegetables that are on our tables every day. We look forward to working with Congress to do this.

Thank you very much for holding this hearing and I will be glad to answer any questions when you guys are ready. Thank you.

[The prepared statement of Mr. Brady can be found on page 80 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Brady.

I guess I want to ask both Mr. Clarkson and Ms. Arnold some questions about the organic business here. As you both point out, it is expanding rapidly, but basic research and data collection is lacking and causing producers to make business decisions without adequate information. What I need to know, or what we need to know, is what kinds of research and data information would be most critical and helpful and important to the organic industry. What kinds of research and data information do we need? This question is for whoever wants to handle it.

Mr. CLARKSON. From the top, I think we need more information on markets so farmers know what the organic market price is.

Chairman HARKIN. Okay.

Mr. CLARKSON. States that regulate grain companies need to know what market prices are so they know if people are keeping themselves in position. And right now, we are relying entirely on the private sector, who is not doing a perfect job by any means.

Second, we would benefit significantly from knowing well how many acres are certified organic and how many are coming onto the transition period into organic. We have recently seen a significant move from dairy farmers and chicken farmers putting animals into organic certification. I suspect that as a nation, we are going to run out of feedstocks before we get to next year's crop.

Chairman HARKIN. So what you are saying is right now, we get data from USDA on planting intentions. We get that early spring and we get another one, I think late May sometime. But we don't have it for organics, that is what you are saying.

Mr. CLARKSON. That is correct.

Chairman HARKIN. I see.

Mr. CLARKSON. We have no segregated information for organics.

Chairman HARKIN. I see.

Mr. CLARKSON. Similarly, in responding to any question you would ask us about what imports are, anecdotally, we can tell you that perhaps half of the organic soybeans used in the United States come from overseas.

Chairman HARKIN. Yes, I noticed——

Mr. CLARKSON. But I have no hard data to back it up because we don't study or we don't set aside and classify organic imports.

Chairman HARKIN. So while we might know the overall imports of agricultural products, for example, commodities, they are not separated out by organic?

Mr. CLARKSON. That is correct, and it is put together because people look at things and say, corn is corn, but organic markets have their own supply demand curves that differ from the conventional commodity markets. One may be going up while the other is going down and we need segregated information and we don't have that.

Chairman HARKIN. The other thing I wanted to cover with both of you is just the issue of crop insurance. Both of you mentioned that in your testimonies, in your written testimonies, and how it has not been adequate. Can you spell that out just a little bit more clearly for me? What do we need to do in crop insurance to help organic producers?

Mr. CLARKSON. The institutions that write crop insurance don't have good data, actuarial data on yields. They don't have good actuarial data on prices. They are somewhat uncomfortable writing the insurance. They charge an organic farmer more than a conventional farmer, but they only insure his crop at a conventional market price.

Chairman HARKIN. Why is that? If you are going to insure an organic crop, why wouldn't it be insured for the market price of what organics bring?

Mr. CLARKSON. It is a wonderful question and I wish I had an answer for you. I think it should be at the market price. When I left my office yesterday, we were probably paying $3.50, $3.70 for conventional corn delivered, Decatur, Illinois. At the same time, we were paying $6.50 to $7 for organic corn at the farm. And if I were

going to have a risk, I would certainly want to insure the market value. Currently, organic farmers have no way of doing that.

Chairman HARKIN. Do they get a cut rate in their insurance premium, though?

Mr. CLARKSON. Not that I am aware of. I think they pay the same as the conventional farmer. They pay an extra premium, no cut rate.

Chairman HARKIN. What conversion assistance is needed for farmers who are transitioned to organic? I have heard others talk about this. You know, you had that 3–year sort of valley of death right now——

[Laughter.]

Chairman HARKIN [continuing]. That you have to get through. Ms. Arnold, what would be helpful, what kind of conversion transition payments? Give me some idea how this might work. If a farmer wants to become organic or a portion of his farm or her farm become organic, how do we get them through that 3–year period of time?

Ms. ARNOLD. Well, I think possibly through some of the EQIP funding. There could be funds specifically for some of the practices that would be needed for organic production practices that could be funded through EQIP, would be one way to do it, other than direct financial subsidies during that 3–year time period.

And I would also like to go back to the research. Mr. Clarkson specifically talked more on the marketing end, but there is also a great dearth of research on the production end and there is a real need for a lot more research on developing seed varieties, plant varieties, and breeds that are really specific to the conditions under organic production, because so many of the seeds now are being designed and bred for chemical-intensive agriculture and that isn't a good fit for the kinds of practices that organic producers have. I know a real impediment for a lot of dairy farmers converting to organic, they are so concerned, is how I am going to live without antibiotics and the conventional health care medications. So it would be nice if there could be more research on the efficacy of alternative health care treatments, and a lot of those kinds of things could also be beneficial to conventional producers, as well.

Chairman HARKIN. Thank you very much.

I have a question for Ms. Jackson. I don't think you will find anyone on this committee who does not support in principle the idea of allowing schools to use geographic preference for the procurement of local foods. I mean, that just stands to reason we would all support that with our own areas, right?

Ms. JACKSON. I can't find anybody else who has a problem with it, either.

Chairman HARKIN. But here is the problem. The reason that prohibitions on local procurement currently exist is to prevent favoritism in contracts. So if Congress did choose to give local schools the authority to procure foods locally using geographic preferences, how can we be sure that those contracts are going to be fairly awarded and on some kind of a competitive basis?

Ms. JACKSON. Well, Senator, it is just one piece of the bid process. They would still—the geographic preference would just be one component of the bidding process. The others would be quality and

ability to be served in the school, be able to serve the school system. But it is also, I would say, the present system, by not helping the small family farmer, especially in my neck of the woods—you know, our farms are very small due to the mountainous terrain—they are not on a level playing field as it is. They can't compete with the huge food companies now. So I would say that until that field has been leveled out a bit, we can't quite look to this one piece of a bid to say that would give an undue advantage to local farmers.

Chairman HARKIN. You didn't mention it in your testimony, but I read in your written testimony about the kids that went out and saw how okra was growing.

Ms. JACKSON. Right.

Chairman HARKIN. And once they saw how okra was growing, they went to the restaurant or someplace the next day and the chef made okra and they gobbled it up and ate it. So if I go out and watch okra being grown, will I develop a taste for okra?

[Laughter.]

Ms. JACKSON. Well, if you are a child who has been given this great experience—it is a member of the hibiscus family, so children are like us. They respond to beauty, and it was a beautiful plant. They also respond well to food that is presented well and is prepared well. I think when—farm-to-school encompasses a lot of components, taking children out to farms, growing school gardens. All of these experiences help to create this demand, and then that demand goes home. I think that was the point of my anecdote, was that this child went home and shared that enthusiasm about a vegetable such as okra and that was——

Chairman HARKIN. I was just joking, but I have seen that happen in the schools in my home State of Iowa, where kids in rural schools used to have gardens. They don't any longer. Now they go out and find out how it is growing. I have seen this happen many, many times and I think our schools ought to do more of that. Thank you very much. My time has run out.

I will yield to our Ranking Member, Senator Chambliss.

Senator CHAMBLISS. Thank you very much, Mr. Chairman, and I promise you, if you come down South, and we are going to get you to Atlanta soon, we are going to give you some boiled okra——

[Laughter.]

Senator CHAMBLISS [continuing]. Which when you eat it, you will never know you ate it, it goes down so quick.

[Laughter.]

Senator CHAMBLISS. And we are also going to give you some fried okra, which I promise you will eat like popcorn. It is absolutely delicious.

First of all, Mr. Chairman, let me apologize for running late. Just like I understand you, I got caught up in the traffic this morning. I don't know what is going on around town, but there are an awful lot more people than usual and they ought not to be driving, that is for sure.

[Laughter.]

Senator CHAMBLISS. But I do thank you for holding this hearing. I have got a statement which I will submit for the record.

Senator CHAMBLISS. Ms. Jackson, let us talk a little bit more about these fresh fruits and vegetables because I am a big fan of particularly our School Lunch Programs trying to take advantage of that. We have had a major pilot program in the last farm bill that we have expanded over the last couple of years. My State was scheduled to be a participant in that pilot program, but unfortunately, during the appropriation process last year, we didn't complete it, but we are going to be working hard on that again this year.

Senator Harkin raises a good point relative to contracting, but whether you contract or whether your school lunch folks just have the authority to go out to your local farmers' market and purchase fresh fruits and vegetables, we need to make sure that we are incentivizing those local programs to take advantage of our fresh fruits and vegetables that are out there.

Is there anything that we should do on our end, do you think, to try to promote that in a different way from what we are doing now with the pilot program as well as the authority that is given otherwise?

Ms. JACKSON. Well, I think you did an excellent job in the 2002 farm bill, it is just that things got a little confusing when it got to the USDA, so maybe helping the USDA understand what you all's original intent was in the 2002 farm bill, where you, I think, made it pretty clear about local procurement, that you wanted that to be encouraged and incentivized.

And I am glad you brought up the Fresh Fruits and Vegetables Program because that is a program that has met with success everywhere and that actually is a program where there is no process—I mean, there is no penalty for local procurement. If you wanted to go out and get everything at your local Wal-Mart, you could. But that is not well known. In fact, I had to educate the Department of Public Instruction in North Carolina that that was so.

And so I think with the Fresh Fruits and Vegetables Program, because that is one stellar program, that if you made that more clear, that there is no bid process in that one at all, if you made that more clear that that money, which is about $80 a child, which is significant money, could be used for local food, to support our local farmers and our food dollars stay in our local communities, I think that would be an excellent step.

Senator CHAMBLISS. Okay.

Ms. JACKSON. Plus, the monies that we are asking for through the Competitive Grants Program, that would also allow individual communities to come up with individual solutions that fit their particular agricultural climate there. Like the mountains of North Carolina are very different than Iowa or other larger agricultural areas, and so it really does need to be localized and solutions come from local communities rather than one-size-fits-all mentality.

Senator CHAMBLISS. My mother lives in Polk County, not too far away from you in Ashville, so I am very familiar with a bunch of local markets around that area and you grow great agricultural products in that part of the world.

Mr. Clarkson, I want to go back to this issue of risk management and crop insurance in particular. It is my understanding you actually pay about a 5–percent additional premium for organic products

to be insured under the Crop Insurance Program. I really don't understand why the insurance industry hasn't done the research necessary to develop a market price for your products. They obviously think there is something different. Otherwise, they wouldn't be charging you that 5 percent additional premium. So they know that your products are a little bit different, your quality is in a different category from the normal row crop operation.

Has there been any dialog between your industry and the insurance industry relative to this issue, or can you give us any reaction you have had from the insurance community relative to this?

Mr. CLARKSON. Senator, I appreciate your question. I can't answer it in as good of detail as I would like. I would like to check with some people in the Organic Trade Association and get back to you.

At the risk of speaking for the insurance industry, I would suggest they would say to me, when I raised the challenge, that, well, you don't have a quick chemical defense if there is something that goes wrong with your crop and we don't know how to rate that because we can't go to the USDA and get good actuarial data about what has happened in organic agriculture yet. So I think they would pass the responsibility back to our industry and we would come back to saying, could we get the USDA to assemble more information so they would have better data on which to base their risk analysis.

So to some extent, it is probably legitimate to say the insurance industry is feeling their way into new programs, new protocols, but the organic production community is feeling somewhat aggrieved paying higher premium than a conventional neighbor and only being insured at conventional prices when their risk level is quite higher.

So I will get back to you following this hearing with some more detailed information about our conversations, if we have had them, with the insurance industry.

Senator CHAMBLISS. Well, it is interesting they figured out a way to charge you, but they haven't figured out a way to develop a price for your crops.

Mr. Brady, I am very sympathetic with the situation you have got in the production of bees right now and this issue relative to colonies dying and disappearing and what not. What is it both short-term and long-term that you think we could be doing to give you some relief short-term and long-term? Tell us exactly what we need to do.

Mr. BRADY. Well, one of the things, of course, is funneling money through USDA ARS research. One of the things we found with—we have four major bee labs here in the United States that work on these issues, and Weslaco, for instance, which is in my home State of Texas down there, when you look at their budget, by the time that they pay their in-house costs and their salaries and those sorts of things, there is basically no money left for actual research. Of course, they do hustle a lot of money from outside sources and grants, and as a matter of fact, the American Honey Producers, we just funded a study about a year ago in the almonds in California. We paid for that. The money is just not there. I understand that

money is scarce all over, but we need to—we have got to have money to look at these things.

We are also interested in some private university funding, maybe. Sometimes through USDA ARS and our bee labs, money sort of gets bogged down and doesn't always go exactly where it needs to go. We have got an excellent—U.C.-Davis in California, who is right in the Central Valley there where all the almond pollination goes on. A lot of critical fruits and vegetables come out of the State of California. U.S.-Davis is right there in the middle of that and we are thinking that probably some funding for that particular lab, maybe some new personnel there who could—I mean, if you look at it, instead of running all over the United States to look at these bee colonies and study them and research them, California is the perfect place to do it because in January and February, 90 percent of the bee colonies in the United States are in California for almond pollination. So we think that is a perfect scenario for research and study.

Senator CHAMBLISS. We had somebody from the USDA in here either last week or 2 weeks ago testifying and I brought up this issue to them and I know they are on top of it, this particular crisis you are in right now. I am a little bit surprised that we are not getting a quicker reaction from them. I hope you will stay in touch with us literally in the short term, over the next several days and weeks, because I know how critically important, and especially this time of year——

Mr. BRADY. Yes, sir.

Senator CHAMBLISS [continuing]. From a cross-pollination standpoint and we need to figure this particular issue out.

Mr. BRADY. Yes, sir. Right now, over at USDA here in Beltsville, there is a 2–day meeting going on which I attended part of it yesterday. Lots of ARS people, USDA, as well as a lot of college scientists and professors are there and they are having a 2–day study on this thing now. We are trying to narrow it down and pick some key points that we need to be working on. But unfortunately, it is just like everything else. Without money, we can't do much of anything, so we have—if you look at our long testimony, we have got a lot of ideas that we are interested in looking at. I know that you guys can help us with this.

Senator CHAMBLISS. Thank you very much. Thanks, Mr. Chairman.

Chairman HARKIN. Thank you, Senator Chambliss. I just want to join Senator Chambliss in just saying that I think most, if not all of us, signed on the letter with Senator Baucus and others to urge them to really move aggressively on this issue. This is of the highest importance to us on this committee, I can assure you.

Mr. BRADY. We appreciate that letter very much. I was amazed. We only had a few days to get that thing done, and you are correct. A lot of people signed onto it. I think if we had another day or two, we probably would have had pretty much everybody's signatures.

Chairman HARKIN. I just second what Senator Chambliss said. I know the Department is working very aggressively on this right now.

Mr. BRADY. Yes, sir.

Chairman HARKIN. The line-up that I have for order of questioning will be Senator Thune, who stepped out, and then Senators Klobuchar, Salazar, Stabenow, Crapo, Conrad, Lincoln, and Senator Craig is here, I know, to introduce the next panel as soon as we get through with this line of questioning. So I would recognize Senator Klobuchar.

Senator KLOBUCHAR. Thank you, Mr. Chairman. Thanks for holding this hearing. I welcome all our witnesses, and on the third panel, and I am not sure if I am going to be back from my other two hearings, there is going to be a Minnesota witness and I wanted to welcome him, Clint Fall, who is the President of the First District Association, which is a dairy processing co-op headquartered in Litchfield, Minnesota. As you are going to hear from Clint, the MILC Program created in the last farm bill has been a life-saver for our dairy farmers in the upper Midwest, and by providing assistance only when prices are low, the MILC Program has effectively targeted Federal dollars to help farmers survive tough times.

I also met this weekend with a number of sugar beet producers and I just wanted to mention, Mr. Chairman, that the sugar program operates at no net cost to the taxpayers and they want to see it continue. We had some very good meetings out in Breckenridge.

Finally, I wanted to talk a little bit with you, Mr. Brady, about the honey issue. I was out in Ortonville at a breakfast yesterday and there were some beekeepers there talking about exactly what you talked about. They are very concerned. They have lost a large number of their bees. There were a lot of theories going around about why this was happening, especially at the Econolodge where I was in the morning. Someone mentioned cell phones, someone talked about pesticides. There was just all over the place.

I just wondered if you could go through, to follow up on what Senator Chambliss was asking you about, what some of the theories are and if you have any beliefs in addition to some of the research you talked about with him. What do you think would be the best thing we could do about this quickly, because they are very concerned not only in the effect on their own businesses, but the effect on other crops.

Mr. BRADY. Yes, ma'am. I appreciate your interest. On the cell phone issue, we took all the phones away from the bees, so we addressed that immediately.

[Laughter.]

Mr. BRADY. But the CCD is basically just a name that was given for what I believe has been an ongoing problem for the last few years. One of the things that we are looking at really close right now is when EPA approves pesticides, what we have historically done is approved that based on the fact that it didn't kill bees immediately. So one of the things that we are looking at really hard right now is a cumulative effective of pesticides. As bees work during the summer, whatever crops they may be working on, they pick up pollen and they pick up nectar. Both of those are stored inside the hive, and in a lot of cases, that pollen and/or nectar is not used or consumed until wintertime.

So I guess what I am—some pesticides are a contact kill, I would say, so you can go out and you can see evidence where the bees

have dropped dead because they got poisoned for one reason or another. But one of the things we are looking at is the cumulative low doses of pesticides that buildup in the hive. Your hive survives all summer long, but when the honey flow shuts off, when the weather turns cold, and then the bees are forced to consume what they have got inside the hive, that is one of our big concerns, that there may be some pesticides stored up inside that pollen. Low doses, sub-lethal doses that we haven't been concerned about before, we are beginning to wonder now if maybe that is causing a delayed effect on some of these colonies dying.

The stress factor is something that we need to look at. I know it is hard to believe that bees would be under stress, you know. They seem to be the happy go lucky, out there working, having a good time. But things are so much different now. We continually shift these things all over the country. Almost every hive in the United States goes to California for almond pollination. The stresses on those bees are getting more and more because of more food production. Almonds, for instance, they are basically—California grows 100 percent of the U.S. supply of almonds, so all the colonies have to go to California to pollinate out there.

We are looking at fungicides. We are looking at insecticides. We are looking at stress. There is just a wide variety. I just came from the meeting over at USDA and it is going to be a good meting. There are a lot of good minds over there and everybody is putting in their ideas and we are going to try to narrow it down and pinpoint what this may be.

Senator KLOBUCHAR. Thank you very much. I have some questions of you, Ms. Arnold. In your testimony, you mentioned the need for financial assistance for organic farmers to go through the certification process.

Ms. ARNOLD. Well, that wouldn't really be for the organic farmers. It would be for conventional farmers.

Senator KLOBUCHAR. To go through the certification, all right. And a recent survey in Minnesota showed that half of our organic farmers paid between $300 and $750 for certification and two respondents paid $2,500 or more. Can you shed some light on these costs and why they are so high?

Ms. ARNOLD. Annual certification, is the process that we have to go through each year to maintain our organic certification. When I send our application in, it is probably half-an-inch thick of paper. We have an inspector come. He spends almost all day viewing our farm and then this half-inch-thick paperwork has to go into the certification office. They do data entry and review.

It is just a lot of work, a lot of man hours that go into the certification process, and then the certifiers have to be accredited by the USDA every 5 years, and currently, the second round of accreditation is happening. The first one, I think, was financed by the government. The second one is being financed by the certifiers, and they are being charged $107 an hour per USDA personnel who is in the office, plus travel time. So many of these certifiers are going to have a $15,000 bill or more to get reaccredited this year, and that has got to be passed down to all the farmers. For our farm itself, we pay, I think, about $2,800 a year to be certified.

Senator KLOBUCHAR. Thank you.

Ms. ARNOLD. You are welcome.

Chairman HARKIN. Next, we will turn to Senator Salazar.

Senator SALAZAR. Thank you very much, Chairman Harkin and Ranking Member Chambliss. Chairman Harkin, thank you, as well, for the hearing being held in Brighton, Colorado, not too long ago where you saw the great diversity of specialty crops and organics that people came to testify about. My own family has been involved in agriculture for many centuries and we today produce potatoes in Colorado and it is now, I think, the third-largest crop that is produced within our State. So I am appreciative of the fact that you are paying attention to specialty crops and organics as we move forward toward the farm bill, so thank you very much.

I also wanted to say thank you to Senator Stabenow and Senator Craig as they move forward with legislation on specialty crops. It was legislation that I cosponsored last year and look forward to taking a look at the bill that they have introduced this year.

I have a question for you, Mr. Clarkson and Ms. Arnold. Mr. Clarkson, you sent forth a vision that you say we ought to be able to double the amount of organic production that we have in this country and you talk about the disparity that we currently have between the amount of organic production that we have and the demand that we have out at Wild Oats and places like that that sell organics. For you and Ms. Arnold, I guess I would ask, if you were to do the top two things to enhance the organic agriculture industry here in America, what would those two most important things be?

Mr. CLARKSON. Do you want to go first?

Ms. ARNOLD. It is hard to pick. I would think——

Senator SALAZAR. You gave us, I think, ten——

Ms. ARNOLD. Seven, yes. I would say increasing the research to reflect the amount that organic is of the market. Right now, I think organic research, specific research, has point-six percent of the Federal dollars versus the actual marketplace that organic is almost 3 percent.

Second—it is so hard to choose because there are many needs and some of them require dollars and some of them don't—can you go with your first——

Senator SALAZAR. You can stick with your seven, Ms. Arnold.

Ms. ARNOLD [continuing]. And I will come up with a second.

Senator SALAZAR. We have your seven. How about you, Mr. Clarkson?

Mr. CLARKSON. My personal priority here is the integrity of the entire organic movement rests on the integrity of the seal. We as a nation have funded a National Organic Program which lives inside the Agriculture Marketing Service, which lives inside the USDA. It is a small band of people—I think they number less than nine—and they have an entire new market sector to regulate, enforce the rules in, define new definitions as they come up.

So this is really just a request for good government. The classic role of government is to enforce the rules, certify the certifiers, and help develop the law that they are custodians of. I don't believe there are enough people, I don't believe there is enough funding for them to do their job adequately, and I think that is a foundation issue for our entire industry.

Ms. ARNOLD. Yes. I would totally agree with that, and that is not a farm bill issue, so I wasn't thinking of that, but absolutely. That is why this pasture issue, or at least that is why USDA is saying this pasture issue has not been taken care of, because they only have eight people in the office and they have so many responsibilities and their budget is an annual appropriation thing, not a farm bill issue. But yes, having the staff and the ability to keep the program going and oversee it and keep the integrity there is absolutely a crucial thing to organic agriculture.

Senator SALAZAR. So what both of you would say, making sure we beef up the USDA operation with respect to organics and putting a focus on that within USDA would be very helpful.

Let me ask you as a follow-up to that question, we have received lots of testimony from Secretary Johanns and USDA with respect to organics and specialty crops. What is your view of the administration's proposal with respect to organics and also your view in terms of what they have said or what their proposals are relative to the functioning of USDA with respect to organics?

Mr. CLARKSON. I don't feel competent to respond directly to your question because I am not that knowledgeable about what the administration is proposing on this. If I might, I would like to follow up on your other question, because I only gave you——

Senator SALAZAR. Go ahead.

Mr. CLARKSON.—I only gave you one answer. The second answer to your question is really a linked one. It goes to the insurance for organic farmers so they can cover their risks so their lenders will be happy to finance them. But I don't believe that that is going to work until we have better data, which goes back to authorizing the USDA to collect, or the various government agencies to collect import-export and then the Agriculture Department collects production and marketing data so that the insurers can be nudged into more reasonable insurance for the organic community. Those would be my two-and-a-half key points.

Senator SALAZAR. Ms. Arnold?

Ms. ARNOLD. Yes. I am not all that familiar with the USDA's, or the President's and Johanns's points on organic agriculture, although I do believe that their proposal for organic research was actually a decline and not an increase. So I would say that is absolutely off base.

Senator SALAZAR. Do you think that we ought to have a separate title in the farm bill that deals with organics?

Ms. ARNOLD. I am not sure that that is necessary. I think organic agriculture can be fit within existing titles.

Senator SALAZAR. Mr. Clarkson?

Mr. CLARKSON. At the Organic Trade Association, that has come under discussion. I have been party to some of the discussion, certainly not all. It seems to us that we can fit the organic requirements inside the existing structure. We are thinking that a new title would be unnecessarily complicating and perhaps setting up new communications paths inside the administration that are difficult to do, difficult to regulate. So we would look forward to trying to work within the current structure without a separate title.

Senator SALAZAR. Thank you and also the rest of the witnesses for your excellent testimony this morning.

Ms. ARNOLD. Thank you.

Mr. CLARKSON. You are welcome.

Chairman HARKIN. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman. Thank you for holding another in a series of hearings that are so important to this farm bill. I know that part of the farm bill discussion is going to include the topic of today's hearing, which is the important role that fruits, vegetables, and specialty crops play in our agricultural industry. And in fact, the sales of those crops constitute a third of U.S. agriculture cash receipts, and the figure rises to 50 percent when nursery and other specialty crops are considered.

So as we will hear today, I think, challenges facing the fruit and vegetable industry can be met by effective public policy and it is a tight budgetary atmosphere and the members of this committee are going to have to work together to allocate resources in a fair and equitable manner that provides a safety net for our producers and a reliable food supply for our nation. So I appreciate all those who are testifying today and the perspective and the insight that you give us as we begin this important work of getting a new farm bill put together under what are some interesting budgetary and international trade constraints.

I have a couple of questions tying back to—I want to come back to some of the questions, the line of questions that has been raised earlier with regard to the bee situation, the honey. Mr. Brady, if you could describe—I know you have already answered in some degree questions with regard to what is causing this, but can you tell me that based on known current losses what impacts CCD is going to have on the 2007 honey crop, on 2007 pollination needs, and what will be the long-term repercussions if this disorder is not addressed?

Mr. BRADY. I believe as far as the 2007 honey crop and pollination, I believe at this point that—some of the things that are happening in the industry, myself, for instance, we are increasing the number of colonies that we are running. A lot of the smaller outfits have just not been able to maintain profitability so they have gone out of business. So our colony numbers have gone down, but some of the rest of us are trying to pick up the slack and increase our numbers so that we have an adequate amount of bee colonies for pollination.

Honey production, it is going to suffer any time you lose the amount of colonies that we have lost last fall and this winter. We can rebuild those numbers, but in the process of rebuilding them, it also weakens your good, strong, established colonies, which therefore in turn cuts down on your honey production for that particular year.

I believe with the proper research—I believe if nothing is done, we are going to be in a very serious problem. California almonds, for instance, I always use that example because it takes over a million hives of bees to pollinate that almond crop out there. Projections for 2010, 2012, it could take up to 1.5 to two million colonies of bees to be able to pollinate that crop. So we have got to make some increase in our numbers. We have got to get these things built back up, but it can be done. It can be done through the proper research. We have got good beekeepers out there that are not going

to give up. You know, the health of that honey bee is going to be critical to maintaining these numbers.

Senator THUNE. In your opinion, has USDA effectively utilized its available resources to assist beekeepers with this problem?

Mr. BRADY. That is a tough question. USDA has done us a lot of good, but I believe that the last four to 5 years, they have been lacking on some of the research, and I am not pointing any fingers or blaming anybody. It is probably a money problem. There is only so much money to go around, and like I said, a lot of the funding for these labs, they are so underfunded that it has taken most of the money just for administrative costs, salaries, those type things, and the money is just not there for the research. We are so far behind on bee research, it is just unbelievable.

That is one of the reasons I am leaning toward University of California at Davis. I am thinking possible some of these private universities might be able to lend a hand and maybe do some more specific work on some of these problems that we are facing.

Senator THUNE. Are there steps that Congress ought to be taking, do you think, in your opinion?

Mr. BRADY. Only on the money side, you know. Of course, we are trying to get crop insurance. We have never had crop insurance. There is a proposal on the table and I think it is kind of ridiculous, really, that all of these crops that we pollinate, that we don't have any crop insurance for our sale. I know it is going to be a really tough thing to do. We are working on it. The numbers are not really good because so many beekeepers jump from one State to the next, it is hard to come up with good numbers on production. We are looking right now at maybe using grower income numbers, those kind of things, to make a better base for some crop insurance.

Of course, the loan program is vital for us, especially with all the imports that are coming in. The loan program is at 60 cents right now. We would love to see it go to 75, but our biggest concern is to maintain it. This is a really good marketing tool for beekeepers.

And pollination and honey both go hand-in-hand. We are not going to have one without the other. Some people say, well, just don't worry about the honey, just pollinate, but you can't keep these bees healthy without keeping them on a honey flow. So there has got to be some honey production in there, as well.

Senator THUNE. I appreciate that and I would just say, in my home State of South Dakota, we don't produce a lot of fruits and vegetables, but we are one of the nation's largest honey producers.

Mr. BRADY. Absolutely.

Senator THUNE. We are, I think, fourth largest honey producing State and over ten million pounds of annual honey production. And you add to that the fact that the bees are transported around the country to pollinate several other different varieties of fruits, vegetables, and specialty crops, this is a very, very important issue to my State, and in South Dakota and several other States around the country, we are losing 40 to 60 percent of their hives.

So I appreciate your testimony. I know from what you said earlier that some producers are experiencing losses as high as 90 percent, so——

Mr. BRADY. Yes, sir.

Senator THUNE [continuing]. This is going to have an immediate impact on the economic well-being of our honey producers and we want to do everything we can to assist in coming up with workable solutions and welcome, as always, your input in that regard. I know that I will be hearing from my honey producers in South Dakota.

My parents were in the honey business for one summer back in 1961. It was a dry, hot summer, as is typically the case in South Dakota. It was not a good year for honey production, but I am told that I got a bee sting that year which they were worried I wasn't going to make it. So we have a little personal experience with this, but I have great respect and regard for the people in my State of South Dakota. They are very hard working and we want to make sure that they have the tools in place that allow them to continue to be prosperous and contribute to the many needs of production across the country.

So thank you for your testimony, and Mr. Chairman, I look forward to working with you to address these important issues. Thanks.

Mr. BRADY. I appreciate it very much.

Chairman HARKIN. Thank you, Senator Thune.

I now will turn to Senator Stabenow.

Senator STABENOW. Well, thank you, Mr. Chairman, for this important hearing. We have three excellent panels today and welcome to each of you.

First, I appreciate the comments regarding the Fresh Fruits and Vegetables Program. We have all worked so hard on that, and part of the reason that we want to add a new title of specialty crops in the farm bill is to also help our organic farmers. It is very much a part of what you are doing. The more we expand into fresh fruits and vegetables for all of our Commodity Purchase Programs, our nutrition programs, I am assuming that is a very positive thing for each of you, so we hope to be able to do some significant things in the farm bill.

Mr. Brady, I wanted to ask you a question, as well. I know there is a lot of interest as it relates to bees these days, and not only directly for the industry, but the environment and just the broader issues that surround the need to have a healthy bee industry.

I wondered if you might speak about the unfair trade practices you talked about earlier. We know that what happened with China and the fact that we were able to do anti-dumping protections and then change the loopholes that China was using to be able to address the concerns regarding the unfair dumping coming into this country. But I wonder if you might just speak a little bit more from a trade standpoint, and I would welcome any other panelists who have had issues related to trade practices as we work to level the playing field and make sure that we are truly enforcing the laws so that our producers and businesses in the United States have full opportunity to succeed.

Could you speak about, a little bit more about the unfair trade practices? It looks like it is getting a little better, but maybe not——

Mr. BRADY. It is getting better. Closing the loophole was a tremendous help for us. It took us a while to get it done, but you guys

got it done and we appreciate that. You know, the Chinese are very energetic people and every time we plug one hole, another hole opens up.

Right now, one of the things that we are facing is what we call a Baker's Blend. There is over a million pounds a month coming in right now and we are in the process of doing some sampling to see if it is a blend of other sugars and honey or if it is pure honey and they are trying to come in under the radar as far as our tariffs are concerned under the anti-dumping.

It is really tough when you look at the packers here in the United States, and I am not blaming them. They are there to make money, as well. But we are competing with China on a basis that there is just no way. They are selling honey over here still way below what our cost of production is. We just—you know, in my particular case, I have got a few packers here in the United States that pack 100 percent domestic honey and I really appreciate them for that. We hold honey all year long for them in the warehouse and sell it to them a little bit at a time. But when you are forced onto the open market to try to compete with China, you can't do it. There is just no way.

The new shipper legislation helped us a tremendous amount. Like I said, now, they are coming in with what they call a Baker's Blend. We are not sure what it is. We are working on that to find out whether they are just dodging the anti-dumping laws or whether it is a labeling issue.

We are trying to get a standard of identity for honey, as well. What is pure honey? We are working on that through USDA. So there is quite a few things in the process right now, but the imports are—I have some numbers here just real quick. Our share of domestic honey sales in 2006, 31 percent of the honey that was sold in the United States is domestic honey. In 2005, it was 38. In 2004, it was 46. So you can see that even with the things that we are doing, our market share is shrinking every year. Now, part of that can be attributed to a smaller honey crop here due to CCD and those particular things. Our 2006 crop was about 155 million pounds, which is down over 50 million pounds from our average crop.

But our market share is shrinking, and so we really—one of the things that we are working on is a U.S. Domestic Honey Board. USDA has got that information now and we want the consumer to be able to know what they are buying. We are working on labeling laws. When you go in and buy a jar of honey at HEB or wherever, it may have a country of origin label on there that has got ten different countries on there. You have no idea where it came from, none whatsoever.

Our current marketing board, National Honey Board, can only promote honey generically. They are not allowed to promote USA honey. So we are in the process of trying to come up with a USA-only Honey Board that will promote USA honey only and——

Senator STABENOW. Would you repeat that again, that they don't promote U.S. honey?

Mr. BRADY. Yes, ma'am——

Senator STABENOW. Go back on that again, would you?

Mr. BRADY. Our existing National Honey Board can only advertise or promote honey generically. They can't push U.S. honey one way or the other, and that is just the way it was set up. So it is very important to us now to get this U.S. Honey Board that we are working on, get it in place. It will be able to promote U.S. honey, as well, so people know the difference.

Constantly, I have people coming up to me and they say, why does the honey that I buy in the store, why doesn't it taste like the honey that we get from you, and the simple reason is some of it is junk. A lot of it is blended to bring the price down. We just want them to realize that there is a good, pure USA product out there that they can buy, and this new Honey Board that we are working on will help us do that.

Senator STABENOW. Absolutely. Thank you very much.

I don't know if anyone else—Mr. Clarkson?

Mr. CLARKSON. Senator, depending on the breadth of your question, the organic community has run into trade obstacles serving clients in countries such as Korea over GMO issues. The Koreans have adopted the world's most restrictive attitude toward genetically engineered trace. Their tolerance level officially is zero, which is an impossible standard.

We have known a number of organic companies that have just quit shipping because they don't believe they can ever meet the zero standard. We have noticed others that have continued to ship and they have had their containers stopped and after two to 3 weeks, they seem to go in, which would suggest to me that there is an informal rule, as well as a formal one. But no company wants to subject itself to the risk of being stopped by the formal rule.

So this is a situation on which I know the USDA is engaged in negotiations. The Koreans bring their own difficulties to the trade table and I would wish our negotiating parties good luck at the next session. But that is an increasing problem for the organic world, being tainted with any trace element of GMO. Most countries are more liberal than the Koreans.

Senator STABENOW. Thank you very much, Mr. Chairman.

Senator CHAMBLISS. [Presiding.] Mr. Clarkson, do you know whether or not that issue was addressed in this most recent bilateral with South Korea?

Mr. CLARKSON. I absolutely do not, sir.

Senator CHAMBLISS. Okay. Senator Lincoln?

Senator LINCOLN. Thank you, Mr. Chairman. Both of my questions actually go to the issues that Mr. Clarkson brought up and also with the honey issue.

Mr. Brady, I appreciate your testimony and seem just as shocked as Senator Stabenow that we can't promote domestic honey. Maybe there is a way—I don't know about the rest of you all, but with the amount of pollen that is in the air right now——

[Laughter.]

Senator LINCOLN.—I have always been told that if you use not only domestic, but more importantly locally produced honey, that it will definitely lessen your effects with allergies and with the pollen that exists in your local area, so maybe we can use it for that purpose, promoting locally produced honey on behalf of all of us that suffer from allergies.

Mr. BRADY. Yes, ma'am.

Senator LINCOLN. I certainly would like to look at those types of exceptions, but I think it is so important that we maintain our domestically produced honey.

Arkansas is not one of the top honey-producing States in the country, but we do have a number of commercial producers and certainly some hobbyist beekeepers. It was one of the first things, when my Mother and Daddy married, my Dad started beekeeping. It was one of the things that they loved doing together and it was a wonderful hobby for them and something that they enjoyed.

When you talk about the Baker's Blend and you talk about these trade issues, you have elaborated, I think, on some of the challenges. We were delighted in that pension bill to be able to get the new shipper's review and do feel like it has been helpful, but obviously, as you said, they are going to find other ways around that, whether it is labeling or the mis-labeling of those imports, blending or tainted imports that we are not aware of. What about transshipments? Has that been an issue, as well?

Mr. BRADY. It has been an issue, and by closing the loophole, it makes it more of an issue. But the transshipments going through other countries, whether it be Mexico or Taiwan or wherever it might be, we do a fairly good job of monitoring that. We have a good law firm here in Washington that takes care of some of those issues through ship manifests and those type things, and we are also able now to identify honey through sampling.

Chinese honey has certain qualities, certain ingredients in it that we don't have in U.S. honey. So we can—it is sort of a fingerprint issue. We can tell where some of those honies are coming from. Not too long ago, we actually caught a couple of loads in Canada that had come in from China and they tried to come in through Canada and market as Canadian honey, so Customs was able to catch that. So that is an issue, but it is something that we have a fairly good handle on.

One of the things that is keeping prices down right now is while we were waiting on getting this new shipper legislation passed, there was a tremendous amount of honey that just flooded into here, and the Chinese knew that we eventually were going to get it passed, so they took advantage of it and a lot of these packers, they are just stockpiled up. Once those supplies go down some, I think we will see a good result from the new shipper loophole.

Just for your information, Arkansas, I sell a lot of honey to Fisher Honey Company in Arkansas. They are an excellent company and they buy a lot of domestic honey, so I appreciate that.

Senator LINCOLN. They are a good company, and it is important. I know not only do I appreciate it as an industry, but as a consumer——

Mr. BRADY. Yes, ma'am.

Senator LINCOLN [continuing]. With two boys that eat plenty of honey on their oatmeal and plenty on their biscuits, it is a great way, it really is, in terms of allergies and stuff, if you can get it domestically and particularly locally, which I do.

Mr. BRADY. Yes, ma'am.

Senator LINCOLN. Ms. Arnold and Mr. Clarkson, just to touch a little bit on your testimony pointing out about the organic pro-

ducers, what they face when their crops are unknowingly contaminated, particularly Ms. Arnold, with the genetically modified material, this has been a tremendous problem for our rice growers in Arkansas and our rice producers and they are facing it right now, as well, as you may well know, with the multiple circumstances they have dealt with.

Maybe you could elaborate on some steps that you believe Congress could begin to take to help mitigate some of the losses that farmers are experiencing. We are finding certainly that the losses our rice growers are experiencing is tremendous in terms of what they are producing that is contaminated, but then they are also becoming skittish because—I mean, the seed crops for these crops started in 2003, so knowing what kind of seed they are getting from the dealers, it may have been certified by USDA and yet still they are finding those traces in there. Our farmers are finding that they are not getting much help from USDA in terms of losses of what they are experiencing. Maybe you can——

Ms. ARNOLD. Right. Well, this is definitely an issue that cuts across. It isn't just an organic issue, but many conventional producers also need GMO-free commodities for their markets. I would say it is not the responsibility of the taxpayers to cover these losses that producers are suffering, but it should be the responsibility of the manufacturers who are making the profit on these seeds to be the ones that pay the farmers and the processors who are experiencing these financial losses. So I am not exactly sure what kind of law could be put into place, but that is where the responsibility should squarely lie, on the shoulders of the manufacturer.

Senator LINCOLN. Well, it is interesting, because when we talk to those particularly in the scientific field that are the ones experimenting with these things, they tell us it is not their responsibility because this is not their product. They are just doing the scientific research there and that the product belongs—and, of course, as you said, the manufacturer of the product is saying, well, it is not our research, it is their research that is causing the problem——

Ms. ARNOLD. Right.

Senator LINCOLN [continuing]. And maybe perhaps their lack of sophistication in keeping that research contained. And, of course, USDA is responsible for the review and making sure that there is oversight of all of this. And all three of those throw up their hands and say, well, it is not our responsibility, and yet our farmers are the ones that end up with the loss, so——

Ms. ARNOLD. Exactly.

Senator LINCOLN [continuing]. We would certainly love to work with you to come up with something that helps our farmers.

Ms. ARNOLD. And I think the other point is that the farmers that are purchasing the seeds and growing the crops, they actually are, I believe, they are only renting the seeds and it is the manufacturer who retains all rights——

Senator LINCOLN. Oh, absolutely.

Ms. ARNOLD [continuing]. So that is absolutely where the responsibility lies.

Senator LINCOLN. And it costs them an awful lot to not be able to manage their own seeds from year to year, and I hear regular complaints about that.

Mr. Clarkson?

Mr. CLARKSON. Senator, the issue in the rice world comes critically from a company introducing a genetic trait that was not approved in the United States, let alone in foreign countries. I think it would be appropriate for us as a nation to not allow the introduction and open production in the great outdoors of unapproved genetic events. That is using the U.S. farmer as the infantry in a battle that is not his——

Senator LINCOLN. Right.

Mr. CLARKSON [continuing]. And really damage him.

Second, if people are going to introduce new traits, those of us who have to test for traits when we see things coming into elevators and moving into commerce would love to have some sort of genetic signal that we can pick up when we are testing rather than have to go to link the analytical labs, where we may not get the results for a week and it costs us a thousand dollars to find out what is inside that crop.

Senator LINCOLN. Well, go back 10 years in research, which is what they are doing, and you are right, I mean, not being able to test at the elevator.

Mr. CLARKSON. We are not saying no to genetic engineering. We are not saying no to development of new traits. But we are thinking that it would be very appropriate for us to regulate the introduction of those traits better than we have done as a nation.

Senator LINCOLN. Thank you, Mr. Chairman.

Senator CHAMBLISS. Senator Casey?

Senator CASEY. Senator Chambliss, thank you very much, and I want to thank you and Senator Harkin, our Chairman, for calling this hearing. I want to accomplish two things. I have a couple of questions for this panel, but I do want to preview the next panel because there is a Pennsylvanian on that panel that I want to say hello to.

John Rice from Adams County, Pennsylvania—I didn't see John when I came in, I don't know if he is—John, thank you very much for being here. I am going to brag about you for another 20 minutes, no more.

[Laughter.]

Senator CASEY. No, I want to welcome John. He is, as I said, from Adams County, Pennsylvania, the county of Gettysburg and so much history, but also a county that produces a lot of apples. John is an apple grower and packer and he will be giving us his perspective today on specialty crops.

I do want to mention for the record Russ Redding, who is from the Pennsylvania Department of Agriculture, was scheduled to be here this morning, but he had a medical emergency and can't make it, so Mr. Chairman, I would ask unanimous consent that Mr. Redding's written testimony be made part of the record and that members of the committee be allowed to submit questions to Mr. Redding for the record. That would be a very important part of the record.

[The prepared statement of Mr. Redding can be found on page 205 in the appendix.]

Senator CASEY. But just for the record, I wanted to make sure that we highlighted some of the aspects of Pennsylvania agri-

culture. We have got, obviously, a lot of dairy farmers in Pennsylvania. Specialty crops and dairy represent the majority of Pennsylvania agricultural products. As Mr. Rice knows, we grow everything from apples and mushrooms to peaches and more mushrooms in Pennsylvania. We also have a lot of nursery stock in our State and a good deal of floriculture, which is sometimes forgotten when we talk about specialty crops.

We are way up there on the ranking of dairy States. But unfortunately, just recently, this past month, I guess it was, in March, we went from fourth to fifth in dairy production. Senator Crapo's State of Idaho, has now passed us out, and that highlights the problem we have in Pennsylvania.

Basically, as everyone here knows if you know anything about dairy farming, is that our farmers are not getting the price that it costs to produce the milk that they are producing. In fact, farmers in Northeastern Pennsylvania, which is the corner of Pennsylvania where I am from, they are losing $5 on every hundredweight of milk that they produce. So in many ways and in large measure, the future of Pennsylvania agriculture depends upon the decisions we make in this year's farm bill for dairy and specialty crops.

I think we also must assist specialty crop growers with programs for marketing research and export, and I know the new farm bill must include a new Federal dairy program that works for Pennsylvania farmers by taking into account that cost of production.

So I look forward to hearing from the witnesses today. I missed the opening testimony from the witnesses before me.

Let me just quickly get two questions in, if I can. I guess the first, I would direct to Kathie Arnold. Your testimony, which I missed but I have the written version of it, and I especially respect what you do as a family. I know in your testimony it mentions your husband, Rick, and his brother, Bob, and the family aspect of it and that is certainly true of family dairy farms in Pennsylvania. I can't imagine what you do every day just to make ends meet and I appreciate that.

But we know that certified organic label certainly plays a huge role in any success that you or others have, and I know that as part of your testimony, you said that the labeling program should be updated to reflect that increased cost in funding needs. I guess the basic question I have for you is, do you have an estimate as to how much this update would cost? And you may have already answered this, you may have been through it, but I just wanted to have this for the record if that is available to you, if you know it.

Ms. ARNOLD. Yes. What you are referring to, I think, is the National Organic Certification Cost Share Program——

Senator CASEY. Correct.

Ms. ARNOLD [continuing]. Where producers can get up to, currently up to $500 reimbursed on their certification costs and we are asking that it be moved up to $750 because of these increased accreditation costs of the certifiers. What we are asking for is $25 million for a 5–year farm bill for the certification cost share.

Senator CASEY. Thank you very much.

Ms. ARNOLD. You are welcome.

Senator CASEY. And I appreciate the work that you do. I know I am short on time, but I also wanted to ask one question to Ms. Jackson, part a commentary and part a question.

I appreciate the fact that you highlighted something in your testimony where you introduced this paragraph by saying, we have heard this from other witnesses. Sometimes that is the case, but sometimes it doesn't matter because it bears repeating and emphasis because of what you have in there.

I was struck by this statement. Hunger, obesity, and other diet-related diseases and food insecurity are all rising in both urban and rural areas, and then you talk about the challenge that local food producers have in terms of transportation and other costs and you talk about the programs that we are discussing as part of this farm bill, including the Community Food Project's Competitive Grant Program, the Value Added Producers Grants, the Farmers Market Promotion Program. And then you say by using those programs, you empower communities to find innovative solutions to their own problems.

First of all, I want to commend you for highlighting the challenges that real people face. Sometimes we get a little lost here. We talk about programs and budgets and numbers, as important as that is and as essential as that is, but we forget the impact sometimes and the urgency that is a part of this farm bill to impact people's lives in a positive way. These challenges, whether it is hunger or obesity or other health problems that families have, and especially children have, are not limited to one party or one region of the country, and I appreciate the fact that you highlighted that.

I don't know whether you have a comment about some of those costs and some of those burdens that people face in those situations.

Ms. JACKSON. Of course, I do. I think we have a strange phenomenon in this country where we have people who are obese and malnourished at the same time. I like to say it is a proliferation of cheap nasty food. It used to, when people were poor, they had a garden to rely on and so they got fresh whole foods and they had clear access to that. And now, people who are of low socioeconomics rely on calorie-dense and nutrient-not food because that is what some of our food policies have led to in this country. You can walk down any aisle in a grocery store and kind of see that in action.

And so I think it is really important that we do look at this document that lays out several programs, not just the ones that are already in existence that you mentioned, but others that could support communities to find solutions that fit the needs of that particular community. As a former classroom teacher, I used to see—I saw the meals that were provided in schools. I saw what my children brought to school to eat. Now I noticed that several of those children have developed diabetes and that is something that is going to cost and is costing the American public a tremendous amount of money, so we need to make sure that we are doing what we can and put——

The USDA says that for every two programs that they fund through the Community Food Project Grants, there are eight others that go unfunded and they have done tremendous work, the 10 years that this grant has been made available. We are asking that

that be increased so that we can have more communities show us what they can do to—because Community Food Project grants meet the needs of low-income people while at the same time benefiting our farmers. And in this day and age, that is a big job, to address those two needs simultaneously.

But thank you for your comments.

Senator CASEY. Thank you very much. Sorry for the overtime.

Chairman HARKIN. It is very good. I just say to my friend from Pennsylvania and to you, Ms. Jackson, our nation for that we ought to take pride in having established a Food Stamp Program that allows people of low income to get adequate food. The other problem is that the highest incidence of diabetes and obesity and bad health is among low-income people. This is not surprising since the cheapest and most filling, not to mention convenient foods are high in fats and carbohydrates. One of the reasons they don't buy fruits and vegetables is because those are the most expensive things in the store. And, if you are shopping at you local Bodega, fresh fruits and vegetables may not even be available.

Now, I hope to work with the Senator from Pennsylvania and the Senator from Michigan on the farm bill to maybe put some incentives in there, so that when you use your EBT card, if you buy fruits and vegetables, you get a bonus in your Food Stamp allowance. For example, if you bought something for a dollar, it would only cost you maybe 50 cents or something like that to encourage people to purchase and consume more fresh fruits and vegetables.

The other thing is to allow users of the EBT card, Food Stamp cards, the EBT card, to use those at farmers' markets. We tested that out last year by providing farmers' markets with these wireless point of service devices that enabled EBT card use even where theere was not electricity or a pemanent farm stand in place. The next project is information out through our Community Action Agencies, churches, different places like that so that people who use the EBT cards know that they can take them to the farmers' market. In the places that we experimented with these devices and publicity, the result was—I don't know if it was overwhelming, but very positive. The Food Stamp recipients would go to local farmers' markets and start picking up fresh eggs and fresh meats and fresh fruits and vegetables and things like that.

Ms. JACKSON. And I think your proposal to have that bonus be particularly helpful, because studies show that most people's Food Stamp dollars don't last them long enough, you know, don't take them through the month adequately. At the same time, when we work for farmers, we want farmers to get as much of the food dollar as possible, so we are paying the high cost of cheap food, so we want our farmers to get as much money for their food as possible. So you are kind of playing both ends against each other.

Chairman HARKIN. Right.

Ms. JACKSON. And so I think it does need something extra added to the EBT situation so that they have more money to spend at the farmers' markets.

Chairman HARKIN. Thank you very much. This has been a very informative panel. We thank you very much for your wonderful testimony and especially the written testimony you have, which gives us a lot of things to go on.

But this will be, I can tell you right now, this will be a very significant part of this farm bill. I think we all agree on that. We are going to focus more on specialty crops. As you point out, 30 percent of our farm income, cash, goes to specialty crops, and yet it has not been made much of a part of the farm bill in the past and we are going to do more, I hope, in this regard in this bill. Of course, I know the Senator from Michigan is one of the leaders in this, she and Senator Craig, and I also know the Senator from Pennsylvania, also. So we have got good people here working on this. So I thank you very much.

Now, we will call up our second panel, and he has been most patient being here all this time and I appreciate Senator Craig for being here before the next panel. I would call up the next panel. That would be Mr. Phil Korson of the Cherry Marketing Institute; Ms. Maureen Marshall of the United Fresh Produce Association; Mr. A.G. Kawamura, Secretary of Agriculture—well, hello again. I haven't seen you for some time. That is good—from California; Mr. John Rice, former Chairman of the U.S. Apple Association; and Mr. Bill Brim, Georgia Fruit and Vegetable Growers Association.

Before we open this panel, I would yield to my good friend, the Senator from Idaho, Senator Craig.

STATEMENT OF SENATOR CRAIG, A U.S. SENATOR FROM IDAHO

Senator CRAIG. Mr. Chairman, thank you very much for the courtesy you have extended to allow me to stay behind the dais this morning. I used to serve on this committee and I, in listening to the last panel, realize how much I miss it, having farmed and ranched what I say the better and productive side of my life. To even have a discussion on pollenization was a fascination because I used to recertify alfalfa seeds and pollinators were critical. I spent a good deal of time in the Central Valley of California now working with agricultural people, primarily on water issues and immigration and labor issues, so it has always been a fascination and an involvement of mine.

Now I am here working with Senator Stabenow on what I think is a very important issue, and when I look at the makeup of the panel that you have allowed me to lead this morning, it falls so directly into what you have already said you would put as a high priority this year in the writing of a new farm bill, and we believe it is and must be a priority, I think most do not realize, Mr. Chairman, the significance of specialty crops and their value in the U.S. economy and in the health of U.S. citizens. You heard a little bit of that this morning.

According to the U.S. Department of Agriculture—these figures have been talked about some, but fruits and vegetables alone add $29.9 billion to the U.S. economy, and that is in 2002. That doesn't include nursery crops and a variety of other ornamental plant crops and specialty crops of that type that are rapidly becoming a part of the U.S. agricultural and marketing scene. In my State of Idaho, that side of it is growing significantly. The specialty crop industry accounts for $53 billion in cash receipts for U.S. producers, and that is close to 54 percent of total cash receipts for all crops in American agriculture today. So it is extremely significant.

I grew up in a State of specialty crops, so when I think of it, yes, we are large grain producers in the North, and yes, we produce sugar beets, and yes, of course, potatoes. But when I look at cherries and table grapes and wine grapes, of course, and apples and onions and carrots and a variety of the seed crops that we produce in my State because of the uniqueness of the climate, dry falls, controlled moisture because of irrigation and all that, we really—it has been a very significant role for our agriculture to play.

Just a few years ago, Mr. Chairman, I was able to get the wine industry of Idaho just a small grant to do a little focused research, to do a little advertising, and it has significantly helped them in a way that I think, when I focus on that and when I am working with the Senator from Michigan, we clearly understand the importance of it.

Maintaining a viable and sustainable specialty crop industry also, as I said, benefits the American citizen. We heard about obesity earlier and the tragedy of that, especially on our young people today. I used to sit in this room chairing the Aging Committee and I talked about these longevity charts and what it is doing to us in domestic policy, if you will. What do we do when the average age gets to be 90, when we have five million septuagenarians. I am now being told that if we are not careful, those demographic charts are going to adjust, not upward but downward in the next generation, and that would be the greatest tragedy played upon the American scene that we have ever seen. With the kind of investment that we make in science and health today, to fail in those areas would just be a tragedy.

S. 1160 that we have introduced, the Specialty Crop Competition Act of 2007, we would hope that in the drafting of the farm bill, you and the committee would take a special look at this because we have spent a good deal of time working with the industry itself, crafting it in a unique way, in a bipartisan way that we think fits. I talked with the Secretary of Agriculture the other day. They have looked at our proposal and are very enthusiastic about it in a general sense. I can't say it was an endorsement, but he recognizes, as we all do, the value of specialty crops in this area.

Mr. Chairman, this bill does not provide direct subsidy to producers like other programs do. It is a different approach because specialty crops are different in that respect. It is a bill that I think is a step forward to highlight the significance of this industry in a way that brings benefit not only to the industry and the strengthening of it, but also the diversity that the food supply provides to a healthy consumer, and that, of course, is predominately the American consumer.

Thank you very much for allowing me to slip in and say hello to the committee again and to support my colleague, Senator Stabenow, in this effort and the specialty crop industry per se.

Now, I should stay for the third panel because it is dairy, but I won't. That is one of the uniqueness of my State. We are one of the fastest-growing dairy States in the nation, as you know, and I think we are up in the top four or five now and still growing and it plays a significant role in the overall economy of our State and the region. But that, I will not do. You have been generous and kind with your time. I will monitor and my staff will work very

closely with yours and the other Senators as you craft a new farm bill for our country. Thank you.

Chairman HARKIN. Well, Senator Craig, thank you very much for a very perceptive statement. You sure you don't want to come back on the committee? We could use you for this farm bill.

Senator CRAIG. I have been trying to get back, but they won't let me for some reason.

Chairman HARKIN. I know.

[Laughter.]

Chairman HARKIN. Well, I can assure you, I am aware and my staff is aware of the bill that you and Senator Stabenow have. As I said, we look forward to working with you. You know how this place operates. Obviously, we would like to have the benefit of your insight and your knowledge as we move ahead on this bill on specialty crops and what we do to really get not only more produced, but get more consumers eating them, too.

Senator CRAIG. Well, Mr. Chairman, the thing that concerns me, and I have watched it closely over the years, there are a variety of input problems that are changing the scene of American agriculture. Senator Chambliss and I have worked very closely on the issue of labor and a necessary and important labor pool. But I think if we are not careful, we are literally going to see the divesting of the U.S. agriculture portfolio in a way that, in the long term, damages this country.

I have large producers not only in my State, but in the Central Valley of California, I have had producers tell me, Larry, if we can't do it here, we will simply go elsewhere. And that isn't a threat, that is a reality of all of the input costs. It is a reality of certain things. It is a reality of labor, a combination of things that we clearly have to be sensitized to.

And a farm bill can set trends, can set policy, can do a variety of things that I think lend to the stability of American agriculture. So the task ahead of you is critically important. Thank you.

Chairman HARKIN. Thank you, Senator Craig.

Again to this panel, I want to make clear, your statements will be made a part of the record in their entirety. We will just go down, from Mr. Korson on down, and to introduce Mr. Korson, I will yield to the Senator from Michigan, Senator Stabenow.

Senator STABENOW. Thank you. Before Senator Craig leaves, Mr. Chairman, I just want to thank Senator Craig. It is a great pleasure to work with him on this issue. He has, I think, spelled out very well what the goals are and I would agree, we have a very broad coalition of people, I think from all over the country. I appreciate your leadership.

Thank you, Mr. Chairman. I know you and Senator Chambliss also care very deeply, both from the standpoint of our growers as well as the nutrition programs and what we can do to achieve multiple goals. I would just in introducing my good friend, Phil Korson, just have to put a plug in that, in total, about 50 percent of the cash receipts in the country, if you count everything beyond fruits and vegetables, nuts and horticulture, floriculture, all of it together, about 50 percent is specialty crops and it is the equivalent to our five program crops together.

I have program crops in Michigan, as well. We want to see them do well. But when we look at 93 percent of the direct farm bill cash subsidies going to five program crops, we are not asking for 93 percent. We are not even asking for 1 percent of the cash subsidies. But as our panelists will say today, there are important things that we need to do to be supporting this critical industry and its variety.

One of the key people in Michigan, Senator, Phil Korson has been a key person in Michigan and nationally on all of these issues. He is President and Managing Director of the Cherry Marketing Institute, which is a national research and promotion organization for tart cherries, which we are proud to lead the Nation in. He has also played a key role in planning strategic directions through the Tart Cherry Industry Council and he is a member of the Promotion Committee for the National Cherry Growers and Industries Foundation. He has numerous awards, is involved, I think, in every aspect not only of cherries, but apples, asparagus, all of our specialty crops in Michigan.

I am just so pleased that you could be here to share your time and expertise with us today. Welcome.

STATEMENT OF PHIL KORSON, CHERRY MARKETING INSTITUTE, LANSING, MICHIGAN

Mr. KORSON. Good morning, Chairman Harkin and Ranking Member Chambliss and other members of the Senate Agriculture Committee. Thank you for the opportunity to be here and present testimony on behalf of tart cherry growers in Michigan and across the country and provide input into the next farm bill.

I would like to extend a special thanks to our Senator Debbie Stabenow for her important role that she has played on this committee and who has worked very hard on our State's specialty crops and the issues that we face for many, many years. Senator Stabenow, we appreciate all that you have done for us. I commend you and Senator Craig on the introduction of the new specialty crop bill. You have set a high standard for a lot of us in the specialty crop area and the provisions that potentially could be in the next farm bill.

Members of the committee, the Cherry Marketing Institute is a national organization that was created in 1988 to help promote tart cherries and fund research. Our members who provide funding include primarily growers from across the country. We offer to the public, food manufacturers, and government expertise on cherries and their application as we think about nutritional uses on basically all fronts and at the same time fund health benefits research on our product.

Our efforts to promote our crop were recently featured in the Wall Street Journal when we announced bringing on board Jeff Manning as the Chief Marketing Officer. Mr. Manning is best known for the development of the "Got Milk?" campaign and worked for the California Milk Processing Board for a number of years. His instrumental role in developing our new "Not just another berry" campaign will help increase awareness about the incredible health benefits of tart cherries and build new demand as we look to the future.

The industry I represent in Michigan and across the country is an excellent example of the unique needs of not just cherries, but many other specialty crops. My testimony today will outline specific concerns as it relates to cherries, but they could be applied to many other things.

First and foremost, the specialty crop community is excited about the opportunity to include for the first time ever a specialty crop title in this farm bill. We have come a long ways in the last decade to make our concerns known to Congress and we appreciate the opportunity to address longstanding issues unique to our crops in this farm bill. While there are many causes we all share today, I will focus on the importance of nutrition, research, and disaster programs.

Cherries are an important specialty crop in Michigan's agricultural economy and the nation. In fact, Michigan's tart cherry growers produce 75 percent of the U.S. supply on an annual basis. Michigan is also a unique State in that many other fruits and vegetables are not grown for fresh consumption. Rather, they are processed in a multitude of value-added products, like dried cherries, cherry juice, flash frozen, et cetera, et cetera.

It is important to note that while the demand for our product has been strong, effects on our processing economy in the State and the direct impacts on the thousands of fruit and vegetable growers processing and handling jobs in Michigan and across the country. It is critical that when we are developing legislative language regarding specialty crop, that we consider all forms of fruits and vegetables. Processed fruits and vegetables are an important component of a healthy diet and come in many forms, including dried, cut, peeled, and flash frozen.

Nutrition—we support all efforts to increase additional fruit and vegetable purchases for distribution to all USDA Nutrition Programs, including the National School Lunch Program. We support the highest level possible of mandatory funding for this program. Federal purchases of fruits and vegetables in surplus years are critical to maintain fair grower prices.

We have had a good crop in 2006, but we now face an incredible surplus that needs an outlet to help maintain grower prices as we go into 2007. We are awaiting an announcement from USDA for a much-needed purchase of about 26 million pounds of tart cherries. The more we can increase the Federal Fruit and Vegetable Purchase Programs, the more we can help specialty crop growers in those years when they are in their most surplus position. These purchases also provide excellent value and a very competitive price for the products that might not otherwise be used. Again, it is important to reiterate that these purchases should not be limited to just fresh fruits and vegetables but should be available to all fruits and vegetables that are grown and processed in the United States.

Research is key to the future of our industry. It keeps us on the cutting edge and competitive in a world market. We support the administration's proposal for $1 billion for a specialty crop research initiative and are especially excited about all the research provisions included in Senator Stabenow's specialty crop bill.

One important area that we need more help is in finding alternatives to pesticides used to combat pests and diseases on our

crops. Because the incentive to develop new pesticides is relatively small compared to the demand for pesticides for major crops, we are at an economic disadvantage and many times don't have those new alternatives available when we need them. Azinphos methyl is one example of those that will be phased out in 2012.

Disaster assistance—as we think about disaster assistance, acts of God happen and when they happen, it puts growers in very uncomfortable positions. Margins for growers are simply too thin for farmers to absorb these costs on their own, and their low-interest loans can sometimes be helpful but are often difficult to pay back when operations have been hit hard. We support efforts to create permanent disaster assistance for all specialty crop farmers. The current emergency supplemental funding bill contains measures that would help these farmers, but their fate rests in the political whims and in the controversies of the bill. Our nation needs a permanent system in place to help growers who are impacted by these natural disasters.

In conclusion, the specialty crop community and especially the United States tart cherry growers that I represent appreciate the attention paid to our unique interests in this farm bill. On behalf of my growers, I offer my strongest endorsement for the specialty crop bill and hope that it provides the foundation for the specialty crop title in the farm bill.

Thank you again to Senator Stabenow for your leadership and thank you to the committee for the opportunity to present my views.

[The prepared statement of Mr. Korson can be found on page 165 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Korson.

Now we will turn to Ms. Maureen Torrey Marshall of the United Fresh Produce Association of Elba, New York. Ms. Marshall is Vice President of Torrey Farms, Incorporated, of Elba, New York. The Torrey family has farmed in upstate New York for 11 generations?

Ms. MARSHALL. Yes.

Chairman HARKIN. That is very interesting. Ms. Marshall oversees marketing and business management for her family's 10,000–acre farm. That is a pretty good size farm. She also works with her husband, Paul Marshall, in managing their trucking business. Ms. Marshall has served the produce industry at the State and national level for many years and is testifying today on behalf of the United Fresh Produce Association.

Welcome and please proceed, Ms. Marshall.

STATEMENT OF MAUREEN TORREY MARSHALL, UNITED FRESH PRODUCE ASSOCIATION, ELBA, NEW YORK

Ms. MARSHALL. Thank you. Good morning, Mr. Chairman and members of the committee. As I have been introduced, my name is Maureen Torrey Marshall. My day job is farming with my two brothers in Western New York. Torrey Farms is an 11–generation family farm operation that has been able to grow. We specialize in fresh-to-market vegetables. We also grow processing vegetables and grain crops for rotation, and in 1996 we entered the dairy business and we run two dairy farms now. I am also a soccer mom and I also assist my husband in his transportation company. My night

job and my passion, I serve as Co-Chairman of the United Fresh Produce Association Board of Directors and appreciate the opportunity to testify before the committee regarding the 2007 farm bill and the role Congress will play in shaping policy for specialty crop producers and my next generation across the United States.

I am also presenting testimony today along with my colleagues on this panel as members of the Specialty Crop Farm Bill Alliance. More than 100 organizations representing growers of specialty crops, including United Fresh, have indicated their support for the policy priorities developed by the Specialty Crop Farm Bill Alliance that will be discussed today.

Domestic policy issues facing the produce industry: As part of the broad specialty crop industry, we believe 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 the consumer needs.

Five years ago, during testimony before the House Agriculture Committee regarding the reauthorization of the 2002 farm bill, the produce industry presented broad-based recommendations for the farm bill and we believe that the 2002 farm bill took a step in the right direction for the produce industry. However, as part of a broader specialty crop coalition, we believe that there are additional areas where the Federal Government can assist in maintaining the competitiveness of this important segment of U.S. agriculture.

As the policy discussion for the 2007 farm bill takes shape, we look forward to working with you to develop new programs and enhance existing programs that will improve the competitiveness of the specialty crop industry. Most would recognize that 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, local pest and disease pressures.

Over the past 2 years, the coalition has been working with Members of Congress to develop specific legislative language consistent with our priorities and help address the unique diversity of the U.S. specialty crop industry. The cumulation of that work came last week when Senators Debbie Stabenow and Senator Larry Craig, along with 17 cosponsors, introduced the Specialty Crops Competition Act of 2007, S. 1160. We believe this legislation is a comprehensive farm bill package providing the necessary farm work to enhance the competitiveness of the specialty crop industry. We expect this legislation to begin a constructive discussion of specific crop farm policy and allow our industry to play a significant role in the farm bill debate. We congratulate and thank you two Senators, along with your colleagues who cosponsored this bill, on supporting the efforts of the specialty crop industries across the country.

I would now like to take a few minutes to highlight some of the policy areas that we believe Congress should incorporate into the 2007 farm bill and are at the focus of the coalition's farm bill recommendations.

Prohibition of planting fruits and vegetables—the Specialty Crop Farm Bill Alliance strongly supports maintaining or strengthening

current U.S. planning policy, which restricts producers from growing fruits and vegetables on acres receiving program payments. Fruit and vegetable producers are concerned that any alterations in this provision would allow commodity producers to migrate any startup costs or migrate risks inherent to fruit and vegetable production, resulting in unfair competition.

Nutrition policy—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, diabetes, and maintaining overall good health. The dietary guidelines for Americans call for the consumption of five to 13 servings a day of fruits and vegetables, but on any given day, 45 percent of children eat no fruit at all and 20 percent eat less than one serving of vegetables. The School Fruit and Vegetable Snack Program is an effective and popular nutrition program proven to increase fresh fruit and vegetable consumption. It should be significantly expanded in the 2007 farm bill.

State block grants—the industry also supports continued expansion of the State Block Grant Program for specialty crops and allow 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. Because different States have different conditions, it is important that we have these different block grants that can meet the needs of a particular State.

Research policy—we need to continue investments in research and development for specialty crop production. We also need a good conservation policy. As environmental regulations continue to put pressure on specialty crops industry's ability to be competitive in the world economy, we need to keep pushing our conservation policy.

Our international trade policy—we should address attention to our current trade policies which help expand market access. We face obstacles in the development export markets for our commodities and the unique challenges due to the perishable nature of our products. Farm bill programs that have worked well, increasing access to foreign markets for domestically produced specialty crops are the Technical Assistance for Specialty Crops and the Market Access Program, should be expanded in the next farm bill.

In concluding, many of the pressures that specialty crop producers face are similar to those of producers of other commodities, but the perishable nature of our crops result in different marketing strategies, market requirements, and the need to move our product to market quickly. We hope these unique characteristics can be addressed through agricultural policies that drive domestic consumption and expand foreign market access while investing in research, food safety, conservation, and pest exclusion policies that benefit the U.S. specialty crop industry.

Like producers of program crops, specialty crop growers face significant challenges in the production and marketing of their commodities that must be addressed if we are going to remain competitive in an increasingly global marketplace. We ask that the committee continue to work with the produce industry to ensure that specialty crops are appropriately addressed as we move forward.

Chairman HARKIN. Could you sum up, please?

Ms. MARSHALL. That concludes it. Thank you very much.

[The prepared statement of Ms. Marshall can be found on page 197 in the appendix.]

Chairman HARKIN. Okay. Thank you very much.

Next we turn to Secretary A.G. Kawamura, who is the Secretary of Agriculture for the State of California. I was privileged to be on your farm once a few years ago.

Mr. KAWAMURA. Yes, you were.

Chairman HARKIN. Congratulations on your position as Secretary of Agriculture.

Mr. KAWAMURA. Thank you very much.

Chairman HARKIN. Welcome to the committee.

STATEMENT OF A.G. KAWAMURA, SECRETARY OF AGRICULTURE, STATE OF CALIFORNIA, SACRAMENTO, CALIFORNIA

Mr. KAWAMURA. That field, many of us—in fact, many of the farmers around the country, of course, rent properties to grow their crops. Unfortunately, that field that you were in is now a housing development, for the record.

Thank you, Chairman Harkin, members of the committee, for calling this hearing to discuss challenges and opportunities facing American growers and ranchers. I am here representing Governor Schwarzenegger, who has been a champion and a very big supporter of agriculture, not just in California, but across the country.

In California, we are working hard to share our understanding that access to nutritious California-grown foods and foods from other States is an essential component of a healthy lifestyle and is key to maintaining the economic prosperity of the State and nation. The health of this nation relies upon the investment we make in our agricultural economy.

As we move toward reauthorizing a 21st century farm bill, we must understand the key challenges and opportunities facing agriculture. It was not long ago that this nation's specialty crop industry—fruits, vegetables, and nuts, the other products—were referred to as minor crops. In fact, the U.S. specialty crops industry now accounts for, as was mentioned several times, over 50 percent of the U.S. farmgate value. It is not wrong to say that U.S. agriculture has been defined in the past by the great successes of corn, dairy, wheat, rice, and cotton, but it is wrong to omit specialty crops from the list of high achievements and high successes.

Every nation in the world seeks a healthy, thriving population. We as the United States, the producer of the safest and highest-quality agricultural products, are facing a crisis in nutrition. The tragedy of adult onset diabetes in children and other health implications from malnutrition are the evidence of this epidemic. According to health professionals, we as a nation spend 95 percent of our health care costs after we are already sick and less than 5 percent on prevention and wellness. No farmer in this nation would want that ratio. We spend 90–something percent of our dollars making sure our crops or our flocks are thriving and we hope we don't have 5 percent that are chronically sick.

U.S. agriculture provides a healthy building block for a diet of dairy, whole grains, meats, and specialty crops. We provide guidelines that can improve the individual diet, increase the health of the nation, and reduce the cost and burden of health care. Yet when we speak of a farm bill, consumers and the media see entitlements. Instead, we should speak of a public health bill that places agriculture on the forefront of preventative care, providing healthy and nutritious products to a thriving population.

The key elements of this public health bill should focus on the overall health of our nation. The areas of nutrition, rural communities, working landscapes as part of the environment, specialty crops, and renewable energy must be priorities. The specialty crop industry, nearly 50 percent of U.S. farmgate value, is the key to improving the health of this nation. Within a farm bill context, we should see not that specialty crops are there by themselves as an individual title, but rather encompassed within all title areas of the farm bill.

The Specialty Crop Competitiveness Act of 2001 was unable to fulfill the demand that was placed upon it. The Act did, however, provide multiple successes in the areas of research, nutrition, disease prevention, marketing, and trade, hitting the targeted areas of a healthy nation. The most innovative concepts in this Act provided funding directly to States to address local challenges and opportunities that cannot be effectively addressed by the national government. Every State's specialty crops' needs are different and States are in the best positions to assist local growers with the specific investments they need to increase competitiveness.

The Specialty Crops Competitiveness Act is an investment in the health of the Nation and must be integrated within our public health bill. We can all agree that investment in agriculture is necessary. Providing the funding for that investment is difficult. We should not be restricted to a shrinking pie scenario when we are making an investment in our critical resource base for the next 5 years. In respect to funding for the farm bill, Congress should look for innovative areas in government funding that can increase the preventive role of agriculture in our nation's health by reprioritizing our investment strategy.

In the end, we as stewards of our nation's agricultural infrastructure must take a targeted investment approach that enhances the health of our population and environment and continues to provide a dependable, safe, and affordable supply of food, fiber, and fuel. If we fail to make that investment, we will be held accountable for turning over the security and safety of our food supply to foreign agricultural suppliers. We do not want to become replaceable suppliers of those products. A secure domestic food, fuel, and fiber supply is a national security imperative for the United States.

In closing, we have seen the success of the Specialty Crop Competitiveness Act of 2001, the concurrent success of the 2004 Specialty Crop Act. We see some very good efforts from Congress, from the Senate, from the House in terms of specialty crop bills that are out there, whether it is S. 1160 or 1600, and we look for more collaboration in those bills and more attention to those kinds of priorities.

I cannot stress enough that this is not the time in our nation's history to allow a shrinking pie mentality for the investment we need to make in the strategic resource of agriculture. Our commitment to agriculture and our commitment to a healthy nation and population deserves this investment.

Chairman Harkin, members of the committee, thank you again for this opportunity to provide remarks.

[The prepared statement of Mr. Kawamura can be found on page 161 in the appendix.]

Chairman HARKIN. Mr. Secretary, thank you very much, and again, I thank you for your many years of public service and your devotion to agriculture and to public health and to preventative health, and maybe I will get into a little bit more of that in the question period.

Now we turn to Mr. John Rice. Mr. Rice is a seventh generation fruit grower in Adams County, Pennsylvania. Together with three of his brothers, he owns and operates R&L Orchards, which has about 1,000 acres of orchards, including 800 acres of apples, 160 acres of peaches and nectarines, and 40 acres of pears. He is the former Chairman of the U.S. Apple Association and is testifying here today on his own behalf.

Mr. Rice, welcome to the committee.

STATEMENT OF JOHN RICE, FORMER CHAIRMAN, U.S. APPLE ASSOCIATION, GARDNERS, PENNSYLVANIA, ON HIS OWN BEHALF

Mr. RICE. Thank you, Chairman Harkin, Ranking Member Chambliss. Thank you for the kind remarks from my own Senator Casey, and thank you, distinguished members of the committee and good friends of the U.S. apple industry. As I have been introduced my name is John Rice. I am a seventh generation fruit grower from Pennsylvania. Together with my three brothers, we own and operate R&L Orchard Company and Rice Fruit Company, which stores, packs, and markets fresh fruit produced by R&L Orchards and about 50 other family farms in Pennsylvania, as well as Maryland and New York. Today, Rice Fruit Company is the largest fresh apple packing facility in the East. We have 115 full-time employees and employ as many as 150 seasonal employees.

In many ways, it is an exciting time to be in the apple business. A number of exciting new health research studies have found possible links between the consumption of apples and apple products with a lower risk of breast cancer, heart disease, asthma, Alzheimer's disease, and other serious health issues. New, great-tasting varieties and new products, like bagged fresh-sliced apples, may lead to expanding consumer demand and apple consumption. But at the same time, a very tenuous labor supply, high energy costs, world competition, and increasing regulations present unprecedented challenges for our industry.

The produce industry historically has never relied upon direct payment programs to support grower income or market prices. Like the majority of fruit and vegetable growers today, I do not believe that this would be in the long-term interest of my industry. But our industry is strongly advocating for programs that will grow demand and grow consumption of our products. The Specialty Crops

Competition Act introduced last week by Senators Stabenow, Craig, Casey, and others, goes a long way toward achieving those goals.

Programs such as the Specialty Crop Block Grant Program are also critical to our industry's survival, but the current program is seriously underfunded. Pennsylvania received just over $100,000 this past year, and that makes it nearly impossible to fund the types of projects that we were able to realize through the 2001 program.

The export market is also critical to the health of the apple industry in Pennsylvania and nationally. Approximately 25 percent of the entire U.S. fresh apple crop is sold into foreign markets. The Market Access Program has been very beneficial to the apple industry, helping to level the playing field as we compete with countries such as China and Chile. It operates with matching funds provided by American growers, and these American producers help to direct and manage the ways the funds are spent. MAP is a great example of a successful partnership between government and private business. It deserves your continued support and increased funding.

Apple producers and the entire specialty crop industry face mounting pressures from the decrease in the availability of important crop protection tools. We know that our customers and consumers are placing an increased value on sustainability and conservation. Unfortunately, conservation practices can be very costly and these costs are difficult to recoup in the marketplace. Therefore, the next farm bill should include expansion of conservation programs, such as EQIP and the Conservation Security Program. Both programs encourage good stewardship of the environment, but these programs need to be expanded with effective outreach to industries such as ours, since few of our growers presently know how to access and successfully apply for these programs.

Federal farm policy today must emphasize the need for significant investment in specialty crop research. Of particular interest to us as apple growers are research programs that improve labor productivity, root stocks and varietal selection, production efficiency, and fruit quality.

In conclusion, the American apple industry hopes and expects to remain an important part of the American agricultural economy and the American way of life. We are, after all, as American as apple pie. But to survive, we need the support of an agricultural policy that will promote our products and help our farmers and not just weigh them down with regulations. The 2007 farm bill could help us open the door to a healthier produce industry and a healthier America.

Thank you, Mr. Chairman, for allowing us to testify.

[The prepared statement of Mr. Rice can be found on page 208 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Rice. I am going to be asking about Elmwood School in my round of questioning.

To introduce our last witness, I will turn to our Ranking Member, Senator Chambliss.

Senator CHAMBLISS. Thank you, Mr. Chairman. I am very pleased to have today as the final member of this panel Mr. Bill Brim. Bill is a longtime dear friend of mine whose farming oper-

ation is located in Tift County, Georgia, which is adjacent to my home county and right in the heart of agriculture county in Southwest Georgia. Bill operates a greenhouse operation for transplant both vegetables and pine trees and he also has about 4,000 acres that he operates from a produce production standpoint.

Bill is not only one of the best farmers in America, but Bill is one of the true leaders in the agriculture community in this country. He visits us quite often here in Washington and has testified before this committee a number of times. Bill has truly been a leader in so many different areas, but most recently in the area of the Migrant Worker Program, H2(a) program, and seeking to help us reform it in the right way. Bill is a great resource for me, in addition to being a dear friend.

So, Bill, welcome to the committee. We look forward to your testimony.

STATEMENT OF BILL BRIM, GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION, TIFTON, GEORGIA

Mr. BRIM. Thank you so much. I appreciate the opportunity to be here today. Good morning, Chairman Harkin and Senator Chambliss. I just want to take a moment just to thank Senator Chambliss for really knowing what agriculture is all about in our State and how much we appreciate him down in South Georgia and the knowledge that he has and presents to us and gives us an opportunity to voice our opinions back to him so he really knows what is where about what is going on in our area.

Over the past 2 years, the Georgia Fruit and Vegetable Growers Association had about 80 different specialty crop organizations to help develop our industry's 2007 farm bill policy recommendations. As noted in my written testimony, we support the Specialty Crop Coalition recommendations to this committee.

Mr. Chairman, in your invitation, you stated that the hearing would focus on economic challenges and opportunities facing produce producers in today's world. My comments are directed at two economic challenges and two economic opportunities which we face as Southeast growers.

Beginning in the 1985 farm bill, program crop producers have been restricted from planting fruits and vegetables on land for which they received a subsidy payment. While there have been some adjustments in the flex agriculture planting restrictions, essentially it has remained in place as a fairness issue. Removing the planting restrictions on base acres will allow program crop producers to continue to receive a subsidy even if they are growing fruits and vegetables. This will place most fruit and vegetable growers at a competitive disadvantage and before the crop is even planted.

In addition, according to the flex acres economic study report by Informer Marketing Research, removing the planting restrictions is predicted to remove roughly one million acres into production of specialty crops—remove roughly one million acres. While this accounts for less than one-half of 1 percent of the total program crops, acre-based, it represents more than a 10–percent increase in the total specialty crop acreage. The study projected if the planting restriction plan was lifted in Georgia, we would see more than

26,000 new acres. That would be an increase of almost 9 percent in our State's production, large enough to significantly impact market supply and demand. Nationwide, we expect over-production would translate into a revenue loss of over $3.1 billion in fruits and vegetables to fruit and vegetable growers. Plain and simple, removing the planting restriction flexibility restriction will be a significant economic disaster for the fruit and vegetable industry.

Another major challenge for specialty crop producers is the $80,000 limit placed on disaster payments. We support restructuring the current disaster assistance payment regulations to allow specialty crop producers to receive a proportionately larger disaster assistance payment due to much higher input costs, higher labor costs, potential losses per acre experienced by specialty crop producers as a result of a disaster. This is significantly greater than that of other commodity producers.

Another area is the block grants can be a tremendous economic opportunity for specialty crop producers. For example, funds for the 2001 block grants allowed our association to establish a Food Safety Network, an educational initiative that would train over 300 growers and certify more than 50 farm operations. A State block grant is a centerpiece for a fruit and vegetable farm bill program. Each of our specialty crops and each geographic area have unique challenges and attributes which must be addressed individually. It is at this State level that growers, shippers, packers, workers, laborers together with industry and government have the expertise and can identify the programs that we need to enhance our competitiveness in the specialty crop industry as a producer.

The economic opportunities generated from agricultural research, except to say research is the foundation for the growth of our industry and acts as a catalyst for change. Federal investment in agricultural research should be increased and allocated to reflect the national importance of fruits and vegetables in our American diet, supporting our food safely, our health, our American diets, our safe food supply that we have in this country.

Mr. Chairman and Senator Chambliss, thank you for the opportunity to present our thoughts and views today as we look forward to working together to craft a farm bill that would address the economic opportunities and challenges we are facing in the fruit and vegetable industry. Thank you.

[The prepared statement of Mr. Brim can be found on page 101 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Brim, and I thank all the panel for excellent testimonies.

I guess for all of you, I just want to say that we have to increase consumption of fresh fruits and vegetables, and Mr. Kawamura, I think, really put his finger on it, talking about preventative health and getting people to eat better. We know what is happening to kids with diabetes and obesity, the new dietary guidelines. We have to get these kids eating better for our next generation.

To that extent, the last farm bill started a pilot program, and some of you mentioned it in your testimony, the Fresh Fruit and Vegetable Program, a Snack Program in schools. We started in four States, Michigan being one of them, and I think we are up to 14 States now. We started with four States and 100 schools. We are

up to about 14 States and 400 or 500 schools, something like that, now. Every school that has ever participated, not one school has asked to drop out of it. And now in States like yours, Mr. Rice, where we are now starting, schools that don't have it are wondering why they can't get it.

You had a story about Elmwood School and the kids there getting the snacks and they are now involving nutrition education along with it. I have been to several schools in different places that have this program and many of them have incorporated nutrition education into their curriculum. In other words, they are not only giving the fresh fruit to the kids, but then, they also address where where does the fruit come from or where do the vegetables come from, how they are grown, that type of thing.

More and more, we are seeing these kids that really kids get hungry in school in the morning, and when they get those growlies, as the teacher says, now they are able to get fresh fruit or a vegetable or carrot sticks or broccoli—I have seen with my own eyes, and I think you are probably going to think I am probably going too far in this, but I have seen with my own eyes elementary school kids eating fresh spinach.

[Laughter.]

Chairman HARKIN. People think I must be exaggerating, but it's true. They get these little bags. Now, some of the marketing, I think Dole and Sunkist and others are now packing for this program and they put these little baby spinach leaves in a little bag and they give a little can of that ranch dip and those kids eat that fresh spinach or fresh broccoli. They dip it in and eat it and the kids love it.

Now, why do I belabor that point? My goal, personal or as Chairman of this committee, is to expand that program. My goal is that within 10 years, that every elementary school kid in America gets free—free—fresh fruits and vegetables as snacks, morning, afternoon, not just in the lunchroom, but in the morning and in the afternoon, any time of the day, any time they get hungry.

That is about, I think right around about $2 billion a year. So we can't do it right now, but we have got to keep moving it up, $2 billion a year. That would be quite a market for fresh fruits and vegetables, plus it does, for Mr. Kawamura, it provides for preventative health care and gets kids started early understanding about fresh fruits and vegetables so that as they grow older, they will continue to eat these fresh fruits and vegetables.

Almost all of you talked about that. I know you are all familiar with it. It has had kind of a slow start, but it is moving and we know that it is well liked.

I say to my friend, Secretary Kawamura, I hope that you will go back and talk to Governor Schwarzenegger about this. I have talked to him about it personally and we would love to get California involved in this program.

Mr. KAWAMURA. Yes. Actually, following your great leadership, Chairman Harkin, this last year, we had an $18 million bill for a School Snack Program for fruits and vegetables in the school cafeterias as well as a $15 million School Garden Program that helps bring a garden back to every school where the kids can learn these

garden-based lessons. So we are trying to get there just like everybody else.

Chairman HARKIN. Has that gotten through the legislature?

Mr. KAWAMURA. It did get through the legislature last year and we hope to do that again this year.

Chairman HARKIN. That is great. Good for you.

Mr. KAWAMURA. It is a crisis.

Chairman HARKIN. How much is it?

Mr. KAWAMURA. It is an $18 million School Snack Program for the fruit and vegetable side of it and a $15 million——

Chairman HARKIN. So it tracks exactly what these other States are doing, right?

Mr. KAWAMURA. That is correct, because we are not a part of that program yet, but we hope to be on the Federal level.

Chairman HARKIN. Well, this is great news. I did not know that, because I had once talked on the phone with Governor Schwarzenegger about this, and, of course, he is doing some great things in getting junk food out of schools and getting healthier food into schools, so please take back my appreciation for his leadership in that area.

Mr. KAWAMURA. That is exactly right. We all recognize at this point we can't say we are ignorant about what the problem is, and if we don't act on it soon and quickly, we all move into the realm of negligence, I know.

Chairman HARKIN. One other question, just open to the panel, is what are the two or three most important things that our bill, the farm bill, should do to help encourage Americans to eat more fruits and vegetables? Well, the Fruit and Vegetable Snack Program, obviously, for the kids in school. What else would you advise us to do? Yes, Mr. Korson?

Mr. KORSON. One of the things that I think we rely on and one of our program ideas is always to promote our own industry and whatever we can do to promote awareness on what these things actually do when you consume them. I think fruits and vegetables, in particular, are just this fabulous resource, and a lot of people just take it for granted. They don't really realize it. And so I think we all need additional dollars to do what we can to promote our industries not only in the schools, but across the country. That is one area.

Chairman HARKIN. Okay.

Ms. MARSHALL. I think with the USDA looking at the WIC Program and maybe when we had the testimony and the hearings of including the $8 voucher, and if that gets approved, that is going to help improve the health of women and young children. And I think your idea that you presented in the first panel about part of the Food Stamp, there would be a credit in buying fresh fruits and vegetables.

And I also think with the School Snack Program, it goes farther than just with the young people. These people go home. Their parents see what they are eating. They realize that their child is not sick as often. They don't have to worry about child care while the child is sick and they are starting to see results from that. It is also affecting the eating patterns of the parents.

Chairman HARKIN. Sure. We have had testimony on that, about kids who go home to parents and they are asking their parents to buy these things. Mr. Secretary?

Mr. KAWAMURA. One of the things that I think the public has forgotten is the original Food Stamp Program came in the early 1940's when recruits applying for the U.S. Services could not pass the physical, and so the Food Stamp Program is not an act of charity or compassion, although it seems that way. Certainly we address the needs of the needy. In this case, it was an investment in the health of its first No. 1 resource, which is the American public and the ability to defend a nation.

The current hard work that went into putting together the new food pyramid out of the USDA, if we were to just follow those guidelines, whether it is whole foods, a good amount of both good dairy products, meats, and then, of course, the fruits, vegetables, and nuts, the food guide in that pyramid would tremendously change the way not only the Nation moves forward in its own health, but would also significantly help agriculture in many, many areas, if not all.

Chairman HARKIN. Any other responses to that? My question was, what should we do in the farm bill? Yes, Mr. Rice?

Mr. RICE. Certainly from the standpoint of the apple industry, we would like to see much more money appropriated in the farm bill for specialty crop research. It is something that we have been losing over the years and is something that we regard as very important.

There are a list of things in our roadmap that we would like to ask for in the way of help from the ARS and the USDA. One thing in particular are labor-saving devices, which we think may be a long-term solution to the labor shortages that we see down the road. And yet I believe that there is legislation that limits the USDA's ability to even fund research that would do mechanical harvesting and I think that that is being addressed. It is something that we believe we are on the cusp of having the sensor technology, but we do not have it now. It is not the kind of thing that we can do very well from within our industry. It is the kind of thing that the USDA, ARS is in a very good position to help us with and that is what we would like to see.

Chairman HARKIN. Thank you.

Mr. BRIM. Yes. I think being able to support our specialty crops by supporting the WIC Program, Food Stamp Program, and the programs going to the elementary schools to allow more schools, like you said a while ago, Senator, the more we can put on line, the more vegetables we are going to be able to produce and sell. I think our nutritional value of these vegetables will certainly help us down the road as far as being able to take care of our nation and then our health.

Chairman HARKIN. Very true. Very true. Thank you all very much.

I will yield to the Senator from Michigan, Senator Stabenow, who is a great leader in this whole area.

Senator STABENOW. Well, thank you, Mr. Chairman, again, for holding this hearing because this is very important. I appreciate it and I know that your interest and your leadership on nutrition

dovetails in such an important way with what we are talking about today.

I might just mention again that the Commodity Purchase Program, which is so critical not only to support our growers and keeping—when there is a surplus in terms of pricing, but making those fruits and vegetables available to the programs that are so important in our school lunch and breakfast and senior nutrition and all those kinds of things. So it is a wonderful partnership, and last time in the farm bill, we thought we were adding a requirement to purchase $200 million more a year in fruits and vegetables and unfortunately the USDA interpreted that as $200 million, period, not $200 million more. So this is an area that I am hoping we can fix and clarify and have folks understand that we want increased purchases.

There are so many different pieces as it relates to specialty crops, from research which is critical into pests and disease, to market access, to commodity purchase, to support EQIP, to conservation programs, tree assistance, I mean, there are all kinds of important pieces that come together and I appreciate your speaking to many of those. But I wonder if we might just take a moment to talk a little bit more about the Block Grant Program.

The USDA has put forward their farm bill, and I appreciate they have placed more dollars, substantially more dollars into research, other areas, which is very positive. But they did not include funding for a Block Grant Program for the States. So I am wondering if you would like to speak to that. I know, Phil, you spoke about promoting the industry and how each of the commodities promotes their industry, but I wonder if you might speak to the State Block Grant Program and how that is important.

Mr. KORSON. I think, in particular, the State Block Grant Program, and that is really, when I was thinking about promotion and how do we expand the knowledge and the wealth of knowledge, those Block Grant Programs are really critical, especially when they come back to the States and directly back to commodity groups, because then it becomes a partnership and that partnership then allows industries to set priorities on how they allocate those resources out.

In our particular case, we spend a lot of our dollars on school lunch promotion activities. When the government buys cherries, for example, or dried cherries, for example, we then work with school lunch directors to show them how to use those products in various ways. We also attend a lot of the shows and different events that really try to wholesale change the way people think about cherries. And so those block grants play a key role in that promotion, market awareness opportunity that we would take advantage of as a commodity group. They are really important.

Senator STABENOW. Mr. Chairman, I think it is an important point. The State Block Grant Programs give the States and the commodity groups the ability to have resources to do the promotion that you were talking about earlier and I am hopeful we will see that retained.

Mr. Secretary, in calling on you, I also want to—a good friend of mine, Alice Waters, has done amazing work on the schoolyard gardens and so on. I am assuming she is working with you.

Mr. KAWAMURA. Yes, she is.

Senator STABENOW. Yes.

Mr. KAWAMURA. We have had a great working relationship on talking about "slow food" as a part of this nation. We have a very fast society and slow food is one of those very exciting areas that is building throughout the country.

Senator STABENOW. Right. But on block grants?

Mr. KAWAMURA. On block grants specifically, as you would know, the State Departments of Agriculture, NASDA, in talking about block grants unanimously supported the success of those block grants and actually compiled a record from the 2001 block grant projects and put that together, showed that over $40 million were leveraged against the $120–plus million that were originally given. And so the ability to leverage dollars to increase investment in many areas, whether it is research, whether it is marketing, whether it is access to foreign markets, these were all some of the success stories that came out of those block grants.

In our own State, we were able to leverage almost a 60 percent increase in terms of matching costs investments in block grants in our State, and this program was over-subscribed. Many, many people had applied for those programs and we ran out of money, all of us, all the States. And so the distribution of those dollars, the investment that they created, and the return to the U.S. economy as, again, an investment, not a cost in this component of what a farm bill can be, is probably one of the most significant innovations, I think, that we are all excited about, and certainly we hope to see in a new farm bill.

Senator STABENOW. That is great. It sounds like you leverage that very, very well. So we put in some dollars and then we are able to——

Mr. KAWAMURA. There are not many other areas in government spending that you see that kind of partnership.

Senator STABENOW. Thank you. Mr. Rice, did you want to respond?

Mr. RICE. Yes, I did want to comment. I eliminated some comments in my oral testimony talking about the Block Grant Program, but it is interesting what the States have done with the block grant monies that were appropriated in 2001. They have, in many cases, taken very different routes which have produced some surprisingly good results.

In Pennsylvania, we first raised the visibility of the local produce industry by promoting the local produce growers and then using State funds to actually try to connect our food service operators to buy from the local growers and supply it to our schools.

An interesting project that was funded by the Block Grant Program in the State of Michigan you are probably familiar with was to improve the technology for making the fresh apple slices. They, in fact, ended up making a breakthrough in that technology, which is one of the reasons why I believe one of our largest fast food retailers has been very successful in selling fresh apple slices for the first time in all their restaurants.

The State of Virginia used block grant money to set up and pass the rather arduous protocol set up by the country of Mexico to export apples into that country. They were able to meet that protocol

and now Mexico is one of the more important export markets for Virginia.

So it is a way of giving the States an opportunity to say what are their priorities, and where they have, in fact, used them, they seem to have produced very positive results.

Senator STABENOW. Thank you, Mr. Chairman.

Chairman HARKIN. Thank you very much, Senator. Senator Chambliss?

Senator CHAMBLISS. Thank you, Mr. Chairman. I have got a question or comment I want to make here and I would like to get a comment from each one of you on it.

The American Farm Bureau Federation is going to present testimony here tomorrow. Given the determination in the Brazil cotton case, the American Farm Bureau supports the elimination of the fruit and vegetable planting prohibition. They support eliminating the restriction on direct payments and continuing the restriction for countercyclical payments. The Farm Bureau concludes that a realistic amount of funding to compensate specialty crop growers for the elimination of the planting prohibition and the loss of direct payments on those program crop acres is $250 million annually.

Their testimony goes on to suggest that one approach would be to invest this amount in specialty crop conservation programs. Specifically, the Farm Bureau recommends a $250 million annual increase in EQIP for fruit and vegetable producers as well as earmark 17 percent of all mandatory EQIP funding for fruit and vegetable production.

I am curious to hear your comments on all of this. This issue is going to be somewhat controversial, the issue on planting flexibility, as we get into this farm bill. Bill, let us start with you and just give me a comment what you think about the planting flexibility issue and their proposal on this $250 million.

Mr. BRIM. Well, I think the proposal of the $250 million is a drop in the bucket to what we will lose if the planting flexibility is not held to. Also, the possibilities of them building up conservation, I agree with. I think that is a great idea. But with the $250 million, we will lose at least our first year $3.1 billion if we don't hold them on the flexibility.

I would like to see you do some more research on it before you vote and make sure that you hold them to the flexibilities for us in fruit and vegetables because we have got so many things that we can lose, and that is just in the first year. With the situation with our growers in Georgia right now, with the disasters they have had in the last couple of years, they don't need any obstacles to have to overcome after those couple years.

Senator CHAMBLISS. [Presiding.] Mr. Rice?

Mr. RICE. I think I would defer to Maureen Marshall. Certainly, the apple industry is completely in tune with the United Produce Association with regard to flex acres. We think it would make it very difficult for us to compete with a part of agriculture that we haven't had to compete with before. It is hard enough to compete with ourselves.

Senator CHAMBLISS. Mr. Kawamura?

Mr. KAWAMURA. Although our State certainly would encourage an increase in the conservation title and the EQIP Program, we

have been very strongly against the flex acreage elimination. We struggle enough many times thinking that we are always talking about the proverbial level playing field when we talk about the international competition, but when we have an unlevel playing field within our own country, that is very difficult and that is a big struggle for us.

When we look at specialty crops, however, in that flex title, there is always a new specialty crop emerging and we all recognize what that is. That is energy crops. And so part of the direction, the places people can go is certainly—and we hope—that the energy crop arena in all of its spectrum, whether it is biodiesel or bioethanol or any of the other products that are coming along, are all crops that we are excited about that people can transition to.

But going back to the flex acreage, our State has always been and continues to be very strongly against the elimination of the flex program.

Senator CHAMBLISS. Ms. Marshall?

Ms. MARSHALL. I have to echo my other panel members in what they have said, and as Bill has said, the impact on the family farm and individual farmer is going to be a whole lot greater than the $250 million. We do recognize we need the conservation programs and the EQIP Programs, but we need to maintain that flex acre program. As a farmer, it has been a business decision. We grow program crops. We are also fresh market vegetable. It is a decision that we made at the time of growing.

To put it in plain language, to the program farm growers in my area, the grass looks greener on the other side of the fence, so they are going to go out and plant lots of easy-growing specialty crops and they are going to flood the market and we are all going to turn out losing. I am going to lose more because they have program money coming on those acres if it is allowed to change.

Senator CHAMBLISS. Mr. Korson?

Mr. KORSON. I defer to Ms. Marshall. We are part of this coalition, as well, and while tree fruit growers are probably less impacted because of the trees that you plant in the ground, the vegetable component, we are partners in this project and so we support United's position on this.

Senator CHAMBLISS. It is a difficult issue and it sounds like something that ought to be easy to resolve, but as we move into a farm bill, my attitude has always been that we give our farmers the opportunity to begin in every new farm bill to decide which direction you want to go in. Ms. Marshall, you say you participate in program crops. Bill, obviously we have a lot of folks who participate in production crops as you do, as well as in specialty crops. It is a decision for each farmer and I am afraid it is one of those things that if we get away from the current program, we get more into mandating to folks than we do otherwise.

Bill, I appreciate your comments here regarding the planting restriction. We have had the opportunity to discuss this in the past, at previous hearings, but since that time, the Informer Report that you mentioned has been released. What key message would you like to leave with the committee about this subject as we move closer to the farm bill?

Mr. BRIM. With the Informer Report being as conclusive as it was, I think it would be disastrous for us in the fruit and vegetable industry and in the specialty crop industry to not be taken to task, but put us back in a safety net with these flex acres, because if we are not supported, we are going to lose. And if we don't—with different States receiving different DCP payments, the countercyclical payments, we all have to deal with that because, like I said, I am a program crop grower as well as a 4,000–acre vegetable grower. So we, as farmers, we can deal with that.

But this Informer Report, it is going to hurt too many family farms and vegetable farms for us to do anything other than keep this safety net for us, whatever the WTO says or not. I mean, I think at some point in time we have got to say how important our farmers and how important is it to ruin those WTO.

Senator CHAMBLISS. All right. Thank you all very much for some very good testimony this morning.

Ms. MARSHALL. Thank you.

Chairman HARKIN. [Presiding.] Again, thank you all to this panel for being here and for your wonderful testimony. Mr. Secretary, please take my regards back to your Governor and thank him for the job he is doing.

Mr. KAWAMURA. Thank you, Senator.

Chairman HARKIN. Thanks. I will call our third panel, and this is the dairy panel, Mr. Jerry Kozak, Mr. Clint Fall, Ms. Connie Tipton, Mr. Eugene Robertson, Mr. Russell Redding, and Mr. Randy Jasper. I am informed that Mr. Redding is under the weather and will not be testifying today.

I want to thank this panel for its patience in waiting so long to testify. We are constrained by the number of days around here when we can have our hearings and things because of everything else that is going on, so I had to try to get as much as I could in today.

But again, another critical part of our agricultural bill, as it always has been, is the dairy portion. As I mentioned, it is one of the larger parts of our agricultural economy in America today. It is a very complex issue, very complex issue. I look forward to hearing your testimony. As I said, all your statements will be made a part of the record in their entirety, and we will go down the line.

We will start, again, from this side over, with Mr. Jerry Kozak, National Milk Producers Federation. He is the President and CEO of the National Milk Producers Federation. He also serves as Executive Director of the American Butter Institute. Mr. Kozak prior to this had also been a high-level official with the U.S. Food and Drug Administration.

Mr. Kozak, welcome to the committee and please proceed.

STATEMENT OF JERRY KOZAK, NATIONAL MILK PRODUCERS FEDERATION, ARLINGTON, VIRGINIA

Mr. KOZAK. Thank you, Senator Harkin and those of your colleagues who are remaining. I appreciate the opportunity this morning to provide testimony to present ideas on the future direction of dairy farm policy. I am Jerry Kozak, President and CEO of the National Milk Producers Federation in Arlington, Virginia.

My testimony today focuses on the proper role for the Federal Government in assisting the domestic dairy industry through the upcoming farm bill. This is obviously a critical issue for all dairy farmers from coast to coast. The formation of the Federal farm policy must take into account and balance many different and sometimes competing factors: The needs of producers and consumers, the budget, political priorities, trends in domestic and international markets, animal and public health prerogatives, and others. The final result is inevitably a synthesis of ideas.

For the upcoming farm bill, the National Milk Producers Federation has strived to achieve the same type of balance and synthesis. We are taking ideas that have been successful in the past and, where appropriate, building on them. Our policy recommendations are intended to help the dairy producer sector in the future. Farming and food production is evolving and so, too, must Federal policies evolve to reflect new realities.

The members of National Milk have deliberated for more than a year on the best path to take in the future. Last winter, we held regional sessions called our Dairy Producer Conclave Meetings to obtain direct input from farmers and to get them to discuss the pros and cons and various approaches. These farmers not only represented National Milk members, but also we had producers from all other State and national dairy organizations. That input was then analyzed by our Economic Policy Committee, which last fall and winter developed a detailed series of proposals. Our outside advisor, Mr. Chairman, was Bruce Babcock from Iowa State University, and although Bruce was not a dairy expert, we felt it incumbent to get new views from different experts.

The resulting proposal is a reflection of a broad-based membership and was achieved through collaboration, compromise, and ultimately consensus. NMPF recognizes that one dairy program cannot meet the needs of all dairy producers, and as a result, we firmly believe in a multi-faceted approach and that it is necessary in order to create a more effective market-oriented safety net. Our plan was created with extensive input and discussion by dairy producers throughout the nation, taking in consideration the concerns of producers of all sizes and in all regions of the country.

The end result of these extensive considerations is a far-ranging package of individual proposals. Each is important in its own way and each deserves to be included as part of the farm bill package. Here are the specific hallmarks of our proposal.

It is fair and equitable, without regional biases. All farmers are treated equitably. It is predictable and allows for better planning and fewer market uncertainties. It is market-oriented and acknowledges the fact that signals about supply and demand should be delivered to farmers. It establishes a true safety net, ensuring that the Federal Government is there when needed, but at the same time, it doesn't provide undue price enhancement. It is forward-looking, with new initiatives acknowledging new technologies in our changing industry. It is compliant with our WTO commitments and we feel beyond challenge. It is comprehensive because it addresses all areas affecting dairy production. Last and certainly not least, we believe it is politically practical. This package has been thoroughly debated within our entire membership, and because of

the breadth of our membership, I feel confident in presenting to you a wide-ranging package for your committee's considerations.

I am also pleased to say that our proposals are very much in concert with some of the USDA proposals and that hasn't happened very often. But they even go further in suggesting changes and refinements to current programs.

A summary of our farm bill proposals has been included. The current Milk Price Support Program would be replaced by a program that supports specific dairy product prices, improving the effectiveness and predictability of this critical government safety net. The current MILC payment would be replaced by a direct payment program that delivers a regular, consistent payment to farmers decoupled from price and future milk production output in order to help them plan and budget in this new high cost of production environment. The farm bill needs to take measures necessary to ensure the implementation of promotion checkoff on imported dairy products that was included in the 2002 farm bill but never implemented by USDA.

Through additional Federal investments in bioenergy research and initiatives, dairy producers will be able to capture the energy value of their animal waste systems, which will help improve air quality, soil quality, and greater sources of renewable energy.

Conservation programs—expanding the scope and funding of both Environmental Quality Initiatives and Conservation Security Programs to help dairy producers implement practices that improve their environment and conserve natural resources.

The importance of dairy products in our diet has also been cited in our proposals. Federal dietary guidelines must enhance the role of dairy foods in Federal feeding programs. The government must also maintain funding to control animal diseases such as brucellosis, bovine tuberculosis, et cetera.

We are also proposing to help expand our overseas markets for U.S.-produced dairy products and it has played a crucial role in a number of farm bills.

Finally, we include a risk management tool for producers through the creation of a forward contracting program, provided that certain producer safeguards are included and that this should not be permanent and should fit with the program before reauthorizing.

The full package, Mr. Chairman, of detailed descriptions has been sent to everybody in the House and the Senate yesterday and we look forward to working with you and your staffs to bring about a successful dairy producer bill.

[The prepared statement of Mr. Kozak can be found on page 169 in the appendix.]

Chairman HARKIN. Mr. Kozak, thank you very much for your testimony.

We have a vote on right now and the second bells have just started, so I am going to have to recess while I run over and vote and we will be right back. The committee will stand in recess for a few minutes.

[Recess.]

Chairman HARKIN. The committee will resume its sitting.

Now we turn to Mr. Clint Fall of the Midwest Dairy Coalition of Litchfield, Minnesota. Mr. Fall is President and CEO of First District Association, an independent dairy cooperative in Litchfield, Minnesota. He is here today to testify on behalf of the Midwest Dairy Coalition.

Mr. Fall, welcome.

STATEMENT OF CLINT FALL, MIDWEST DAIRY COALITION, LITCHFIELD, MINNESOTA

Mr. FALL. Thank you very much, Chairman Harkin and members of the committee. My name is Clint Fall, President and CEO of First District Association, and I thank you very much for this opportunity.

First District Association is a dairy farmer-owned cooperative located in the small town of Litchfield, Minnesota. Our co-op's 1,200 dairy farmer members produce approximately 1.7 billion pounds of milk each year. Our single cheese manufacturing plant is a very modern and efficient operation and is the largest cheese plant of any facility east of the Mississippi River.

We strongly believe United States dairy farmer-owned cooperatives are critical to the dairy processing sector. In Minnesota and Wisconsin, approximately 85 percent of the milk is marketed through cooperatives. First District is a member of a Midwest Dairy Coalition and the National Milk Producers Federation. We strive to be active in supporting Federal dairy policy that benefits dairy farmers.

The structure of a Federal dairy policy plays a significant role in the status of the Upper Midwest dairy industry, although not always in the most equitable way. Whether it is the ongoing structure of the Federal Milk Marketing Order System or past experiments with regional dairy compacts, Federal dairy policy has often placed the upper Midwest at a competitive disadvantage by artificially inflating Class I prices that ultimately places downward pressure on manufactured milk prices. Since approximately 85 percent of the milk in the Upper Midwest is used in manufacturing, such policies are detrimental to the Upper Midwest region.

I would like to make several points about programs that we believe are important to our dairy farmers. No. 1, the Milk Price Support Program. Without a doubt, the Milk Price Support Program is an important program and should be continued, but it is in need of reform. The current price support level of $9.90 per hundredweight has proven to be a porous and ineffective floor. In recent years, the Class III price has fallen below the $9.90 support price on many occasions, falling as low as $8.57 in November of 2000. Contrary to the intent of the program, dairy manufacturers are reluctant to sell surplus product, particularly cheese, to the Commodity Credit Corporation, in large part because the costs are significantly higher than selling to the commercial market.

To more adequately reflect these costs, we are interested in the new proposal by National Milk Producers Federation to legislate individual CCC purchase prices for butter, powder, and cheese instead of having one overarching milk price support of $9.90 per hundredweight. We believe this is a step in the right direction to

help assure that the Price Support Program functions more effectively as a true safety net.

No. 2, the Milk Income Loss Contract Program. Because of the inadequacy of the Milk Price Support Program, we argued during the last farm bill debate for an additional program to provide a more credible safety net for dairy producers. Fortunately, others agreed. The countercyclical Milk Income Loss Contract Program that emerged out of the 2002 farm bill has proven to be a very effective safety net for dairy farmers. Assistance is only provided when the market prices fall below target levels. We have proposed that the MILC Program be reimplemented without a diluted formula as it originally emerged from the 2002 farm bill.

Congress also sought to limit the taxpayer costs of the MILC Program by placing a volume cap to limit the benefits to the first 2.4 million pounds of production per year. Roughly 82 percent of all dairy farms in the Nation receive full benefits of the MILC Program and are fully covered under this cap. Yet even those that exceed the cap receive great benefits.

For the Upper Midwest specifically, there is no doubt that this program has helped maintain many family dairy operations in rural communities during low milk price cycles. It is critical that the MILC Program or a similar type of countercyclical or direct safety net program be continued in the new farm bill.

No. 3, trade policies. We must review our trade policies and those of our trading partners to assure that we have consistent and rational policies as we move into the future. Specifically, during the Uruguay Round of WTO trade negotiations, tariff rate quotas were placed on imports of traditional dairy product classes such as cheese, butter, and nonfat dry milk. Yet we failed to recognize emerging trends with regard to milk protein concentrates and we failed to create tariff rate quotas on these milk protein concentrates. As a result, we have seen instances during which MPC imports into the United States have surged, negatively affecting farmers' milk prices and adding to taxpayer costs.

In conclusion, as the committee works on the 2007 farm bill, we ask for your support for a two-pronged safety net as represented by an improved Dairy Price Support Program and the continuation of the MILC Direct Payment Program. Thank you very much for your time.

[The prepared statement of Mr. Fall can be found on page 143 in the appendix.]

Chairman HARKIN. Thank you very much. I want you to know that I am not listening to some strange music or something on this device.

[Laughter.]

Chairman HARKIN. The acoustics in this room are so bad, we have a loop system in here and this device really clarifies everything so I can hear better sitting up here.

Next, we turn to Ms. Connie Tipton, who is President and CEO of the International Dairy Foods Association. She is no stranger to this committee. She has been here many times in the past.

Welcome again, and please proceed, Ms. Tipton.

STATEMENT OF CONNIE TIPTON, INTERNATIONAL DAIRY FOODS ASSOCIATION, WASHINGTON, DC

Ms. TIPTON. Thank you, Chairman Harkin. We have, I think, what is an unprecedented opportunity with this farm bill because we have growing global demand and domestic demand for our U.S. dairy products and we have an opportunity because of that to transition to a better safety net for our nation's dairy farmers. Let me just say it is important to us that we have programs that are helpful and provide opportunities for both producers and processors in the dairy sector.

Also, I would like to start off by saying that we support putting in place an effective safety net for our dairy farms. We have five suggestions: Provide a safety net for farmers that will give help under a variety of market conditions, not just when prices are low; encourage environmental improvements on farms with direct payments that aren't tied to price or production; reinstitute forward contracting so that dairy farms and milk buyers can enter into voluntary agreements; eliminate the Dairy Price Support Program and the Dairy Import Assessment; and establish a commission of industry stakeholders to identify and recommend measures for addressing the many complex problems with the Federal Milk Marketing Order System.

Now, I would point out that the context for these suggestions is radically different. It is a radically different dairy marketplace than we have really ever seen before. We have milk prices that are expected to go to record high levels this year. That is largely driven by demand for exports of high-quality milk proteins, wheys, lactose, and those exports, Mr. Chairman, are commercial market exports without subsidies. This is a new thing for dairy in the last few years and it is a very important phenomena and something we need to take advantage of in rewriting our policies.

The demand is expected to remain strong for the foreseeable future, so that extends that opportunity. But ironically, at the same time, our dairy farms are still going to be stressed because of record high feed prices and our current safety net programs, the Dairy Price Support Program and the Milk Income Loss Contract Program, are not going to be useful or effective in this marketplace.

The Dairy Price Support Program buys basic commodities to prop up market prices. But there is more to it than that because it encourages production of these commodity products. It provides a guaranteed market for them. So of course, it is easier to keep producing those for the government than it is to retool and produce for the market. This has kept the dairy industry from responding adequately to the exploding demand for higher-value dairy proteins. And today, with record high milk prices, the Dairy Price Support Program offers no help to producers, yet it continues this commodity production mentality, and that is why we think this is a good opportunity to eliminate rather than resuscitate the Dairy Price Support Program.

Now, I would like to stress that I think it is really important that we have adequate resources to give dairy farmers the safety net they need, and I know everyone comes to your committee saying they need resources, but it is very important for our industry to have an effective safety net.

We suggest providing assistance that is not tied to price or production and using these payments to encourage environmentally sustainable practices on our dairy farms, and then complement this with risk management tools for dairy, like revenue insurance and forward contracting. It is vital to our members that we keep our abundant and high-quality milk supply, and we have a chance in this farm bill to do that with updated policies that allow markets to work better, including international markets for our dairy products from the U.S.

Now, there was a provision included in the 2002 farm bill that called for a new assessment on dairy imports and that was never implemented. We believe that now, our trade prospects have changed so dramatically that our approach on this issue should change, as well. As our exports are growing and driving better prices for our producers, we think it is absolutely the wrong time to put up new barriers to other countries' imports.

Finally, just about every segment of the dairy industry is currently frustrated with the Milk Marketing Order System and wants to see some change. That system, however, is so complicated that it is hard to find consensus about what those changes might be. Both our organization and the National Milk Producers Federation have set up committees to review all of these issues and try and find consensus within our organizations, but we believe it would be useful for Congress to call for a blue ribbon commission made up of industry stakeholders and experts to try and find a consensus across the industry for long overdue change to the Federal Milk Marketing Order System.

I know that dairy policies have always been one of the most difficult areas to navigate, but I am optimistic that our strong market opportunities this year will provide the chance for the committee to come up with positive improvements. Thank you.

[The prepared statement of Ms. Tipton can be found on page 217 in the appendix.]

Chairman HARKIN. Thank you very much, Ms. Tipton. I will follow up with you on a couple of questions on forward contracting later.

Now we turn to Mr. Eugene Robertson, Pine Grove, Louisiana. Mr. Robertson and his son operate a 150–cow dairy in Pine Grove, Louisiana. His son has a separate dairy operation, as well. Mr. Robertson is a member of Dairy Farmers of America Cooperative and is testifying today on his own behalf.

Mr. Robertson, welcome.

STATEMENT OF EUGENE ROBERTSON, PINE GROVE, LOUISIANA

Mr. ROBERTSON. Thank you, Mr. Chairman, for the opportunity to be here today to testify. As you were saying, I am Eugene Robertson from Pine Grove, Louisiana. I have been in the dairy business for 46 years. My son, as you said, is in the dairy business in the operation that we have on my family farm in addition to his own dairy.

I guess in the 46 years I have been in the dairy business, we have never seen the price of milk going as low as it is going now and the fluctuation of the high points and the low points. The

trough seems to be getting deeper, although as we have been hearing, we are going to see improving prices and we have experienced them already in 2007. We know they are going to be going higher. But the price of the feed that we heard about and the fuel cost is eating this margin up about as quick as we get it.

Our dairy industry in Louisiana, of course, was severely impacted by Hurricane Katrina in 2005. We had some awful hard weeks and months afterwards of the loss of power and the loss of our crops and the interruption of the feed supply and the health problems that we never even thought of after the storm that we had to face for many months there.

I am well pleased to have the opportunity to discuss with the committee today the issue of the Milk Income Loss Contract payments that the producers in our State have received for the last 6 years and the value of other Federal dairy payments that we have received.

It is important for this committee to note that Louisiana is a milk deficit State, which means that we do not produce enough milk in our State to satisfy the needs of our consumers. We probably bring in 25 to 30 loads of milk per day in Louisiana to help meet these needs. So it is critical to maintain what milk production that we do have and the existing dairy operations in our State.

I would like to place into context my comments on the MILC Program, on some history that led Congress down the road toward the development of the Milk Income Loss payment in the 2002 farm bill. Our State, along with other States in the South, had been working on ideas that would help dairy farmers get through the periods of time when milk prices were low. We needed a countercyclical payment that would help offset reduced blend prices and keep us financially solvent. That is one reason Louisiana passed enabling legislation to join a Southern Dairy Compact Region. However, since the legislation to ratify the compact was not passed by Congress, the MILC program was put forward as an alternative measure.

From 2002 through 2007, the dairy farmers in my area have received $9,977,000 in payments from the MILC. Our State now has approximately 200 to 250 dairy farms, according to USDA statistics. But between 2005 and 2006, we lost almost 11 percent of our dairy operations, and this trend is not letting up. It is getting worse in the last several years, and of course by Katrina, that has really caused things to get difficult for us.

The MILC program has helped, although I believe it can be improved. The trigger price of $16.94 a hundredweight based on the Class I price in Boston is too low and does not reflect the high feed and energy costs that we are facing today. The payment rate of 34 percent based on the Class I utilization does not come close to reflecting our fluid utilization rate in the South. I would hope the committee takes these factors into account when you are preparing the dairy title of the bill for 2007.

The MILC payments could fall in the Amber Box under the WTO rules. In terms of direct payments to dairy farmers that the committee will be considering during the preparation of the farm bill, I would like to point out that National Milk Producers Federation is proposing a direct payment to dairy farmers that would offer a

solution to the WTO requirements. In their proposal, the direct payments would be Green Box compliant with the WTO requirements.

There are a number of other issues that are very important to us in the South, as well, and I would like to briefly touch on them. We are part of the Southeast Federal Milk Marketing Order Area. The Federal orders need to have some significant changes if they are to work efficiently for producers in the future. One of the main purposes of the Federal Milk Marketing Orders, as you know, is to guarantee a fresh supply of milk for the consumers in the areas. However, in practice, the Federal milk orders do not always accomplish this goal in assuring a fresh supply of milk and at the same time adequately reflecting price to the dairy farmers. One example is the feed cost and how it has gone up.

Another thing I want to point out is not only Louisiana, but the whole Southeast part of the United States, as you are aware of, is a deficient area of milk. DFA, the co-op that I ship my milk to, on an average daily basis, we have sales for approximately 900 million pounds of milk and we only produce 630,000 pounds of milk in the area. This is putting a great burden on us by doing this.

I am sorry, just one other point, that we just need to have a process in the Federal Milk Order that would address this and I will quit there.

Thank you, sir. I appreciate your time and I will be pleased to answer any question.

[The prepared statement of Mr. Robertson can be found on page 214 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Robertson.

Now we turn to Mr. Randy Jasper, National Family Farm Coalition, Muscoda, Wisconsin. He and his son, Kevin, milk 100 cows, raise 2,000 acres of corn and soybeans along with 200 acres of hay in Wisconsin. He is a member of the American Raw Milk Producers Pricing Association and speaks today on behalf of the Dairy Subcommittee of the National Family Farm Coalition.

Mr. Jasper, welcome to the committee. Please proceed.

STATEMENT OF RANDY JASPER, NATIONAL FAMILY FARM COALITION, MUSCODA, WISCONSIN

Mr. JASPER. Thank you. Our program comes at this a little bit different. We come at this from the standpoint of the mark of getting the money from the industry. I will just outline a few things and go over a few other things.

Dairy producers throughout the country need a policy that results in dairy farmers receiving cost of production plus a return on investment; access to affordable credit with fair terms; competition restored to a non-competitive dairy market, and that is a real big issue; protection from predatory practices of the largest corporations, including the largest dairy co-ops; protection of integrity of dairy products, meaning no support to domestic milk protein concentrates, MPC, or for any MPC used in our food supply; prohibiting of forward contracting; promotion of smaller co-ops and increasing oversight of co-op management to ensure interests of processors being met. Our plan, it is outlined in our full testimony that

you received. The money comes from the government—or, excuse me, from the industry, not the government.

My milk and my son's milk go to a small co-op called Scenic Central that we formed. Within two-and-a-half to 3 years, we put on 250 farmers. We send 19 million pounds of milk a month. We return 98 percent of every dollar that goes out goes back to the farmers. This was very hard to do. There are a lot of rules that you have in place against starting a market in the agency. That might want to be looked at.

The crisis that we saw on dairy farmers large and small throughout America in the past year, when rising costs of production combined with weather disasters, continued low milk prices, there is just no way that anybody can stay in business. In real dollars, it has been the worst year for dairy farmers, including the Great Depression. We set up conference calls. This program was put together after real long hours and there are farmers from 20 States that have put this together, sorting out things we can do.

On February 20, 2007, the NFFC delivered a letter to USDA Inspector General Phyllis Fong identifying problems with the inaccurate pricing reporting in the NASS survey. This situation is costing dairy farmers millions of dollars a month. Our understanding is that the Inspector General is currently involved in this investigation.

And one thing I come at this a little different perspective, where we do a fair amount of corn and beans. The problem with dairy farm money is not high grain prices. Grain prices are not high, people. They are somewhere in the vicinity of where they belong. They have been terribly low for years and years.

Another thing that I have just jotted in here, I heard a lot about healthy food in the schools. Well, milk is a very healthy food and we need to make sure we keep that one in the schools.

With our program, we need a price support system that allows dairy farms a fair price through the current Class III and IV hearings and with our legislative proposal for the 2007 farm bill for the Family Farm Act. The solution is a fair price, a fair price for dairy farmers and for farmers who raise program crops and a non-recourse loan program with price floors that respect a farmer's cost of production, farmer-owned, humanitarian and strategic reserves, incentives for participation in conservation programs, and international cooperation in supply management. Years of distressed grain prices have fueled expansion of mega-dairies and forced thousands of dairy farmers and their diverse family operations out of business.

One thing I heard earlier today, the price support at $9.90, while that helps a little bit, it is so low that it just prolongs the inevitable. No farmer can produce milk for $9.90 a hundred. The USDA statistic as of right now in the State of Wisconsin, February 2007, says $23.68 per hundredweight. On our dairy farm, we receive $14 to $16 per hundredweight. So we need a realistic price on that one. When the new program went into effect, milk prices fell on our farm about $3 a hundred and their support price gave us back about a dollar of that. Now, I am no genius, but if you lose $3 a hundred and you give me a dollar back, I still have a net loss of

$2 per hundred. So it is something that needs to be tweaked so that part doesn't happen.

We are also losing, the Senator has mentioned, we are losing out here in Pennsylvania, losing $5 per hundredweight. That is about what we are losing, and for those of you, a hundredweight is 12 gallons of milk. I don't know if too many people are aware of that.

So the price support thing needs to be on there, but we need to set a formula that gets the industry to pay what milk costs. We worked with ARMPPA. ARMPPA is a marketing agency in common through the Cooper Bluffs. We talked to many of the processors and they all stated it doesn't matter what they pay for milk, whether they pay $12 a hundred or $17 a hundred. As long as they are all paying it, they are fine with it. They just can't be put in a competitive disadvantage.

So if it is through a different formula, and the USDA has a formula. Every so many months, they put out a formula that says what the cost is to produce milk. I don't know why we don't just use that. Thank you.

[The prepared statement of Mr. Jasper can be found on page 152 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Jasper. I thank this panel for your testimony and for your patience in being here today.

I want to commend at least the National Milk Producers Federation for putting forth the comprehensive set of farm proposals. I am not saying that I am absolutely supporting them, I say I commend you for doing that, and I want to take advantage of the expertise of this panel to get your reactions to those proposals. Have you all had a chance to look at those proposals?

What I would like to know is, first, about the price support proposal. How would separate support prices for cheese, butter, and nonfat dry milk affect the price that dairy farmers receive for milk? How would it affect the prices that the dairy farmers receive if you had separate prices for each because farmers are not producing butter and nonfat dry milk and cheese. They are producing milk. Any thoughts on that? Mr. Kozak?

Mr. KOZAK. Yes, Mr. Chairman. One of the things that I think we have to remind ourselves about the Price Support Program, it is a market clearing mechanism. It is only there as a safety net. It is only there when the bottom drops out, and the Price Support Program has been effective over the years, but there have been some situations where, for instance, cheese dropped down to $8.70 in 2003 when we had the lowest milk prices in our 25–year history and it wasn't effective.

So what we have done in terms of recalculating the Price Support Program is to recognize that it is a market clearing mechanism of which, when prices are extremely low and we have some surpluses, the government buys those products at a specific level. It doesn't buy all milk products. It doesn't buy fluid milk. It doesn't buy yogurt, cottage cheese, et cetera. It buys those three specific products because those three specific products are the basic foundations of what we produce ultimately in this country and are tied to our over-quota tariff rates.

Chairman HARKIN. Mr. Kozak, what does it do to the farm? Does it affect the price farmers receive?

Mr. KOZAK. Absolutely, because it gives at least some firm foundation that says that if we are in that kind of period of time, prices won't drop below that. By recalculating what we have done, we believe that it is going to be an effective safety net that provides at least some floor, if you will, from the Federal Government.

Chairman HARKIN. Mr. Fall, you said you were very interested in this proposal.

Mr. FALL. Yes.

Chairman HARKIN. We are all interested. I just don't know how you feel about it.

Mr. FALL. We are interested and, for the most part, I think we believe that there needs to be something done. We don't want to see the support program go away. Like Mr. Kozak commented, it functions as a safety net in the worst case scenario where it basically clears surplus product from the marketplace. There is no farm that can actually survive at $9.90 equivalent milk price, but if in the event milk prices go that low, it generally occurs because of a surplus of dairy products, commodities that are in the marketplace.

So we support the idea of changing the support program in some way to help it to work better. We believe that the measures that National Milk is pursuing, we believe that that is probably a step in the right direction toward achieving that objective.

Chairman HARKIN. Ms. Tipton?

Ms. TIPTON. Mr. Chairman, I would argue exactly the opposite. I think keeping the Dairy Price Support Program with our current market conditions will do nothing but put a dampening effect possibly on our U.S. dairy prices, and that is because we have growing global demand for the foreseeable future. People think we are going to be selling these higher-value dairy proteins both here in our own markets, but on international markets. We are selling whey proteins. We are selling lactose to Japan. We are selling more and more of these non-fat dry milks, whey proteins over to China. We have lots of market opportunities right now and it is driving our prices up for U.S. dairy farmers. As I mentioned, we are going to see record high milk prices for our U.S. dairy farmers this year.

Keeping a program that encourages people, encourages the producers of products that aren't in demand in the market, just so they can sell them to the government and maybe make a few cents' profit, is not going to help dairy farmers. It is going to maybe keep that company in business who wants to crank out non-fat dry milk instead of upgrading their facility, but I think we should encourage people to upgrade their facilities and go for these higher-value dairy markets that are going to actually drive prices to a better level for our farmers.

I just see this as a great opportunity for us to relook at these things and get out of this situation. Corn had a Price Support Purchase Program years ago and when they started having global market opportunities, they got rid of it, too. I think it is time for us to do that with dairy and go for the market. I think we have a great opportunity there.

Chairman HARKIN. Thank you, Ms. Tipton.

Mr. Robertson?

Mr. ROBERTSON. I have no comment. I will have to go along with what Mr. Jerry Kozak said.

Chairman HARKIN. Mr. Jasper, you already said that you were not in favor of——

Mr. JASPER. Right. Right now, according to USDA's statistics, we import more dairy products than we export, so we are actually a deficit nation right now. So while I am not against exports, I don't think they are necessarily the answer.

Chairman HARKIN. The National Milk also proposes to replace the Milk Income Loss Contract, the MILC Program, with a program with fixed payments based on the 85 percent of the producer's past milk production. Now, again, it would seem to me that the proposal would be more generous to larger producers and more costly than the current MILC Program. New dairy producers would not be eligible for payments. So how would beginning dairy farmers compete against established dairies that would receive monthly payments, I ask? Mr. Kozak?

Mr. KOZAK. Mr. Chairman, first of all, let me point out that the current MILC payment would be considered to be in the Amber Box for WTO purposes, and although I understand that some of the people up here feel that there is not going to be a Doha Round or we shouldn't be really addressing these issues, our organization didn't feel that way. We felt that it was important to look at the future. So the first thing we did was to put together a program that wouldn't fall in the Amber Box.

Second, we put together a program that would try to create some equality that the MILC payment doesn't have at the present time. If you take a look at how the MILC payment functions, it is a countercyclical payment. It only kicks in when prices are at a certain level or when the bottom drops out. But look at the situation we are in right now, when we have got high energy and feed costs, record high energy and feed costs for producers, and you have heard that from some of the panel members and our producers, the MILC payment will not—there will be no MILC payment for the rest of this year because of the way of its nature.

So our Green Box payment addresses inflation, addresses feed costs. It is more predictable. We calculate that it will cost the equivalent to what the MILC payment——

Chairman HARKIN. Excuse me for interrupting. How would beginning dairy farmers compete, because they would not be eligible for payments.

Mr. KOZAK. Well, at the present time, we are looking at a refinement to that, Mr. Chairman, to see how we can incorporate that, because under the strictures of WTO, you can't tie it to production, so if a farmer doesn't have a historic production, he is not eligible, but we are committed to working to try to resolve that particular issue as part of our plan.

Chairman HARKIN. Ms. Tipton, you talked about forward contracting. Mr. Jasper, in your statement, your group was opposed to forward contracting, but let me ask this question. I mean, why is forward contracting so bad if a farmer knows what he can contract for and he can get an assurance of a price forward? It seems to me that he could either contract all or a part as a hedge. What is wrong with hedging a little bit if you know you can lock in a price?

I just don't understand why you would be opposed to forward contracting.

Mr. JASPER. Well, in our program, the National Family Farm Coalition proposal, it is based on the cost of production, so you wouldn't know ahead of time what you are going to get anyway. Our program states four times a year it would be looked at. Four times a year, the price would be adjusted to the cost of production. So there would be no need for any forward contract. You would already know for the next quarter what you were going to receive.

Chairman HARKIN. But still, though, you don't know what the market is out there. I mean, you can make a guess on it, perhaps, depending upon certain conditions, but I don't think this committee or anyone is going to set up a program that basically is a government payment program regardless of what market prices happen out there. There may be some subset of that in terms of a small payment as a safety net or something like that, but nothing in there that is going to guarantee some kind of a market type of a price.

So dairy farmers always have to think about what the future markets are, and that is why I just don't understand why you wouldn't—as long as the contracts are transparent and as long as they are open, as long as they are dealt with on an arm's-length basis, and as long as the producer has adequate time to consider the contracts—we are going through this right now in other parts of agriculture, by the way, and as you know, I have a competition title, a competition bill in right now that deals with a lot of contracting problems that livestock producers have, especially our pork producers, cattle producers have with contracting.

But as long as you have an open system and it is transparent, I just don't see any reason why you—I don't understand the opposition to forward contracting.

Mr. JASPER. Well, first off, like I say, you wouldn't need it because you would already have your forward contracting based with each quarter setting the price, and the price wouldn't come from the government. The price would be set through a formula by the government that said industry pays, we will say, $16 or $18 a hundredweight for milk. Everybody pays the same. That is the price. I mean, the power company is regulated through the government. They say what they need for power and that is Okayed by the government that they can charge that much.

So you are able to do that, and that would eliminate—the problem with forward contracting, you keep getting everyone forward contracts and it usually ends up lower. There is no reason, and right now that makes it look bad because there are forward contracts also for $12 that looked pretty good when milk was $11, but it turns out it is $3 or $4 below the cost of production now. So it didn't do the farmer any good.

So there is really no—we don't feel there is any need for forward contracting. As long as the price is set quarterly for each quarter, there would be no need for it. You would already know what the price is.

Chairman HARKIN. How do you feel about forward contracting, Mr. Robertson?

Mr. ROBERTSON. Well, I would have to agree with Mr. Jasper. I would have to first admit I don't know a whole lot about it, but it would seem to me we would get caught in a situation like now where you had it at the end of the price and the feed and the fertilizer and all the costs went up so much and the price of milk is going up that you would lose some on that part. But I don't know enough about it to tell you, sir.

Chairman HARKIN. I understand. Ms. Tipton, I know you are in favor of forward contracting——

Ms. TIPTON. Well, let me just give you an example, Mr. Chairman. Reliability of income is very important. You know what your costs are. You know what your loan for the tractor is if you are on the farm and you know what your labor is and all of your other costs, but just to give you an example of the fluctuation in milk prices, in 2002, just over $12 on average for the year. In 2004, a little over $16. Last year, $12.90. This year, it is probably going to be more like $16.50. Those are big ups and downs and that is very hard to manage, and probably the smaller you are, the harder it is to manage.

Dairy farming is very capital intensive. If you want to start a dairy farm and you know there is a farm in Lamars, Iowa, that was started to supply Wells Dairy out there—we visited with you about that—and they honestly couldn't have gotten the bank investment and so forth to start that farm if they couldn't have had a forward contract, and that was when we had the pilot program in place in the early 2000's. It enabled that farm to get into business. They were able then to use a local supplier to get their milk. It is just a simple matter of having reliability of income and I don't see what is so threatening about that.

Chairman HARKIN. You mentioned something about the new marketplace, something we haven't seen before. It really has changed. What if I were to tell you that they are now shipping fresh milk from California to Wells Blue Bunny Dairy?

Ms. TIPTON. I believe it.

Chairman HARKIN. And they are shipping milk from California to Wisconsin.

Ms. TIPTON. Right.

Chairman HARKIN. They have got better tankers and they can deliver the milk all over the country, so it is not like it was even 20 years ago. So again, I am wondering when even fluid milk—I am not talking about the manufactured processes—but fluid milk can go anywhere almost now. If you can get it from California to Wisconsin, you can get it from the Midwest to New York.

Ms. TIPTON. Well, you can get virtually anything in any grocery store in America today. Milk is no exception. You can get avocados here in Washington, DC, and they certainly aren't produced here, so——

Chairman HARKIN. So what does that mean on the milk order provisions that have been in law since before I was born?

Ms. TIPTON. It means they need to be looked at.

[Laughter.]

Chairman HARKIN. Well, I am just wondering. It doesn't really ask us to take a look at the new regimes out there and what is happening with the transportation that we have today.

We need to take a better look at our export-import situation, too. Ms. Tipton mentioned the new export markets that are opening up. From everything I have seen, international markets may grow substantially in the future. How much, I don't know—until other countries figure out that we are doing it and then they take advantage of it and start undercutting us, I suppose. Mr. Kozak?

Mr. KOZAK. Mr. Chairman, you bring up a good point and I want to make sure that we get this across today, is that there is a lot of rhetoric about exports, and I am hearing that some at this table, but we have our own self-help program that we instituted in 2003. Just this past year, dairy producers on a voluntary basis spent $40 million of exporting to over 30 countries. But I want you to understand that while we need some basic safety net programs, our producer industry isn't just talking about exports, we are doing something about it, and I think that is a major achievement for producers all across the country. We do think it is an important tool, but let us put it in perspective. It is only 5 percent of our production.

Chairman HARKIN. It is not that large.

I am going to yield to Senator Coleman, who will ask the final questions here.

Senator COLEMAN. Thank you, Mr. Chairman. Mr. Chairman, I wanted to start by associating myself—I didn't hear all your comments, but everything I heard, your questions about forward contracting and how do we move forward here, your comments about kind of the changing nature of transportation and global markets and we have been doing things a certain way for a long time, with this new farm bill, it is a real opportunity to think about it. So I appreciate your leadership and I look forward to working with you and I commit to working with you on these issues.

I want to first welcome Mr. Fall from Litchfield. I was at the Main Street Cafe on Saturday with a number of good dairy folks and came home with some good cheese, too, by the way. So I just want to welcome you here.

Mr. FALL. Thank you.

Senator COLEMAN. I have worked very closely with a number of folks on this panel, certainly Mr. Kozak and Ms. Tipton and working with the Midwest Dairy Coalition.

One of the things that I really appreciate, dairy is a complex issue. It is one of the most complex in all of farm policy. And it is one, by the way, which my State, a big economic impact, I think about $3 billion. It is a big deal. It needs to be a big deal into the future, not just in the past.

But I just want to indicate that I am optimistic about where I see some areas of agreement, and I have had private separate conversations. At some point, we will probably all sit in the same room, with the National Milk Producers, International Dairy Foods, Midwest Dairy Coalition. I think there are enough areas of agreement to move together, and so I think that is positive. A MILC-like program, we need a safety net. Direct Payment Program, reform of the Price Support Program in the farm bill.

The forward contracting that we have discussed, and Mr. Kozak, you have moved on some of the forward contracting issues from our

early discussion. You still have a concern about making it permanent. Can you talk about that a little bit?

Mr. KOZAK. Yes. Thank you, Senator. Well, as you know, we did move on it. When we started this process, we realized that this is a consensus document. This represents 33 co-ops with over 50,000 farmers who had some input into this program. And just like everything you do up here, it was our job to try to find consensus.

We still have a good portion of our membership who have concerns about forward contracting, but to their credit, they came to the table and tried to solve the problem instead of coming up here and asking you to solve this problem. And so what we were asking for was a few provisions that would ensure the sincerity of the program as well as the integrity and the credibility of the program, and just like we have to do with all of our other dairy programs, the Price Support Program, the MILC payment, even some of our basic animal health programs, they all expire with the farm bill and they get looked at again to make sure that they are working, et cetera. I think that is a small price to pay for an organization coming to the table and willing to have some consensus and compromise.

Senator COLEMAN. Some of you were talking about some of the producer protection pieces. Is that what you are kind of looking for as we move forward——

Mr. KOZAK. In fact, the Chairman mentioned a couple of them. One is we want to make sure that the contract is enforced by USDA, just like everything else. It is making sure that if the farmer does contract a price below the minimum price, that somebody ensures that the farmer gets it, there is some oversight.

Second, we want some language to make sure that farmers aren't coerced into signing contracts. I think that is a critical piece. Again, I don't see that as a bureaucratic issue, but one that assures our farmers that they are going to get a fair shake.

And third, that it sunsets so that we can have an evaluation, review it, but it is not a pilot program that we are offering. It is just that it would be a full part of the farm bill but would then sunset and have to be reviewed.

Senator COLEMAN. Ms. Tipton, and I give my thanks to you. We have had some very good discussions about finding common ground and moving forward with our kind of shared interests here. Is IDFA open to some of the producer protection proposed by National Milk?

Ms. TIPTON. Well, we are certainly very heartened that they are willing to support a forward contracting program. As you know, we felt that a 5–year pilot program that was successful was probably a good enough bellwether to move forward with. We would like to see it permanent. Certainly, we are willing to be at the table and talk about it. We do think that the way it was set up in the pilot program worked fine. Everybody's contracts were filed with the market administrators. It doesn't seem to us that we need a lot more oversight of those, but we are certainly willing to talk about it and we are anxious to get some of these risk management tools out there so that everyone can use them.

Senator COLEMAN. And again, I look forward to continued conversation, but I am certainly very pleased with the direction in which things are moving.

Mr. Fall, does the Minnesota Dairy Coalition support National Milk's modification to the Price Support Program? Have you looked at that?

Mr. FALL. In all honesty, Senator, the Midwest Dairy Coalition probably hasn't come together to discuss the details of the Price Support Program, but conceptually, I think with discussions that I have had with members of the coalition and our lobbyists, I believe that I can say that we are very, very interested in National Milk's proposal and the direction that they are going. We think it is a step in the right direction.

We know that the program as it exists currently today needs some reform and we believe that this is a step toward going in the right direction. We need to maintain some level, some—the support program at a $9.90 equivalent is a very, very low dollar amount. There is no farm that can sustain themselves at that kind of price. We are looking at basically a program that functions as a clearinghouse, and by putting the prices on commodities that farmers produce, hopefully, it will set a more fixed level floor that processors will receive from those products.

Senator COLEMAN. And Mr. Kozak, you have opted to change the Milk Price Support Program into a product-specific support program. I grew up in Brooklyn, New York. I have been in Minnesota 30–plus years now. When I grew up, I told people there was a movie called "A Tree Grows In Brooklyn." I saw the movie, I read the book, I didn't see the tree. So it has taken me 30 years to try to understand dairy policy, and now we are in the process of changing it. Can you just briefly—my time is running short here—can you talk about why did you opt to change the Milk Price Support Program into product-specific support?

Mr. KOZAK. Well, first of all, it sort of better aligns us for the future, looking at really what the Price Support Program is intended to do. It is a market clearing mechanism. I should point out that unlike what I heard from Ms. Tipton, we haven't sold product to the government—very little product to government in 2 years. There are no stocks of butter and cheese. It is truly a safety net. It doesn't distort the market, as has been alleged.

So we looked at, well, is the government buying all milk? No, it is not buying fluid milk. It is not buying yogurt. It is not buying cheese. It is buying specific products that are tied into the basic nature of our dairy industry. So we changed it to a specific product price. It incorporates a level that we think addresses Mr. Fall's concerns about a safety level of $9.90, making sure it is there, at least. In addition, it incorporates some other ideas that are more market-oriented, a trigger mechanism that when there are huge surpluses, it sends the market back.

It takes the uncertainty out of it. It is more predictable. We don't have to worry about a butter powder tilt, discussions with USDA about all those issues. It is a contract. It is straightforward and I think it is the way to go and it is a great transitional mechanism for this farm bill.

Senator COLEMAN. I thank you, Mr. Kozak.

Again, this testimony has been encouraging. The conversations that we have had have been encouraging. I want to commend the panel. I want to thank the Chairman. I am optimistic that we can find some common ground and really do some good things in the farm bill for dairy, so thank you, Mr. Chairman, and I thank the panel.

Chairman HARKIN. Thank you, Senator Coleman, and I thank all of you for your testimony.

Dairy is always a tough thing to get through. There are so many competing different interests, market orders and things like that. Perhaps this idea of a blue ribbon panel to take a look at this—I am just wondering if some of this ought not to be really addressed, whether these old systems that we have had for a long time need to be addressed and some changes really need to be made. But we have a lot of experts on this panel. We have a lot of people to rely upon to give us input on that. I continue to ask for all of you, any thoughts, suggestions, or input and advice you have as we proceed, please let us know.

That will conclude our hearing today. We had a long session. We have a long session tomorrow. For anyone who is interested in coming back, we have another long session tomorrow, beginning with just about every commodity group you can imagine.

Thank you very much. The committee will stand adjourned until 9:30 a.m. tomorrow.

[Whereupon, at 1:25 p.m., the committee was adjourned.]

APPENDIX

April 24, 2007

Senate Agriculture Committee

Senator Thad Cochran

April 24, 2007

Mr. Chairman, I want to thank you for holding this important hearing. I welcome the panelists to the Committee and thank them for providing the Committee with testimony for consideration in the new farm bill.

Dairy, vegetables, fruit, and honey production are vital to Mississippi's agriculture economy. As the Senate begins consideration of the new farm bill, it is important that the needs of these producers be addressed. I would like to bring two issues of concern in Mississippi to the Committee's attention.

Most of Mississippi's dairy farmers are small producers. These producers have faced significant challenges since passage of the 2002 Farm Bill. Many of their facilities were damaged or

destroyed during Hurricanes Katrina and Rita. In addition, they have suffered from a two-year long drought that stills plagues their pasture lands. Providing an adequate safety net similar to the Milk Income Loss Contracts is critical to the future of dairy production in Mississippi. Dairy producers in Mississippi are pleased with this contract program and support its reauthorization.

Of equal concern, in recent months honey producers across the United States have suffered from the effects of Colony Collapse Disorder (~~CCD~~). Due to this disorder, pollination dependent crops across the nation have been affected. The Congress must recognize that this problem has the potential to damage many sectors of American agriculture. I will continue to work with my colleagues to ensure that the necessary resources are available to help researchers solve this crisis in the honey industry. I am in favor of reauthorizing the marketing assistance loan

program for honey. This program is especially important when foreign countries unfairly import honey at lower prices than the market rate.

I thank the panel for their dedication to agriculture and look forward to their testimony.

National Organic Coalition

Testimony of Kathie Arnold
Organic Dairy Farmer
Truxton, New York

on behalf of the

Northeast Organic Dairy Producers Alliance
and
National Organic Coalition

presented before the

Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington D.C.

during a hearing on

"Economic Challenges and Opportunities Facing American Agricultural Producers Today"

April 24, 2007

Chairman Harkin, Senator Chambliss, Members of the Committee-

Thank you for the opportunity to testify before you today.

My name is Kathie Arnold. In partnership with my husband Rick, and his brother Bob, I have been farming for 27 years in our central New York town of Truxton. Our 19-year-old son works with us, and we also have help from other family members and two non-family employees. We've been certified organic for the last 9 years. We have about 140 dairy cows plus youngstock and crop around 700 organic acres—raising pasture, hay, corn and small grains.

I also serve on the Board of the Northeast Organic Dairy Producers Alliance (NODPA), which is a member of the National Organic Coalition. I offer my testimony today on behalf of both groups.

National Organic Coalition (NOC) is a national alliance of organizations working to provide a "Washington voice" for farmers, ranchers, environmentalists, animal welfare activists, consumers and progressive industry members involved in organic agriculture. The coalition operates under the central principles that protecting the stringency and integrity of the national organic standards is necessary:

(1) To maintain the organic label's value to consumers;
(2) To realize the environmental benefits of the organic agricultural system;
(3) To provide and encourage diversity of participation and fair and equitable access to the organic marketplace; and
(4) To ensure the long-term economic viability of organic family farmers and businesses.

With the frequent low pay prices and rising production costs, many family farms are experiencing a very hard time making a living producing conventional milk. When the three of us began farming together in 1980, there were 22 farms shipping milk in our town. That number is now down to 10. While we have been the only farm in our town shipping organic milk, we will soon be joined by two other farms, and another will start their herd transition this year.

Organic farming is a production system that enables family farms to have a viable and even thriving business that is both environmentally friendly and family friendly. We have never regretted our decision to transition to organic.

The process of transitioning to organic is not easy for producers, nor should it be. Farmers make a commitment to produce according to the stringent standards for organic production laid out by the Organic Foods Production Act (OFPA) and the USDA regulations that were written to implement that act. It is this commitment to strong environmental, animal husbandry, and input-use standards that consumers reward when they buy organic products. The strong standards and the price premium go hand in hand. Any effort to dilute the organic standards will only serve to undermine that price

premium, and by extension, those of use who have made the financial commitment in operations to meeting those standards.

While the National Organic Program created by OFPA has been positive overall for organic farmers, processors and consumers, there is still a great deal of work to be done to ensure that standards are consistent and strong. Most notably, the issue of a pasture standard for organic livestock remains unresolved.

Under the current USDA organic standards, livestock managed as organic must be given access to pasture. In spite of the clear requirement, this standard has not been adequately enforced by USDA. Much of the debate on this subject has centered on organic dairy production, and concerns that some dairy operations and processors are allowing dairy cows to be confined, without adequate access to pasture. Allowing some operations and processors to circumvent the pasture standard not only undermines consumer expectations for organic milk, but it also degrades the investment of the vast majority of organic dairy farmers, who have made substantial investments in land and facilities to meet this strong pasture standard.

In response to concerns raised about the lack of enforcement of the pasture standard for livestock, USDA published an Advanced Notice of Proposed Rulemaking (ANPR) in the Federal Register on April 10, 2006 asking for public comments about an appropriate pasture standard for organic livestock, particularly dairy.

At an April 2006 forum on the subject in State College, Pennsylvania, I, along with my organization and many others presented oral testimony on the matter. Specifically, we urged USDA to issue a proposed rule to specify that:

> 1) Organic dairy livestock over 6 months of age must graze on pasture <u>during the months of the year when pasture can provide edible forage</u>.
>
> 2) The grazed feed must provide significant intake, at a <u>minimum</u> an average of 30% of the dry matter intake during the growing season, <u>for no less than</u> 120 days per year.

USDA's National Organic Program staff had indicated that a proposed rule on pasture would be issue by August of 2006. However, the proposed rule has yet to be issued. It is our hope that USDA will act quickly to establish and implement a strong pasture standard. However, if they do not, there may be a need for Congress to Act on this matter.

As this Committee undertakes the difficult task of putting together the 2007 Farm Bill, I urge your consideration of several key provisions related to organic agriculture:

<u>1. Organic Certification Cost Share Reauthorization</u>
For many organic producers and handlers, the annual cost of organic certification is burdensome. The current program to help defray these costs should be reauthorized and

updated to reflect increased costs and funding needs. This program is particularly important in encouraging small-and-medium-sized operations to become certified and stay certified.

2. Conservation Security Program

The Conservation Security Program was authorized by the 2002 Farm Bill. This program provides incentives to both conventional and organic producers to reward them for on-going and enhanced conservation practices on their farmers. However, the program has been significantly curtailed from its original purpose by spending limitations imposed through the annual appropriations process. We support full funding of the CSP as a national "entitlement" program, with mandatory funding, to be available in all watersheds. In addition, an easy "crosswalk" should be created between organic certification and CSP, so that a producer's certified organic farm plan can also provide eligibility for higher tiers of CSP benefits.

3. Organic Conversion Assistance

The process for farmers to convert to organic takes three years. During this conversion process, farmers incur the higher costs associated with organic production but do not receive the higher price premiums that come with final organic certification. We support the creation of a National Organic Conversion and Stewardship Incentives Program to provide financial and technical support to farmers for the adoption of advanced conservation practices as part of the process of converting to organic production. In addition, financial assistance is needed for nonprofit organizations around the country to provide technical assistance to farmers in the organic transition process. In keeping with this goal, a National Organic Technical Committee should be established to provide advice to NRCS on the implementation of the Organic Conversion Program.

4. Organic Research

USDA research programs have not kept pace with the growth of organic agriculture in the marketplace. Although organic currently represents about 3 percent of total U.S. food retail market, the share of USDA research targeted to organic agriculture and marketing only represents about 0.6 percent annually ($12 million). In order to adequately meet the public research and data needs of the rapidly growing organic sector, the 2007 Farm Bill should reauthorize valuable organic research programs at higher funding levels, and make sure that existing USDA research and data collection efforts are expanded to include organic-specific activities.

In addition, changes should be made to programs such as the National Research Initiative (NRI) to foster public plant and animal breeding. In recent decades, public resources for classical plant and animal breeding have dwindled, while resources have shifted toward genomics and biotechnology, with a focus on a limited set of major crops and breeds. This shift has significantly curtailed the public access to plant and animal germplasm, and limited the diversity of seed variety and animal breed development. This problem is particularly acute for organic and sustainable farmers, who seek access to germplasm well suited to their unique cropping systems and their local environment. Without

renewed funding in this arena, the public capacity for plant and animal breeding will disappear.

5. Competitive Markets in Organic

As organic food processing firms and retail chains consolidate and dominate markets, farmers' leverage to negotiate fair prices and fair contract terms is in jeopardy. The Agricultural Fair Practices Act was enacted in 1967 to prohibit processors and handlers from retaliating against producers who join producer cooperatives or associations in an effort to gain more market power. Yet loopholes in the law have made it difficult for USDA to enforce the statute, and changes are needed to make to make it a more effective bargaining statute. The Agricultural Fair Practices Act should be amended to close loopholes which have made it difficult to enforce, and add provisions to require processors to bargain in good faith with associations of producers, including organic producer associations, instead of leaving producers to negotiate price and contract terms unilaterally with large corporate buyers.

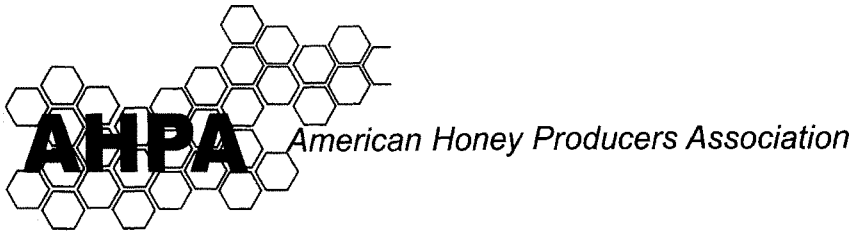
6. GMO Liability

USDA's organic regulations only prohibit the *intentional use* of any genetically engineered technology in growing, handling or processing an organic crop or product. However, shipments of organic products may be rejected should any genetically engineered material be detected. This has resulted in financial losses because of product becoming "contaminated" by wind-drifted pollen and other avenues that are not under the producers' control, with farmers and processors increasingly bearing the cost of expensive testing and detection. A liability regime should be established so that farmers suffering economic and other losses from contamination with genetically engineered material can recoup their losses from the manufacturers of genetically engineered seeds.

7. Crop Insurance and Disaster Program Equity

Currently organic producers are required to pay a 5 percent surcharge on their crop insurance rates. In addition, organic producers are often reimbursed under crop insurance and disaster programs for losses based on conventional prices, without recognition of the higher value of their organic products. These inequities for organic producers should be rectified.

Thank you for your consideration of these proposals and for this opportunity to testify.



Statement of the
American Honey Producers Association, Inc.
for the
Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, D.C.

April 24, 2007

"If the bee disappeared off the surface of the globe
then man would only have four years of life left.
No more bees, no more pollination, no more plants,
no more animals, no more man."

Attributed to Albert Einstein

Chairman Harkin and Members of the Committee, my name is Mark Brady. I am from Waxahachie, Texas. I have been a commercial beekeeper for over 30 years. I am President of the American Honey Producers Association ("AHPA"). The AHPA is a national organization of beekeepers actively engaged in most commercial honey production and agricultural pollination throughout the country.

We appreciate this opportunity to testify before the Committee on the state of America's beekeeping and honey industry. We look forward to working with the Committee – in the context of the Farm Bill and otherwise – to help assure that our beekeeping sector can remain strong and that we can have healthy bees for honey production and vital pollination services. To assist Congress in this process, we offer a number of suggestions for addressing the many difficult problems faced by modern beekeepers and those who rely on honey bees for critical pollination services.

As the Committee is well aware, Colony Collapse Disorder ("CCD") has recently emerged as a new and serious threat to America's beekeepers and their honey bees. CCD is a highly destructive and still mysterious condition. Despite the tremendous work being done by government, academic and private sector researchers, there is much we still do not know about CCD and its causes. However, based on reports from beekeepers throughout the country, it is becoming increasingly apparent that CCD poses a serious and, perhaps, unprecedented threat to America's honey bee colonies. For beekeepers, bee losses are a harsh fact of life. Beekeepers often face serious bee losses from a variety of causes. However, the losses apparently related to CCD are much more widespread and severe, with some beekeepers reporting the disappearance or destruction of 90 percent of their honey bees.

Given the importance of commercial bee pollination to wide segments of U.S. agriculture, it is imperative that beekeepers, producers, researchers and the government continue to work together on an urgent basis to develop measures to combat CCD. In this regard, the AHPA very much appreciates the letter that Senator Baucus and 43 other Senators – including 17 members of this Committee – recently sent to Secretary Johanns seeking prompt action on CCD research.

Although CCD is a potentially grave problem, it is not the only problem facing our industry. We also face many other difficult challenges. These include, to name a few, treatment-resistant mites and pests, rapidly increasing demands for pollination, rising production costs, a history of price fluctuations that have eroded profits, environmental concerns, and unfairly traded imports. Together with CCD, these other serious issues should be a wake-up call to all of us about the critical importance of longer-term and sustained programs, strategies and solutions, as well as new ideas, to assure the continued health of both our honey bees and our vital beekeeping sector.

I. The State of the U.S. Honey Industry

A. *Honey Bee Population*

In the past few decades, U.S. commercial beekeepers have seen a worrisome and dramatic decline in the population of U.S. honey bees. According to a report released last year by the National Research Council, the population of American honey bees has plunged by 30 percent in the last 20 years. This staggering loss of managed honey bee colonies is one of the most severe declines U.S. agriculture has ever experienced in such a short period (and does not even reflect the latest impact from CCD). Most troubling, there are far fewer bee hives in the United States today than at any time in the last 50 years.

As the honey bee population has declined, so has the number of commercial beekeepers. Not surprisingly, commercial beekeepers supply the vast majority of the domestic honey consumed in the United States and the majority of pollination services. Today, the number of commercial beekeepers has fallen to an all-time low of 1,600. This drop in the number of commercial beekeepers corresponds with a steady decline in the number of colonies producing honey in the United States. In 2006, 2.39 million colonies produced honey, down 7 percent from 2004.

B. *Honey Production and Sales*

Honey bees, and consequently the U.S. honey industry, are indispensable to contemporary American agriculture. Although honey is produced in every state, North Dakota, California, Florida, South Dakota, Montana and Minnesota lead the nation in honey production. Chart 1 below lists the top six honey-producing states in 2006, and indicates the number of pounds produced and the value of production for each of these states.

Chart 1

U.S. Honey Production — Top 6 States

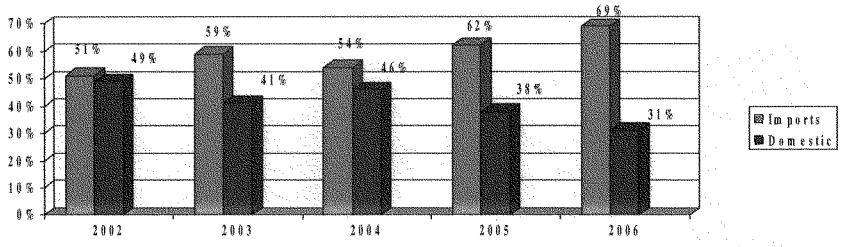
State	Pounds Produced	Dollar Value of Production
North Dakota	25,900,000	$23,310,000
California	19,760,000	$19,365,000
Florida	13,770,000	$13,908,000
South Dakota	10,575,000	$8,672,000
Montana	10,428,000	$10,428,000
Minnesota	10,000,000	$8,900,000

Source: USDA, National Agricultural Statistics Service

In the recent past, honey bees have produced an average of 200 million pounds of honey annually in the United States. In 2005, however, less than 175 million pounds of honey were produced in the United States, a five percent decrease from 2004. In 2006, domestic honey production fell even further, amounting to less than 155 million pounds, almost a 16 percent decrease from 2004. By comparison, as recently as 2000, U.S. commercial beekeepers produced over 220 million pounds of honey.

U.S. sales of domestic honey also reached historically low levels in the past two years. Based on the National Honey Board's data, U.S.-produced honey accounted for only 38 percent of all U.S. honey sales in 2005, and fell to a startling 31 percent in 2006. This represents a sharp decline from 2004, when 46 percent of U.S. sales were of domestic honey. Meanwhile, honey imports have dramatically risen, accounting for 62 percent of U.S. sales in 2005 and 69 percent in 2006. Chart 2 below shows the recent decrease in the share of U.S. honey sales and the increase in the level of foreign honey being imported into the U.S. marketplace.

Chart 2
Share of U.S. Honey Sales



Source: National Honey Board Assessments

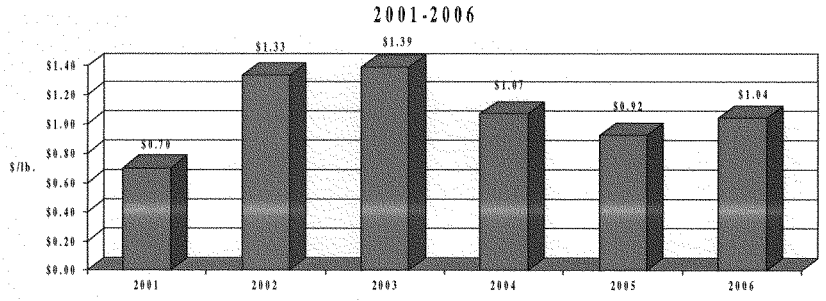
C. Unfairly Traded Imports and Honey Prices

The substantial increases in sales of imported honey in the United States over the past two years is a reflection of the significant pressure that U.S. honey producers have continued to face from below-cost, unfairly traded imports, particularly from China.

In 2002, domestic honey producers obtained antidumping protection from unfair imports. As a result, U.S. honey prices recovered from 70 cents per pound in 2001 to $1.33 per pound in 2002 and $1.39 per pound in 2003. However, beginning in 2004, importers of honey from "new shippers" in China began to employ a loophole under U.S. trade law that permitted their deposits of estimated antidumping duties to be secured by bonds, rather than cash, as is required in other circumstances. Importers related to Chinese producers imported massive amounts of below-cost honey under such bonds. Once final duties were determined, these unscrupulous parties would disappear before U.S. Customs and Border Protection could collect the required duties.

As a result of such abuses, U.S. honey prices fell to $1.07 per pound in 2004 and 92 cents per pound in 2005. In August 2006 – with the strong support of many members of this Committee – Congress closed this bonding loophole through a provision of the Pension Protection Act of 2006. Since this important action by Congress, U.S. honey prices have recovered somewhat, increasing to $1.04 per pound in 2006. While these prices are improved, they are still significantly below 2003 prices. However, as shown on Chart 3 below, recent prices are significantly above prices in 2001, during the period before antidumping protection was imposed by the United States.

Chart 3
U.S. Honey Prices



Source: USDA, National Agricultural Statistics Service

Increased imports, decreased sales and low honey prices caused U.S. honey producers to face unprecedented difficulty in selling honey during 2004, 2005 and portions of 2006. This difficulty in making sales placed significant economic and financial strain on the U.S. honey sector, and caused many long-time honey producers to consider exiting the honey and beekeeping business altogether. Although Congress has eliminated the loophole that permitted massive abuses of U.S. trade law, U.S. honey producers still face unfairly traded imports and new attempts to circumvent U.S. law. These include imports of honey that are deliberately declared and labeled as other products, imports of tainted honey and the transshipment of honey through third countries to avoid duties.

D. ***Beeswax***

Commercial beekeepers also market and sell the beeswax produced by honey bees. Beeswax is used commercially to make fine candles, cosmetics, and pharmaceuticals. Cosmetics and pharmaceuticals account for 60 percent of the total consumption of beeswax.

E. ***Pollination***

In addition to providing the marketplace with U.S. honey, commercial beekeepers also supply U.S. honey bees for the pollination of a variety of agricultural crops. These pollination services contribute billions of dollars annually to the U.S. farm economy. Without honey bee pollination, many plants cannot produce fruit after they bloom. If pollination levels are not sufficient, the fruit produced is likely to be deformed or smaller than its normal size.

Honey bees pollinate more than 90 food, fiber, and seed crops. In particular, the fruits, vegetables and nuts that are cornerstones of a balanced and healthy diet are especially dependent on continued access to honey bee pollination. Honey bee pollination is vital for the production of such diverse crops as almonds, apples, oranges, melons, broccoli, tangerines, cranberries,

strawberries, vegetables, alfalfa, soybeans, sunflower, and cotton, among others. In fact, honey bees pollinate about one-third of the food in the human diet. USDA has estimated that improved crop yields and crop quality attributable to honey bee pollination alone are valued at some $20 billion annually.

The importance of this pollination to contemporary agriculture cannot be understated – the value of pollinated crops is vastly greater than the total value of honey and wax produced by honey bees. The scale of commercial pollination is also vast. Each year more than 140 billion honey bees representing 2 million colonies are employed by U.S. beekeepers across and around the country to pollinate a wide range of important crops.

The critical role of honey bees —and of the U.S. honey producers who supply honey bees for pollination—is illustrated by the pollination of California's almond crop, which is that state's largest agricultural export. California grows 100 percent of the nation's almond crop and supplies 80 percent of the world's almonds. Each year, honey bees are transported from all over the nation to pollinate California almonds, which is the largest single crop requiring honey bees for pollination. Currently, more than one million honey bee hives are needed to pollinate the 600,000 acres of almond groves that line California's Central Valley. That means nearly half of all the managed honey-producing colonies in the U.S. are involved in pollinating almonds in California during February and early March. As with other agricultural products, having enough bees to pollinate the almond crop can mean the difference between a good crop and disaster. As *OnEarth* magazine noted recently, the fate and continued success of California's almond crop rests "on the slender back of the embattled honey bee."

Many other U.S. agriculture producers rely on extensive honey bee pollination. A Maine blueberry grower recently put it quite succinctly—"without bees in May, there are no blueberries in August." Additionally, avocados — a $363 million crop in California — receive more than 90 percent of their pollination from the honey bee. Studies on the effect of pollination of cotton by honey bees show an increase of 17 to 19 percent in the yield of seed cotton, as compared to a cotton crop that is not pollinated by honey bees. The cattle and farm-raised catfish industries also benefit from honey bee pollination, as pollination is important for growing alfalfa, which is fodder for cattle and farm-raised fish. In short, the bee pollination is vital to important crops nationwide.

The ability of U.S. beekeepers to provide these essential pollination services at reasonable cost depends directly on their ability to produce honey and beeswax and sell these important products at fair prices. *Although the United States can import honey, it will never be able to import bees on the massive scale required by U.S. farm producers for critical pollination services.* Without strong sales and good prices for honey, many beekeepers will simply be unable to continue in business. This, in turn, will reduce the supply and increase the price of honey bee pollination. Additionally, the production of honey is necessary to assure the good health of bees that pollinate other crops, such as almonds, that are not good sources of honey.

II. Trends and Threats in the Honey and Beekeeping Sector

In addition to the perils posed by CCD, the most recent threat to our industry, it is also important for Congress to recognize other continuing trends and threats facing the U.S. beekeeping sector.

A. Fewer Colonies, Increasing Pollination Demands

As noted above, the number of U.S. bee colonies has plunged in recent decades. Under current conditions, it is anticipated that the number of bee colonies will, at best, remain stagnant. At the same time, the demand for commercial pollination services has been increasing exponentially. For example, in the early 1990s, only a relatively limited number of out-of-state beekeepers traveled to California to pollinate the almond crop. Today, well over 1 million of the nation's 2 million commercial bee colonies are used for almond pollination. The California Almond Board estimates that, by 2012, substantial increases in almond acreage will require over 2 million hives for pollination – *an amount equivalent to the number of all current commercial bee colonies.* In short, fewer and fewer bees are available to pollinate ever increasing crop volumes.

B. Difficult-to-Control Pests and Diseases

Since 1984, the health of U.S. bee colonies has also been under continued attack from mites and pests for which appropriate controls must constantly be developed. For example, the pinhead-sized Varroa "Vampire" mite is systematically destroying bee colonies and, in recent years, has been considered the most serious threat to honey bees. In addition, tracheal mites destroy bee colonies by clogging the bees' breathing tubes, blocking the flow of oxygen and eventually killing the infested bees. Additional losses are caused by a honey bee bacterial disease and a honey bee fungal disease. These pests and diseases, especially Varroa mites and the bacterium causing American foulbrood, are now resistant to chemical controls in many regions of the country. Furtber, pests are building resistance to newly-developed chemicals more quickly than in the past, thereby limiting the longevity of new chemical controls.

In 2006, losses caused by these pests and mites and other recent problems required U.S. beekeepers to import some honey bees from other countries (namely, New Zealand and Australia) for pollination services. This marked the first time since 1922 that honey bees were imported into the U.S. for pollination, underscoring the fragile state of the U.S. honey industry.

C. Environmental Challenges

Beekeepers must also operate in an increasingly complex ecological and agricultural environment. The improper use of agricultural pesticides has long been responsible for bee kills nationwide. These bee kills have been increasing in frequency and damage in recent years. Beekeepers also worry about the effects on bees of new genetically modified crops and new and more complex agricultural chemicals, which must be studied thoroughly to make sure that they do not pose the risk of further compounding existing man-made threats to bee colonies.

D. Increased Demands on Beekeepers

These developments and trends are placing increasing demands on commercial bee colonies and the beekeepers who manage them. Many commercial bee colonies are in almost constant motion, crisscrossing the country to pollinate a vast array of crops. While this mobility is a boon to agricultural producers who need pollination, it places increased stresses on the bees and exposes them to additional threats and increasingly subjects beekeepers to the vagaries of such factors as energy costs and crop cycles. Additionally, commercial bee colonies must be managed much more intensively than in the past, requiring greater effort and vigilance throughout the year in the monitoring, treatment and feeding of bees. These efforts are time-consuming and expensive, but are absolutely essential if U.S. agriculture is to have the pollination that it increasingly requires.

III. Beekeeper Experience with CCD

A. Massive Losses Linked to CCD

Within the past year, CCD has emerged as a new, additional and potentially grave threat to America's beekeepers. CCD causes the sudden and unexplained death of bees in colonies. Most of the adult bees in a colony mysteriously disappear, and soon the colony completely collapses. As shown in Attachment 1, bee losses linked to CCD have been reported in 27 states.

The AHPA has been receiving many reports of collapsing colonies and staggering bee losses from beekeepers throughout the country. There does not appear to be a discernible pattern to these losses. Loss reports have come to us from both large-scale and smaller beekeepers, and from beekeepers who transport their colonies extensively as well as those who keep their colonies at one location. One beekeeper may experience pervasive colony collapse, while neighboring beekeepers report no such losses. Additionally, CCD-related losses have been experienced by beekeepers with colonies under stress from pests and other factors, as well as by those who have strong colonies and vigilantly employ state-of-the-art management practices, including syrup and protein feeding and mite controls.

The experiences of a number of individual beekeepers demonstrate the extent to which CCD is devastating beekeeping operations and poses a threat to the U.S. beekeeping sector as a whole. These are a few of many examples:

- A highly respected beekeeping operation in Ohio that usually provides excellent bees to larger operations for pollination has reported that all but 100 of its 800 colonies have been destroyed, and that the remaining colonies were not strong enough for pollination in California.

- A shipment of 1900 bee colonies from South Dakota was inspected in California on February 1st and found to be very strong. A mere two weeks later, almost one-quarter of these bees were below pollination strength.

- The Mississippi State apiarist reports that one migratory beekeeper based in Mississippi has only 220 of 1200 colonies remaining.

- A sixth-generation Colorado beekeeper reports that he has lost 2800 of his 4000 colonies.
- A Kansas beekeeper had only 1650 hives remaining from a June 2006 peak of 4400.

We anticipate that these distressing reports will continue, as beekeepers in the Northeastern states begin to evaluate their colonies after the Winter months.

B. Possible Causes of CCD

Modern beekeepers are highly attentive to the condition of their bees and can usually pinpoint the causes for colony losses. However, beekeepers are baffled by these latest serious bee losses. A great many theories have been offered. Some have suggested that the stress from this almost constant movement of bee colonies for pollination, combined with the additional stress of pollinating crops, such as almonds, that provide little honey to the bees, may be a contributing factor to CCD. Many others believe that continuing infestations of the highly destructive Varroa mite, combined with other pathogens and viruses carried by these mites, may be the primary cause of CCD. Still others suggest that CCD may result from an unknown fungal pathogen. Additionally, other beekeepers suspect that new classes of pesticides, possibly in combination with increasing and serious misuse of other commonly used agricultural chemicals, may be a cause of CCD. Research has shown that some new chemicals can impair the memory and brain metabolism of bees and that the chemicals can be present in the pollen of certain crops at levels high enough to threaten bees. It has also been suggested that CCD may be related to the introduction of foreign bees for pollination for the first time in 85 years. Recent press reports note that some researchers even believe that CCD may be caused by the disruption of honey bee navigation by cell phone signals. Finally, many beekeepers believe that recent unprecedented losses are caused by some combination of these and possibly other factors.

In short, the unexplained and severe losses apparently caused by CCD represent a new and serious challenge to the American beekeeping sector. It is imperative that this threat be addressed before it begins to thin even further the already dwindling ranks of U.S. beekeepers and creates potentially serious problems for U.S. agriculture.

IV Proposals

In the context of the upcoming Farm Bill and the FY 2008 appropriations cycle, Congress will have the opportunity to take important steps to ensure the long-term health of America's honey bees and the beekeeping industry. The AHPA urges Congress to work closely with beekeepers, agricultural producers, researchers and others on an urgent basis to find the causes of CCD and to develop effective measures to address this new and serious threat. At the same time, we believe that it is critical that these sectors also work together over the long term on a broader range of issues to assure the continued health of our honey bees and our beekeeping sector. Because bee pollination adds some $20 billion to U.S. agricultural output each year, these efforts are vital for both U.S. agriculture and U.S. consumers.

We offer a number of proposals to address these long- and short-term needs.

A. Federal Support for Additional and Sustained Research

Strong Federal support for honey bee research is absolutely critical to unravel the mysteries of CCD and to assure that there are strong and sufficient bee colonies to address the growing pollination demands of U.S. agriculture. The honey bee industry itself is too small to support the cost of the needed research, particularly given the depressed state of honey prices in recent years. Further, there are no funds, facilities, or personnel elsewhere available in the private sector for this purpose. Accordingly, the beekeeping industry is dependent on research from public sources for the scientific answers to these threats.

Since the honey bee industry is comprised of small family-owned businesses, it relies heavily on USDA's Agricultural Research Service ("ARS") for needed research and development. The four ARS Honey Bee Research Laboratories can provide, if furnished with adequate funding, the first line of defense against exotic parasite mites, Africanized bees, and brood diseases. Equally, the laboratories are prepared to respond to new pests, pathogens and other conditions as they arise, such as CCD, that pose very serious and growing threats to the viability and productivity of honey bees and the many crops they pollinate.

To address the near-term challenges of CCD, the AHPA has requested that Congress provide, in the FY 2008 Agriculture Appropriations Bill, dedicated new funding of at least $1 million for additional ARS research. Such funding could be allocated to the ARS laboratories at Beltsville, Maryland, and Tucson, Arizona, both of which are well situated for this additional and important work. Additionally, the Federal Government should seek ways to support the important work of bee researchers in the academic and private sectors. We recommend, for example, that funding be considered for the University of California at Davis, because it has particular expertise in honey bee research and is in close proximity to the almond groves of the California Central Valley. Such cooperative efforts could better analyze the relationship between CCD, pollination and other stress factors. A joint effort involving UC Davis would also take advantage of the fact that, in February of each year, almost the entire honey bee industry has its bees in California for pollination purposes. Additionally, innovative research on CCD by small business enterprises and U.S. Army labs might also be worthy of support.

To assure the long-term survival of a healthy honey bee sector, Congress should also authorize and assure sustained funding for honey bee research at adequate levels. As in past years, the Administration's proposed FY 2008 budget proposes to eliminate certain funding for ARS that it did not request but that the Congress has previously provided in the appropriations process. Maintaining this funding is vital to honey bee research. Consequently, the AHPA requests that, in addition to new funds for CCD research, Congress at least maintain the funding for the ARS Honey Bee Research Laboratories at Baton Rouge, Louisiana; Weslaco, Texas; Tucson, Arizona; Beltsville, Maryland; and the ARS Wild Bee Research Laboratory at Logan, Utah. We also support increased funding for critical honey bee genome research at the ARS laboratory in Baton Rouge, as proposed before by the Administration.

The importance of this ongoing research is illustrated by the sequencing of the honey bee genome at Baylor University. This research has opened the door to marker-assisted bee breeding, which offers targeted and highly effective solutions to the many problems facing

modern beekeepers. Marker-assisted breeding would permit the rapid screening of potential breeders for specific DNA sequences that underlie specific desirable honey bee traits. Marker-facilitated selection offers the first real opportunity to transform the U.S. beekeeping industry from one that has been dependent upon a growing number of expensive pesticides and antibiotics into an industry that is largely free of chemical treatments. These breeding techniques would also be a powerful new weapon in the beekeeper's continuing fight against a wide array of threatening conditions and pests.

Finally, Congress should also encourage expanded research into the effects of existing and new agricultural chemicals and products on honey bees. Honey bees operate in a highly complex ecosystem. As noted above, they play a critical role in assuring strong yields for many important fruit, vegetable, seed and fiber crops. It is important to make sure that agricultural chemicals and products intended to promote crop yields through, among other things, the systemic control of plant pests, do not inadvertently have the opposite effect through adverse effects on pollinating bees.

B. The Marketing Loan Program for Honey

In the 2007 Farm Bill, it will be essential to continue the current marketing loan program for honey. This important program has helped ensure the survival of many beekeeping operations, at minimal cost to the Federal Government. Marketing loans were especially important to our industry during the last three years, when massive imports of below-priced honey prevented many U.S. producers from selling their honey at fair prices.

Congress should also consider appropriate changes to the honey marketing loan program to reflect more current pricing data and rising production costs, and to provide additional flexibility to U.S. honey producers. The AHPA requests that the Committee consider raising the loan rate from the current 60 cents per pound to 75 cents per pound. As set forth in the recently obtained Congressional Budget Office estimate in Attachment 2, a marketing loan rate of 75 cents would present very limited potential exposure to the U.S. Government. Indeed, we believe that the projected cost for a 75 cent loan rate would be less than that determined by CBO at the time of the last Farm Bill for the current 60 cent rate.

Such an increase in the loan rate would also be consistent with current pricing trends, as shown on Chart 3 above. The data that supported the current 60 cent rate included honey prices of 70 cents per pound in 2001. In the last three years, on the other hand, prices have averaged $1.01 per pound, even during a period when abuse of the new shipper bonding loophole by importers was placing severe downward pressure on prices. This three-year average price represents a 44 percent increase in prices from 2001. The requested loan rate increase, on the other hand, would be only a 25 percent increase from the rate established in 2002.

Finally, the AHPA also requests that the Committee extend the loan term from the current nine months to twelve months, and that it consider adding a reseal provision for honey loans. This would provide welcome flexibility to honey producers, particularly in addressing price changes caused by unfair imports and other factors. Congress has provided similar loan

terms to other commodities and should consider doing so for honey, a crop that supports the pollination of many other crops.

C. Crop Insurance for Honey Producers

As detailed above, beekeepers throughout the country have suffered devastating losses, apparently from CCD, over the past year. Many of these are highly skilled beekeepers whose families have been beekeepers for generations. If these producers stop beekeeping operations, it is unlikely that they will be replaced. At a time of ever-growing demand for commercial pollination, U.S. agriculture can ill afford a further contraction of the beekeeping sector.

To help U.S. beekeepers survive these devastating losses, Congress may wish to consider, on a one-time basis, some form of loss payment for beekeepers whose operations have been seriously impacted by CCD and other recent conditions, including recent droughts. These payments could be limited in scope and duration and subject to clear eligibility requirements, but, if made, should be sufficient to permit beekeepers who have suffered significant losses to reestablish their beekeeping operations. Such payments would be a prudent investment by Congress in restoring to health a sector that is vital to U.S. agricultural production.

Over the longer term, Congress must assure that honey producers can protect themselves against losses of various kinds on a shared-risk basis through a program of Federal crop insurance. Congress recognized the importance of crop insurance for honey producers when it included in the Agricultural Risk Protection Act of 2000 (P.L. 106-224) specific language regarding the development of pilot coverage to protect honey producers against destruction of bees by use of pesticides. (Section 523(a)(3)(B)). We also understand that, in 2005, the USDA's Risk Management Agency funded a contract for developing a pilot program for insuring honey producers from losses of various kinds. We further understand that USDA is reviewing various proposals for a honey crop insurance program. However, no such program has yet been submitted for approval by the Federal Crop Insurance Corporation Board.

Congress should strongly urge the USDA to establish a crop insurance program for beekeepers on an expedited basis. Such a program would provide a sustained and stable safety net for the beekeeping sector and would be a far preferable and less expensive alternative to seeking to compensate beekeepers on a crisis-by-crisis basis. USDA already provides crop insurance to over 100 crops, including many crops pollinated by bees. It makes no sense to insure these crops, while not implementing authorized coverage for the beekeepers on whom so many of these crops depend.

D. Additional Steps to Recognize The Role of Bees in the Ecosystem, the Farm Economy and Healthy Diets

Congress should also consider various steps to recognize and support the irreplaceable role that honey bees play in the larger ecosystem and in the farm economy. It has been

suggested, for example, that a program of non-trade-distorting "Green Payments" might be an effective means of encouraging further environmentally beneficial practices by our beekeepers. These payments might include appropriate payments to provide greater incentives to prepare for and provide honey bee pollination.

In addition, current restrictions which prevent or complicate commercial beekeeping operations in National Parks and on other Federal lands should be eliminated or eased. These natural environments, which are physically removed from commercialized areas, are ideal environments for raising healthier honey bee colonies.

Moreover, we also urge the Committee to recognize the health and nutritional benefits of pure honey by including it as a new item in the school lunch program, along with fruits and vegetables.

E. Greater Consideration of Bees in Environmental Enforcement and Regulation

Congress must also assure that the EPA and other regulators fully recognize, in all their regulatory and enforcement activities, the paramount importance of bees to both the environment and large segments of the agricultural economy.

U.S. beekeepers support a balanced approach to the environment and environmental regulation. We depend on chemical and antibiotic treatments to control mites and diseases that can rapidly deplete hives. We also understand that farmers similarly may need to employ pesticides and other treatments to protect crops. As concerned citizens who make our living in the outdoors, we particularly appreciate the critical importance of protecting the overall environment. In balancing these and other environmental considerations, we urge the government at all levels to give full and proper consideration to the essential role of bees in both the ecosystem and the farm economy.

Many of our members report that bee kills caused by the misuse of existing agricultural chemicals are increasing in frequency and severity. There is widespread concern that the EPA and state departments of agriculture are giving bees short shrift in their regulatory and enforcement activities. In view of the importance of bees to the environment and agriculture, Congress should seek to assure that bees are properly protected through better information and education for farmers, crop sprayers and others and, if necessary, through the strong enforcement of existing law and regulation. Similarly, potential harm to bees should be a paramount concern in the regulatory approval of new agricultural chemicals and products.

As noted above, bee pests are building resistance to new hive treatments more quickly than in the past. As a result, it is also vital for beekeepers that new treatments be developed and approved for use by the Environmental Protection Agency and other regulators at both the State and Federal levels as quickly as possible, consistent with protection of the environment and the public health. Given the central role of bee pollination in U.S. agriculture, Congress should explore whether there are avenues to hasten the approval of safe and effective new treatments

that are currently under development. In particular, once the cause or causes of CCD are determined, any new treatments for that disorder should be given priority consideration.

F. Additional Technical Support for Beekeepers

As noted previously, modern beekeeping requires much more intensive management than in earlier times. Today, maintaining healthy colonies requires almost constant monitoring and close attention to feeding and treatment throughout the year. Most larger commercial beekeepers understand this new reality and are adept at these methods. However, many smaller beekeepers do not have the resources or experience needed to manage their colonies so intensively. To address this gap in information and resources, Congress should consider devoting further resources to assist smaller beekeepers in this regard. For example, it might be very helpful to some beekeepers to establish teams of expert consultants that could advise beekeepers on new management methods and help them prepare – particularly in September, October and November – for the long pollination season. Dedicated support for such outreach by the extension services of the various State universities might be one approach to providing this help.

G. Improved Honey Labeling for U.S. Consumers

Congress should also look at ways to ensure that American consumers can choose to support the domestic beekeeping sector by purchasing real U.S. honey. Current country-of origin labeling requirements for honey are subject to considerable abuse and make it difficult for consumers to know when they are purchasing American honey. Congress should consider common-sense modifications to these origin labeling rules. Similarly, there ought to be a clear standard of identity for honey, so that consumers can know when they are buying real honey, as opposed to sugar-laden blends of "pretender" honey. A proposed standard of identity for honey has been before the Food and Drug Administration for over a year, and Congress should encourage the FDA to issue the standard.

IV. Conclusion

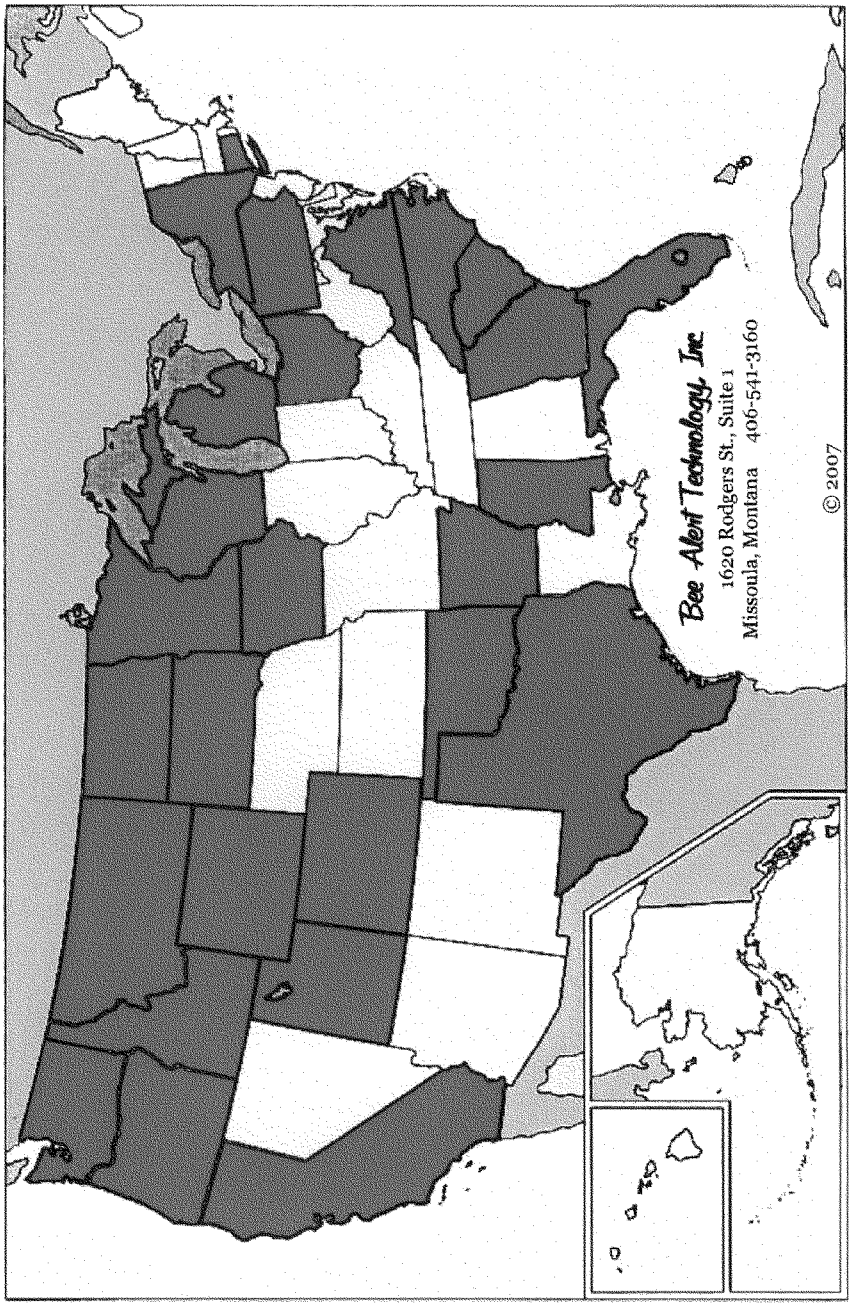
On behalf of the AHPA and our 750 beekeeper members nationwide, I would like to thank the Committee for your continued and committed efforts to assist the U.S. beekeeping and honey sector. We look forward to working with Congress, agricultural producers and the research community to address the serious threats posed by CCD to America's honey bee colonies. We also strongly urge the Committee and the Congress to take continuing and sustained steps over the longer term to help assure that our nation's beekeeping sector is on a strong footing.

CCD should be a loud wake-up call to all of us. Just as beekeepers must continually be vigilant against pests and other threats, all of us must continue to be on guard against threats to the vital beekeeping sector. By beginning this renewed effort now, we can prevent further serious damage of our beekeeping and honey industry, to the producers of fruits, vegetables and

other important crops, and to U.S. consumers who rely on these crops for sustenance and good health.

Thank you very much for your interest in these important issues and for your consideration of our industry's views. I would be pleased to answer any questions that the members of the Committee may have.

ATTACHMENT 1


Bee Alert Technology, Inc
1620 Rodgers St., Suite 1
Missoula, Montana 406-541-3160
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CCD State List

AR, CA, CO, CT, FL, GA, ID, IA, MI, MN, MS, MT, NC, ND, NY, OH, OK, OR, PA, SC, SD, TX, UT, VA, WA, WI, WY.

Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Iowa, Michigan, Minnesota, Mississippi, Montana, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Virginia, Washington, Wisconsin, Wyoming.

27 States

ATTACHMENT 2

Honey Loan Rate Options

3/13/2007

Compared to CBO March 2007 Baseline

Based on Letter Received February 2, 2007

Preliminary. Subject to Final Legislation.

Estimates by Fiscal Year, In Millions of Dollars (BA = OT)

Each Option Assumed to Begin With the 2008 Crop of Honey

Option	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2006-12	FY 2006-17
							(Million Dollars)							
9-Month Loans w/o Extensions														
Loan Rate @ $0.60	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Rate @ $0.65	0	0	0	0	0	0	0	0	0	0	1	1	1	4
Loan Rate @ $0.70	0	0	0	1	1	2	2	3	4	5	5	6	7	29
Loan Rate @ $0.75	0	0	0	5	6	7	7	8	9	10	11	12	25	74
Loan Rate @ $0.80	0	0	0	10	11	13	13	13	15	16	18	18	47	128
Loan Rate @ $0.85	0	0	0	16	18	19	19	20	21	23	24	25	72	186
12-Month Loans w/o Extensions														
Loan Rate @ $0.60	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Rate @ $0.65	0	0	0	0	0	0	0	0	0	0	1	1	1	4
Loan Rate @ $0.70	0	0	0	1	2	2	2	3	4	5	5	6	7	29
Loan Rate @ $0.75	0	0	0	5	6	7	7	8	9	10	11	12	25	74
Loan Rate @ $0.80	0	0	0	10	12	13	13	13	15	16	18	18	47	128
Loan Rate @ $0.85	0	0	0	17	18	19	19	20	22	23	25	25	73	188
9-Month Loans w/ Extensions														
Loan Rate @ $0.60	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Rate @ $0.65	0	0	0	0	0	0	0	0	0	0	1	1	1	4
Loan Rate @ $0.70	0	0	0	1	2	2	2	3	4	5	6	6	7	29
Loan Rate @ $0.75	0	0	0	5	6	7	7	8	9	10	11	12	25	75
Loan Rate @ $0.80	0	0	0	11	12	13	13	14	15	17	18	19	48	130
Loan Rate @ $0.85	0	0	0	17	18	20	20	20	22	24	25	26	75	191
12-Month Loans w/ Extensions														
Loan Rate @ $0.60	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Rate @ $0.65	0	0	0	0	0	0	0	0	0	0	1	1	1	4
Loan Rate @ $0.70	0	0	0	1	2	2	2	3	4	5	6	6	7	30
Loan Rate @ $0.75	0	0	0	5	6	7	7	8	9	10	11	12	25	75
Loan Rate @ $0.80	0	0	0	11	12	13	13	14	15	17	18	19	48	131
Loan Rate @ $0.85	0	0	0	17	19	20	20	21	22	24	25	26	76	194

CBO/BAD/NRCEU

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STATEMENT

OF

MR. BILL BRIM
LEWIS TAYLOR FARMS
TIFTON, GEORGIA

GEORGIA FRUIT AND VEGETABLE GROWERS ASSOCIATION

BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

APRIL 24, 2007

Good morning Chairman Harkin, Ranking Member Chambliss and Members of the Committee. My name is Bill Brim. I am a vegetable grower from Tift County, Georgia. Lewis Taylor Farms is a diversified transplant and vegetable production farm operation. We have 352,000 square feet of greenhouse production space and 4000 acres of vegetable production including cantaloupe, tomato, bell pepper, specialty peppers, eggplant, squash, cucumber, greens and cabbage. Our greenhouse operation produces over 85 million vegetable transplants a year and over 15 million pine seedlings. I am here today representing over 200 producer members of the Georgia Fruit and Vegetable Growers Association.

The fruit and vegetable industry is growing at a rapid pace in the State of Georgia. We are adding jobs and dollars to rural economies throughout the State. In Georgia, the 2005 farm gate value of vegetables was almost one billion dollars. But this growth is not limited to our State. Specialty crop growers produce approximately 50% of the farm gate value of total plant agricultural production in the United States.

Over the past two years Georgia Fruit and Vegetable Growers Association members and staff have worked cooperatively with more than 80 other specialty crop associations to develop the industry's 2007 farm bill policy recommendations. My comments are directed at those areas we believe are the most critical to growers in the southeast. We support the Specialty Crop Coalition recommendations because they include a number of very important programs such as nutrition, invasive pest intervention, conservation, crop insurance and others. The four areas which I wish to address in detail include,

1. Maintaining the fruit and vegetable planting flexibility restriction
2. Restructuring disaster assistance payment limits
3. Expanding specialty crop state block grants
4. Increasing specialty crop research

Fruit and Vegetable Planting Flexibility Restriction

Production and input costs of fruit and vegetables is vastly different than agricultural practices for traditional agricultural program crops such as cotton, corn, soybeans and others. The input cost per acre is $4,000 to $10,000 per acre for vegetables as compared to $500 to $750 per acre for cotton or corn. The vast majority of the fruit and vegetable acres in the southeast are grown for the fresh market. Crops must be harvested when the fruit is at its maximum. Harvest cannot be delayed due to weather, labor shortage or market conditions. Growers have little control over our selling prices, we are offered a price based on demand and the amount of product on the market. If the market is oversupplied farmers receive a much lower price, than if the product is in high demand.

Fruit and vegetable growers are extremely concerned over the possibility of removing the planting restriction on fruits and vegetables. Our concern is evidenced by the fact that twelve grower organizations, including the Georgia Fruit and Vegetable Growers Association funded a study by 'INFORMA Economics' an international recognized firm with offices in McLean, Virginia. Much of the data that is being presented in this statement came from the INFORMA study released in February of 2007.

There are two primary reasons that we are concerned about removing the planting restrictions.

First, removing the planting restrictions on base acres, while retaining the program benefits at the current level, would allow program crop producers to continue to receive support payments even if they produced fruits and vegetables on their program crop base acreage. This new fruit and vegetable acreage would be directly subsidized with payments intended to support program crops, while existing fruit and vegetable growers with no program crop base, would receive no similar benefits.

If this is allowed, my neighbor that grows 1000 acres of cotton could convert 200 acres of his cotton acres to fruit or vegetables. INFORMA estimates the average Direct and Counter Cyclical Program payment to be approximately $76/A (U.S. average). In Georgia the DCCP payment is actually $92.66/A. Using the national average, rather than the Georgia payment, this payment subsidy on my neighbor's 200 acres would place my crop at a $15,000 competitive disadvantage before a single seedling was planted. In other words, my neighbor will have a $15,000 margin of error to reduce his selling prices before his operation would suffer.

While starting off a growing season at a $76/A competitive disadvantage is bad enough, the second reason is of greater concern to Georgia growers than the subsidy issue.

By allowing program crop producers to enter the market with no penalty, the supply of fresh produce is almost certain to increase. If we have a larger supply of product without an increase in demand the result is lower prices. Even though the planting restriction was not designed to limit supply, this regulation is one of the many factors that effect production and ultimately prices.

Plain and simple - we believe removing the planting restrictions provision, will result in overproduction in Georgia. If cotton prices continue to be depressed, cotton growers in Georgia are going to plant vegetables if they are allowed. Most leaders in the industry believe this will happen not just in Georgia but across the United States.

According to the INFORMA report,

> "Estimating the market impact of removing the planting restrictions is complicated by many factors, including the broad range of crops that could be potentially being affected and the various agronomic and market forces that ultimately determine which crops can feasibly - - and profitably - be produced in different location. But for all specialty crops, even small changes in supply – given the small acreage already devoted to specialty crop production – could have large market impacts. With over 220 million acres of land currently enrolled in Direct and Counter-Cyclical program, if only 1 % of this land shifted to specialty crops it would translate into a more than 20% increase in specialty crop acreage. Given the inelastic demand conditions that tend to characterize most specialty crop markets, even modest increases in supply can have proportionately much larger impacts on prices and total revenues. . .
>
> Removing the planting restrictions is predicted to attract roughly 1.03 million acres into production of specialty crops. While this accounts for less than one half of 1 percent of

the total program crop acreage base, it represents a 10% increase in total specialty acreage."

In Georgia it is estimated we have over 300,000 acres in fruit, nut and vegetable production. Based on the study's projections by lifting the planting restriction it would result in more than 26,000 new acres going into fruit, nut and vegetable production in Georgia or an increase of 8.6%.

We know with increased production, and no increase in consumer demand, prices will suffer. For the crops we produce in Georgia the report projects cucumbers to be reduced by 13%; squash - 12%; peaches – 8.5%; nuts – 7.5% and watermelon - 9%. Nation wide potatoes, apples, pears, and peas would be hit the hardest – 19% to 24%. With the expected increases in supply, existing fruit and vegetable producers could expect to experience a decline in revenue of slightly over $3.1 billion dollars.

Restructuring Disaster Assistance Payment Limits

The rationale for traditional Farm Program payment limits is obvious, i.e., not to subsidize wealthy "farmers". However, there is no apparent reason why Congress in 1988 set the limit for disaster payments at $100,000. Twenty years later, there has been no allowance for inflation and in fact the payment limit has actually been reduced to $80,000. Like other payment limits in farm programs, it is not specific to a given commodity. Disaster assistance is paid based on the estimated NASS crop value per acre not the actual input costs to the grower. The very nature of specialty crops makes them more expensive to grow so the fundamental problem is the crop, not necessarily the way growers operate.

Most vegetable crops grown in the southeast can be divided into two categories of cultivation practices: plastic mulch and bare ground. Most crop insurance policies and USDA production costs models are outdated. Examples from a University of Florida study shows bare ground sweet corn pre-harvest cost is $3,093 per acre and plasticulture green peppers pre-harvest cost is $9,142 per acre. A $80,000 payment limit would only cover about 26 acres of sweet corn and less than 9 acres of green peppers. This is fundamentally unfair.

It is our recommendation USDA devises a program that provides for flexible payments based upon the production costs of the crop. We support restructuring the current disaster assistance payments to allow producers of specialty crops with higher cost of production to receive proportionally larger disaster assistance. The current $80,000 payment limit on disaster payments is not equitable for specialty crop producers. Due to higher input and labor costs, possible loss per acre experienced by specialty crop producers as a result of a disaster is generally significantly greater than for program crops.

Expanding Specialty Crop State Block Grants

In 2001, Congress provided approximately $159.4 million in mandatory funding for Specialty Crop block grants as part of the Agricultural Economic Assistance Act of 2001. The funding was distributed by the state departments of Agriculture in 2002.

The Specialty Crop Competitiveness Act of 2004 was aimed at building on the success of the 2001 block grants by reauthorizing the block grants. Congress provided $7 million in

appropriations for the specialty crop block grants in FY2006. The FY07 appropriations bills contain block grant funding of $15.6 million in the House version and $10 million in the Senate version.

Block grants have been tremendously beneficial to Georgia's specialty crops. With funds from the 2001 block grant our association was able to establish a food safety initiative that has trained over 300 growers and certified more than 50 farm operations. As a cooperative program between the Georgia Department of Agriculture, University of Georgia, the Georgia Crop Improvement Association and our association, Georgia GAP provides on farm training, consultation and third party audit to our growers. In addition the block grant provided assistance to expand the 'Georgia Grown' marketing program and fund intra-structure for a multi-discipline specialty crop field research lab.

We believe the state block grants provide the centerpiece of a fruit and vegetable farm bill program. Each specialty crop and each geographic area have unique challenges and attributes which must be addressed individually, the block grants are critical in helping to improve the competitiveness of our specialty crop producers. It is at the state level that growers, shippers and packers working together with industry and government, have the expertise to identify programs that can enhance the competitiveness of specialty crop producers. Innovative programs developed at the state level could include production related research, nutritional focus on youth, commodity promotion, food safety and inspections, and other items.

Our industry is in a crisis at the moment as it relates to food safety concerns. Block grant funds would help states develop more aggressive food safety educational programs as we have done in Georgia. The produce industry must move forward to establish the proper protocol to restore this nation's consumer confidence in fresh produce. Research is needed to develop economical traceability solutions, reduce field contamination and improve post harvest handling. Block grants can address this on the state level where it I is desperately needed.

We recommend that no more than 50% of the block grant be devoted to in-state program marketing.

Increasing Specialty Crop Research

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 specific challenges. 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.

Over the past five years our association has worked the system as hard as we can to secure state, private and federal funds for research projects critical to our industry. We believe two factors must be addressed in the 2007 farm bill.

First, research funding to the National Research Initiative (NRI) and other USDA programs should be significantly increased and reallocated to appropriately and proportionally represent the important role that specialty crops play in the maintenance of human health. The NRI Competitive Grants Program, which was established in 1991, is the office in the USDA's State Research, Education and Extension Service (CSREES) that is responsible for research of key problems of national and regional importance relevant to agriculture, food, and the environment. Because NRI awards research grants based on an emphasis area as well as competitiveness, the specialty crop industry is often overlooked because it is not included in the NRI's list of emphasis areas. We believe there should be a "Specialty Crop priority area" within the overall areas of emphasis of the NRI so that specialty crop research initiatives are considered and become higher priority level. 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 and quality of specialty crop research.

Secondly, we support the establishment of a new competitive grants program within the CSREES to improve the efficiency and competitiveness of specialty crops producers in the world marketplace. 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 (such as, but not limited to, plant breeding, pest management, production, physiology, food science), mechanization, marketing, product development, food security, and food safety to improve the competitiveness of the specialty crop industry. This program is needed because other competitive grants programs of the CSREES do not have adequate mission specific commitments and are therefore less useful to the diverse crops and regional differences which characterize American specialty crops production.

The wide diversity of specialty crops and the unique challenges growers of those crops face require intensive research investments in order to improve quality, reduce costs and enhanced the competitiveness of those crops. In order to gain maximum competitive advantage, it is extremely important that specialty crop producers engage in both short and long term planning and focus their development, marketing and research efforts within an appropriate framework in order to efficiently gain the maximum effect.

Mr. Chairman, Senator Chambliss, thank you for the opportunity to present our thoughts and views today. We look forward to working together to craft a farm bill that will address all of the concerns I have address today. Thank you.

Bill Brim
Lewis Traylor Farms
195 Ty Ty Omega Road
Tifton, GA 31793
229-382-4454

President,
Georgia Fruit and Vegetable Growers Assn.
P.O. Box 2945
LaGrange, GA 30241 706-845-8200

STATEMENT OF
LYNN CLARKSON

President of Clarkson Grain Co., Inc.
320 East South Street PO Box 80
Cerro Gordo, IL 61818-0080
Telephone: (217) 763-2861
Lynn.clarkson@clarksongrain.com
www.clarksongrain.com

and
Board Member, Organic Trade Association (www.ota.com)

Before
The U.S. Senate Agriculture Committee
April 24, 2007

REGARDING
ORGANIC AGRICULTURE

Chairman Harkin, Ranking Member Chambliss, and Members of Senate Agriculture Committee, my name is Lynn Clarkson. I appear before you on behalf of Clarkson Grain Co., Inc. Clarkson Grain supplies organic grains, oilseeds and ingredients for foods and feeds. Based in Illinois, we purchase organic corn and soybeans directly from farmers from Texas to Minnesota and from Pennsylvania to the Rockies.

We supply organic blue, white and yellow corn; whole soybeans, roasted or raw; soy oil; soy flours for foods and beverages; and soy lecithin. We maintain organic warehouses and processing facilities in Illinois, Iowa and Nebraska. While we buy open market crops, we typically contract with organic farmers prior to planting to produce and deliver what we want when we need it to support regional and national companies delivering an increasing array of high quality, organically certified consumer products. Our own products now find welcome commercial homes in organic tortillas, breakfast foods, cosmetics, baby food, salad dressings, chocolate, soy beverages and animal feeds. We serve certified organic clients throughout the US and Canada as well as parts of Asia and Western Europe.

I also appear before you as a trade member and a member of the Board of Directors of the Organic Trade Association's (OTA). OTA is the voice for the organic business community, and has had this role for over twenty-two years, since its founding in 1985. OTA's membership has grown more than eightfold since that time, and now encompasses approximately 1600 members across all parts of the supply chain including organic farming, processing, distribution, and the retail supply chain, for food, organic textiles and personal care products.

I appreciate the opportunity to provide this testimony about the business climate for organic production, its history, and where I believe the organic industry is headed. Organic agriculture forms the basis of a fast growing part of the agricultural economy, and offers hope to farms and

shoppers, while contributing to the improvement of our land, air and water resources.

Market driven growth – A History of Clarkson Grain: Clarkson Grain supports both conventional and organic agriculture. In the 1970s, 80s and early 90s, the company focused strictly on conventional agriculture. In the mid 90s our focus shifted toward organic methods.

In the early 90's Clarkson Grain supplied high quality food grade soybeans raised without pesticides to an international company serving soy food processors in Japan. That company asked one day if we could supply a container of "organic" soybeans. We agreed and then scurried to learn what "organic" meant. Several months later, we certified our food soy cleaning plant in Illinois as organic and did our best to bond with the small but growing band of organic farmers throughout the Midwest.

To our surprise, Japanese demand for organic food soybeans started growing rapidly. At that time, US organic soybean farmers found Japanese buyers paying prices running two to three times that offered for conventional soybeans. Unfortunately, required rotational crops, primarily corn and wheat, did not enjoy such strong organic demand and often went to conventional markets at no premium whatsoever. Then some significant market waves swept the country. Japanese demand for organic soybeans seemed to flag. Meanwhile the popularity of organic soymilk began to soar among Americans. More importantly, the USDA authorized an "organic" label for meats at the same time that demand for organic dairy products began to soar. This rapidly growing feed market boosted demand for not only organic soybeans but also for organic feed grains with corn leading the march and lots of wheat finding homes in the mix.

In 2002, USDA implemented the National Organic Standards, following many years of discussion of the regulation. The government and the organic community defined "organic" and brought the U.S. National Organic Program to life. That created the security and standardization needed to encourage major food, fiber and personal care companies to move into the organic market. Leading national companies had been watching consumer choice drive this new market at double-digit figures year after year. With the NOP in place, they began creating organic products matched by marketing infrastructure.

Today every organic soybean raised in the US has an enthusiastic market home at prices running two to three times the conventional price; every kernel of organic corn has an enthusiastic market home at prices running about twice that of conventional corn. With these and many other crops, demand has outpaced supply.

Organic In the U.S. Marketplace

In the United States, the buzz about organic has become a steady hum. Organic products are increasingly appearing in more and more new venues, from ballparks and university cafeterias to local restaurants, mainstream supermarkets, club stores, and mass-market retailers. At the same time, U.S. college curriculums are beginning to add more courses that focus on organic agriculture.

U.S. Organic Sales

The U.S. organic industry grew 17 percent overall to reach $14.6 billion in retail sales in 2005,

according to *The Organic Trade Association's 2006 Manufacturer Survey*. Organic foods grew 16.2 percent in 2005 and accounted for $13.8 billion in sales. Organic foods' share of total retail food sales is up to 2.5 percent. The fastest growing food categories and their rates of growth over the previous year are organic meat (55.4 percent – from a very small sales base), organic sauces and condiments (24.2 percent) and dairy products (23.5 percent). The fastest-growing non-food categories are organic flowers (50 percent), pet food (46 percent), and fiber (44 percent).

Organic products can be found in grocery stores, cooperatives, specialty stores, farmer's markets, farm stands, online, in many restaurants, and many other outlets. Organic foods are increasingly sold in mainstream retail establishments, which together represent roughly 46 percent of sales. Large natural food chains, along with small natural food chains or independent natural groceries and health food stores, represented about 47 percent of organic food sales. About 4 percent of organic food is sold through farmer's markets. (Source: The Organic Trade Association (OTA) and *Organic Trade Association's 2006 Manufacturer Survey*)

While OTA is currently in the field with a new study according to the OTA 2006 survey, sales of organic foods were expected to reach nearly $16 billion by the end of 2006.

Nonfood organic products (personal care products, nutritional supplements, household cleaners, flowers, pet food, and clothing, bedding and other products from organic fibers such as flax, wool, and cotton) grew 32.5 percent, to total $744 million in U.S. sales in 2005.

Sixty-one percent of respondents to the OTA Survey said they display the USDA (U.S. Department of Agriculture) Organic seal on their products. Of the 39 percent not currently using the seal, 53 percent intend to use the USDA Organic seal in the future. Also, 55 percent of respondents reported that the USDA labeling and certification programs had increased their sales of organic products.

Because USDA does not yet do comprehensive market studies of organic sales, as it does for conventional U.S. agriculture, OTA performs this research on the industry for its members and the public.

Industry watchers agree that the organic industry is at a new tipping point. Never before has it experienced the degree of acceptance and interest from mainstream supermarkets and consumers. Many supermarkets, in fact, have added private label organic lines to their offerings.

Not only do natural food stores and all of the major mainstream retailers see organic as a growing category, but more and more mainstream manufacturers are adding organic products to their traditional brand lines. In addition, small product developers continue to create the new products of their dreams.

Such heightened interest in organic is driving demand for raw materials. In the OTA survey, fifty-two percent of respondents reported that a lack of dependable supply of organic raw materials has restricted their company from generating more sales of organic products. This

highlights the need for additional measures to increase the supply of organic ingredients, and the opportunities for U.S. farmers to supply those needs.

There are no up-to-date statistics available on U.S. imports or exports of organic products. These statistics are not broken out from overall conventional data by Customs or Commerce. The only figures are in a February 2005 USDA report, which estimated the United States imported $1 billion to $1.5 billion in organic products in 2002, and exported somewhere between $125 million and $250 million. However, in a *Miami Herald* article published Dec. 18, 2006, a spokesperson for the Center for Fair and Alternative Trade Studies at Colorado State University estimated organic exports to the United States from Latin America alone would reach approximately $250 million in 2006.

Consumer acceptance

Almost three-quarters (73 percent) of the U.S. population buy organic products at least occasionally, up from 55 percent in 2000, according to The Hartman Group. Core buyers, who buy organic products at least weekly, represent 23 percent of U.S. consumers, according to the report, *Organic2006: Consumer Attitudes & Behavior, Five Years Later & Into the Future.*

Meanwhile, The Natural Marketing Institute's (NMI's) *2005 Health and Wellness Trends* study estimated 56 percent of consumers use organic products in varying frequencies across six product categories. Household penetration by category is as follows: fresh fruits and vegetables = 44%; packaged foods = 29%; dairy and milk = 24%; personal care = 21%; beverages (excluding milk) = 20%; and clothing/linens = 7%.

More and more consumers report trying additional categorics of private label, natural and organic packaged foods, according to The Hartman Group. Consumers are seeking out these products at channels associated with middle-income shopping, such as Costco, Trader Joe's, Wal-Mart, and mainstream grocers.

What draws consumers to want to purchase these products and farmers to produce them?

Market Development: Strong, Steady Growth at Retail

Unlike the information that is developed almost on a daily basis for conventional agriculture, organic has had to quantify the market size and changes over time by compiling this consumer data privately, and unfortunately because this is not the normal market data compiled by USDA for conventional agriculture, this data may not be readily available to America's farmers, who could benefit the most by taking advantage of the opportunities revealed by the consumer data. We at OTA work to make it available to them however.

It is important to note here that organic agriculture and processing incorporates practices and avoids substances commonly perceived to contribute adversely to the environment and to health. The National Organic Program is a marketing program overseen by USDA and is not marketed as a health program, but over the long debate about the impact of such substances as persistent pesticides and herbicides, hormones, anti-biotics as well as other health oriented debates, many consumers have identified a preference to avoid these substances in their food, textiles and personal care products. This preference is revealed when organic consumers are

studied by social scientists.

We would also like to call to the Subcommittee's attention the fact that organic food products like all food products in the United States must meet the requirements of national, state and local food safety laws.

U.S. Consumers

Shoppers who chose organic products cross all demographic, geographic, and economic boundaries. There is no typical organic consumer anymore. What is clear is that more shoppers are choosing more organic products in more places, and the market for organic products continues its strong steady growth. According to *Organic 2006*, a report prepared by the Hartman Group, an independent market research firm, shoppers typically enter the organic category by beginning with fresh fruits and vegetables, and other products that help them avoid pesticides and hormones. As they become more involved in the category, they add more products, with fiber products and personal care products often being among the last they adopt.

Those most devoted to organic consumption reportedly have a high concern for personal and planetary health. They are interested in fair trade, prefer their foods to be either U.S. or locally grown and grown on farms that practice sustainable agriculture. They want to relate to the companies from which they purchase and look for those who are committed to their communities and to corporate social responsibility.

Who Are Organic Users?

The Natural Marketing Institute (NMI) has identified three distinct organic consumer segments: "Devoteds™" (27.8 million adults or 13 percent of primary grocery shoppers) are the most integrated, health-seeking organic users and have fully incorporated organic products into their lifestyles. "Temperates™" (54.2 million adults or 25 percent of primary grocery shoppers) are attitudinally disposed toward health in general and towards organic in particular, but are attempting to fit organic usage into their existing lifestyle, rather than changing their lifestyle. Dabblers™ (41.9 million adults or 19 percent of primary grocery shoppers) are disproportionately male and non-committal, sprinkling a bit of organic usage into their lifestyle. Their usage appears to be more about participating in a trend than other concerns. Thus, according to NMI, well over 50% of consumers have used organic products in the past year to one degree or another. (Excerpted from an article by Maryellen Molyneaux, The Natural Marketing Institute, published in the September 2006 issue of *The Organic Report*)

According to another researcher, The Hartman Group, as reflected in their study, *Organic 2006 Consumer Attitudes & Behavior, Five Years Later & Into the Future*, almost three-quarters (73%) of the U.S. population buys organic products at least occasionally, and almost one-quarter (23%) of U.S. consumers buy organic products on a regular (at least weekly) basis. Furthermore, "compared with 2000, more consumers are purchasing organic products on a weekly (9% in 2000 vs. 14% today) and occasional basis (34% in 2000 vs. 44% today).

Hartman also reports strong interest in organic products among Hispanic and Asian American consumers.

How are U.S. Farmers Meeting This Demand From Consumers?

Production statistics

As you will note in later testimony the National Organic Standards have only been in place since late 2002. Of course, much organic land was in production at that time, but without a national market with a certified label, some farmers were not interested in becoming organic. In addition, it takes three or more years to convert land previously treated as conventional to be certified to produce organic food and fiber.

We raise these factors to point out that not only has much data not been collected by USDA, much production was not there to be measured until the national rule was instituted.

Organic production is growing in the United States, but not at a rate to meet the consumer demand outlined above.

According to the latest available statistics for U.S. organic production released in December 2006 by USDA's Economic Research Service (ERS), there were - at least - 8,445 certified organic farm operations in the United States in 2005, up from 8,035 certified organic farms in 2003. The 2005 operations represented slightly more than 4 million acres under organic management, up from 3 million acres in 2004 and nearly 2.2 million acres in 2003. For the first time, all 50 U.S. states had some certified organic farmland.

Pointing out that farmers face a number of hurdles when considering converting to organic production, ERS cited high managerial costs and risks in shifting to a new way of farming, limited knowledge of organic farming systems, lack of marketing and infrastructure, and inability to capture marketing economies.

Nevertheless ERS also reports "many U.S. producers are embracing organic farming in order to lower input costs, conserve nonrenewable resources, capture high-value markets, and boost farm income."

ERS data for 2005 showed 1,722,565 acres in organic cropland (about 0.51 percent of all U.S. cropland) and an additional 2,281,408 acres in pasture and rangeland (about 0.5 percent of all U.S. pasture). Organic cropland in 2005 was up from 1,451,601 acres in 2003, while organic pasture grew substantially from the 745,273 acres recorded for 2003.

Livestock numbers in 2005 were up substantially from 2003, reflecting the growing demand for organic milk and meat in the United States. The number of organically raised milk cows grew from 74,435 in 2003 to 86,032 in 2005. The number of organic beef cattle grew from 27,285 in 2003 to 70,219 in 2005. In addition the number of organic hogs and pigs grew from 6,564 in 2003 to 10,018 in 2005. Total livestock (which included young stock and sheep) was up to 229,788 in 2005, from 124,346 in 2003. Total organic poultry—including layer hens, broilers and turkeys—reached 13,373,270 in 2005, from 8,780,152 in 2003. According to ERS, nearly one percent of dairy cows and 0.6 percent of layer hens in the United States in 2005 were managed using certified organic practices.

Despite surging retail sales, growth in organic farm acreage in the United States is not keeping

the same pace, creating a disparity between the amount of U.S. farm acreage devoted to organic production and the consumption of organic finished goods. While we do not know how much, we do know that part of the market demand for organic goods is being filled from imported agricultural products. (OTA certainly understands this situation and also acknowledges that there are many products that cannot be grown in the United States and which consumers want to acquire as organic – coffee, cocoa, certain fruits etc.) However, in many cases U.S. farmers are missing an opportunity, and the U.S. is not reaping the full environmental benefits of organic production.

The "USDA Organic" Label/Seal

The Committee Members have all seen the "USDA Organic" seal on products. The USDA enforces the seal standards. Products made from 95 percent to 100 percent organic ingredients are labeled according to the organic standards as "100% Organic" or "Organic" for the 95% category.

Products that contain at least 70 percent organic ingredients and are handled according to the organic regulations can use the phrase "made with organic . . ." on the front label, and then list up to three organic ingredients or food groups such as vegetables or grains.

These are the labels that consumers use to identify U.S. organic produced products and ingredients. These are the labels that need strong standards and enforcement behind them to retain consumer confidence.

Highlights of the regulations follow. For complete details, and the most up-to-date regulations, see www.ams.usda.gov/nop.

Overview: What is Organic?

Now we want to describe to you the philosophy, law, practices and standards behind organic production in the United States.

Organic refers to the way agricultural products are grown and processed. It includes a system of production, processing, distribution and sales that assures consumers that the products maintain the organic integrity that begins on the farm.

Building healthy soil is the foundation of organic agriculture. Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. Organic production views farms as part of the ecology with each component of the farm system affecting all other parts of the system.

Organically produced foods also must be produced without the use of antibiotics, synthetic hormones, genetic engineering and other excluded practices, sewage sludge, or irradiation.

Cloning animals or using their products is considered inconsistent with organic practices. Organic foods are minimally processed without artificial ingredients or preservatives to maintain the integrity of the food. They may use a few synthetic ingredients from a carefully reviewed and approved list including such items as Vitamin C, and baking powder.

The following definition of "organic" was passed by the National Organic Standards Board (NOSB) at its April 1995 meeting in Orlando, FL. This board, comprised of citizens appointed by the U.S. Secretary of Agriculture, advises the Secretary on issues concerning organic production and takes an active role in examining materials and methods for their acceptability in every part of the organic system of production. Within the NOSB definition of organic are key statements that show that sustainability, especially how a healthy environment relates to human health, is the very foundation of organic agriculture

> "Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.
>
> 'Organic' is a labeling term that denotes products produced under the authority of the Organic Foods Production Act. The principal guidelines for organic production are to use materials and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.
>
> Organic agriculture practices cannot ensure that products are completely free of residues; however, methods are used to minimize pollution from air, soil and water.
>
> Organic food handlers, processors and retailers adhere to standards that maintain the integrity of organic agricultural products. The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people."

These statements are the framework for stringent standards put in place to certify that specific practices are used to produce and process organic agricultural ingredients used for food and non-food purposes.

Regulating a Philosophy: Codifying Certification and Accreditation

Use of the word organic to describe farm products is regulated in the United States, thanks to enabling legislation passed by Congress in 1990 and the National Organic Program regulations, which were implemented in October 2002.

Following the establishment of several voluntary and state standards for organic production, the stage was set for U.S. National Organic Standards. The U.S. Congress adopted the Organic Foods Production Act (OFPA) in 1990 as part of the 1990 Farm Bill. This action was followed by over a decade of public input and discussion, which resulted in a National Organic Program final rule published by the U.S. Department of Agriculture (USDA) in December 2000 and implemented in October 2002. This rule was, at the time, the most commented upon rule in USDA history.

Organic production is practiced worldwide. Products sold as organic in the United States must meet or exceed the U.S. regulations for organic production no matter where those products are grown and processed.

Organic Foods Production Act of 1990

The Organic Foods Production Act's (OFPA) purpose was to establish national standards for the production and handling of foods labeled as "organic."

Previous efforts to create private and State agencies' certified organic practices did not establish national uniformity in standards. Therefore there was no guarantee that "organic" meant the same thing from state to state, or even locally from certifier to certifier. In some key states, such as California, organic certification was not required, and many states had no laws at all about organic production and labeling.

Producers and consumers wanted national standards for organic products to avoid this confusion in the marketplace and to protect against mislabeling or fraud. The organic business community, along with consumers and environmentalists pushed for this ground-breaking enabling legislation.

OFPA established the National Organic Program (NOP) now located within the Agricultural Marketing Service at USDA; The National Organic Standards Board; mandatory certification; accreditation of certifiers; labeling categories; and many of the principles that would later comprise the regulations. Like many pieces of legislation, OFPA was not perfect, but it did represent regulations that were both workable and innovative.

OFPA allows for state standards that are more restrictive than the federal standards, but they must be approved by the USDA. In addition, states cannot discriminate against out-of-state products that meet the federal standards.

The National Organic Standards Board (NOSB)

Under OFPA, a National Organic Standards Board (NOSB) was created to advise the Secretary of Agriculture in setting the standards on which the USDA's National Organic Program is based. The NOSB wanted their recommendations to be based on industry consensus. They asked for and received an unprecedented amount of public input from farmers, businesses and consumers during every step of their decision-making process. After considering the recommendations of the NOSB, the Secretary has final authority in determining the regulations.

Appointments to the NOSB are made by the Secretary of Agriculture for five year terms, and must include: four farmers, two handlers/processors, one retailer, one scientist (with expertise in toxicology, ecology or biochemistry), three consumer/public interest advocates, and three environmentalists.

In addition to making recommendations on the national standards, the NOSB is authorized to convene Technical Advisory Panels to advise on materials to be included on a National List of materials allowed for use in organic production.

National Organic Program Implementation

After more than a decade of public discussion, consensus-building, two rounds of public comment which generated a record-breaking number of public comments for the USDA, national organic standards were implemented in October 2002.

The standards detail the organic certification process, how certifiers are accredited, what methods and materials are allowed and prohibited in organic farming and processing. The standards are comprehensive in that they cover farming methods for every type of farm product—fresh fruits and vegetables, grains, eggs, poultry, beef, dairy, cotton, wool, oils, flowers, and anything else that can be grown on a land-based farm. The processing of all food and beverage products is covered as well. When the rules were implemented, it was expected that there would be changes and additions as additional sectors of the organic market developed, such as organic cotton products, personal care products, pet foods, and any other products that might include components that could be grown on organic farms. Although the organic business community has grown tremendously, in many ways it is still a very nascent sector, and, as innovations occur, there will be a need for the regulations to evolve as well.

Fortunately, the regulations were designed to evolve as the industry grows. For example, there are sunset provisions to reexamine materials allowed and prohibited in organic production, so that as more environmentally sound materials become available, the use of less environmentally sound materials can be phased out.

Some key elements of the U.S. organic regulations include annual inspections of organic farms and food processing facilities to ensure they are following the regulations; farms must not have used any prohibited materials for at least 3 years before crops can be sold as organic; livestock must have access to the outdoors; dairy cows must have organic feed for at least one year before milk can be sold as organic and poultry and beef cattle must have only organic feed. The use of genetically engineered seeds and growth hormones is prohibited, as is the use of sewage sludge as fertilizer, and irradiation. Cloned animals and their progeny are not compatible with organic production, either.

Because soil rehabilitation and development is at the core of organic farm production, there are provisions and practices to enhance soil, as well as to protect the soil.

The organic standards are the only place where animal manure is overseen as an input to agriculture. The U.S. regulations for organic production impose strict requirements for the use of animal manure if it is used on the farm. The regulations require that raw animal manure must be composted unless it is applied to land used for a crop not intended for human consumption; or is incorporated into the soil not less than 120 days prior to the harvest of a product whose edible portion has direct contact with soil; or is incorporated into the soil not less than 90 days prior to the harvest of a product whose edible portion does not have direct contact with the soil surface or soil particles. See 7 CFR 205.203 (c)(1) and (2).

The requirements for making compost are regulated as well, and are designed to encourage soil health while minimizing risks to human health or the environment. The National Organic Program Rule's defines compost (7 CFR 205.2) as follows:

Compost: The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial Carbon: Nitrogen ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 3 days. Producers using a windrow system must maintain the composting materials at a temperature between 131 deg. F and 170 deg. F for 15 days, during which time, the materials must be turned a minimum of five times.

The organic process does not stop at the farm gate. The standards cover all aspects of farming for all kinds of farm products, and covers processing and handling of food and beverage products after they leave the farm, which makes these standards far-reaching and complex to characterize simply.

For food and beverage products, the regulations cover both growing and processing, and every business that produces more than $5000 of organic foods must be certified in order to sell the product as "organic". Farms that sell less than $5000 worth of organic goods, and sell only direct to consumers or direct to retail establishments do not need to be certified, but they must follow all other aspects of the organic regulations in order to call the products organic. Growers falling under this "Small Farm Exemption" may not use the term "certified organic" when marketing their crops, and may market through direct sales only (i.e. farm stands, farmers' markets, or direct sales to a retailer). At present, distributors and retailers are not required to be certified, although they may voluntarily become certified.

Organic Labeling, Processing, and Handling

Standards for the processing, handling and labeling of organic food and beverage products cover all steps in the process from receiving organic raw materials, acceptable processing aids and ingredients, appropriate packaging materials and labeling, to cleaning methods, waste disposal and pest management at processing facilities.

The following highlights address some of the questions most frequently asked about the organic processing, handling & labeling standards.

Standards Behind the Labeling of Organic Products

A product must either be one hundred percent (100%) organic ingredients to be labeled as such or it must have at least ninety-five percent (95%) of the ingredients in a processed product organically produced and the processor must be a certified organic handler in order for the finished product to be labeled as "USDA Organic". The five percent (5%) non-organic ingredient criteria is determined by the total weight of the finished product, not including salt or water. Water used in organic processing must meet all requirements of the Safe Drinking Water Act.

Special provisions allow labeling to state that a product **contains organic ingredients.** Products with **more than seventy percent (70%)** organic ingredients may display this information on the front label; those with **less than seventy percent (70%)** organic ingredients must display this information in the ingredient listing panel.

Some examples: A label which reads "Organic Vegetable Soup" would be stating that ninety-five percent of the **total ingredients** of that soup (by weight) are certified as organic. Alternately, a soup label might read "Vegetable Soup" and include the phrase "Made with Organic Vegetables" on the front panel, indicating that the primary ingredients are organic and make up more than seventy percent of the total ingredients by weight. Another label might read simply "Vegetable Soup" and include the word "organic" to identify specific items in the ingredient-listing panel — as in "Potatoes, carrots and organic kidney beans."

Consumers can look for the "USDA Organic" seal or other approved labeling, and for the name of the certifier on the label of the products they consider for purchase. Products labeled "100% Organic" and carrying the "USDA Organic" seal are just that – they contain all organically produced ingredients. Products that are made from at least 95% organic ingredients, and have remaining ingredients that are approved for use in organic products may also carry the "USDA Organic" seal, although the use of the seal is not required. In addition, products that contain at least 70% organic ingredients may label those on the ingredient listing. Producers and processors voluntarily use these labels, and may use organic ingredients without being required to label them.

For more information from USDA on labeling and other issues go to http://www.ams.usda.gov/nop/Consumers/brochure.html.

Organic Crop Production Standards

Organically produced crops must be grown on land which has been free of prohibited substances for **three years prior to harvest**. Crops grown on land which is "in conversion" to organic (during the first three years after switching from conventional farming, for instance) cannot be labeled as organic. Neither OFPA nor the regulations make any provision for a USDA-sanctioned "transitional organic" label. (Such labels do exist in other countries for production under the standards of those countries – not U.S. standards.)

The standards cover organic agricultural methods and materials in great detail, including managing soil fertility, restrictions on when and how manure may be applied to crops, crop rotation, and composting. Use of municipal solid waste and sewage sludge are prohibited, as are the use of genetic engineering, and irradiation.

Prevention is considered a grower's first approach to **pest management**, but the Act establishes a *National List* of acceptable and prohibited materials, which includes pest control treatments as well as other agricultural inputs such as fertilizers and seed treatments. Many organic farmers study life cycles of known pests and manage to time their crops to avoid certain pests.

All agricultural inputs are evaluated as to their long-term affect on the environment — not simply on whether they are synthetic or natural.

Organic Livestock Production

Standards for organic livestock production are meant to assure both an organic product to the consumer and living conditions for farm animals that limit stress and promote good health. They

address substances used in health care and feeding, as well as herd or flock management and housing.

"Livestock" includes cattle, sheep, goats, swine, poultry, domesticated game and horses raised for slaughter or used as draft animals. Regardless of whether they are raised as breeding stock, as dairy animals, or for slaughter, all livestock is covered, although the regulations for each type may vary.

Because the livestock market was less developed when the regulations were developed, this is one area of the regulations where refinements, including adequate public input and discussion, are expected. Some of the areas that need attention include the definition of pasture, and how much is required to meet the standards, how to bring new animals into the organic system, and how to include aquatic species in the regulations designed for land-based agriculture.

The following highlights address some of the questions most frequently asked about the NOSB recommendations for organic livestock standards.

Feeding Organic Livestock

Quite simply, organic livestock must be fed organic feed. Growth promoters and hormones, and plastic pellets for roughage in feed are prohibited.

Housing and Health Care for Organic Livestock

Healthy living conditions and attentive care are considered first steps in the prevention of illness. Therefore, animals must not be overcrowded, and must be allowed periodic access to the outdoors and direct sunlight. Antibiotics are not used to treat organically raised animals in the United States, and if, for humane reasons, an animal must be treated with an antibiotic then it is removed to a conventional herd, and not returned to organic status.

Recordkeeping for Organic Livestock

Records must be kept on all feeding and health care practices for each animal or flock, and there must be a **verifiable audit trail** to trace any animal or flock back to the farm.

Other General Standards

Packaging Materials

Organic products cannot be packaged in materials, storage containers or bins that contain synthetic fungicides, preservatives or fumigants. The reuse of containers which have been in contact with any prohibited substance is not allowed.

Imported Products

Imported products described as organic must meet the U.S. regulations in order to be sold in the United States.

Organic Certification

Certification is important to the National Organic Program. It assures that organic growers and handlers are, in fact, adhering to the law. The certification process focuses on *the methods and*

materials used in production. There are three main requirements:

1. The methods and materials used in production must meet organic standards.
2. There must be clear and ongoing documentation of these methods and materials.
3. There must be a paper trail to trace a product back to its production site, in order to verify the methods and materials used in its production.

Who Must Be Certified

Almost everyone who wants to sell products labeled as "organic" must be certified. This includes producers of organic livestock, food and fiber crops, and "handlers" of organic products. (Only very small farmers who sell less than $5000 worth of products per year do not need to be formally certified, but must still follow all regulatory steps for organic production. They also are restricted to only sell directly to a consumer via farm stands or farmer's markets.)

How The Certification Process Works

A grower or handler seeking organic certification submits an **Organic Farm Plan** or an **Organic Handling Plan** to a USDA-accredited private or state certification program.

A **"handler"** is any operation that "receives, processes, packages, or stores agricultural products." Some examples: a processing company that buys organic tomatoes and makes canned spaghetti sauce; or any distributor who "substantially transforms, repacks or relabels organic agricultural products." This last distinction is meant to exclude brokering, warehousing or trucking operations that merely store or move finished processed products from place to place without altering them in any way.

The Organic Plan must detail all current growing or handling methods and any materials which will be used. The Plan also covers future intentions and improvements to all areas of production.

Five years of records must be kept of all management practices and materials used in organic production.

In addition to assessing the Organic Plan, the certification agency performs **annual on-site inspections** of each farm or handling operation participating in its program. Certification is then either awarded or denied. User fees are collected from each grower or handler to cover the cost of the certification program.

Allowance for a Split Operation

The regulations do allow for only part of a farm or handling operation to be certified. The organic and conventional parts of the operation **must be kept separate** — whether by physical boundaries and buffer zones, in the case of a farm, or by proper cleaning and management of facilities and machinery, in the case of a handler. **Separate records** must be kept for each part of a split operation.

Accreditation of Certifying Agents

Only USDA-accredited agencies can act as certifiers. Certifying agencies can be either state or private, but they must have expertise in organic farming and handling techniques. They must be able to fully implement all aspects of the certification program, including hiring an adequate

number of inspectors to carry out on-site inspections. Accreditation may be granted by the USDA for a period **not to exceed five years**, and may be renewed. **User fees** are collected from each certifying agency to cover the cost of the accreditation program. Certifying agents must keep ten-year records of all of their activities. The USDA also conducts **on-site audits** of records. The USDA can **suspend accreditation** if a certifier is not in compliance.

It is important to note that USDA does accredit certifiers who operate outside U.S. borders to certify organic products that will be exported to the United States and will bear the USDA Organic seal.

Conflict of Interest

Any employee of a certifying agency who has a **commercial interest** — including consultancy — in a farm or other operation being considered for certification must be isolated from the decision-making process. Payment (other than certification fees), gifts or favors of any kind cannot be accepted from businesses being certified.

Enforcement and Penalties

Mislabeling and False Statements: Any person who **knowingly mislabels** a product as organic can be fined a maximum of $11,000 and may be disbarred from the Organic Program for five years. Persons who make **false statements** to the Secretary of Agriculture, a state official or a certifying agent are subject to penalties under Federal law, and may be disbarred from the program for five years.

Violations by Certifying Agencies: A certifying agency that violates the provisions of the program or falsely or negligently certifies any operation shall lose accreditation and shall not be eligible for re-accreditation for three years.

The National List

As described above national organic standards set out the methods, practices and substances used in producing and handling crops, livestock and processed agricultural products. The standards include a National List of Allowed and Prohibited Substances, which includes approved synthetic and natural, and prohibited non-synthetic, substances. See http://www.ota.com/listbackground05.html for more details.

A uniform "National List" of materials was mandated by Congress as part of the Organic Foods Production Act of 1990 (OFPA). Its purpose is to make clear which materials can and cannot be used in organic production, processing and handling in the United States.

In order to call a product organic, the ingredients must come from an organic farm. In addition, any processing of those ingredients must meet the conditions in the national organic regulations. In general, the national organic regulations allow the use of natural materials and prohibit the use of synthetics in food production. There are a few exceptions, however.

What Is the National List?

The National List of Allowed and Prohibited Substances is the list of exceptions to the general requirement that natural materials are allowed and synthetic materials are prohibited. In other

words, the National List is a list of prohibited natural materials (such as arsenic), and allowed synthetics (such as baking powder, one form of pectin and Vitamin C). Even though a synthetic may be allowed for one purpose that does not mean that it is allowed for every possible use, so manufacturers need to pay careful attention to the usage restrictions mentioned in the regulations.

Who Defines the National List?

The National Organic Standards Board (NOSB), a group of fifteen citizens appointed to advise the Secretary of Agriculture, is responsible for recommending to the Secretary which materials will be on the list. The Secretary makes the final determination. A Technical Advisory Panel (TAP) gathers and evaluates the scientific data and makes recommendations to the board based on seven review criteria:

1) Effect on human health.
2) Effect on the farm ecosystem.
3) Toxicity and mode of action.
4) Availability of gentler alternatives.
5) Probability of environmental contamination during manufacture, use and disposal.
6) Potential for interactions with other materials used.
7) Overall compatibility with a system of sustainable agriculture.

In 1995, the NOSB completed a massive review of the materials in use by organic producers, and those recommendations became the base for the National List. The procedure is ongoing, as new materials are reviewed for inclusion or prohibition. Any business or person can petition for a materials review.

In addition to the list above the national organic standards require that synthetic processing aids must meet the following:

1. It cannot be produced from a natural source and there are no organic ingredients available;
2. Its manufacture, use, and disposal do not have adverse effects on the environment and are done in a manner compatible with organic handling as described in section 6513 of the OFPA;
3. The nutritional quality of the food is maintained and the material itself or its breakdown products do not have adverse effects on human health as defined by applicable Federal regulations.
4. Its primary purpose is not as a preservative, nor is it used only to recreate/improve flavors, colors, textures, or nutritive value lost during processing except in the latter case as required by law.
5. It is Generally Recognized as Safe (GRAS) by FDA when used in accordance with Good Manufacturing Practices (GMP) and contains no residues of heavy metals or other contaminants in excess of FDA tolerances.
6. Its use is compatible with the principles of organic handling.
7. There is no other way to produce a similar product without its use and it is used in the minimum quantity required to achieve the process.

How Is The National List Structured?

The National List is part of the national organic regulations available at www.ams.usda.gov/nop, and is divided into six parts. (Examples used here are as illustrations only. See the regulations for complete details.)

Synthetic substances allowed for use in organic crop production (section 205.601). Some examples include: sticky traps and newspapers for mulch.

Non-synthetic substances prohibited for use in organic crop production (section 205.602) some examples include: arsenic, tobacco dust, and ash from burning manure.

Synthetic substances allowed for use in organic livestock production (section 205.603). Some examples include: aspirin, chlorine for disinfecting equipment and sanitizing facilities, glycerin.

Non-synthetic substances prohibited for use in organic livestock production (section 205.604). Only one substance is listed as of Dec. 2004: strychnine.

Nonagricultural (non-organic) substances allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group(s))." (Section 205.605). This section of the regulations is further divided into "Non-synthetics allowed" and "Synthetics allowed." Some examples of non-synthetics allowed include dairy cultures, potassium chloride, carnauba wax, yeast. Some examples of synthetics allowed include ascorbic acid (Vitamin C), carbon dioxide, lecithin, tocopherols (Vitamin E).

Non-organically produced agricultural products allowed as ingredients in or on processed products labeled as "organic" or "made with organic (specified ingredients or food group(s))." (Section 205.606) This section lists materials that may be used if an organic version is not commercially available. The list includes: cornstarch (native), gums (water extracted only; arabic, guar, locust bean, and carob bean), kelp for use only as a thickener and dietary supplement, unbleached lecithin, and high-methoxy pectin. As a result of a recent clarification of the Rule, the National Organic Standards Board has recently recommended the list be updated to include a number of agricultural products, including colors.

These lists contain the relatively few exceptions to the basic understanding within the organic industry that organically grown and handled foods are produced with solely organic materials. This may seem like an unusual structure. However, it avoids the problem of trying to list every natural material organic growers might use.

Why Are There Exceptions?

Organic production systems encourage a healthy environment with as few inputs as possible. The NOSB recommends that cultural, biological and other management tools be sought to replace material inputs — whether synthetic or natural.

Congress, in passing the Organic Foods Production Act, recognized that it will take time for organic producers and handlers to achieve the long term goals expressed in the Act. The National List was meant to reflect realistic organic practices, and to take into account current obstacles to ideal organic production. Therefore, some synthetics are allowed if the review process shows that they are:

1. Not harmful to human health or the environment;
2. Necessary to production because of unavailability of natural products;
3. Consistent with organic ideals.

Likewise, the law provides for prohibition of natural materials that may be harmful to human

health or the environment, and inconsistent with organic ideals.

Why Are There Non-Organic Ingredients in Some Organic Food?

If you were to make organic cookies at home you would naturally use organic flour, sugar, oil, eggs, raisins, etc. But what about the baking powder and baking soda? Because they are non-agricultural products, neither of these ingredients meets the definition of organic. Processors of many kinds of organic foods face the same dilemma. In addition, nutritional fortification is sometimes required by regulation or professional guidelines, but not available in natural form.

Thus the NOSB recommends that the National List include synthetic processing aids and natural products such as minerals that are not agricultural. For the finished food to be called "organic," these ingredients may not comprise more than 5% of the total product, by weight. For the finished product to be called "made with organic (specified food or food group(s))," these ingredients may not comprise more than 30% of the product total by weight. Products that are composed of wholly organic ingredients may be identified as 100% organic.

National Standards Bolster Public Confidence

Now that the national standards are in effect, all agricultural products labeled "organic" must be in compliance with the U.S. organic law. The word "organic" on U.S. products means that the ingredients and production methods have been verified by an accredited certification agency as meeting or exceeding USDA standards for organic production. In short, consumers have the assurance that products labeled as "organic" adhere to the standards set forth by USDA.

New standards for emerging industries are also under development for products such as fiber and textile processing, pet food, aquaculture, as well as personal care products, and other non-food products, OTA works on these issues as well as providing guidance on good organic retail practices.

Just as the initial standards development and regulations were generated at the urging of those in the organic business community, new standards development will also spring from further innovations in that community as well. There is work going forward to develop consensus standards taking into account all parts of the supply chain, and what will work for all parties involved. Since organic production is an interconnected system, this broad point of view is necessary to workable stringent standards, and is a good way to balance the desire for perfection with what is practical.

Research

In the years since passage of OFPA there have been consistent calls for parity in research efforts for organic at a level that would provide a fair share as contrasted with the hundreds of millions devoted to research on conventional and biotechnology agriculture. However, most of the research has been defined and carried out via private sources and by organic farmers and processors themselves. That is gradually changing.

Although research money for projects centering on organic agriculture still is quite limited, there are some programs available. For instance, in September, USDA announced it was awarding

slightly more than $4.6 million in research grants administered through its Integrated Organic Program and Cooperative State Research, Education and Extension Service (CSREES) to address organic agricultural issues and priorities, including global competitiveness.

The ten grants to universities in 12 states will focus on two areas: improving the competitiveness of organic producers, and assisting producers and processors who have already adopted organic standards to grow and market high quality organic agricultural products.

In addition, several universities have announced they are stepping up educational programs concerning organic agriculture. For example, the University of Florida at Gainesville established a new organic agriculture undergraduate degree program, beginning with the Fall 2006 term. The new major was created as a result of growing student interest in such a program. The university has offered various organic classes since 1990, and has had a minor program of study in organic agriculture for the past two years.

Colorado State University and Washington State University both began offering similar programs during the Fall 2006 semester. In addition, Michigan State University has said it will start a one-year certificate program in organic farming in January 2007. In addition, beginning in the Spring 2007 semester, Delaware Valley College in Doylestown, PA, will offer a course entitled "Organic Crop Science." The course will provide working knowledge and hands-on experience for those interested in careers in certification, production and marketing. An organic dairy has been established at the University of New Hampshire for research and teaching purposes.

Meanwhile, the University of Nebraska at Lincoln has announced that one of its four plots to be used by researchers to study production challenges on organic farms has been certified by the Organic Crop Improvement Association International. The certified land at the High Plains Agricultural Lab near Sidney will be used to grow organic wheat, peas, forage and other crops.

Current Challenges to Organic Agriculture and Production

Organic agriculture and production has managed to provide almost 3% of the U.S. retail food supply largely by its own efforts to develop voluntary standards, support state and then a federal standard for organic agriculture and products, develop methods, academic knowledge and technologies that have built the success of organic. This has been accomplished with very little help from the federal government. Certainly none similar in quantity and quality to that provided to other parts of agriculture.

The question is should this continue as almost a solely private sector effort, raising important competitive questions about the disadvantages to organic farmers and processors who need to compete in the marketplace without parity against conventional and biotechnology based agriculture? OTA believes the answer to that question is, "No." Organic agriculture and its processors should not be disadvantaged against their neighbors in access to and use of technical assistance, capital, research, marketing and insurance. We should not have to struggle for data collection distinctions so that we – and the Congress - can understand the organic marketplace.

Over the past decade the Organic Trade Association has consistently supported the

implementation of the National Organic Program. Having consistent market standards and a program to enforce regulations stabilizes the market place, stimulates market development and facilitates future expansion of organic agriculture and the products it generates. The increasing pressure of the market demand for organic products, both nationally and internationally, necessitates improved government encouragement for organic production and labeling, and programs that facilitate conversion to organic production.

Now that organic agriculture has achieved growth into the billions of dollars of sales, and widespread consumer acceptance, there are excellent reasons for Congress to help organic agriculture to move to another level of performance.

First, U.S. organic agriculture is not the only place that farmers are turning to growing organic. While the U.S. is the fastest growing market for organic, the European Union is not far behind in growth. And farmers in many countries are moving to fill that demand on both "developed" continents.

At the same time there are increasing efforts to identify ecological steps that will reduce air emissions that contribute to advancing carbon dioxide levels in the atmosphere. The organic process reduces the use of petroleum based pesticides and fertilizers, and at the same time organic soils absorb carbon dioxide at the estimated rate on some farms of 3,670 pounds per acre.

By increasing organic farming in the United States consumers will be provided with domestically grown, and in many cases local products, emissions are reduced and water quality is also greatly improved.

Challenges to the National Organic Program

Furthermore, because the capability to certify to the National Organic Program (NOP) is available around the world it is important to keep that program strong and capable to keep up with the needs of certified products that are growing in double-digit percentages per year, and are projected to do so for the next several years. To best protect the integrity of the organic label that consumers have come to trust, NOP needs to be able to accredit and have inspection oversight resources both domestically and internationally. Congress' support of these oversight and inspection functions of the NOP goes a long way toward meeting the needs of organic shoppers at home.

As of Oct. 31, 2006, there were 95 agencies accredited by USDA to certify farms, processing and handling operations as meeting national organic standards. Of those, 55 were based in the United States, and the remaining 40 certifying agencies were from other parts of the world.

During 2006, USDA's Agricultural Marketing Service determined that the organic assessment program of Israel's Ministry of Agriculture and Rural Development, Plant Production, and Inspection Services conform to the organic standards overseen by USDA's National Organic Program. As a result, certification organizations recognized by the Israel Ministry do not need to be accredited directly by USDA but can certify operations as meeting NOP standards.

Organic assessment programs of other foreign governments recognized by USDA include New Zealand, the United Kingdom, Quebec, Denmark, British Columbia, India, and the Standards Council of Canada.

As these recognition programs expand NOP will need to be able to assure consumers that they are continuously well run, and at the same time they need to directly accredit certifiers to perform these functions in countries that are not recognized. So far no equivalency agreements have been reached between the United States and any other country with its own organic certification program.

The NOP and New Standards Development

Much discussion during 2006 centered on U.S. organic dairy operations and the possible need to spell out more clearly pasture requirements and the process for converting a dairy herd to gain organic certification and to supply replacement animals. As a first step, the National Organic Program (NOP) during 2006 issued an advanced noticed of proposed rulemaking for pasture requirements, but this issue is still unresolved.

In addition to a proposed rule on pasture requirements and regulations concerning dairy animal replacement, NOP in October 2006 said it was focusing on a handful of other priorities. These include:

- Addressing the five-year sunset rule, requiring all materials listed on the National List of Accepted and Prohibited Materials in 2002 be reviewed in order to be retained on the list, or be removed by June 2007.
- Moving forward with Section 606 petition review and rule changes covering materials, including refining the definition of "agricultural" and "non-agricultural" substances.
- Renewing accreditation of certifying agents.
- Continuing to improve its quality systems management.
- Publishing guidance on commercial availability, grower group certification and inspection issues, and identifying certifiers of final handlers on labels.

Potential Remedies in the 2007 Farm Bill

In its recommendations relative to the Farm Bill, OTA is seeking to ensure that organic farmers have access to all resources available to other farmers through USDA. For example, there currently is little federal data or market research available about organic farms.

With little or no government support for being organic, little knowledgeable technical assistance or research it is difficult to encourage U.S. growers to convert to organic farming, particularly with the hurdles of the three-year conversion period. For those growing organic livestock, there is the high cost of organic feed, which often costs three to four times as much as conventional grain.

Organic farmers report various impediments to converting more land to organic.

- Access to technical assistance is rare and usually only available from other organic farmers;
- Access to capital is often denied via the traditional agricultural banking systems because data is not collected separately for organic production and therefore credit granting agencies lack access to data based credit reports usually available to conventional farmers for the use of their bankers.
- Access to crop insurance was finally made available, but at a disadvantageous rate: organic farmers pay a 5% additional premium and in the event of a crop loss they only receive compensation at a conventional price level for their organic crop. Again this is attributed by crop insurers and RMA to the fact that actuarial data is not available to insurers.
- The three-year transition period is considered essential to create a working organic farm system through establishing effective crop rotations and rebuilding soil fertility, including allowing a reduction in activity in longer-lived formerly applied toxics and petroleum based pesticides and herbicides. However, this process is a challenge for a farmer also newly dealing with rotation of crops and other organic learning challenges.
- Organic farmers who are growing crops that are covered by Marketing Orders are also disadvantaged. Unless their farm is 100% organic, they are responsible to pay into the marketing order, but these orders rarely if ever pay special attention to marketing organic products. (Many farms are only partially organic, or are in transition, and therefore are not 100% organic.)

Some steps are underway within the organic business community and at the state, county and local levels to enhance the ability of farmers to choose to go organic successfully. Many processor members of OTA report privately encouraging conversion/transition of land in order to acquire more organic product in the United States. However, since these businesses are also in need of capital themselves this private system is strained and certainly cannot provide growth at the rate that might be expected were parity access to USDA resources granted to them.

There are other efforts going forward at the state and local levels. In some states specific experts are assigned to work on developing organic production using both state and any federal resources they can identify.

As you will hear in the testimony, during 2005 officials in Woodbury County in Iowa adopted a policy to offer tax incentives to farmers who switch from conventional to organic production. Woodbury County Supervisors voted to provide property tax rebates for those converting from conventional to organic farming practices. Under its "Organics Conversion Policy," the county now grants property tax rebates of up to $50,000 each year for five years for farms that convert from farming techniques using pesticides to organic farming practices that comply with USDA's National Organic Program.

During 2006, officials in Cherokee County, Iowa, voted to offer farmers property tax incentives to convert to organic farming practices in a policy similar to the one enacted in Woodbury County.

OTA has publicized these local efforts to provide them as a model for local and county governments across America.

Meanwhile, on a national level, other programs are being undertaken to encourage more farmers to choose organic practices, and to help provide resources so that they may do so. For instance, organic-oriented programs received slightly more than $2 million of the $25 million allocated for U.S. Department of Agriculture's Risk Management Agency (RMA) partnership agreement funding in fiscal year 2005. This included $555,000 for community outreach and assistance agreements, $19,264 for small sessions programs, and $1,461,841 for research and development agreements. A few states are using EQIP to ease conversion to organic practices by providing specific equipment for the effort.

A Memorandum of Understanding is in existence between RMA and AMS to start studies of price studies for some organic products.

These data collection efforts are way overdue and comprehensive economic, pricing and commercial information that is gathered on a regular basis for conventional agricultural products and processed goods needs to be gathered for organic insurance eligibility, for eligibility for loans, and for disaster payments. Data is also needed in order for farmers to know which crops to plant in a nationally competitive environment, to develop marketing plans and to provide information to processors.

A Farm To Table Strategy for the 2007 Farm Bill

To remedy as many of these disadvantages OTA has developed a Farm to Table strategy for organic in the 2007 Farm Bill. The OTA plan focuses on four priorities:

Specifically, OTA is recommending that Congress provide USDA with authority and funds to:

1) Foster conversion/transition to organic agriculture and trade by providing **technical assistance** to aid in converting farm systems from conventional to organic production. Farmers need help formulating business plans, marketing and credit plans as they shift into organic production. Converting farm systems from conventional to organic takes three years. Farmers working to become organic also require technical assistance to guide them through the often daunting certification process. In addition, farmers need transition aid for a limited period of time, and cost share funding for certification.

Conventional farmers turn to USDA for in-depth market and production data, which helps them determine what to plant and how much to plant. Such resources do not exist for organic crops. USDA does not even produce a specific list of organic farming and processing operations, or detailed organic crop reports – greatly impeding the business of organic agriculture. OTA wants USDA to close these serious information gaps.

2) Eliminate **Hurdles to Organic Agriculture and Trade** by creating appropriate risk management tools and developing an organic export policy and strategy. Organic producers who now have crop insurance and incur losses only receive payments for their losses equal to

conventional prices for crops -- rather than the higher level of prices that organic products command. The reason for this is a lack of actuarial data on crop prices received by organic producers. Why? USDA does not collect much pricing information on organic products. Therefore, the crop insurance companies will not pay above conventional prices for losses. While this is changing, it is important for RMA to use collected data to enable an insurance product to be developed promptly to help organic farmers. OTA wants to fix that.

3) Initiate **and Fund Organic Agriculture and Economic Research.** USDA is respected around the world as a leader in agriculture research. Yet, very few of these resources are applied to organic agriculture. OTA proposes integrating organic agriculture into the three main areas of USDA research: agronomy, economics and demographics, and marketing.

4) Maintain **and Enhance Current Agency Programs** so that the National Organic Program (NOP) can keep pace with the growing organic sector. We are lucky that the NOP staff is dedicated and hard-working. However there is not enough staff to write the new rules, and to review an ever-expanding worldwide certification system. Reportedly, AMS only has two compliance officers specializing in organic agriculture. Organic accreditation and certification is a world-wide program; they need a world-wide staff. And, funding an international travel budget would be a good start.

Private and Public Efforts to Grow the Market

OTA's membership directory, *The Organic Pages Online*, is a fully searchable directory on the web (www.theorganicpages.com) with comprehensive indexing and twice monthly updates. It is a virtual organic marketplace, connecting buyers and sellers of organic products and services, from farm to retail. OTA also publishes an online Export Directory for international buyers interested in purchasing U.S. Organic Products.

Of course, the All Things Organic™ Conference and Trade Show (www.organicexpo.com) is the premier venue for introducing new organic products, meeting business partners from around the world, and celebrating the successes and challenges facing the organic business community.

OTA also runs the Organic Export Program, an international marketing program and public/private effort funded through the Market Access Program (MAP) of the Foreign Agricultural Service of USDA with industry help. Its goal is to promote U.S. organic products to the worldwide market. It cooperates with regional and state promotion agencies to ensure that the newest products are shown worldwide. Examples of programs include:

- Organic pavilions at international trade shows
- Opportunities for international buyers to meet in the United States with organic suppliers
- Exporter educational programs
- U. S. organic market educational pieces for foreign buyers, including a booklet and video on buying U.S. organic products. The booklet is available for viewing at www.usorganicproducts.com.
- OTA's Organic Export Directory Online (www.usorganicproducts.com)

Activities listed and those planned are joint strategic efforts between OTA and industry representatives selected from across the United States.

What Lies Ahead?

As part of its 20th anniversary celebrations in 2005, OTA asked industry visionaries and researchers to look forward 20 years to the year 2025, and what might be likely to happen with organic agriculture and products. The results of this informal poll demonstrate the potential organic agriculture has to bring improvement to our lives.

The following are a few of the predictions and expectations:

- The organic industry can be expected to continue to grow and thrive at a sturdy rate over the next 20 years, but at a slower pace than the current 17 to 20 percent average annual growth in sales.
- The average consumer household in 2025 will buy organic products on a regular basis. These will include food items as well as organic clothing, household cleaning products, and personal care items.
- Increased sales in restaurants can be expected.
- Increases in organic sales and acceptance will result in increased U.S. organic acreage, as well as supplies from overseas.
- Younger shoppers will continue to be interested in organic foods, particularly as Gen Xers pass down their belief systems. Ethnic shoppers, including Asian Americans and Hispanic Americans, will continue to be more likely to buy organic products in proportion to their representation in the general population.
- Government support of organic agriculture will be crucial to maintain the industry's growth potential. The U.S. government will need to support farmers in their transition to organic production, and to enforce the standards to minimize consumer confusion.

What Types of Organic Foods Will Be Most Popular?

In 2025, organic meat, dairy products, alcohol, and "stage of life" foods (those consumed during pregnancy, nursing, infancy, puberty, and senior years) will be most popular, according to survey respondents. Because hectic lifestyles will continue to be the norm, convenience, ready-to-eat and prepared foods will proliferate. Survey respondents also predicted growing interest in organic items that mimic conventional food brands and in organic products perceived by consumers as providing health benefits.

Predicted Challenges Ahead

Among the challenges ahead are consumer confusion about definitions around the organic labels, unbalanced governmental support and promotion of conventional farming methods at the expense of organic agriculture, competition for land with energy generating acreage, and the acceptance of the value of organic packaged products versus perishables in the marketplace.

Conversion to organic lags demand: Consumers pay higher prices to get foods, fibers and personal care products raised without synthetic chemicals according to the rules of organic certification. They pay more to get the supply chain to deliver what they want raised the way they want it. Some wish to avoid chemical residues; some, to avoid hormones. Many understand

that the farmers' back yard is their backyard and want to leave the farm as free as possible of petrochemicals and the water untainted by chemical residues. Whatever their reasons, these buyers are not seeking the cheapest agricultural products. They seek preferred qualities. The seriousness of that demand makes organics the fastest growing, legal, unsubsidized sector of US agriculture. Even with sensational crop prices, that demand is troubled by an increasing shortfall in the supply of organic raw materials.

- The organic dairy industry is thought to be facing demand growth of over 40% per year with supply seriously limited by an inability to find sufficient organic feed materials. With a serious shortage of organic corn, dairy farmers are now scrambling with mixed success to find whatever organic substitutes will work.
- U.S. demand for organic soy foods and feeds is growing so rapidly that processors probably consume twice as many organic soybeans as are produced in the U.S. Despite excellent prices and an abundance of land and great farmers, these U.S. processors find themselves importing organic soybeans from countries such as China, Brazil, Paraguay, Bolivia and Argentina.
- Processors of foods and personal care products are seeking organic ingredients needed to support an "organic" market label. The ingredient supply businesses supporting such processors are scrambling to find enough raw materials to meet demand, searching for new processing techniques to avoid materials and process aids that would compromise an "organic" claim.

Why are supplies so tight when demand is booming? Why are more agricultural resourees not moving from conventional to organic production? Why are more conventional row crop farmers not converting to organic production? The reasons range from simple to complex and cover lots of territory.

- As has been stated before, it generally takes three years to transition land to organic certification.
- You can't sell your crop on every corner and may find yourself dealing with buyers located in distant states.
- You cannot deliver at any time you choose. Buyers generally expect you to store your crop on farm until they need it.
- Accustomed to the convenience of chemicals, you will need to learn new operating protocols. Where a conventional farmer can easily contract with a third party to take responsibility for feeding and protecting his crop, the organic farmer generally assumes all the responsibility himself. As the organic community develops, I would expect third parties to offer organic farmers the same supporting services as they do conventional farmers. At the moment those services are not available. Lack of service support increases production risks and farm management burdens.
- Organic farming takes more detailed management and attention than conventional farming.
- Despite sensational organic prices, the rural community still encourages conventional conformity. Few farmers relish the thought of being criticized at the "tables of wisdom" found in coffee houses throughout rural America.

- There is unknown risk in moving into unknown territory.
- Lack of methods of minimizing price risk.
- Lack of infrastructure support by government:
    - Weaker crop insurance
    - Less research and development
    - Less extension support
    - Application of commodity rules that do not respect niche nuances
    - Agriculture programs that support maximum yield instead of maximum value
    - Warehouse rules that require hedged positions for crops that lack futures markets and cannot be hedged.
- Strong government support in the form of subsidies for the "ethanol tsunami" now sweeping the land

Infrastructure hurdles: Permit me to offer an example from Clarkson Grain's own experience with organic blue corn. Blue corn makes a wonderful, nutty flavored tortilla chip as well as a great presentation. Most companies making blue chips use organic blue corn, corn that brings farmers prices well above $8/bushel. Unfortunately for blue corn farmers wishing to participate in various USDA programs, the USDA does not recognize "blue corn" as corn. Government programs such as those of the Commodity Credit Corporation officially rely on the Grain Inspection, Packers and Stockyards Administration (GIPSA) within the USDA to define "corn". GIPSA recognizes white and yellow corn but NOT blue corn. To add a touch of insult to injury, USDA grade standards regard the finest blue corn as 100% damaged because blue color is deemed damage. Consequently the organic blue corn farmer can find himself locked out of various USDA programs although he is operating without subsidy and doing what we would like to see farmers doing – being a good entrepreneur.

The "ethanol tsunami" - Organic agriculture is free market, entrepreneurial, unbacked by "organic" subsidies. It is the model for what many Americans claim to support. At the moment, organic agriculture faces tremendous competition from the huge subsidies being poured into the use of corn for making "ethanol". Our biofuel policies are rapidly rearranging the face of agriculture, diminishing the role of the open market and discouraging positive responses by farmers to unsubsidized market signals. Ethanol demand has essentially doubled the price of corn in the past year, pushing conventional prices above $4/bu (currently somewhat lower) and creating competition for land that is raising the price for almost all crops. Unsubsidized organic agriculture now has to compete for resources with "ethanol corn" and the modern American gold rush to produce more and more corn. With conventional farmers enjoying the prospect of the highest profits they have ever seen, there is less incentive to trade "convenience" for the huge premiums and higher net incomes being offered by the organic market.

Today, U.S. demand for organic grains and oilseeds could easily support a doubling of organic production acres. Organic prices generally double conventional prices and offer higher net farm incomes than those available to conventional farmers. Despite buyer preference for domestic organic production, it is the foreign farmer who seems to be responding to the U.S. demand. Who would have projected that soybeans, organic soybeans, would flow into the U.S. from

China, Brazil, Argentina, Bolivia and Paraguay. Such foreign farmers seem poised to take a significantly higher percentage of the U.S. market for organic raw materials. When and if the "corn" bubble bursts, those foreign suppliers will have ridden the organic learning curve and bonded with organic buyers in ways that will disadvantage U.S. farmers.

On To An Even Brighter Future

I, and OTA, look forward to working with this distinguished committee to build a healthy future for organic agriculture and processing. Through both strong consumer and government support in parity with other agriculture, the organic industry can continue to thrive and grow in the innovative and unique way that's all its own.

Today, millions of consumers purchase organic products regularly. Their choice is based largely on the success of the organic industry's and USDA's ability to promote and guarantee the integrity of the organic label. When buying organic products, consumers are showing support for organic farmers and practices that help build healthy soil and a healthier environment for the planet. Let's build organic together. Thank you.

Reports Cited:

1) *The Organic Trade Association's 2006 Manufacturer Survey*, June 2006, researched and produced for the Organic Trade Association under contract by *Nutrition Business Journal*.
2) United States Department of Agriculture, "U.S. Market Profile for Organic Food Products," February 22, 2005.
3) Tyler Bridges, "Going Organic: Latin American farmers can thank health-conscious U.S. consumers for a booming export business," *The Miami Herald*, Dec. 18, 2006.
4) *Organic 2006: Consumer Attitudes & Behavior Five Years Later & Into The Future*, The Hartman Group.
5) *The Natural Marketing Institute's 2005 Health and Wellness Trends Database™*, Natural Marketing Institute (www.NMIsolutions.com).
6) Catherine Greene, U.S. Department of Agriculture's Economic Research Service, "U.S. Organic Agriculture in the U.S., 1992-2005," December 2006, www.ers.usda.gov/Data/Organic/index.htm.
7) U.S. Department of Agriculture's National Organic Program web site (www.ams.usda.gov/nop).
8) The Organic Trade Association, *The Organic Report*, July 2006.
9) Dimitri, Carolyn and Lydia Oberholtzer, EU and U.S. Organic Markets Face Strong Demand Under Different Policies, *Amber Waves*, February 2006.

Glossary of Terms and Abbreviations

Accreditation: A determination made by the Secretary that authorizes a private, foreign, or State entity to conduct certification activities as a certifying agent under this part. This process is used by USDA to ensure that each certifying agent is competent, independent of financial concern in the operations it certifies, and maintaining the legal standard for organic production.

AMS/TMD: The Agricultural Marketing Service, Transportation and Marketing Division of the USDA. The National Organic Program falls within this division.

Botanicals: Pesticides derived from plants. These may be quite high in natural toxicity or may upset the predator-prey balance. Therefore their use is restricted.

Buffer zone: An area located between a certified production operation or portion of a production operation and an adjacent land area that is not maintained under organic management. A buffer zone must be sufficient in size or other features (e.g., windbreaks or a diversion ditch) to prevent the possibility of unintended contact by prohibited substances applied to adjacent land areas with an area that is part of a certified operation.

Certification: A determination made by a certifying agent that a production or handling operation is in compliance with the Act and the regulations in the National Organic Program rule, which is documented by a certificate of organic operation. Certification always includes on-site inspection of the production operation.

Certifying agent (or agency): Any entity accredited by the Secretary as a certifying agent for the purpose of certifying a production or handling operation as a certified production or handling operation. A certifying agent may not have any financial or personal interest in the producer.

Compost: The carefully managed process in which crop or animal residues and other vegetable by-products are digested by microbial action, defined in the NOP Rule as "The product of a managed process through which microorganisms break down plant and animal materials into more available forms suitable for application to the soil. Compost must be produced through a process that combines plant and animal materials with an initial C:N ratio of between 25:1 and 40:1. Producers using an in-vessel or static aerated pile system must maintain the composting materials at a temperature between 131F and 170F for 3 days. Producers using a windrow system must maintain the composting materials at a temperature between 131 F and 170 F for 15 days, during which time, the materials must be turned a minimum of five times."

Cover crop: A crop grown on idle land for soil conservation purposes, not for sale.

Cultural methods: Mechanical and management techniques that contribute to pest control. These may include early planting or harvesting, variety selection; plant spacing, companion planting, clean-up of crop debris. Defined in the NOP Rule as methods used to enhance crop health and prevent weed, pest, or disease problems without the use of substances; examples include the selection of appropriate varieties and planting sites; proper timing and density of plantings; irrigation; and extending a growing season by manipulating the microclimate with green houses, cold frames, or wind breaks.

Green manure: A crop grown for its fertilizer and soil conditioning value. Green manure crops are plowed or tilled into the soil, not harvested.

Handler: Any operation (or part of one) that "receives, processes, packages, or stores agricultural products." Includes food processors and distributors who "substantially alter" organic agricultural products. Defined in the NOP Rule as any person engaged in the business of handling agricultural products, including producers who handle crops or livestock of their own production, except such term shall not include final retailers of agricultural products that do not process agricultural products.

Inspector: A person independent from the certifying agent's decision-making process who visits the grower, processor or handler being certified. The inspector interviews the producer, observes all areas of production, and reviews record-keeping for completeness and accuracy. Defined in the NOP Rule as any person retained or used by a certifying agent to conduct inspections of certification applicants or certified production or handling operations.

Micronutrients: Nutrients required by food crops in small amounts. For example: boron, zinc, iron and manganese.

Natural: From a plant, animal or mineral source which has not been altered except by chopping, grinding, separating, drying, freezing, heating, or fermentation.

NOP: The National Organic Program. The NOP and its office were established to implement the Organic Foods Production Act of 1990. It uses state and private agencies to administer some of its programmatic responsibilities such as certification, with the NOP/USDA being accreditation and rule oversight. This term is often used to refer to the organic regulations as well.

NOSB: National Organic Standards Board. A USDA advisory board established to help develop the organic standards. Also responsible for convening Technical Advisory Panels (TAPs) to evaluate materials for the *National List*. Appointments are made by the Secretary of Agriculture.

Off Farm Inputs: Materials such as fertilizers or pest control treatments which are bought from outside sources to be used in growing crops. (To contrast, many growers produce some "inputs", such as compost, on-farm.)

OFPA: The Organic Foods Production Act. This act, which was Title XXI of the 1990 Farm Bill, mandated the establishing of national standards for the production and handling of foods labeled as "organic."

Organic Farm or Handling Plan: A written document that sets forth the producer's current methods, future intentions, and plan for improvement in all areas of production. Defined in the NOP Rule as a plan of management of an organic production or handling operation that has been agreed to by the producer or handler and the certifying agent and that includes written plans concerning all aspects of agricultural production or handling described in the Act [OFPA] and the regulations in subpart C [of the NOP rule].

OTA: Organic Trade Association. An umbrella organization for the organic industry. Includes organic growers, processors, distributors, suppliers, brokers, retailers, certifiers, and non-profit organizations and individuals from the U.S. and Canada. The OTA offers information services, educational resources, legislative representation, government liaison, and promotional programs to its members. Learn more at www.ota.com.

Pesticide/fertilizer drift: Pesticides or fertilizers applied to neighboring land which are carried by wind or water to an organic field.

Synthetics: Defined in the NOP Rule as a substance that is formulated or manufactured by a chemical process or by a process that chemically changes a substance extracted from naturally occurring plant, animal, or mineral sources, except that such term shall not apply to substances created by naturally occurring biological processes.

TAP: Technical Advisory Panel. A panel of experts convened by the NOSB to evaluate scientific data on materials being considered for the *National List.*

Transition: A time period in which a farm or other operation moves toward organic certification by improving soil fertility, eliminating use of prohibited materials, and developing and implementing an organic plan. (It is important to note that this is not a legal term in the United States, and there are no products that can be officially identified as "transitional organic")

What is the Organic Trade Association?

The Organic Trade Association (OTA) is the membership-based business association for the organic industry in North America. OTA's mission is to promote and protect organic trade to benefit the environment, farmers, the public, and the economy. OTA envisions organic products becoming a significant part of everyday life, enhancing people's lives and the environment. OTA has grown to represent about 1600 members in North America. Since its inception, the association has been a key player in shaping both the regulatory and market environment for organic products.

The OTA was established in 1985 as the Organic Foods Production Association of North America (OFPANA). In 1994, OFPANA changed its name to the Organic Trade Association (OTA) to more accurately reflect the association's mission to include all types of organic products—food and non-food alike.

OTA works with Congress, USDA, certifiers, the NOSB, and, of course, its members to see that the implementation of the rule maintains the integrity of the organic industry. Over time, OTA expects the rule to evolve and the standards to become more refined, just as organic standards have evolved to reflect best practices over the past several decades. OTA also advocates for federal resources to allow USDA to work to the best of its ability in maintaining strict and consistent national standards and a tough but fair enforcement program, and to provide organic producers with the same advantages enjoyed by conventional producers.

OTA draws together all segments of the organic business community to share information, create standards of excellence and promote organic products. Like the organic business community at large, OTA's membership is highly diverse. There are sole proprietor businesses, publicly held companies, and every possible structure in between.

A very small number of OTA's members – like Whole Foods, Wild Oats, Hain-Celestial or United Natural Foods -- have grown from tiny start-ups and are now publicly traded. Others have been purchased by traditional food companies. And, now our members are purchasing each other; this spring Whole Foods announced a merger with Wild Oats.

But the majority of Organic Trade Association members are still small or very small businesses - 60% of whom declare annual revenues from organic sales of less than $100,000. By and large, these companies were founded by men and women for whom organic is more than a business plan -- it's what they believe.

Promoting and Protecting Organic

OTA's activities include education, policy development, and business development and marketing. OTA is the founder of the All Things Organic™ Conference and Trade Show, the largest business-to-business trade show and conference in North America focusing exclusively on organic products and organic trade issues.

In addition, OTA informs members about best practices, and offers fact sheets about many topics about organic and production on its web site, www.ota.com.

Public Policy Development

OTA is a leader in advocating and protecting organic standards so that consumers can have confidence in certified organic products, and so they will be as predictable as possible for farmers and processors. With input from its diverse membership, OTA continues to develop and refine organic standards for emerging product areas. OTA serves as the industry monitor of government agencies, takes positions on legislation that affects organic agriculture and products, and represents the industry to regulators, elected-officials, and international bodies. OTA strives to foster constant improvement in public policies, and business practices, concerning organic agriculture and production.

Leadership

OTA is governed by a board of directors that is elected by the membership. A list of current board members is attached. The Board hires an Executive Director and CEO to operate the association throughout North America. The association maintains offices in Greenfield, Massachusetts, Washington, DC and Ottawa, Canada. The Executive Director & CEO is Caren Wilcox.

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Because of its history and membership, the Organic Trade Association is uniquely qualified to comment on organic standards and regulations. Many of the members of the OTA are the creators of the organic industry and the first consensus organic standards, and organic certification procedures. OTA's members have built the market identity for organic. From the very first discussion of federal standards for organic production and labeling, the Association has been actively involved. As the organic business community works in partnership with the federal government, we ask that our creation, our contract with our customers, be treated respectfully.

For more information about the Organic Trade Association go to www.ota.com.

4/2007

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WITNESS BIOGRAPHY

LYNN CLARKSON
President of Clarkson Grain Co., Inc.

Lynn Clarkson founded Clarkson Grain Co., Inc. in 1974 and continues to serve as its president. Clarkson Grain supplies selected conventional, non-GMO and organic grains, oilseeds and associated intermediate products (starch, oil, flour, lecithin) to processors of foods and feeds in Asia, North America and Europe. It contracts with farmers across the United States and in Canada and Argentina to produce chosen varieties in specific ways. It chooses grains and production systems to deliver specific process and product characteristics that give clients competitive advantages and favorable market access.

Clarkson Grain operates several grain elevators, an interior barge station on the Illinois River and rail sidings in 15 states. Licensed as a grain dealer and warehouse, Clarkson Grain relies on farm storage backed by dedicated commercial storage to segregate crops and maintain quality. It uses its own and contract facilities to assemble and prepare materials. In serving Asian and European clients, the company operates some of the most detailed non-GMO protocols in use today. It received organic certification for its grain facilities in Beardstown, Illinois in 1991. Today, only one of its facilities remains conventional. The others all operate under organic certification.

Born on a farm in central Illinois, Mr. Clarkson spent time with the US Navy before forming Clarkson Grain. He holds a JD from the University of Wisconsin, a Masters in Political Science from Tulane University and Bachelors from Knox College. He has served on various committees advising the College of Agriculture at the University of Illinois and GIPSA within the USDA and works closely with researchers at several other universities and research facilities. He serves as a director of the Organic Trade Association.

Relevant Publications
Clarkson, Lynn. **Selecting Soybeans for Food Applications**. In ***Soy Applications in Food,*** Chapter 13, Pp 249 – 266. edited by Mian N. Riaz, 2006, Boca Raton, CRC Press

Testimony of Clint Fall, General Manager
First District Association

on behalf of the

Midwest Dairy Coalition

presented to the

Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington D.C.

for a hearing on

"Economic Challenges and Opportunities Facing American Agricultural Producers"

April 24, 2007

Chairman Harkin, Senator Chambliss, Members of the Committee-

My name is Clint Fall, President and CEO of First District Association. I want to thank you for the opportunity to testify on behalf of the Midwest Dairy Coalition regarding the 2007 Farm Bill.

The dairy sector is extremely important to the economy of the Upper Midwest, particularly Minnesota and Wisconsin. Minnesota's dairy sector annually pumps more than $1.2 billion into our state economy, and the total economic impact of Minnesota's dairy production is estimated to be $3.1 billion. The total employment impact of Minnesota's dairy industry is estimated to be 27,402 jobs, including direct employment of 6,111 jobs and indirect or induced employment of 21,291 jobs. When the multiplier effects are fully considered, it is estimated that each Minnesota dairy cow generates $5,000 in economic activity for the state.[1]

According to the Wisconsin Milk Marketing Board, Wisconsin's dairy industry has a $20.6 billion impact on the state's economy and employs 160,000 people, accounting for nearly 40 percent of all Wisconsin agriculture jobs. The economic impact of dairy farming in Wisconsin is more than twice as large as the citrus industry's economic impact in the state of Florida and eight times as large as the potato industry's economic impact in the state of Idaho. The average Wisconsin dairy cow generates more than $17,000 a year in economic activity, which circulates throughout local communities.[2]

First District Association is a dairy farmer-owned cooperative based in Litchfield, Minnesota. The farmer-members for First District are located in Minnesota, Wisconsin, and Iowa and produce over 1.7 billion pounds of milk per year. Over 130 million pounds of Cheddar cheese, 22 million pounds of whey protein concentrate and 32 million pounds of lactose are produced annually. Our single cheese processing plant in Litchfield is a modern state-of-the art operation. Our customers include the largest chocolate manufacturers, infant formula manufacturers, bakery companies, dairy food processors (yogurt, cream cheese, and processed cheese), snack food companies and pharmaceutical companies.

Farmer-owned dairy cooperatives along with proprietary dairy plants are critical in the dairy processing sector, not only in the Upper Midwest, but also in the nation as a whole. In Minnesota and Wisconsin, about 85 percent of milk is marketed through cooperatives. It is estimated that 60-65 percent of cheese, most butter and milk powder in Minnesota and Wisconsin are processed by cooperatives.

As a dairy farmer member-owned processing and manufacturing cooperative, our goal is to maintain an efficient and competitive operation, not only to provide our farmers a fair price for their milk, but also to return a profit to them from the dairy products that we produce and markct.

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[1] Governor Tim Pawlenty's Livestock Advisory Task Force Report, June 2004, pp. 8-10
[2] http://www.wisdairy.com/AdvertisingAndNews/DairyImpactCampaign/default.aspx

As a member of the Midwest Dairy Coalition we are also active in supporting federal dairy policies that are beneficial to dairy farmers of the Upper Midwest and the nation as a whole.

Dairy is highly regulated. The structure of federal dairy policy has always played a significant role in the status of the Upper Midwest dairy industry, although not always for the better. There has been a tendency in federal dairy policy to promote high minimum prices for Class I (fluid) milk and to instill policies that put downward pressure on the prices for manufactured dairy products. Whether it is the ongoing structure of the federal milk marketing order system or past experiments with regional dairy Compacts, federal dairy policy has often placed the Upper Midwest at a competitive disadvantage. For the Upper Midwest, where about 85 percent of our milk is manufactured into cheese, butter, and powder, anything that artificially inflates the price of Class I at the expense of manufactured classes of milk is detrimental to our region.

Therefore, one of our clear policy goals has been to promote policies that treat producers in the Upper Midwest more equitably, and to work to reform or eliminate those policies that discriminate against our region.

As Congress debates the structure of the 2007 Farm Bill, I would like to make several points about policies that are important to our producers and the Upper Midwest dairy industry as a whole.

Milk Price Support Program

The milk price support program has been the core base of support for milk and dairy product prices for decades. Without a doubt, it is an important program that should be continued. But equally clear is that the milk price support program is in great need of reform. The current price support level of $9.90 per hundredweight is a very low level of support. But even at that low level, the current price support program has proven to be a porous and ineffective floor. Between January 2000 and February 2003, the Class III price fell below support in 12 of 37 months, falling as low as $8.57 in November of 2000.

The central premise of the milk price support program is that dairy product manufacturers will sell dairy products to the Commodity Credit Corporation whenever market prices fall below the product purchase prices established by USDA. Yet what we are seeing is that manufacturers are reluctant to sell product, particularly cheese, to the CCC. One of the key reasons for this is that the costs of selling product to the CCC are higher than the costs of selling to the commercial market. These higher costs are associated with CCC processing and packaging standards and inspection and grading requirements that are different from industry standards. In addition, storage and finance costs are higher because it takes longer for the CCC to take delivery of product and make payment.[3]

[3] Jesse, Ed, "Flooring the Support Price for Milk," Marketing and Policy Briefing Paper, University of Wisconsin-Madison, College of Agricultural and Life Sciences, Department of Agricultural and Applied Economics, March 2003. (http://www.aae.wisc.edu/future/publications/m_P_pb_81_flooring.pdf)

To address these unique costs associated with selling surplus product to the CCC we are very interested in the new proposal by National Milk Producers Federation (NMPF) to create a Dairy Product Price Support Program. By legislating individual CCC purchase prices for butter, powder and cheese; instead of having one overarching milk price support of $9.90 per hundredweight, we believe it may help to assure that the price support functions more effectively as a true safety net.

Milk Income Loss Contract (MILC) program

Because of the inadequacy of the milk price support program as a safety net, First District Association and other members of the Midwest Dairy Coalition argued during the last farm bill debate that an additional program should be established to provide a more credible safety net for dairy producers, and that such a program should be national in nature to provide benefits to all producers. Fortunately, others agreed. The Milk Income Loss Contract (MILC) program that emerged out of the 2002 farm bill has proven to be a very effective safety net, and has helped us move away from some of the contentious inter-regional conflicts that were commonplace in dairy in the late 1990s and the early part of this decade, particularly with regard to regional dairy compacts.

Because of the counter-cyclical nature of the MILC program, the program has proven to be very cost effective. Assistance is only provided to producers when market prices fall below target levels and remains dormant when market prices are strong. Indeed, the MILC program was dormant for much of 2004 and 2005. Without question, our producers would far prefer to see market prices remain strong so the MILC program would remain dormant. However, when prices do fall to low levels, as they did in 2002 the first half of 2003, and parts of 2006, the assistance provided by the MILC program has been critical. We propose that the MILC program be re-implemented (without a diluted formula) as it was when it originally emerged from the 2002 farm bill.

One of the other tools used by Congress to improve the effectiveness and limit the taxpayer costs of the MILC program has been to place a volume cap to limit the benefits to the first 2.4 million pounds of production per operation, roughly equivalent to the production of about 120-140 cows, depending on a farmers' production per cow. All producers are eligible for benefits, but not beyond the 2.4 million pound annual cap. It is important to note that 82 percent of all dairy farms in the nation are fully covered under this cap. Yet even those that exceed the cap receive great benefits.

The MILC program has proven beneficial to the vast majority of dairy farms in the nation. With regard to the Upper Midwest specifically, there is no doubt that the program has helped us to maintain our productive capacity during low milk price cycles. In that context, it is worth noting that dairy cow numbers in Wisconsin increased in 2005. This is the first time since 1994 that January-December dairy cow numbers in Wisconsin

have not shown a reduction.[4] Arguably, the MILC program is one of the factors helping our region turn around.

As we move into the next farm bill debate, it is critical for our dairy industry and our rural communities that the MILC program or a similar type of counter-cyclical DIRECT safety net program be continued.

Consistency in our Trade Policies and Tariff Schedules

Gone are the days when the U.S. dairy sector could operate without regard to the global market. The opportunities and challenges of international trade are a reality for U.S. dairy. In that regard, it is critical that we review our trade policies and those of our trading partners, to assure that we have consistent and rationale policies as we move into the future. Specifically, during the Uruguay Round of WTO trade negotiations, tariff rate quotas were placed on imports of traditional dairy import product classes such as cheese, butter, and nonfat dry milk. However, we failed to recognize emerging trends in international trade, particularly with regard to milk protein concentrates (MPCs), and we failed to create tariff rate quotas on those milk protein products consistent with other dairy product classes. As a result, we have seen instances in recent years during which MPC imports to the United States have surged.

In March of 2001, a General Accounting Office study requested by Congress determined that MPC imports increased 56-fold from 1990 to 1999, with a near doubling of the MPC imports in 1999 alone.[5] Not only do these import surges affect farmers' milk prices domestically, they also have a cost to taxpayers. In a May 2004 study by the International Trade Commission, it was determined that about 35 percent of the Commodity Credit Corporation stock build up of nonfat dry milk between 1996 and 2002 was attributable to displacement of domestically produced nonfat dry milk by imported milk protein products.[6]

It is critical that we modify our tariff schedules to place tariff rate quotas on MPCs and casein, as proposed in legislation introduced by Congressmen Obey (H.R.521) and Senators Craig and Clinton (S. 1714) in the last Congress. This legislation would not attempt to stop MPC and casein imports altogether. It would merely place commonsense limits to assure that the U.S. doesn't experience major surges of MPC imports again, as we did in the 1990s. The United States is currently the only dairy import-sensitive nation in the world that has not imposed such limits on MPC imports. It's time for us to push for more consistency in our tariff schedules, and to fully recognize and respond to our own market vulnerabilities, as have many of our trading partners.

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[4] Status of Wisconsin Agriculture 2006, University of Wisconsin-Madison, College of Agricultural and Life Sciences, Department of Agricultural and Applied Economics http://www.aae.wisc.edu/pubs/status/

[5] http://www.gao.gov/new.items/d01326.pdf, p. 4

[6] http://hotdocs.usitc.gov/docs/pubs/332/pub3692.pdf, pp. 9-3 and 9-15

While Congressional rules of jurisdiction may make it impractical to address important trade legislation such as this through the Farm Bill itself, I urge Congress to move this legislation on a parallel track.

Conclusion

As the Committee prepares to craft the 2007 Farm Bill, I urge your support for a two-pronged dairy safety net, as represented by a modified price support program and a continuation of the MILC program. Together these programs will provide a credible safety net for dairy farmers over the life of the new farm bill.

I thank you for this opportunity to testify.

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Testimony Presented by Emily Jackson,

Appalachian Sustainable Agriculture Project (NC)

On Behalf of the Community Food Security Coalition

Senate Agriculture Committee Hearing on:

Economic Challenges and Opportunities Facing American Agriculture Producers Today

106 Dirksen Senate Office Building
April 24, 2007

For more information please contact:
Policy Office- CFSC (202) 543-8602

PO Box 209 Venice, CA 90294 Tel 310-822-5410 www.foodsecurity.org

U.S. Senate Agriculture, Nutrition and Forestry Committee Hearing

Economic Challenges and Opportunities Facing American Agriculture Producers Today

Tuesday, April 24, 2007

Community Food Security Coalition
Testimony by Emily Jackson
Appalachian Sustainable Agriculture Project
North Carolina

Thank you Chairman Harkin, Senator Chambliss, and members of this Committee for the chance to speak with you today. The Farm Bill provides a strategic opportunity to reevaluate our current agricultural policy. My purpose here today is to describe the policies and programs that we urgently need to stay profitable, supply existing and emerging markets, and strengthen the small and family farms that are critical to food security and community vitality across America. The programs I want to ask you to protect and expand include those low-cost but high-impact programs that build successful community food projects, provide for farm to institution linkages, such as schools and hospitals, reduce risk to farmers, protect against disaster, and give much needed financial and technical assistance for distribution and processing of products so farmers can obtain a larger share of the food dollar.

I work for a non-profit organization in western North Carolina called the Appalachian Sustainable Agriculture Project, although I have also been a farmer as well. Our organization supports farmers and rural communities in the mountains of Western North Carolina and the Southern Appalachians by providing education, mentoring, and community and policy development. Our mission is to expand regional community-based food systems that are locally owned and controlled, environmentally sound, economically viable and health-promoting. To these ends, we help farmers in our region, many of whom are transitioning out of tobacco production, connect to local markets and institutions such as schools and hospitals. The experiences of North Carolina farmers transitioning out of tobacco could correlate well to any farmer trying to exit out of growing commodity crops, and we have found that developing skills and abilities to access local consumers has made the change easier for growers.

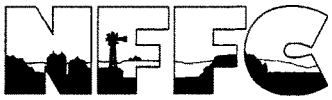
In doing this work, there are a number of barriers that we have found which, if lifted, have the potential to increase the amount of fruits and vegetable that farmers are able to deliver directly to consumers. In schools, confusion about USDA's rules related to local procurement means that even with competitive prices and a desire to support farmers in their region, schools are hesitant to purchase local products from family farmers in their region. By amending the Farm Bill - with a no-cost provision - to state that a geographic preference can be used when writing a bid for school food, farmers and kids will both benefit. Farmers will have increased access to a steady, reliable market and kids will have access fresh, healthy food in their cafeterias. Farm to cafeteria programs that introduce

students the farmers that grew their food, and provide nutrition education, in addition to local food at schools, have been very successful in western North Carolina. Funding to support expansion of these kinds of programs would be very helpful, and we urge you to reauthorize increase funding for the Community Food Projects Competitive Grant Program

As I'm sure you have heard from other witnesses before the Committee, hunger, obesity and other diet-related diseases, and food insecurity are all rising in both urban and rural areas. This is in part a result of the lack of affordable access to fresh fruits and vegetables and other foods vital to a healthy diet. Local food producers around the country are an important part of the solution, but they face major barriers in transporting their products to underserved markets including a lack of processing, distribution, and information technology infrastructure. Each community has a unique situation, and by supporting programs like the Community Food Projects Competitive Grant Program, the Value Added Producers Grants, and the Farmers Market Promotion Program, you empower communities to find innovative solutions to their own problems, which over the long run will lead to increased sustainability. These existing and new policy tools to provide farmers access to domestic markets are urgently needed and I ask that you include them in the Farm Bill with increased funding.

To illustrate some of the points I've mentioned, I'd like to share a story with you. In order to show children where the locally grown food that was being served in their school cafeteria came from, we took children out to a farm. Children got to taste everything they saw growing but one plant in particular caught their attention - okra. Knowing they had permission to taste anything growing, they decided to sample the okra, raw. They loved it! The next day, these same children went to a local restaurant to cook the veggies and prepare a meal of the food they had seen growing the day before. The chef, who had also gone on the farm field trip and had witnessed this okra marvel, had some okra prepared for the children. They gobbled it all up and asked for more. A week or so later, the chef received a note from one of the parents, saying that her child had come home requesting okra and they promptly went to the store and bought some. The parent was amazed that the experience enthused her child about veggies, especially okra.

For greater detail on some of these specific provisions, I would like to enter for the record two recent documents, the **Healthy Food and Communities Initiative**, and the joint report by USDA and Community Food Security Coalition, **Healthy Food, Healthy Communities – A Decade of Community Food Projects in Action**. I thank you for your time and your leadership on behalf of a strong and vital food and agriculture system in the United States.



National Family Farm Coalition

110 Maryland Avenue, NE Suite 307 • Washington, DC 20002 • (202) 543-5675 • Fax (202) 543 0978 • nffc@ nffc.net • www.nffc.net

TESTIMONY PRESENTED BY RANDY JASPER

Wisconsin Farmer

National Family Farm Coalition

Senate Agriculture Committee Hearing on:

Economic Challenges and Opportunities Facing American Agriculture Producers Today

106 Dirksen Senate Office Building
April 24, 2007

My name is Randy Jasper. Along with my son Kevin, I milk 100 cows and raise 2,000 acres of corn and soybeans along with 200 acres of hay in Muscoda, Wisconsin.

We are members of the American Raw Milk Producers Pricing Association, who is a member of the National Family Farm Coalition. I am pleased to submit this statement for consideration by the Senate Agriculture Committee on behalf of the Dairy Subcommittee of the National Family Farm Coalition.

As the 2007 Farm Bill is being written, please keep in mind dairy farmers are not looking to Washington for handouts. We simply want to be paid, from the market, a price which yields a return on our investment greater than our cost of producing raw milk.

The policy recommendations I present today have been crafted over the years by real dairy farmers, the voice rarely heard on Capitol Hill. We do not have the lobbying money of corporate agribusiness or the dairy industry which contributed over $3 million in campaign contributions in 2006.

Our nation needs a fair and effective system that will ensure a regional, dispersed, safe and resilient milk supply serving as the backbone of our nation's food security and rural economy.

Dairy producers throughout the country need:

- Public policy that results in dairy farmers receiving cost of production plus a return on investment;
- Access to affordable credit with fair terms;
- Competition restored to a non-competitive dairy market;
- Protection from predatory practices of the largest corporations including the largest co-ops;
- Protection of the integrity of dairy products meaning no support for domestic Milk Protein Concentrate (MPC) or for any MPC used in our food supply;
- Prohibition on forward contracting;
- Promotion of smaller co-ops and increase oversight of co-op management to ensure interests of producers are met.

My milk goes to a co-op, Scenic Central Milk Producers. There are 250 farmers in the co-op that market 19 million pounds of milk a month with a 98% return to farmers on gross sales of milk. ARMPPA gets one penny per cwt for services rendered. This co-op is independent and it works.

A crisis has befallen dairy farmers, large and small, throughout America in the past year as dairy farmers saw a steep rise in fuel and fuel surcharges, feed grain prices and costs to produce our own feeds. When these rising costs of production are combined with weather related disasters and continued low milk prices, how do you expect us to stay in business?

I literally can not work any longer hours.

In real dollars, it was the worst year ever for dairy farmers, including the years encompassing the Great Depression. We sit on conference calls late into the night after 16 hour work days, talking with fellow dairy farmers across 20 plus states, sorting out what changes we need in dairy policy.

We have developed a milk pricing proposal entitled the Federal Milk Marketing Improvement Act of 2007 that includes:

1) All milk produced in the United States will be priced based on the national average cost of production.

2) All milk used for manufacturing purposes will be classified as Class II milk.

3) The value of Class I milk will be the same across the United States.

4) The Class II price will be the Basic Formula Price for all markets in the United States.

5) Dairy farmers' prices will be adjusted four (4) times a year.

6) All federal and state orders will determine the amount of adjustments for pricing butterfat, etc.

7) The proposal allows the USDA to implement a supply management program. This can be implemented only when the value of exported dairy products equals the value of imported dairy products.

8) This proposal does not allow any hauling costs to be charged to dairy farmers

9) This proposal does not allow any make allowance cost to be charged to dairy farmers.

The proposal, if in place today, would provide a Blend Price of $18.65 in Federal Order 1. (*see Appendix I*)

The National Family Farm Coalition has also proposed changes to the Class III and IV pricing system through recent Federal Order Hearings. We were disappointed to learn the U.S. Department of Agriculture had decided to remove our proposal from consideration along with many others that raised the issue of cost of production.

On February 20, 2007, NFFC delivered a letter to USDA Inspector General Phyllis Fong identifying problems with inaccurate price reporting in the NASS Survey. This situation is costing dairy farmers millions of dollars a month. Our understanding is that the Inspector General is currently involved in an investigation of the situation.

America's dairy farmers are suffering a perfect storm. However, no action has been taken

to alleviate their dire straits, despite the fact they are the ones who lack the ability to achieve any recourse from the marketplace. The root cause of the problem is not the increased grain prices, but the inability of the current dairy pricing system to reflect the cost of production and receive market signals from producer to consumer and vice versa.

We will continue to demand a pricing system that allows family dairy farmers the dignity of a fair price through the current Class III and IV hearings and with our legislative proposals for the 2007 Farm Bill, the Food from Family Farms Act. The solution is a fair price; a fair price for dairy farmers and for farmers who raise program crops based on a non-recourse loan program with a price floor that reflects a farmers' cost of production, farmer-owned, humanitarian and strategic reserves, incentives for participation in conservation programs, and international cooperation on supply management. Years of depressed grain prices have fueled the expansion of mega-dairies and forced thousands of dairy farmers and other diversified family farm operations out of business.

The problems associated with achieving a price for raw milk that dairy farmers can function with are threefold:

- **Pricing system**
- **Production expansion**
- **Imports**

Problem #1 Pricing:

Congress, cooperatives, producers and private firms share the blame on this one, as massive consolidations of milk cooperatives and private enterprises have left the dairy industry's marketing and pricing strategies in the hands of a few entities. Larger co-ops have vested interests with private firms causing collusion, corruption and manipulation of our pricing system, beginning at the Chicago Mercantile Exchange. Farmer members are so removed from the inner workings of the management of our co-ops that they do not have the means or the will to demand accountability of their co-ops' leaders. With market consolidation and antitrust violations gone way too far, competition has been nearly eliminated. Near-monopoly structures leave farmers in many parts of the country without an alternative place to sell their milk.

The price of milk that farmers receive and the cash trading for cheese at the CME has had an almost perfect correlation. (See Chart 1). Daily trading of cheese at the CME happens most of the time with only two traders, one buyer and one seller, while butter trading lasts only a few minutes each day. Often there is no actual trade involved to change the price. All of this occurs with virtually no government oversight—that is not a functioning marketplace!

Farm milk price bears no relationship to U.S. milk production. Arguments about the market sorting out supply and demand are pure fiction. (See Chart 2).

It's not that federal policy can't have an effect on those structural changes that force out

smaller farmers. It's not a given that the federal government has to stand by while agribusiness consolidates and consume larger and larger shares of the dairy market, by destroying competition. Under this administration, policy won't have a proper effect unless Congress demands enforcement of antitrust regulations that the USDA and the Department of Justice have failed to enforce. Without antitrust action we will continue to wonder why programs like MILC aren't working while ignoring the structural impacts of market consolidation. The status quo ultimately costs tax payers and farmers money because of lack of political will to address the problem.

Problem #2 Production Expansion:

Milk production has doubled since 1975. However, it is not an overproduction. For the last ten years, milk production in the US has not kept pace with consumption in the US. (See Chart 3).

The latest milk production figures for March 2007 show that 13 out of 23 top dairy states produced less milk in 2007 than they did in March of 2006. Most of the states producing additional milk are Western states. That additional milk from Western states is not the result of efficiency or market forces. Milk production in Western states is driven by California real estate values and the IRS tax code 1031.

The 1031 tax provision enables people selling their land to forgo paying any capital gains taxes if they reinvest in a like business. With land values in California ranging from $400,000 to $500,000 per acre, these dairy farmers can sell out to developers, then relocate and build new cow factories 5,10, or 20 times their original size with the money they save on taxes. Small to medium sized family farms in other parts of the country are forced to compete with the outcomes of this expansion.

The reality we face today tells us that milk is now located where the International Panel on Climate Change predicts will soon become a permanent dustbowl. Two dairy plants, one located in Clovis, New Mexico and the other in the Texas Panhandle, about 100 miles away, will soon be producing 40% of the nation's Cheddar cheese. Both the plants and the farms supplying those plants draw irreplaceable water from the Ogallala aquifer.

NFFC believes that the low price of milk tends to increase expansion more than a high price for milk. Farm milk price that is below the cost of production forces a decision by the farmer to change one's farming practice (a switch to organics or grazing for example), sell out, or expand to achieve the multiplier effect.

Family farmers are constantly told by processors, bankers, government, suppliers, and retailers, "If you want to make more money, you have to get bigger," or "Get bigger or get out." The truth is, getting bigger does not mean being more efficient. Smaller family farms are far more efficient in the long run than larger factory farms when factors such as culling percentage, death loss rates, breeding efficiencies, number of lactations and number of purchased replacements are weighed, as they must be.

Problem #3 Imports:

America imports dairy products from well over 100 countries, many of which have questionable sanitation. Most dairy imports drive the farm milk price down without any savings passed on to the public. Imports of milk protein concentrates should also be of great concern to Congress. MPCs are still untested and illegal by law to be used as a food ingredient in any capacity in the United States. Since when does a free market rule apply to illegal food ingredients with no scientific, safety, or nutritional tests? Virtually no other country in the world feeds this garbage to its people. The use of MPCs in cheese products creates poor quality and possibly unsafe products with short shelf life. These items are sold to unsuspecting consumers who think they are buying real dairy products, but they are really victims of uninformed consent. When this happens, we cheat the citizens of this country and insult American dairy farmers who strive to produce the highest quality milk in the world. (See Chart 4).

In conclusion, we ask the Senate Agriculture Committee to keep in mind that the original intent of the farm bill is to provide the nation with a safe and resilient food supply. We are not greedy people; we only want to provide a living for our families and a chance to improve our farming practices so that we can pass our farms down to the next generation. The MILC payment program has helped to supplement the loss of family income but is insignificant in paying monthly operating bills.

Agribusiness marketing and processing giants want to monopolize all the profits from every sector, wholesale and retail. Even government payments are merely subsidies passed to agribusiness through farmers. Of course, the dairy farmer has absolutely no means by which he can provide an income other than taking whatever milk procurers decide to pay. Today's price support at $9.90 is of little benefit to dairy farmers given the fact that the average cost of production (according to the USDA Economic Research Service) for 100 lbs. of milk for Wisconsin in February 2007 was $23.68. We need a realistic price support or floor price that reflects the true cost of production. Today we are receiving $14 to $15/cwt, which can keep no dairy farmer in business.

I appreciate this opportunity to submit a prepared statement. Dairy farmers need a fair price for their production. Our country deserves a program that will work for all family dairy farmers regardless of region and one that works for all of us in our role as farmers, consumers, and taxpayers.

Chart 1

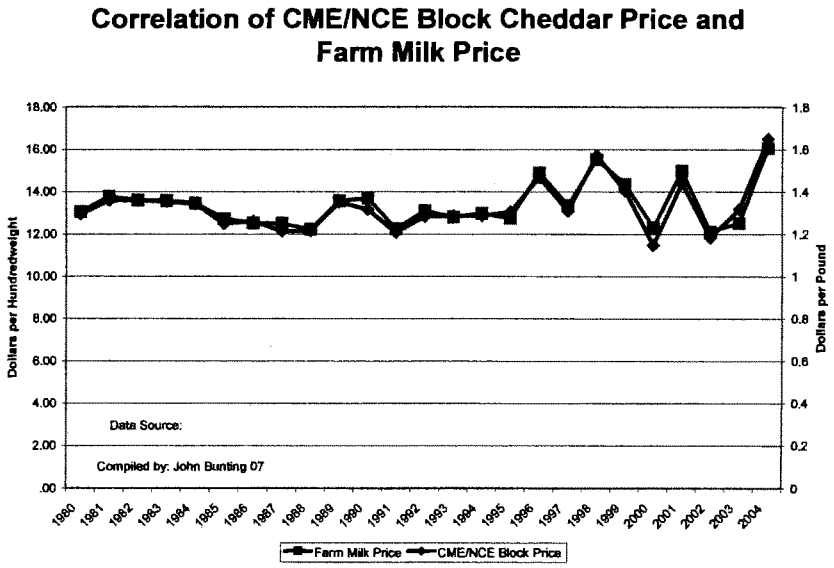


Chart 2

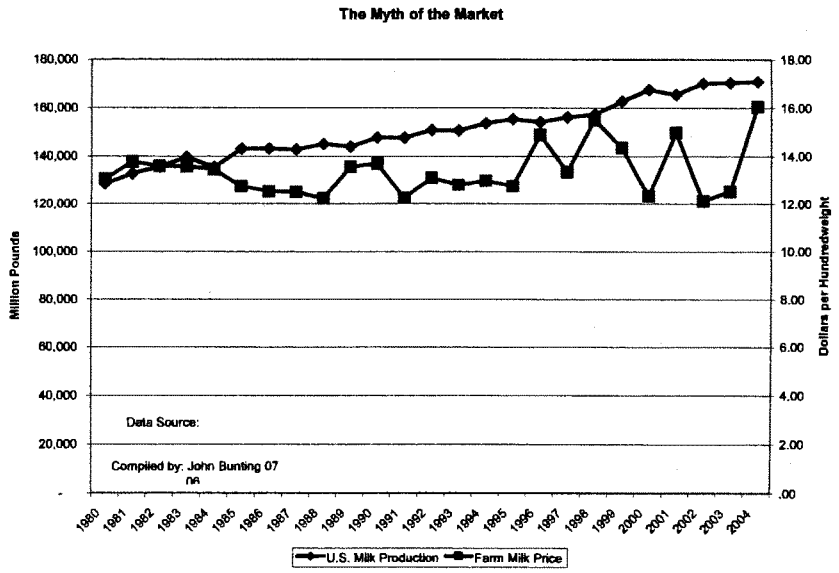


Chart 3

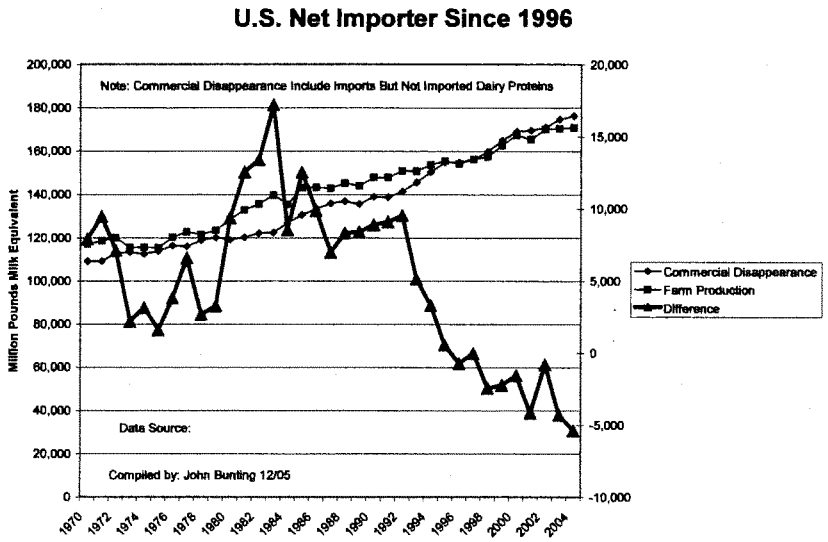
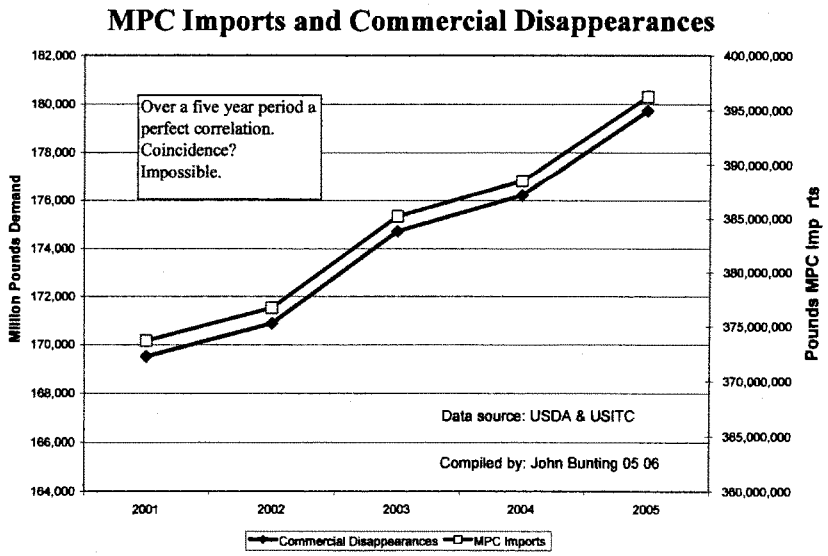


Chart 4



Appendix I

Federal Milk Marketing Improvement Act of 2007
Price Analysis

ORDER	DESCRIPTION	**Class I Utilization	PRICE*
#1	Northeast (Massachusetts)	46.49%	$18.65
#5	Appalachia (North Carolina)	66.3%	$19.42
#6	Florida	84.1%	$20.12
#7	Southeast (Georgia)	59.3%	$19.15
#30	Upper Midwest (Chicago, IL)	16.9%	$17.51
#32	Central Missouri	31.4%	$18.07
#33	Mid-East (Ohio)	38.4%	$18.34
#124	Pacific Northwest (Washington)	29.5%	$17.99
#126	Southwest (Dallas, TX)	36.4%	$18.27
#131	Arizona	37.5%	$18.30
	California	17%	$17.51

*Based on 2005 Cost of Production Figures
**Class I Utilization represents the average utilization for 2006 in each market.

Statement of A.G. Kawamura
Secretary, California Department of Food and Agriculture
United States Senate
Committee on Agriculture, Nutrition, and Forestry

April 24, 2007

Thank you Chairman Harkin, members of the committee, for calling this series of hearings to discuss challenges and opportunities facing American growers and ranchers. I am A.G. Kawamura, Secretary of the California Department of Food and Agriculture. I am here today as Governor Schwarzenegger's representative. In California, we are working hard to share our understanding that access to nutritious California grown foods is an essential component of a healthy lifestyle and is key to maintaining the economic prosperity of the state and nation. The health of this nation relies upon the investment we make in our agricultural economy.

As we move toward reauthorizing the U.S. farm bill we must understand the key challenges and opportunities facing agriculture. It was not long ago that this nation's specialty crop industry (fruits, vegetables, and nuts) were referred to as minor crops. In fact, the U.S. specialty crops industry now accounts for nearly 50 percent of U.S. farm gate value. It is not wrong to say that U.S. agriculture has been defined in the past by the great success of corn, dairy, wheat, rice and cotton. But it is wrong to omit specialty crops from that list.

Every nation in the world seeks a healthy, thriving population. We as the United States, the producer of the safest and highest quality agricultural products, are facing a crisis in

nutrition. The tragedy of adult onset diabetes in children and other health implications are the evidence of this crisis. According to health professionals, we as nation spend a 95 percent of our health care cost after we are already sick, and less than 5 percent on prevention and wellness. U.S. agriculture provides a healthy diet of dairy, grains and specialty crops. We provide guidelines that can improve the individual diet, increase the health of the nation and reduce the cost and burden of health care. Yet, when we speak of a farm bill, consumers and the media see entitlements. Instead, we should speak of a "public health bill" that places agriculture on the forefront of preventive care – providing healthy and nutritious products to a thriving population.

The key elements of this public health bill should focus on the overall health of our nation. The areas of nutrition, rural communities, working landscapes as part of the environment, specialty crops and renewable energy must be priorities. The specialty crop industry, nearly 50 percent of U.S. farm gate value, is a key to improving the health of this nation. Within a farm bill context we should not see specialty crops as an individual title but rather encompassed within all title areas of the farm bill.

The Specialty Crop Competitiveness Act of 2001 was unable to fulfill the demand that was placed upon it. The act did however provide multiple successes in the areas of research, nutrition, disease prevention, marketing and trade – hitting the target areas of a healthy nation. The most innovative concept in this act provided funding directly to states to address local challenges and opportunities that cannot be effectively addressed by the national government. Every state's specialty crop needs are different, and states

are in the best position to assist local growers with the specific investments they need to increase competitiveness. The Specialty Crops Competitiveness Act is an investment in the health of the nation and must be integrated within our public health bill.

We can all agree that investment in agriculture is necessary. Providing the funding for that investment is difficult. We should not be restricted to a shrinking pie scenario, when we are making an investment in our critical resource base for the next five years. In respect to funding for the farm bill, Congress should look for innovative areas in government funding that can increase the preventive role of agricultural in our nation's health care by reprioritizing our investment strategy.

In the end, we, as stewards of our nation's agricultural infrastructure, must make a targeted investment that enhances the health of our population and environment and continues to provide a dependable, safe and affordable food supply. If we fail to make that investment, we will be held accountable for turning over the security and safety of our food supply to foreign agricultural suppliers. A secure domestic food, fuel and fiber supply is a national security imperative for the United States.

In closing, we have seen the success of the Specialty Crop Competitiveness Act of 2001, the current success of the 2004 Specialty Crop Act, and now we look to Congress to extend the principles and increase the commitment of specialty crop funding within the farm bill. I cannot stress enough that this is not the time in our nation's history to allow a shrinking pie mentality for the investment we need to make in this strategic resource. Our

commitment to agriculture and our commitment to a healthy population deserve this investment.

Chairman Harkin, members of the committee, thank you again for this opportunity to provide remarks.

Philip J. Korson II

President

Cherry Marketing Institute

Testimony

Senate Agriculture Committee Hearing

April 24, 2007

Introduction

Good Morning Chairman Harkin, Ranking Member Chambliss and other members of the Senate Agriculture Committee. Thank you for the opportunity to be here today to present testimony on behalf of tart cherry growers in Michigan and across the country and to provide input on the next Farm Bill.

I would like to extend a special thanks to our Michigan Senator, Debbie Stabenow, an important member of this Committee who has worked very hard for our state's specialty crops for many, many years. Senator Stabenow, we appreciate everything that you do. I commend you and Senator Craig on the introduction of the Specialty Crops Competition Act of 2007. You have set a high standard for the specialty crop provisions that should be included in the next Farm Bill.

Cherry Marketing Institute

Members of the Committee, I am Phil Korson, President of the Cherry Marketing Institute, a national cherry organization that was created in 1988 to help promote tart cherries and foster research on our crop. Our members, who provide our funding, include both growers and processors across the country. We offer the public, food manufacturers and the government expertise on cherries and their applications and we provide information on nutrition and health benefits research. Our efforts to promote our crop

P.O. BOX 30285 • LANSING, MICHIGAN 48909-7785 • 517-669-4264 FAX 517-669-3354 • www.usacherries.com

were recently featured in the Wall Street Journal when we announced bringing Jeff Manning on board as our Chief Marketing Officer. Mr. Manning is best known for developing the "Got Milk?" campaign for the California Milk Processor Board. His instrumental role in developing our new "Not Just Another Berry" campaign will help increase awareness about the incredible health benefits of tart cherries and build new demand for our crop.

The industry I represent in Michigan and across the country is an excellent example of the unique needs of not just cherries but many other specialty crops. My testimony today will outline concerns specific to cherries, but many of these issues are shared by other specialty crops. **First and foremost, the specialty crop community is excited about the opportunity to include, for the first time ever, a Specialty Crop Title in this Farm Bill. We have come a long way in the last decade to make our concerns known to Congress and we appreciate the opportunity to address long-standing issues unique to our crops in this Farm Bill.** While there are many causes we all share, today I will focus on the importance of nutrition, research and disaster programs.

U.S. Tart Cherries / Processed Fruit

Cherries are an important specialty crop for Michigan's agricultural economy and the nation. In fact, Michigan's tart cherry growers produce 75% of the U.S. annual crop. Michigan is also a unique state in that many of our fruits and vegetables are not grown for fresh consumption; rather they are processed into a multitude of healthy, value added products like dried cherries or 100% cherry juice. The economics of processed fruits and vegetables versus the economics of fresh fruits and vegetables are very different. Rather than responding to rapid changes in supply and demand in the fresh market, the long term implications of surplus inventories, especially in the cherry industry, have some of the strongest impacts on our market and the ultimate price paid to the growers. In fact, tart cherries have a Federal Marketing Order in place that regulates how much product we put on the market in order to help our growers achieve the maximum price. It is important to note that the demand for our product has a strong effect on the processing economy in our state and has a direct impact on the thousands of fruit and vegetable processing and handling jobs in Michigan and across the country. **That is why it is critical that when developing legislative language regarding specialty crops that you consider all forms of fruits and vegetables – not just fresh. Processed fruits and vegetables are all important components of a healthy diet and come in many forms including dried, cut and peeled, and flash frozen.**

Nutrition

We support all efforts to increase additional fruit and vegetable purchases for distribution to all USDA nutrition programs including the National School Lunch Program, TEFAP and the CSFP. We believe that funding for this should be mandatory and that the new purchases should be in addition to the annual purchases made by USDA. We support the highest possible level of mandatory funding for this program.

Federal purchases of fruits and vegetables are critical to maintain good prices for growers. In the case of U.S. tart cherries, we use a Federal Marketing Order to limit the product we can introduce to the market and without an outlet such as a USDA purchase; our product sits in surplus unused. We had a wonderful crop year in 2006, but we now face an incredible surplus that needs an outlet to help maintain grower price in 2007. We are awaiting an announcement from USDA for a much needed purchase of 26 million pounds of tart cherries.

A study conducted by the industry demonstrated that for every five million pounds of tart cherries purchased by the government equates to a one cent increase in the price per pound a grower receives. For a grower getting an average of ten cents per pound, that is a 10% increase in price and an undeniable benefit. The more we can increase the federal fruit and vegetable purchase programs, the more we can help specialty crop growers in those times when they are in a surplus position.

Again, it is important to reiterate that these purchases should not be limited to just fresh fruits and vegetables as that would be a barrier to many Michigan grown products, and other healthful U.S. fruit and vegetable products, from being used by these programs. Technology for processing and consumer demand is rapidly changing this market. Many of the products we consume on a daily basis such as peeled baby carrots and apple slices available at fast food restaurants were not available even 10 years ago. As we move forward in developing new programs to help specialty crops, let us be careful to include all of these new fruit and vegetable products and ensure that the language helps all specialty crop growers.

Research

Research is the key to the future of our industry. It keeps us on the cutting edge and competitive in the world market. We support the administration's proposal for $1 billion for a Specialty Crop Research Initiative and are excited about all of the research provisions included in Senator Stabenow's Specialty Crop Competition Act. One important area were we need more help is in finding alternatives to pesticides used to combat pests and disease in our crops.

Because demand is relatively small, compared to the demand for products produced for major crops, specialty crops have a limited array of tools to combat pests and diseases. As our nation continues to implement the Food Quality Protection Act and other efforts to reduce pesticide and insecticide use, agriculture research is critical to discover alternatives. This is especially true for specialty crops that may have only one approved product currently available for use.

An excellent example of one of the problems cherry growers face is the use of the insecticide, Azinphos Methyl. Azinphos Methyl is used to combat Plum Curculio and other insect infestations in apple and cherry crops. It is currently the only effective insecticide available for this purpose and unfortunately is in the process of being phased out. Due to the Food Quality Protection Act, our growers will no longer be able to use Azinphos Methyl by the year 2012. However growers will continue to face the Food and

Drug Administration's (FDA) zero tolerance policy for insect and larvae in fruit. It is critical that we find alternatives for Azinphos Methyl by 2012 to allow cherries and apples the ability to continue to be produced in the U.S. According to research by Dr. Mark Whalon at Michigan State University, without effective replacement for Azinphos Methyl it is estimated that 50% of the industry will be gone in two years.

While we have put in an appropriation request to Senators Stabenow and Levin to address this issue, a more reliable and permanent source of research funding, such as the provisions in the Specialty Crop Competition Act of 2007, should be in place to provide research support for the high priority research needs.

Disaster

As we all know, acts of God cannot be planned and disasters happen. For specialty crops, these disasters are especially devastating because often crop insurance is not available. Margins for growers are simply too thin for a farmer to absorb these cost on their own and low interest loans can sometimes be helpful but are often difficult to pay back when an operation has been hit hard. We support efforts to create permanent disaster assistance for all growers, especially specialty crops such as the program in Senator Stabenow's Specialty Crop Competition Act of 2007.

We experienced a serious disaster in Michigan last year. A storm blew off Lake Michigan and devastated the cherry production in its path. With 90 mph winds and hail the fruit literally fell off the tree and what remained was severely bruised. Many trees simply broke off at the ground because of the weight of the fruit. With an orchard crop, not only did the growers lose their production for the year, but the loss of a tree is a devastating capital loss. It takes seven years for a replacement tree to reach maturity before it will bear fruit and can be harvested. This disaster was compounded by the loss of electricity at the farm and processing facility which meant the processing and harvesting operations had to stop until power could be restored. In hot temperatures fruit that has been bruised will not last long, adding to the quality loss during a peak harvest time.

The current emergency supplemental funding bill contains measures that would help these growers, but their fate rests on the political winds and other controversies in that bill. Our nation needs a permanent system in place to help growers who are impacted by natural disasters.

Conclusion

The specialty crop community and especially the U.S. tart cherry growers that I represent appreciate the attention paid to our unique interest in this Farm Bill. On behalf of my growers, I offer my strongest endorsement of the Specialty Crop Competition Act of 2007 and hope that it provides the foundation for the Specialty Crop Title in this Farm Bill. Thank you again to Senator Stabenow for your leadership and thank you to the committee for this opportunity to present my views.

STATEMENT OF THE
NATIONAL MILK PRODUCERS FEDERATION
CONCERNING

THE 2007 FARM BILL

TESTIMONY BEFORE THE U.S. SENATE AGRICULTURE COMMITTEE

APRIL 24, 2007

PRESENTED BY
JERRY KOZAK
PRESIDENT & CHIEF EXECUTIVE OFFICER, NMPF

Thank you Senator Harkin, and Ranking Member Sen. Chambliss, for the opportunity today to present ideas on the future direction of farm policy.

This is the testimony of Jerry Kozak, the President and Chief Executive Officer of the National Milk Producers Federation in Arlington, Virginia. NMPF is the national voice, here on Capitol Hill and with government agencies, of nearly 50,000 dairy producers. We develop and carry out policies that advance the well-being of U.S. dairy producers and the cooperatives they collectively own. Cooperatives handle approximately 85% of the U.S. milk supply.

My testimony today focuses on the proper role for the federal government in assisting the domestic dairy industry through the upcoming Farm Bill. This is obviously a critical issue for all dairy farmers from coast to coast.

The formation of federal farm policy must take into account and balance many different – and sometimes competing – factors: the needs of producers and consumers, budget and political priorities, trends in domestic and international markets, animal and public health prerogatives, and others. The final result is inevitably a synthesis of ideas.

For the upcoming farm bill, the National Milk Producers Federation (NMPF) has striven to achieve the same type of balance and synthesis. We are taking ideas that have been successful in the past and, where appropriate, building on them. Our policy recommendations are intended to help the dairy producer sector in the future. Farming and food production is evolving, and so, too, must federal policies evolve to reflect new realities.

The members of NMPF have deliberated for more than a year on the best path to take in the future. Last winter, we held regional listening sessions, our Dairy Producer Conclave meetings, to obtain direct input from farmers, and to get them to discuss the pros and cons of various approaches. These farmers not only represented NMPF's members, but we also had producers from other state and national organizations as well.

That input was then analyzed by our Economic Policy Committee, which last fall and winter developed a detailed series of proposals. Those proposals ultimately were approved last month by our Board of Directors. The resulting proposal is a reflection of our broad-based membership, and was achieved through collaboration, compromise, and ultimately, consensus.

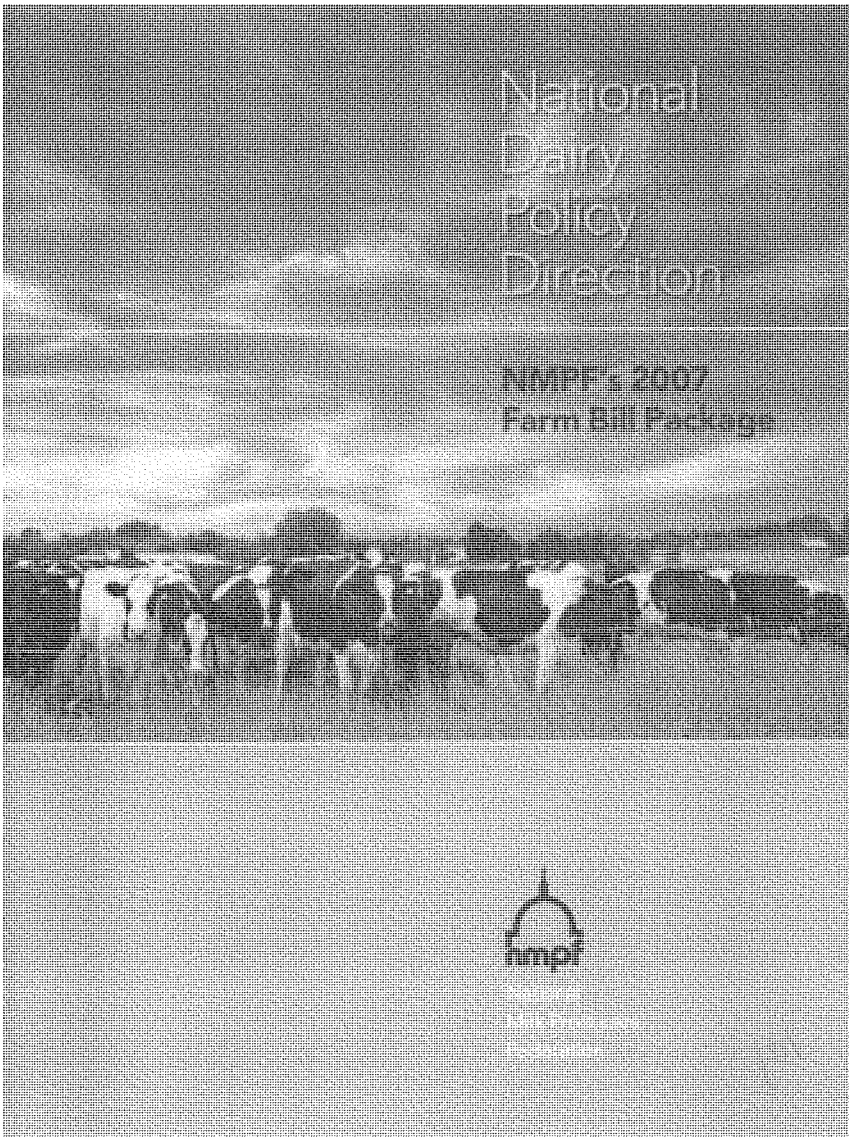
NMPF recognizes that one dairy program cannot meet the needs of all producers and, as a result, we firmly believe that a multi-faceted approach is necessary in order to create a more effective, market-oriented safety net. Our plan was created with extensive input and discussion by dairy producers throughout the nation, taking into consideration the concerns of producers of all sizes and in all regions of the country.

The end result of these extensive considerations is a far-ranging package of individual proposals. Each is important in its own way, and each deserves to be included as part of the entire Farm Bill.

Here are the specific hallmarks of our proposal:

- It is fair and equitable, without regional biases. All farmers are treated equitably.
- It is predictable, and allows for better planning and fewer market uncertainties.
- It is market-oriented, and acknowledges the fact that signals about supply and demand should be delivered to farmers.
- It establishes a true safety net, ensuring that the federal government is there when needed. But at the same time, it doesn't provide undue price enhancement.
- It is forward looking, with new initiatives, acknowledging new technologies and our changing industry.
- It is compliant with our WTO commitments, and, we feel, beyond challenge.
- It is comprehensive, because it addresses all areas affecting dairy production.
- Lastly, and certainly not least, we believe it is politically practical. This package has been thoroughly debated within our entire membership. Because of the breadth of our membership, I feel confident in presenting to you a wide-ranging package for your committee's consideration.

The full package, including detailed descriptions of our proposals and their costs, is attached for the record.


National
Dairy
Policy
Direction
NMPF's 2007
Farm Bill Package
nmpf
NATIONAL
MILK PRODUCERS
FEDERATION

National Dairy Policy Direction
2007 Farm Bill

The National Milk Producers Federation (NMPF) is a farm commodity organization representing most of the dairy marketing cooperatives serving this nation.

NMPF members market a majority of the milk produced in the U.S., making the NMPF an effective voice on national issues for dairy cooperatives and their dairy farmer members.

NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that effect milk production and marketing. NMPF's contribution to this policy is aimed at improving the economic well-being of dairy farmers, thus assuring the nation's consumers an adequate supply of pure, wholesome milk and dairy products.

The policies of the NMPF are determined by its members from across the nation. Therefore, the policy positions expressed by NMPF are the only nationwide expression of dairy farmers and their cooperatives on nation-al public policy.

Summary of NMPF Farm Bill Proposals

Dairy Product Price Support Program
The current milk price support program would be replaced by a program that supports specific dairy product prices, improving the effectiveness and predictability of this critical government safety net.

Milk Producer Security Program
The current MILC payment program would be replaced by a direct payment program that delivers a regular, consistent payment to farmers (decoupled from price and future milk output), in order to help them plan and budget in this new high cost of production environment.

Promotion Assessment on Imported Dairy Products
This farm bill needs to take the measures necessary to ensure the implementation of the promotion checkoff on imported dairy products, an item included by Congress in the 2002 Farm Bill, but never implemented by USDA.

Energy Programs
Through additional federal investments in bioenergy research initiatives, dairy producers will be able to better capture the energy value of their animal waste, which will help improve air and soil quality, providing greater sources of renewable energy, and create economic growth in rural communities.

Conservation Programs
Expanding the scope and funding for both the Environmental Quality Incentives Program and the Conservation Security Programs will help dairy producers implement management practices that improve the environment and conserve natural resources. The programs need to be better targeted to livestock producers and be exempted from arbitrary income limitations.

Human Nutrition Programs
The importance of dairy products in Americans' diets has been cited in the 2005 federal dietary guidelines. This farm bill should enhance the role of dairy foods in federal feeding programs, including the school lunch and other important human nutrition programs.

Animal and Public Health Protection Programs
The government must maintain funding to control animal diseases including brucellosis, bovine tuberculosis and Johne's disease, as well as funding for the dairy indemnity program and the national animal health emergency management system. In addition, Congress should create a new program to help manage the disposal of potentially high-risk animal products.

Trade Expansion Programs
Helping develop overseas markets for U.S.-produced dairy foods has been a crucial role for all recent farm bills. Funding needs to continue to be devoted to the Dairy Export Incentive Program, the Market Access Program, and the Foreign Market Development Program.

Risk Management Program
This farm bill can include a risk management tool for producers through the creation of a forward contracting program for manufactured classes of milk, providing certain producer safeguards are also included, and providing that the program's inclusion is predicated on the passage of the other farm bill elements that NMPF is recommending.

Dairy Product Price Support Program

Summary
Congress has for many years authorized the USDA to establish a price support program as the primary economic safety net for dairy farmers. We would like to improve the effectiveness and predictability of that program by altering it to support specific product prices.

Background
The price support program has historically been the primary economic safety net for dairy producers. It was designed to protect dairy producer income during periods of unusually low milk prices brought on by exceptionally large surplus production. It operates through USDA's Commodity Credit Corporation (CCC), which purchases quantities of cheddar cheese, butter and nonfat dry milk that would not other wise clear domestic commercial markets at announced purchase prices. The current milk price support pro-gram has prevented the loss of approximately $1.5 billion per year in dairy producer income during 2000-2006 at an approximate cost to the government of $340 million per year.

The current milk price support program statutorily supports the price of the farm-level milk price through purchases of cheddar cheese, butter and nonfat dry milk. Congress establishes a benchmark minimum price—$9.90 per hundredweight, under current statute — and directs the USDA to support that price.

Despite the fact that the milk Price Support Program has helped dairy farmers throughout the years, the considerable discretion that exists in administering the program has undermined the program's effectiveness. The price of milk used to produce cheese has dropped well below the $9.90 per cwt. support level in recent years. In fact, during the five-year period of calendar years 1999-2003, the Class III price fell below the price support level a total of 18 months, or 30 per-cent of the time.

Because the USDA can make unanticipated adjustments in the relative purchase prices of butter and nonfat milk powder, the current program can be capricious and unpredictable. The current milk price support program also generates a large Aggregate Measure of Support score within the U.S. WTO Amber Box, even though it provides mostly standby safety net support at relatively low cost to the government.

NMPF Proposal
Extension of and Improvements to the Program. NMPF supports the concept of a dairy price support program, but we are proposing altering the program to a "Dairy Product Price Support Program" that supports only the individual prices of cheddar cheese, butter and nonfat dry milk, removing all other dairy products from support. The Commodity Credit Corporation (CCC) shall offer to purchase these products at prices not less than:

Cheddar Cheese, blocks $1.19 per pound
Cheddar Cheese, barrels$1.16per pound

Butter$1.07per pound
Nonfat dry milk$0.84per pound

These prices are determined by using the Federal Milk Marketing Order pricing formulas for Class III and Class IV milk that were in effect on January 2001,working backwards from the $9.90/cwt. support price for milk, to determine corresponding support prices for butter, nonfat dry milk and block cheese. The barrel cheese price above is determined by deducting three cents per pound from the block cheese purchase price.

In 2003, NMPF requested that USDA adjust the existing CCC purchase prices to reflect additional costs that processors face when formulating products for sale to the CCC, above and beyond the costs of manufacturing products for the commercial market. The CCC purchase prices that NMPF recommended at that time are reflected in the prices above. An additional factor is that USDA recently proposed an increase in the manufacturing margins for dairy products whose commercial sales are surveyed for the NASS prices report. These increases are also reflect-ed in the above prices.

To ensure that costs of the program can be contained whenever product purchases and inventories might become excessive, the Secretary of Agriculture would have the authority to make the following temporary, one-month adjustments to these purchase prices whenever CCC net removals of these products during the preceding twelve consecutive months exceed-ed the following levels (net removals equal CCC purchases plus DEIP exports less sales from CCC inventories for unrestricted use):

Product	Preceding 12-month net removals exceeding	Authorized CCC purchase price reduction for the following month
Cheddar cheese	200 million pounds	$0.10 per pound,
Cheddar cheese	400 million pounds	$0.20 per pound,
Butter	450 million pounds	$0.10 per pound,
Butter	650 million pounds	$0.20 per pound,
Nonfat dry milk	600 million pounds	$0.05 per pound,
Nonfat dry milk	800 million pounds	$0.10 per pound.

The CCC shall also have the authority to sell its uncommitted inventories of dairy products for unrestricted use at prices no lower than the current market price or the following, whichever is greater:

Cheddar Cheese, blocks:	$1.31 per pound,
Cheddar Cheese, barrels:	$1.28 per pound,
Butter:	$1.18 per pound,
Nonfat dry milk:	$0.93 per pound.

The cost of the program would be basically the same as the current CBO baseline, which projects that the entire cost of CCC purchases under the current dairy price support program will average just $35 million per year during fiscal years 2008 through 2017.

Milk Producer Security Program

Summary
NMPF is supporting a program featuring direct payments to farmers program that improves on the present MILC program by making it more predictable and effective.

Background
The current Milk Income Loss Contract Extension (MILCX) program provides payments to dairy farmers whenever the Boston Class I milk price falls below $16.94 per cwt. Producers are paid 34% of the difference between that target price and the monthly Class I Boston price (which is a reduced rate from the 45% level in the original MILC program of 2002-2005). Payments are made on up to 2.4 million pounds of milk per year marketed by an individual dairy operation. Payments totaling $350.6 million were made to 52,827 dairy operations, at an average payment rate of approximately $0.50 per cwt., under the current program during fiscal year 2006.

In an era of relatively higher milk prices, but with higher energy and feed input costs, the MILCX program will may not generate an adequate level of support to protect small dairy farmers. Also, payments under the current MILCX program will could eventually need to be notified to the WTO as a form of trade-distorting support, adding to the already significant Amber Box score generated by existing U.S. dairy programs.

NMPF Proposal
Extension of and Improvements to the Program
NMPF supports a direct payment program in the Farm Bill, albeit one that proposes changing the current MILCX program to a "Milk Producer Security Program" that providing support to individual dairy producers at a fixed level annually, based on their historic milk production.

Each producer would be assigned a production base equal to the annual average of the commercially-marketed milk production from their dairy operation during calendar years 2005 and 2006, or their production during calendar year 2006, at the option of the producer, but the producer must be in business when the Farm Bill is implemented.

Each producer would receive a payment each year that is equal to the production base of their dairy operation multiplied by a payment rate of $0.50 per cwt., up to a limit of $40,000. Multiple owners of a single dairy operation would receive pro rata shares of the annual payment amount for their jointly-owned operation. The three entity rule should apply to dairy farms unless this is changed during the 2007 Farm Bill to increase the access to payments by producers. Current production by a dairy operation would not be a condition for a producer to receive an annual payment under the program. This program is also more market oriented, in that it would allow producers to better plan for their businesses during the duration of this farm bill.

The $0.50 per cwt. payment rate is comparable to the payments that producers have received under the cur-rent farm bill. The MILC's average payment rate was $0.673 per

cwt., while the MILC Extension's average payment rate was $0.397 per cwt. (paid on up to 2.4million pounds production in a fiscal year).

The $40,000 payment limit corresponds to an annual production volume of 8 million pounds of milk and a dairy operation of 405 cows, at the 2005-2006 U.S. average level of milk production per cow. The average U.S. producer, with 125 cows and 2.5 million pounds of production annually, would receive $12,500 annually under the MPSP.

The cost of this program is estimated to be $475 million per year, about one-third more than the cost of the current MILCX program during fiscal year 2006. Because the payments are not based on either current milk production or current prices, they are fully decoupled payments that would be notified in the WTO Green Box.

Promotion Assessment on Imported Dairy Products

Summary
NMPF supports the final implementation of the pro-motion assessment on imported dairy products in the next Farm Bill.

Background
U.S. dairy farmers in the continental 48 states pay $0.15 per hundred pounds of milk marketed as part of the dairy checkoff program, which promotes over-all dairy consumption in the U.S. Imported dairy products benefit from this growth in consumption through higher demand for dairy products in this, the largest consumer market in the world. Imports represent 4% of U.S. dairy consumption, but imported dairy products do not help promote the growth of this market as American farmers do. In the 2002 Farm Bill, Congress required the dairy checkoff program to be applied to imported dairy products. However, because of technical objections to the structure of the program, this provision was not implemented. However, the United States Department of Agriculture included the import assessment in its 2007 Farm Bill proposal, recognizing the fairness of the issue, and the agency's preparedness to implement this measure as soon as Congress acts on fixing the promotion language. There is no budget cost associated with this proposal.

NMPF Proposal

Creation and Final Implementation of the Program
We support the role of the dairy checkoff, and believe it should be applied to all states, in addition to imports. Congress can address this oversight by applying the dairy checkoff to all 50 U.S. states, plus Puerto Rico –not just to those in the contiguous 48 states. This would address the necessary implementation issue so that imported dairy products would then be required to pay their fair share towards the benefits they share from higher consumption of dairy products in the U.S. The USDA Farm Bill proposal as mentioned before specifically singles out this provision as something in need for final implementation. We estimate that this technical correction would allow for an additional $11 million annually in checkoff revenue to further develop the market for all dairy products.

Energy Programs

Summary
NMPF supports equitable access for U.S. dairy producers to participate in the Farm Bill Energy Title in order to promote renewable fuels that foster greater energy independence, improve air and water quality, provide value-added opportunities for dairy producers, and create rural economic development.

Background
U.S. dairy producers face dramatically increased costs of production due to substantially higher feed costs as well as mounting pressure to reduce air emissions. NMPF proposals under both the Energy and Conservation Titles will work not only to help relieve these dual economic pressures on U.S. dairy producers, but the proposals will also generate new, renewable, and clean burning sources of energy while improving air and water quality and reducing green-house gases. Moreover, this value-added opportunity for dairy producers and the resulting increased supply of low cost energy to area consumers will also improve the economic well-being of our rural communities.

Specifically, NMPF proposals will result in more U.S. dairy producers creating on-farm renewable energy systems that capture methane from animal waste and concentrate and utilize that methane in the generation of electricity and natural gas to power their farming operations as well as area homes and businesses. NMPF's proposals are a win-win-win proposition, improving air and water quality, providing greater sources of renewable energy, and creating economic opportunity and growth potential for both producers and rural communities.

NMPF Proposal

Section 9006, The Renewable Energy Systems and Energy Efficiency Improvements Loan Guarantee Program

Extension to and Improvement to the Program
NMPF supports extension of the Section 9006 program, which has proven extremely effective in helping U.S. farmers and ranchers reduce energy costs and consumption while helping the nation meet its energy needs. The Section 9006 program has also helped support and stimulate rural economic development by helping producers create new sources of income, new jobs, and new uses for agricultural products and wastes.

In order to advance commercial application of animal waste to energy projects and provide more equitable access to the Section 9006 program for U.S. dairy producers, NMPF proposes to increase the loan cap for animal waste renewable energy projects to $100 million per project and to exempt these projects from the cap on loan guarantee fees. The NMPF proposal is consistent with the Administration proposal to foster increased cellulosic ethanol projects. As is the case for cellulosic projects, the large scale investment required, the uncertain risks involved, and the urgent need to diversify energy

sources for economic and security reasons, make these improvements to the Section 9006 program necessary for serious advancement of animal waste to energy projects.

Biomass Research and Development Act of 2000

Extension to and Improvement to the Program
NMPF supports extension of the Biomass Research and Development Initiative (BRDI), which is the multi-agency effort to coordinate and accelerate all Federal biobased products and bioenergy research and development. This program was reauthorized through 2007in section 9008 of the Farm Security and Rural Investment Act of 2002. NMPF supports increased annual competitive grant funding under the Biomass Research and Development Initiative with a focus on animal waste to renewable energy biomass research.

Bioenergy and Bioproducts Research Initiative

Creation of and Improvements to the Program.
NMPF supports the Administration proposal to create a Bioenergy and Bioproducts Research Initiative, in order to increase the cost effectiveness of bioenergy by facilitating collaboration between Federal and university scientific experts. A USDA bioenergy and biobased laboratory network utilizing existing USDA research facilities and engaging universities through a competitive process could aid in improving biomass production and sustainability as well as biomass conversion in biorefineries.

NMPF supports the creation of regional technology review centers as part of the proposed initiative, in order for USDA and universities to collaboratively test systems prior to their deployment by producers.

Federal Procurement of Biobased Products

Improvements to the Program
NMPF supports clarifying language, consistent with the Administration proposal, to ensure that biobased products are defined to specifically include renewable energy derived from animal waste. U.S. government departments and agencies ought to be required to procure energy supplies from entities that provide net metering or otherwise buy natural gas from animal waste to renewable energy projects.

Conservation Programs

Summary
NMPF supports equitable access for U.S. dairy producers to participate in the Farm Bill Conservation Title, in order to implement important conservation practices that protect and enhance water and air quality, soil conservation, wildlife and wildlife habitat. These practices will increasingly help producers meet regulatory requirements and reduce greenhouse gases.

Background
Important and substantial gains have been made over the last quarter century in the area of conservation, with every successive Farm Bill Conservation Title improving upon the milestone achieved by the Farm Bill before it. The 1996 Federal Agriculture Improvement and Reform Act and the 2002 Farm Security and Rural Investment Act both substantially increased the funding, scope, and, consequently, the reach and positive impact of the Farm Bill with respect to conservation.

While conservation efforts were once primarily focused on land retirement and row crops, programs under the conservation title now also work to more effectively address the needs of working farms and ranches, including dairy operations.

Congress has long recognized that farmers and ranchers, including our nation's dairy producers, are on the front lines of effective conservation efforts, and that voluntary, cost-share incentive programs are the most effective tools in meeting important conservation objectives. In turn, U.S. dairy producers have responded by stepping up to the plate and investing substantial personal time, energy, and money to implement important conservation practices promoted by the Farm Bill.

The result has not only been greater economic stability for the U.S. farming, ranching, and dairy operations that shoulder much of the load in advancing the cause of conservation nationwide, but also a substantial conservation dividend for the country, including cleaner air and water.

Still, many challenges remain, with increasingly aggressive goals with respect to air and water quality (including increased focus on greenhouse gas emissions). However, inadequate funding for these conservation initiatives will make it harder to achieve these goals. Today, for instance, conservation programs, such as the Environmental Quality Incentives Program (EQIP) and the Conservation Security Program (CSP), are either substantially over subscribed or are simply implemented too narrowly to fully address current needs.

NMPF supports greater investment in key conservation initiatives, in addition to the traditional safety net provided under the Commodity Title, so U.S. dairy producers can help achieve important national conservation objectives.

NMPF Proposals

Environmental Quality Incentives Program (EQIP)

Extension of and Improvements to the Program
NMPF supports the extension of the vitally important Environmental Quality Incentives Program (EQIP). EQIP was reauthorized in the Farm Security and Rural Investment Act of 2002 to provide a voluntary conservation program for farmers, ranchers, and dairy producers that promotes agricultural production and environmental quality as compatible national goals. EQIP offers financial and technical help to assist eligible participants install or implement structural and management practices on eligible agricultural land. While EQIP has been enormously successful in meeting important conservation objectives, the full benefit of the program has not been realized due to oversubscription and inadequate access to the program for livestock and dairy producers. NMPF supports (1) a substantial increase in EQIP funding; (2)increasing the allocation of total EQIP funding to livestock and dairy producers, from 60 percent to 75 per-cent; (3) providing special consideration to proposals offering both air and water quality dividends; (4)expanding program eligibility to lands on which corn is completely harvested, provided that animal waste is applied according to local, state, regional, or federally approved nutrient management plans; (5) consolidating programs that offer financial assistance to producers through cost-share incentives for working lands under one EQIP umbrella; and (6) focusing the Conservation Innovation Grants program within EQIP on proposals that offer additional benefits along with improved air and water quality, such as energy generation and greenhouse gas reduction with funds dedicated specifically to these types of projects. Provide funding for the Idaho Center for Livestock and Environmental Studies.

Conservation Security Program (CSP)

Extension of and Improvements to the Program
NMPF supports extension of the Conservation Security Program (CSP). CSP is a voluntary program that provides financial and technical assistance to promote the conservation and improvement of soil, water, air, energy, plant and animal life, and other conservation purposes on private working lands. Working lands include cropland, grassland, prairie land, improved pasture, and range land, as well as forested land that is an incidental part of an agriculture operation. Because CSP has been arbitrarily limited to certain watershed areas, the full benefit of this program, as envisioned by Congress, has not been realized. Moreover, certain restrictions imposed have impeded the program's ability to address stated conservation objectives such as using funds for animal waste storage and treatment facilities. NMPF supports (1) increased funding for CSP; and (2) allowing producers to improve air quality by permitting the purchase of equipment and facilities related to animal waste treatment.

Adjusted Gross Income Limitation

Repeal of the AGI Rule
NMPF supports the repeal of the adjusted gross income limitation with respect to the programs offered under the Conservation Title of the Farm Bill, because these arbitrary limits can undermine the very objectives sought to be advanced under the Title.

Human Nutrition Programs

Summary
NMPF supports a strong emphasis on dairy products in federal feeding programs, as evidenced by science-based research on the important role played by dairy foods in people's diets, particularly school children. Dairy products are one of the key "food groups to encourage" in the 2005 Dietary Guidelines for Americans, and because of their nutritional benefits, it is critical that federal nutrition programs, including school lunch, WIC and food stamps, continue emphasizing them in a prominent role.

Background
With rising childhood obesity rates one of the key public health issues in America today, there is an increased urgency to counteract this trend, particularly among school-aged children. The U.S. Departments of Agriculture and Health and Human Services have conducted extensive research into the roles of various foods in a healthy diet. The resulting 2005 Dietary Guidelines for Americans recommend increased consumption of whole grains, low-fat dairy, and fruits and vegetables to improve health. These foods are good sources of the "nutrients of concern" that are low in children's' diets: calcium, potassium, magnesium, fiber and vitamin E. Dairy products provide high levels of key nutrients, making them nutrient-dense foods, and are among the most widely accepted and cost-effective foods available in our food supply.

According to USDA, increased intakes of fat-free or low-fat milk products are likely to have important health benefits for most Americans, including schoolchildren. For instance, key guideline recommendations include three cups per day of fat-free or low-fat milk, or equivalent milk products, for adults and children aged nine years and older, and two cups per day of fat-free or low-fat milk or equivalent milk products for children aged two to eight years.

Children need adequate calcium, vitamin D, protein and other nutrients in milk for proper bone growth and maintenance. Milk, yogurt and other dairy products are the number one source of eight important nutrients in the diets of children between the ages of 2-18. In addition to protein and calcium, dairy products are also the primary source of potassium, magnesium, phosphorous, riboflavin, vitamin A and vitamin B-12 in children's diets. Dairy products are critical for children's proper bone growth and maintenance. Low calcium intake among children and adolescents is of particular concern because teenage years are a period of rapid skeletal growth during which time there is a critical window of opportunity to maximize peak bone mass and protect the skeleton against future risk of osteoporosis.

Research focusing on children and adolescents strongly supports a favorable association between dairy foods, calcium, and healthy levels of body fat. Research has shown that low levels of dairy intake maybe associated with a greater acquisition of body fat during childhood.

While the new Dietary Guidelines also recommend increased intake of whole grains and fruits and vegetables, in addition to non-fat or low-fat dairy products, NMPF is deeply concerned that proposals which seek to pick and choose among these key food groups would undermine the very goal of the guide-lines by working to unbalance the more balanced diet the guidelines seek to promote.

NMPF Proposals

Healthy Diets in Schools Initiative
Support for and Improvements to the Program NMPF supports USDA's goal of complying with the2005 Dietary Guidelines for Americans in its school meal programs. NMPF believes that any increased use of Section 32 funding for the purpose of complying with 2005 Dietary Guidelines ought to be used to fully comply with all of the guidelines, including full implementation of the recommended intake of non-fat and low-fat dairy products. Toward this end, NMPF specifically supports increased access to yogurt and lactose-free milk, which are currently of limited availability in schools. In addition, USDA could establish a program to assist schools in adopting the "New Look of School Milk" (NLSM) program created by the National Dairy Council, in conjunction with the School Nutrition Association. Schools that have adopted NLSM –including simple improvements like packaging, better refrigeration, and merchandizing – have seen double-digit improvements in milk consumption.

Women Infants and Children Program

Support for and Improvements to the Program
NMPF strongly supports the WIC program, which serves to safeguard the health of low-income women, infants, & children up to age five who are at nutrition-al risk. WIC provides nutritious foods to supplement diets, information on healthy eating, and referrals to health care. While WIC is not authorized in the Farm Bill, previous Farm Bills have served as a vehicle for improving this vitally important program.

Current nutritional science, including the 2005 Dietary Guidelines for Americans, should be incorporated in updating WIC food packages, with the recommended increases for non-fat and low-fat dairy products, whole grains, and fruits and vegetables. NMPF believes that dietary guidelines should not be partially implement-ed, providing increased participation under the WIC program of some recommended foods while neglecting other foods recommended under the guidelines. Nutritional science, rather than other factors or concerns, should determine WIC food packages.

Food Stamp Program

Support for and Improvements to the Program
NMPF strongly supports tbe Food Stamp Program, which is the cornerstone of the nation's nutrition assistance programs, serving one in five Americans. The goal of the Food Stamp Program is to increase the nutritional levels of low-income households. The program also provides nutrition education designed to help low-income individuals

choose healthy foods and active lifestyles. During Fiscal Year 2005, the Food Stamp Program served approximately 26 million people in an average month. While the Food Stamp Program is not authorized in the Farm Bill, previous Farm Bills have served as a vehicle for improving this important program.

Current nutritional science, including the 2005 Dietary Guidelines for Americans, should be incorporated in the decision-making process for purchases made through the Food Stamp Program.

Evidence-Based Library at the USDA Center for Nutrition Policy Promotion

Support for Program
NMPF supports the continuation of an Evidence-Based Library at the USDA Center for Nutrition Policy Promotion, providing for public access and input into the library, and creating a one-stop source for nutrition data. Evidence-based nutrition incorporates a systematic review of scientific evidence in making nutritional decisions by integrating best available evidence from scientific literature. USDA is developing an evidence-based library for nutrition information that will be valuable as the 2005 Dietary Guidelines for Americans are revised in 2010 and beyond.

Animal and Public Health Protection Programs

Summary
Programs that address food safety and animal health are a crucial part of federal farm policy, and there are several that deal with animal – and ultimately, human health – that need to be featured in the 2007 Farm Bill. These include programs to control brucellosis, bovine tuberculosis and Johne's disease. In addition, the dairy indemnity program needs to be fully funded, and a new program to dispose of potentially-risky cattle products should also be featured.

NMPF Proposals

Johne's Disease Program
Over 20% of all dairy herds may be infected with Mycobacterium paratuberculosis that causes Johne's disease, a chronic infectious animal disease of the intestinal tract in livestock. Johne's disease causes losses in milk production and an eventual wasting away of the animal. If not detected and eliminated, the disease may spread throughout the herd. The USDA National Animal Health Monitoring System (NAHMS) Dairy '96 Health and Health Management Survey found that lower milk production accounted for 85% of the economic impact of Johne's disease among dairy herds with greater than 10% clinical signs. This animal disease, for which there is no cure, is projected to cost U.S. dairy producers in excess of $200 million annually. The Johne's Disease Control Program is designed to provide important testing to encourage dairy producers to voluntarily test for Johne's disease and to remove infected and exposed animals from their dairy herds. Additionally, the program encourages dairy producers to conduct necessary herd risk assessments and utilize best management practices to develop appropriate Johne's Herd Management Plans to prevent further introduction and spread of the disease. As of October 3, 2006, nearly 8500 herds have enrolled in the Johne's Disease Control Program con-ducting over 900,000 cultures and tests for Johne's disease in 48 states. The Johne's Disease Control Program is currently authorized through 2007.

Extension of the Program
The Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7621 et seq.) Sec. 409 (Johne's Disease Control Program) should be amend-ed to authorize appropriations for the Johne's Disease Control Program through fiscal year 2012.

Bovine Tuberculosis Program

Tuberculosis is a contagious disease capable of infecting both humans and animals. Bovine tuberculosis (Mycobacterium bovis) is zoonotic, meaning it can be transmitted from livestock to humans and other animals. Unless the disease is eradicated from the U.S., it will continue to spread, creating an adverse impact on animal and public health, increasing the cost of animal production and negatively impacting the U.S. trading status.

Scientific evidence suggests that infected free-ranging deer are transmitting tuberculosis to nearby cattle. Such transmissions have been identified in Michigan and Minnesota,

with cattle detected as being affected with tuberculosis from infection in wildlife, primarily from free-ranging deer. Transmission of tuberculosis from infected captive deer and elk also threatens U.S. cattle and other livestock.

Increased bovine TB surveillance is necessary to permit the U.S. to eradicate bovine tuberculosis and prevent further regression of the program. As remaining pockets of infection become less numerous and isolated, a greater surveillance effort is needed to ensure that other areas remain free and do not become reinfected. Increased surveillance is also necessary to support international regionalization standards adopted under the World Trade Organization, and to accommodate international regionalization requests.

Extension of the Program
Maintain adequate funding for USDA/APHIS Bovine Tuberculosis Eradication Program to achieve eradication through line item funding for the Bovine Tuberculosis Eradication Program under the USDA/APHIS Veterinary Service Budget. A total of $35 million is needed to achieve eradication.

Brucellosis Program

Brucellosis (known as undulant fever) is a contagious, costly disease of ruminant animals that also affects humans. Although brucellosis can attack other animals, its main threat is to cattle, bison, and swine. In cattle, the disease currently localizes in the reproductive organs and/or the udder. Bacteria are shed in milk or via the aborted fetus, afterbirth, or other reproductive tract discharges.

Brucellosis eradication is nearly complete in the U.S. Fiscal Year 2006 ended with 48 States and three Territories classified at Brucellosis Class Free state status, and two states classified at Brucellosis Class A state status. The two states classified as Class A at the end of FY 2006 were Texas and Idaho. Idaho lost its Brucellosis Class Free state status due to the discovery of two brucellosis infected herds in November 2005. Texas released its last known brucellosis affected herd from quarantine in September 2006, completing a twelve-consecutive month period without discovering any additional brucellosis affected herds.

Extension of the Program
Maintain adequate funding for USDA/APHIS Bovine Brucellosis Eradication Program to achieve eradication through line item funding for the Bovine Brucellosis Eradication Program under the USDA/APHIS Veterinary Service Budget. A total of $12 million is needed to continue the program. Given the uncertainties associated with requesting funding each year to maintain the necessary brucellosis surveillance and laboratory support, additional line-item budget funding would provide greater stability for the program.

National Animal Health Emergency Management Programs

There is clear need to defend the agriculture and food system in the United States against terrorist attacks, major disease outbreaks and other all hazard type emergencies, including natural disasters. All of this requires national coordination. Critical to this need is the ability to implement Homeland Security Policy Directive #9 at the local, state and regional level to prevent, to mitigate and recover from any major agriculture or food related emergency. Such preparation will also leverage the value and capability of federal emergency management support, and enhance the ability of private industry to recover quickly from a major agriculture emergency.

Additional federal support is needed to address research of high-consequence animal and plant diseases, select biological agents and to determine the fate of such agents when introduced into the food supply.

- **Creation of New Program.** The Secretary of Agriculture shall be given authority to create a National Animal Health Emergency Management Center under the administration of the Animal Plant Health Inspection Service (USDA/APHIS).
- **Extension of Program.** Authorization for $30 million per year to fund modernization of laboratories designated under the National Animal Health Laboratory Network (NAHLN).
- **Extension of Program.** Authorization for $40 million per year to fund enhancement for the ability of the National Veterinary Stockpile to inventory and strategically deliver within 24 hours required emergency veterinary supplies to meet an all hazards emergency response objective, including the ability to respond rapidly to all major foreign animal disease select agents.
- **Extension of Program.** Authorization for $2.0 million per year for Cooperative State Research, Education and Extension Service (CSREES) to permanently fund the Food Animal Residue Avoidance Databank (FARAD).

Dairy Indemnity Program

It is critical for livestock producers to know the degree of indemnification that can be expected in the event of a serious foreign animal disease outbreak. Immediate cooperation and support of livestock producers is required to report disease outbreaks and to prevent transmission of the disease through the appropriate biosecurity measures. Cooperation maybe jeopardized if appropriate indemnification cannot be assured in an expeditious manner.

The USDA Animal and Plant Health Inspection Service (APHIS) administers regulations that provide for the payment of indemnity to owners of animals that are required to be destroyed because of communicable livestock diseases that threaten the domestic livestock industry. The regulations authorize payments based on the fair market value of the animals destroyed, destruction and disposal costs, and cleaning and decontamination costs associated with an outbreak. In 2002, USDA proposed changes to the regulations to help ensure a successful control and eradication program in the event of an outbreak of

Foot and Mouth Disease. The proposed rule has not been promulgated to address indemnification for FMD, nor has a more comprehensive rulemaking been pro-posed to address indemnification of the other foreign animal diseases.

The Dairy Indemnity Program provides payments to dairy producers who have been directed by a public regulatory agency to remove their milk from the commercial market because it has been contaminated by pesticides, toxic substances and chemical residues other than pesticides, nuclear radiation or fallout. However, the Dairy Indemnity Program does not currently provide indemnity to dairy producers for the temporary loss in milk market access due to a foreign animal disease outbreak.

Extension of the Programs

- Direct USDA to finalize indemnity rules and regulations that would compensate affected producers for depopulation of livestock, destruction of personal property and decontamination costs associated with a foreign animal disease outbreak.
- Amend the Dairy Indemnity Program (7 USC §450j-l) to indemnity dairy producers for the temporary loss in milk market access due to a foreign animal disease outbreak and extend authorizations through 2012.

Specified Risk Material Disposal Program

On October 6, 2005, FDA proposed amendments to strengthen their existing BSE feed rule and prohibit the use of specified risk materials (SRMs) in feed. If finalized, this rule will have at least two important impacts on dairy producers.

- A shift in the value of dead cattle from being a by-product, to a disposal liability for producers. This could end the current dead animal removal system limiting dairy farmer's options.
- A shift to on-farm disposal, rather than at plants that undergo APHIS inspection, would reduce animal disease surveillance and monitoring, especially for those animals that need to be monitored.

A significant national and local emergency management concern is the need to preserve the integrity of the rendering industry. If the rendering industry down-sizes due to financial hardship from an expanded specified risk material feed ban, then a significant fraction of the available surge capacity will not be available for use by emergency responders.

The continued collection of high risk animals enhances national animal disease monitoring and surveillance by APHIS. If the proposed FDA SRM feed ban rule is implemented before a national SRM disposal plan is in place, then a significant reduction in the rate of dead stock removal will occur, greatly exacerbating on-farm and off-farm disposal of animal carcasses.

Creation of New Program

A national Specified Risk Material Disposal Plan should be established by the USDA, in conjunction with the EPA and FDA. This plan should protect the public health and environment, while adding value to meat and bone meal and other rendered materials which cannot be utilized in livestock or pet feed. The Secretary shall also be directed to authorize special grants and low interest rate loans to undertake the development of disposal options for SRM's and other rendered products which cannot be utilized in livestock or pet feed if an expanded SRM feed ban rule is promulgated by FDA.

Trade Expansion Programs

Summary
NMPF supports the continuation of three important export related programs: the Dairy Export Incentive Program, the Markets Access Programs, and the Foreign Market Development program, because of their vital role in helping develop new and existing markets for U.S.-produced dairy foods.

NMPF Proposals

Dairy Export Incentive Program (DEIP)
The DEIP is an integral component in the existing U.S. dairy support system. This mandatory program is operated at the discretion of the U.S. Secretary of Agriculture. It provides bonuses for limited quantities of cheese, nonfat dry milk (NFDM), and butterfat to assist in their export, in accordance with U.S. WTO export subsidy limitations. This program serves as an essential leg of support to the U.S. dairy industry by countering the continuous export subsidies from Europe. Under World Trade Organization (WTO) rules, the U.S. is permitted to use DEIP for 3,030 metric tons (MT) of cheese; 68,201 MT of NFDM; 21,097 MT of butterfat; and 34 MT of other dairy products each year. These are small quantities compared to the much larger amounts used by European dairy exporters. The EU is allowed to export 321,300 MT of cheese; 272,500 MT of skim milk powder; 399,300 MT of butterfat; and 958,100 MT of other dairy products.

Extension of the Program
We are requesting that Congress reauthorize this essential market development tool to help our dairy industry more effectively compete, when necessary, in a world market grossly distorted by the EU's dairy export subsidy program

Market Access Program (MAP) and Foreign Market Development Program (FMD)

MAP and FMD are programs designed to assist U.S. exporters in addressing market access problems over-seas, and to help promote greater use of U.S. agricultural products abroad. They require a substantial cost share from the farmers and other participants in the programs in order to complement the funding provided by MAP & FMD.

This cooperation between the private sector and the government has worked extremely well for the U.S. dairy industry over the past few years. Thanks in part to the work that these programs have helped make possible, U.S. dairy exports have increased by approximately $757 million over the past five years, growing by 67% between 2001 and 2006. We hope to continue that great track record of successful cooperation throughout the next Farm Bill to see continued expansion of U.S. dairy exports.

Extension of and Improvements to the Programs
We are requesting that Congress restore the authorized annual funding level for the Market Access Program to $325 million, the amount for which it was initially authorized in the 1985 Farm Bill. We are also urging that no less than $50 million be authorized for

Foreign Market Development, which equates to this program's 1986 funding level once adjusted for inflation. These programs are vital to continuing to grow the U.S. dairy industry's presence in the fiercely competitive global dairy market.

Risk Management Program

Summary
NMPF's farm bill package includes a risk management tool for producers through the creation of a forward contracting program for manufactured classes of milk under the Federal Milk Marketing Orders.

Background
Forward contracting has become a common way of setting prices for hog and poultry producers. These contracts are less common for dairy farmers, partly because they are hard to reconcile with the minimum price protections in Federal Milk Marketing Orders.

For 70 years, minimum prices set under Federal Orders have helped farmers get a fair price from milk processors, who must pay at least the order's minimum market price, whether they have a contract or not. This has been an important protection from contracts that might undercut the market price for producer milk.

Congress tried to provide milk producers with new opportunities to manage price risk when it approved the Forward Pricing Pilot Program in 1998. This exempted handlers from paying producers or cooperatives the Federal Order minimum price for milk under a forward price contract. However, this broad exemption stripped participating producers of all their minimum price protections, so NMPF supported allowing the program to expire at the end of 2004. Processors and some producer groups want to revive the Forward Pricing Pilot Program; others worry that such a wide exemption for any handler using forward contracts could make Federal Order minimum pricing ineffectual.

NMPF Proposal

Creation of Forward Contracting Program
NMPF proposes that a forward contracting program be enacted as part of the Farm Bill, but only with meaningful protections for participating producers, and is predicated on the inclusion of the other elements that NMPF is recommending in this booklet, in particular the import assessment, the dairy product price support program and the producer security program. Inclusion of this program as part of the farm bill does not equate to an independent endorsement of forward contracting within the Federal Milk Marketing Order system.

Specifically, NMPF proposes the following:

- Assure that participation in the program is not a handler's condition of receiving producer milk. A processor's offer of a forward pricing contract to a producer or cooperative must also include an offer to receive the same milk under the same terms, but at the Federal Order minimum. Then it would be clear that the producers had a free choice between participation in the forward contracting program and Federal Order minimum pricing.
- Provide for the enforcement of payment under the contract. Under the pilot program, there was no requirement by USDA that the handler make proper

payment under the contract. In order to afford fair protection to producers under this program, contract payments should be enforced by USDA in the same way that minimum values are enforced for other pooled milk.

- Allow only manufactured classes of milk to be contracted. Contracts for Classes II, III and IV would be permitted, but not for Class I (fluid milk). This was the same as in the pilot program.
- Sunset the program. A sunset date at the end of the next Farm Bill would allow Congress to reevaluate the program before reauthorizing it, and thus is essential to ensure the program's ongoing integrity.

Prepared Statement
by
Maureen Torrey Marshall
Vice President
Torrey Farms, Inc.
on behalf of
United Fresh Produce Association

Development of 2007 Farm Bill

Committee on Agriculture
United States Senate

April 19, 2007

INTRODUCTION

Good morning, Mr. Chairman and Members of the Committee. My name is Maureen Torrey Marshall. I am Vice President of Torrey Farms, an 11th generation family-farm operation specializing in the fresh marketing and processing of vegetables and grains. For the past 200 years, our family has been farming in this area. It is my hope that the 12th generation of Torrey family members will carry on that tradition. I am the current chairman of the United Fresh Produce Association, and today, I am providing comments on behalf of United Fresh who is a member of the Specialty Crop Farm Bill Alliance. More than 100 organizations representing growers of specialty crops have indicated their support for the policy priorities developed by the Specialty Crop Farm Bill Alliance. A list of those groups is attached to this testimony.

INDUSTRY OVERVIEW

The specialty crop industry is a dynamic industry characterized by constantly changing supply and demand conditions. Yet, we work hard to remain profitable, satisfy consumer demands, and develop new technology in order to be competitive in the domestic and the global market place.

Most of our crops are highly perishable and are characterized by high costs of production, high crop value, and generally inelastic demand which can result in large price decreases based on small amounts of excess production. Markets for specialty crops are highly volatile, yet our growers have never relied on traditional farm programs to sustain our industry. While it clearlt the intention of our industry to be more actively involved in establishing policy in the 2007 Farm Bill, there continues to be consensus from United Fresh members and coalition partners to continue to reject direct payments to growers as a policy option.

The marketplace in which we operate is growing more difficult. Meeting the demands of consumers is increasingly complicated and requires growers to address challenges in logistics, product packaging, and changing lifestyles and preferences. Regulatory challenges from state and local governments have also become exponentially more challenging. The threat of crop loss or trade disruption from the accidental or intentional introduction of pests of concern has expanded as the volume of trade has increased.

As the policy discussion for the 2007 Farm Bill takes shape, we look forward to working with you to develop new programs and enhance existing programs that will improve the competitiveness of the specialty crop industry. Over the past two years, the coalition has been working with members of Congress to develop specific legislative language consistent with our priorities. The culmination of that work came last week, when Senators Debbie Stabenow and Larry Craig, along with 17 co-sponsors, introduced the Specialty Crops Competition Act of 2007, S. 1160. We believe this legislation is a comprehensive farm bill package providing the necessary framework to enhance the competitiveness of the specialty crop industry. We expect this legislation to begin a constructive discussion of specialty crop farm policy and allow our industry to play a significant role in the farm bill debate. We congratulate and thank these two Senators along with their colleagues who cosponsored this bill on supporting the efforts of the specialty crop industries across this country.

TIMING OF THE NEXT FARM BILL

United Fresh Produce Association along with the members of the coalition believe that government policy should provide incentives for private investment, tools to increase profitability, help to those producers who are committed to better serving consumer needs, and assistance to maintain environmental quality. Ultimately, the goal of specialty crop farm policy should be to enhance the tools necessary to drive demand, increase consumption, and not distort the production of those products with respect to domestic and international markets. The Alliance believes that Congress should complete the process of establishing U.S. farm policy prior to the planting of the 2008 crop. We should develop policies based on the needs of our growers and not on the expectations of future developments in bilateral or multilateral trade agreements. The Doha round setbacks should not dictate either the timing or the policy options for U.S. agriculture. To the contrary, now is the time for policy makers to take the lead and demonstrate commitment for programs that benefit all domestic producers. Modernizing the farm bill remains a top priority for specialty crop producers. Domestically grown specialty crops need better access to overseas markets, and the delay in WTO agricultural talks likely prolongs that inequitable trade situation. Additionally, specialty crop producers face ever-increasing competition from imports, as well as challenges that threaten the viability of producers – making a revision of farm bill programs that address these needs essential for the specialty crop industry.

Many of the provisions of S.1160 address these concerns. I would like to highlight today nine (9) key areas of S.1160, which we believe Congress should incorporate into the 2007 Farm Bill because they will enhance the foundation of policy tools available to this important segment of U.S. agriculture.

1. Prohibition of Planting Fruits and Vegetables on Contract Acres

As referenced in S. 1160, the Alliance strongly supports maintaining or strengthening the current U.S. planting policy, which restricts producers from growing fruits and vegetables on acres receiving program payments. Fruit and vegetable producers are concerned that any alternations in this provision would allow commodity producers to mitigate any start-up costs or mitigate risk inherent to fruit and vegetable production resulting in unfair competition. Current market conditions and potential for disruption that has led the industry's support for this provision since 1985 has not changed. If anything, they have worsened and the need to retain this provision has become even more important. If the restriction is lifted by Congress, the industry believes hundreds of millions of dollars of negative economic impact will be felt by the fruit and vegetable industry.

2. Nutrition Policy

The specialty crop 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 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables. While nutrition policy is not solely a Farm Bill issue, we have a unique opportunity to ensure that policies are carefully considered so that the new *Guidelines* are fully implemented.

Therefore, the Alliance supports expansion of the School Fruit and Vegetable Snack Program as noted in *The Specialty Crops Competition Act*. This 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. We also support increased funding of Section 32 purchases and the DOD Fresh Program so that school meal purchases better reflect USDA's *2005 Dietary Guidelines*. This is an important policy priority for the Alliance that was not only part of S.1160, but was also recommended by Secretary Johanns' as part of the Administrations 2007 farm bill proposals as well.

3. State Block Grants

The Alliance also supports continued expansion of the State Block Grant Program for Specialty Crops that was authorized in the 2004 Specialty Crops Competitiveness Act. 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. For instance a program funded in New York by the 2001 block grant included an intergrated fruit production protocol to help the apple industry in New York maintain their markets in Europe.

4. Research Policy

Federal investment in agricultural research dedicated to improving the competitiveness of the U.S. specialty crop industry has been shrinking in real terms and is not adequate to meet the needs of the industry. The Alliance supports expanded federal investments in research and development for fruit and vegetable crop production, including plant breeding, pest management, production, physiology, food science, mechanization, marketing, product development, food security, food safety, and processing. For example, S. 1160 and the Administration's 2007 farm bill proposals both call for an increase of research funding in order to establish a Specialty Crop Research Initiative, which would provide science-based tools for our industry. We support these proposals as both address our industry's need to improve its competitiveness.

5. Conservation Policy

Today 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. The public benefits of working land conservation programs are 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 supports expanding cost share and incentive programs such and the Environmental Quality Incentives Program and the Conservation Security Program that encourages producers to invest in natural resource protection measures they might not have been able to afford without such assistance. There is also a need for targeted technical assistance to help fruit and vegetable producers' access conservation programs – providing both education on available programs and technical assistance in preparing documentation and farm assessment that are necessary to apply for the conservation programs.

6. International Trade Policy

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 percent 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. Farm bill programs that have worked well increasing access to foreign markets for domestically produced fruits and vegetables are the Technical Assistance for Specialty Crops and the Market Access Program. These programs should be continued and expanded in the next Farm Bill.

7. *Disaster Assistance Policy*

The current $80,000 payment limit on disaster payments is not equitable for specialty crop producers. Due to higher input costs, the loss per acre experienced by specialty crop producers as a result of a disaster is generally much greater, on a per acre basis, than for program crops. The Alliance believes that cost of production and crop value should be used to index disaster assistance payments to allow specialty crop producers to receive more equitable disaster payments.

8. *Invasive Pests and Disease*

Due to the tremendous volume of plant material that moves in domestic and international commerce, the potential for introduction of pests of concern into the United States is great. In addition, many of our potential trading partners are either unwilling or unable to complete the analysis necessary to develop risk mitigation strategies to allow the shipment of domestically produced specialty crops to their countries. The Alliance supports enhancing the structure and resources of APHIS to better identify and prioritize foreign pest threats, provide timely adequate compensation to producers impacted by emergency eradication programs, and create an export division to more quickly process export petitions from U.S. specialty crop growers.

9. *Labor Needs*

The produce industry relies on agricultural labor to harvest fruits and vegetables across the United States. Hence, we support programs that are designed to facilitate lawful entry of farm workers into the United States. As Congress continues to debate immigration reform the produce industry urges Congress to support comprehensive immigration reform which includes a strong temporary worker program that will match a willing foreign employee with a willing employer when no U.S. workers are available.

Congress must pass reforms that include a future temporary worker programs, realistic approaches to the current undocumented workforce in the United States, and reasonable requirements on the business sector dealing with employment verification processes.

Conclusion

We look forward to working with the committee on the development of the next Farm Bill. Many of the pressures that fruit and vegetable producers face are similar to those of producers of other commodities – increased regulation, high energy costs, transportation costs and input costs, but the perishability of our crops result in different marketing strategies, market requirements and the need to move our products to market quickly. We hope these unique characteristics can be addressed through agricultural policies that drive domestic consumption, and expand foreign market access while investing in research, food safety, conservation and pest exclusion policies that benefit the members of the produce industry. Like producers of program crops, fruit and vegetable growers face significant challenges in the production and marketing of their commodities that must be addressed if they are to be competitive in an increasingly global marketplace. We ask that the Committee continue to work with the produce industry to ensure that fruits and vegetables are appropriately addressed as you move forward in the development of the 2007 Farm Bill. We certainly recognize the fiscal constraints facing the Congress. However, the many challenges facing the fruit and vegetable industry will only worsen if real and adequate policy reforms are not provided through a Farm Bill that appropriately meets the needs of the broad U.S. agriculture community.

I appreciate the opportunity to testify before the Committee regarding the future direction of the 2007 Farm Bill and what role Congress and the Administration will play in shaping policy for specialty crop growers across the United States.

Thank you.

April 24, 2007
Testimony for the United States Senate
Committee on Agriculture, Nutrition and Forestry

Russell C. Redding
Executive Deputy Secretary
Pennsylvania Department of Agriculture
Harrisburg, Pennsylvania

Chairman Harkin and distinguished members of the Committee, thank you for the opportunity to present testimony on "Economic Challenges and Opportunities Facing American Agricultural Producers Today." My testimony will focus on dairy policy reform in general and the need for improved risk management tools for the dairy industry specifically.

Today's testimony is designed to convey several constructive changes that, coupled with the Farm Bill Reauthorization, provide the dairy industry a rare opportunity to fundamentally improve demand for dairy products and strengthen producer prices. Having the right federal dairy policy in place will be critical to encouraging growth, capturing international markets, and encouraging investments from the farm to processors.

For these reasons, the Pennsylvania Department of Agriculture convened a Roundtable that developed a number of recommendations to strengthen the future of the dairy industry. The distinguished group included the Center for Dairy Excellence (PA), Cornell University, New York Department of Agriculture, The Pennsylvania State University, the Pennsylvania Department of Agriculture, the University of Wisconsin-Madison, and several private sector dairy industry leaders. This group supplemented the recommendations made by hundreds of dairy farmers over the course of the last year.

Current U.S. dairy policy is too complex and limits market creativity and dairy product innovation. With slow growth in domestic consumption of dairy products, dairy policy changes need to stimulate new product development to meet the growing export market. This would have the added benefit of removing some farm gate volatility, which is a hardship on producers. The Roundtable policy considerations are designed to improve demand and strengthen producer prices.

I have attached for the record a summary of "National Dairy Policy Reform" for the Committee's use as they consider the complex issue of dairy. As a $90 billion industry at the retail level, providing a major economic development stimulus to our economy, we need a dairy policy that reflects this importance. It is our hope the recommendations outlined will better serve the dairy producers while capturing the opportunities the U.S. dairy industry has before it to build markets and encourage investment in the future. The components of the plan fall into five overarching objectives:

1. Strengthen the safety net for producers.
2. Develop export markets.
3. Improve the federal order system.
4. Provide price discovery.
5. Improve the risk management tools available to the dairy industry, particularly the dairy farmer.

It is the last point that I would like to discuss briefly today. Modeled after the very successful crop insurance program, we have proposed the Milk Revenue Insurance Program, which is currently under consideration by the USDA Risk Management Agency and Federal Crop Insurance Corporation Board. In fact, later this week Pennsylvania Secretary of Agriculture Dennis C Wolff will have the opportunity to review this proposal with the Agency and seek their support to advance it for Expert Review.

It is our belief that Milk Revenue Insurance could play an important role in providing a safety net for dairy producers. The concept, if implemented, would allow dairy farmers to purchase revenue insurance based upon the 5-year trend adjusted average milk revenue per cow for their operation. It would be very similar to what crop producers utilize today to insure their crops on a per acre basis.

This would provide income protection against milk revenue losses from natural disasters and price fluctuations. It would protect the major source of revenue upon which their livelihood depends. The benefits of this approach are:

1. It is simpler to understand and administer.
2. Coverage will be calculated on the actual 5-year revenue history of each producer, similar to the actual producer history yield for agronomic crops.
3. Has readily available third party verifiable records.
4. Will help mitigate some of the milk income volatility.
5. Builds on the USDA's very successful Risk Management Agency crop insurance programs and delivery system.

From the Department's perspective, encouraging participation in risk management programs is important and has proven to be critical to economic survival. The Milk Revenue Insurance Program, coupled with traditional crop insurance programs, could be used by producers to further protect their feed crops. This risk management combination could be a very effective tool for producers to help insure profitability.

The dairy industry is important to our economy and quality of life and therefore must be nurtured and supported. Having the right federal dairy policies in place will be critical to improving farm income, capturing international markets, and encouraging investments at all levels of the industry—from the farm to the processors. For these reasons, we have advanced a number of changes to encourage dialogue among policymakers and the dairy community. It is our goal that the U.S. dairy industry be stronger—both her at home and around the globe.

Chairman Harkin and distinguished members of the Committee, thank you for the opportunity to participate in this important hearing.

Testimony of

John Rice
Rice Fruit
Gardners, PA

U.S. Senate Committee
Agriculture, Nutrition, and Forestry Committee

April 24, 2007

Good Morning Chairman Harkin, Ranking Member Chambliss, my Senator Casey, and distinguished members of the Committee. My name is John Rice, and I am a seventh-generation fruit grower in Adams County, Pennsylvania.

Together with my three brothers, I own and operate R & L Orchards, which has about 1,000 acres of orchards, including 800 acres of apples, 160 acres of peaches and nectarines, and 40 acres of pears. Rice Fruit Company, a business established by my grandfather in 1913, stores, packs and markets fresh fruit produced by R & L Orchards and about 50 other fruit growers in Pennsylvania, as well as a few growers in Maryland and New York.

Today Rice Fruit Company is the largest fresh apple packing facility in the East. We have 115 full time employees and employ as many as 75 seasonal employees depending upon the time of year. In addition, we must add 150 harvest workers to this force for the months of August, September and October.

Thank you, Chairman Harkin for holding this hearing. It provides a real opportunity to assess the current needs of agriculture, ALL of American agriculture, with an eye toward the future. As a past chairman of the U.S. Apple Association and a current board member of that organization, I keep in close contact with apple industry leaders from coast to coast. I know firsthand that the challenges and opportunities facing the Pennsylvania industry are not unlike those experienced by growers in Michigan, New York, Idaho, California, Washington, New England and Virginia, to name but a few examples.

In many ways, it is an exciting time to be in the apple business. Demand seems to be growing. The USDA's new *Dietary Guidelines* call on Americans to double their servings of fruits and vegetables. A number of exciting new health research studies have found possible links between the consumption of apples and apple products with a lower risk of breast cancer, heart disease, asthma, Alzheimer's disease and other serious health issues. New great-tasting varieties and new products like convenient, bagged fresh-sliced apples may lead the way to expanding consumer demand and apple consumption.

At the same time, an unsure labor supply, high labor costs, world-wide competition, and ever-increasing regulations present unprecedented challenges for our industry.

I am here today representing what the government has designated as "specialty crops." This category includes all fresh fruits and vegetables. But this term would have puzzled many of our ancestors who depended upon these so-called "specialty crops" for much of their diet. Much of this produce came from their own backyard gardens, and from their own fruit trees which they treasured, like their immigrant forbearers.

Some in agriculture have called for an extension of the current Farm Bill, but I believe that would be a mistake. The challenges and opportunities of today's global economy

call for a new direction in agriculture policy and I welcome the opportunity to testify on this issue today.

If you examine the agricultural policies of this country over much of the past century, we have devoted a great deal of our national resources to support the production of a relative handful of crops and farm products, primarily produced in the nation's heartland. But if you ask a majority of nutritionists and health experts what most Americans should be eating for their good health, almost every expert would say that we should be eating more fresh fruits and vegetables. But if you compare what our country encourages in the way of agricultural production with what we know Americans should be eating, there is almost an inverse relationship. It is time that we rearranged our priorities with regard to American agricultural policy. And the 2007 Farm Bill provides an excellent opportunity to begin that process.

The produce industry historically has never relied upon direct payment programs to support grower income or market prices. Like a majority of fruit and vegetable growers, I do not believe that would be in the best interest of my business or of the industry as a whole. But we are strongly advocating for programs that will grow demand and consumption of our products, and build long-term competitiveness and sustainability for our industry.

The Specialty Crops Competition Act (S.1160), introduced last week by Senators Stabenow, Craig, Casey, and others, goes a long way toward achieving those goals. The strong marketing, research, nutrition and trade programs included in the legislation should be given serious consideration in the 2007 Farm Bill.

The produce industry is now facing a net trade deficit, after many years of contributing to our international trade balance. This makes programs such as the Specialty Crop Block Grant Program critical to our industry's survival. Authorized under the Specialty Crop Competitiveness Act of 2004, this program builds on the success of the 2001 State Block Grant Program.

The apple industry greatly benefited from the original block grant program which improved marketing, trade, and research programs throughout the country. In Pennsylvania, some of the funds were used for outreach to local foodservice companies to increase the sales of fresh apples and to raise the awareness of the benefits of eating locally-grown produce. In Michigan, some of the funds went into the development of the technology to improve fresh apples slices. In Virginia, funds were used to help negotiate trade protocols which led to the export of Virginia apples to Mexico. Mexico is now an important export market for Virginia apples.

I give these examples to illustrate the broad reach of the block grant program. The program allows states the flexibility to determine what types of programs best serve producers in each state. Local administration of this program is critical to its success, as the needs and challenges that specialty crop producers face vary from state to state. But the current program is seriously under-funded. Pennsylvania received just over $100,000

this past year, and that makes it nearly impossible to fund the types of projects that we were able to realize through the 2001 program. The block grant program is extremely important to apple growers in my state and to the entire "specialty crop" industry.

The export market is also critical to the health of the apple industry in Pennsylvania and nationally. Approximately 25% of the entire U.S. fresh apple crop is sold into foreign markets. The Market Access Program (MAP) has been very beneficial to our industry, helping to level the playing field as we compete with countries such as China and Chile. Because it operates with matching funds provided by American growers, and these producers help to direct and manage the way the funds are spent. MAP is a great example of a successful partnership between government and private business. It deserves your continued support with increased funding.

Pennsylvania in particular has realized important benefits from the MAP program in our primary export market, Central America. Because of MAP, annual trade missions, which have sent our local shippers to these overseas markets, and reverse trade missions, which have brought major fruit importers from Central America to visit our orchards and packing facilities, have helped to create the personal and business relationships which resulted in additional sales for Pennsylvania growers. All of the other major apple growing states have been able to utilize this program as well, with the same positive results.

The Central American Free Trade Agreement (CAFTA) has been very important in enabling Pennsylvania to remain competitive in this market. This year, as the implementation of CAFTA was nearly completed, Pennsylvania apple exports to the region increased approximately 15%, and we saw an extension of our normal shipping season by almost two months. The same containers which bring tropical fruits into this country are now being loaded back with American apples for our new friends and customers in Central America.

Apple producers and the entire specialty crop industry continue to face mounting pressures from the decrease in available crop protection tools. We know that our customers and consumers are placing an increased value on sustainability and conservation of our natural resources. Unfortunately for our growers and producers, investments in natural resource management and conservation programs can be very costly, and these costs are difficult or impossible to recoup in the marketplace. Therefore, the next Farm Bill should include expansion of conservation programs such as the Environmental Quality Incentives Program (EQIP) and the Conservation Security Program (CSP). Both programs encourage sound stewardship of the environment. But these programs need to be expanded with effective outreach to industries such as ours, since few of our growers presently know how to access and successfully apply for these programs.

In the area of food safety, we need help and assistance from our government to institute Good Agricultural Practices on our farms. The specialty crop industry is largely composed of family farms, such as ours. Collectively these farms have produced the

safest and most economical food supply of any country in the world. USDA is now mandating that Good Agricultural Practices (GAPs) be established, documented, and certified, in order to sell our farm products to government purchase programs. Educational programs and technical assistance are needed to assist growers to implement these GAPs. But no funds are being appropriated to pay for these new requirements, or the training required. The cost of certification will have to come from the industry itself. This will place a huge burden on an industry composed of small family farms, many of which will not have the resources to comply. Do we really want to put these family farms out of business with a new round of regulations, when the products they are contributing to society are improving the national health rather than putting it in jeopardy?

Federal farm policy today must emphasize the need for significant investment in specialty crop research and development in order to keep our fruit and vegetable producers competitive in a rapidly evolving and highly competitive global marketplace. Of particular interest to us as apple growers are research programs that improve labor productivity, rootstocks and varietal selection, production efficiency, and fruit quality. If we do not make this investment, there is a real possibility that apple production will be another American industry that is out-sourced to low-cost producers in other countries. China alone has the productive capacity and the desire to replace every American apple in the marketplace today. Is this what we want? Do we want all of our apples and other produce to come from overseas, where regulations with regard to food safety, chemical use, and environmental responsibility are lax or non-existent? With our present government policies of benign neglect of our specialty crops, this is a real possibility within the lifetimes of our children.

A vibrant fruit and vegetable industry in this country, on the other hand, will produce a strong return on investment for all of America, not just for our domestic producers. Food safety and national security are not the only reasons. Proper nutrition is critical in promoting good health, preventing disease, and improving quality of life. Yet studies show that the vast majority of Americans are not eating the recommended servings of fruits and vegetables. On any given day, 45% of children eat no fruit at all and 20% eat less than one serving of vegetables.

We need to reach consumers at an early age to help establish habits that will last a life time. Programs in schools, such as expansion of the Fruit and Vegetable program, are an important first step. We have been fortunate to have that program in Pennsylvania and I believe we should have it in all 50 states. Elmwood Elementary in Mechanicsburg, Pennsylvania, which is located near our orchards, has the program. The school foodservice director there reports that the students are excited about trying new fruits and vegetables and have found new favorite foods. At Elmwood they also incorporate nutrition education into the program, so students are learning about the items they eat. This is an example of a win-win program. It has the potential to create lifelong customers for our industry and in turn have a positive effect on the health of the next generation, and lower national health costs at the same time.

For these same reasons, I strongly support an expansion of the Section 32 purchases of fresh and processed fruits and vegetables. It is my understanding that the 2002 Farm Bill called for an expansion of this program by an additional $200 million but that USDA has not interpreted it that way. I have had many years of experience selling to the USDA through this program, and I believe it is a great investment in the health of our children and the health of our industry.

In conclusion, the apple industry, and the whole specialty crop industry, hope and expect to remain an important part of the American agricultural economy, and the American way of life. We are, after all "as American as apple pie." But to survive, we need the support of an agricultural policy that will promote our products and help our farmers, and not just weigh them down with regulations. The 2002 Farm Bill and legislation that followed, such as the passage of the Specialty Crops Competitiveness Act of 2004, and the introduction of the Specialty Crop Competition Act of 2007 represent a step toward this goal. The 2007 Farm Bill could help us open the door to a healthier produce industry, and a healthier America.

Thank you for allowing me to testify before this Committee.

Statement of
Eugene Robertson
Dairy Producer
Pine Grove, LA
Before the U.S. Senate Agriculture, Nutrition & Forestry Committee
April 24, 2007

Mr. Chairman, Ranking Member and members of the Committee, I appreciate the opportunity to testify today. I am Eugene Robertson from Pine Grove, Louisiana. My son and I operate a 150 cow dairy. In addition, my son has a separate dairy operation as well. I'm a member of Dairy Farmers of America cooperative.

As you well know, the business of dairy farming has been made much more difficult in the last few years due to the wide fluctuation we have seen in farm milk prices. Although milk prices are improving in 2007, much of the gain in better prices has been offset by higher fuel and feed costs. It seems that these swings in milk prices come more frequently and the troughs are much deeper. Our dairy industry in Louisiana, of course, was severely impacted by Hurricane Katrina in August, 2005. Disruption of power, loss of crops and interruption of feed suppli s were just a few of the hurdles we had to overcome in order to stay in business. Therefore I am very pleased to have the opportunity to discuss with the Committee today the issue of Milk Income Loss Contract (MILC) payments that dairy producers in my state have received over the last six years and the value of federal dairy payments in general.

It is important for the Committee to note that Louisiana is a milk deficit state which means that we do not produce enough fluid milk to satisfy consumer needs and consequently milk from other states has to be shipped in at various times to meet demand. Maintaining as much milk production as possible from the existing dairy operations in the state is critical!

I would like to place the context of my comments on the MILC program on some history that led Congress down the road toward the development of MILC in

the 2002 Farm Bill. Our state along with others in the South had been working on ideas that would help dairy farmers get through those periods of time when farm milk prices were low. We needed a counter-cyclical payment program that would help offset reduced blend prices and keep us financially solvent. That is one reason Louisiana passed enabling legislation to join a Southern Dairy Compact region. However, since the legislation to ratify the Compact was not passed by Congress, the MILC program was put forward as an alternative measure. From 2002 through February of 2007, Louisiana dairy producers have received $9,977,000 in MILC payments. Our state now has about 250 dairy producers according to USDA statistics and between 2005 and 2006 we lost almost 11 percent of our dairy operations. This trend of dairy farmers exiting the business has continued over the last several years but it, of course, accelerated as the result of damages caused by Katrina. The MILC program has helped although I believe it can be improved. The trigger price of $16.94 per hundredweight based on the Class I price in Boston is too low and does not reflect higher feed and energy costs. The payment rate of 34% based on Class I utilization does not come close to reflecting our fluid utilization rate here in the South. So I would hope that your Committee takes these factors into account when you prepare the dairy title for the 2007 Farm Bill.

MILC payments could fall in the Amber Box under WTO rules. In terms of direct payments to dairy farmers that the Committee will be considering during preparation of the Farm Bill, I would like to point out that National Milk Producers Federation is proposing a direct payment to dairy farmers that would offer a solution to the WTO requirements. In their proposal the direct payments would be Green Box compliant with WTO requirements.

There are a number of other issues that are very important to us in the South as well and I would like to briefly touch on them. We are part of the Southeast

Federal Milk Marketing Order Area. The federal orders needed to have some significant changes if they are to work effectively for producers in the future.

One of the main purposes of the federal milk marketing orders is to guarantee a fresh supply of milk for our consumers. However, in practice the federal orders do not always accomplish this goal of assuring a fresh supply of milk and at the same time adequately reflecting a price to dairy farmers for example that takes into account increased fuel and feed prices. Also, the process for getting a decision made through the federal order system is slow and cumbersome. The orders must be modified to reflect changing marketing conditions and advances in technology. We need timely decisions from USDA on changes requested to the federal marketing orders.

As the Committee moves forward in developing a dairy title for the 2007 Farm Bill, you will be considering a number of proposals for improving future dairy policy. You will need to evaluate all the proposals being put forth from a federal budgetary standpoint as well. However, the most important aspect of your deliberations is how any program can most effectively help our dairy farmers in the South and the rest of the country. We need to have a payment program in the 2007 Farm Bill.

Again, I appreciate the opportunity to testify and would be pleased to answer any questions.

Statement to the Senate Committee on Agriculture, Nutrition and Forestry

Constance E. Tipton
President & CEO
International Dairy Foods Association

April 24, 2007

Mr. Chairman and members of the Committee, my name is Connie Tipton. I'm the President & CEO of the International Dairy Foods Association (IDFA). Thank you for the opportunity to testify today.

The International Dairy Foods Association (IDFA), Washington, DC, represents the nation's dairy manufacturing and marketing industries and their suppliers, with a membership of 530 companies representing a $90-billion a year industry. IDFA is composed of three constituent organizations: the Milk Industry Foundation (MIF), the National Cheese Institute (NCI) and the International Ice Cream Association (IICA). IDFA's 220 dairy processing members run more than 600 plant operations, and range from large multi-national organizations to single-plant companies. Together they represent more than 85% of the milk, cultured products, cheese and frozen desserts produced and marketed in the United States. IDFA can be found online at www.idfa.org.

We have an unprecedented opportunity with the 2007 Farm Bill to reposition our dairy policies to take advantage of growing global and domestic demand for U.S. dairy products, and to transition to a better safety net for our nation's dairy farmers. It is important to us that we have programs that give dairy producers and processors the opportunity to succeed.

I would like to start off by stating that our organization supports putting in place an effective safety net for dairy farmers. We are committed to working with dairy farmers and Congress on new policies that ensure a healthy dairy industry. To that end, we are releasing a comprehensive set of Farm Bill proposals today in a document, entitled "Ensuring a Healthy US Dairy Industry: A Blueprint for the 2007 Farm Bill." It will be delivered to your offices and is available on the web at www.healthydairyindustry.org.

Our Farm Bill proposals include the follow five suggestions:

- Provide a safety net for dairy farmers that will give them the help they need under a variety of market conditions, not just when prices are low;
- Encourage environmental improvements on farms with direct payments not tied to price or production;
- Permanently reinstate the forward contracting program so that dairy farms and milk buyers can enter voluntary agreements that help level out price volatility;
- Eliminate the dairy price support program and the dairy import assessment and
- Establish a Commission of industry stakeholders to identify and recommend measures for addressing the problems with the Federal Milk Marketing Order system.

The context for these suggestions is a different dairy marketplace than we have ever seen before -- it's a marketplace that offers exciting opportunities for the U.S. dairy industry and there is room for everyone.

Milk prices are expected to reach record highs this year, largely driven by demand for exports of high quality milk powders, whey products and lactose. This demand is expected to remain strong for the foreseeable future. Yet, dairy farms will still be stressed because of extraordinarily high feed costs. Current dairy safety net programs, the dairy price support program and the Milk Income Loss Contract (MILC) program, will not be useful or effective in this market environment.

The dairy price support program is intended to buy basic commodities to prop up market prices when they drop. But it also encourages production of these commodity products because it provides a guaranteed market. This has kept the U.S. dairy industry from responding adequately to the exploding demand for higher value dairy proteins. Today, with record high milk prices the dairy price support program offers no help to producers, yet continues a commodity production mentality. This is a good opportunity to eliminate rather than resuscitate this program.

I would like to stress that we must have adequate resources to give dairy farmers the safety net they need -- a sustainable one that provides support regardless of market conditions or milk prices. We suggest providing assistance that is not tied to price or production and utilizing these payments to encourage environmentally sustainable practices on our farms. We would complement this support with more risk management tools for dairy, such as revenue insurance and forward contracting.

It is vital to our members that we keep our abundant and high quality milk supply, and we have a chance in this Farm Bill to do that with updated policies that allow markets to work better, including international markets for U.S. dairy products. A provision was included in the 2002 Farm Bill calling for new assessments on dairy imports which was never implemented. We believe our trade prospects have changed so dramatically since 2002 that so should our approach on this issue. As our exports are growing and driving better prices for our producers, we think it's the wrong time to put up new barriers to other countries' imports.

Finally, just about every segment of the dairy industry is frustrated with the federal milk marketing order system and wants to see some change. The system, however, is so complicated that it is hard to find consensus about what those changes should be. Both our organization and the National Milk Producers Federation have established committees to review these issues and we think it would be useful for Congress to call for a Blue Ribbon Commission made up of industry stakeholders and experts, to try to find a consensus across the industry for long overdue change to the federal milk marketing order system.

I know that dairy policies have always been one of the most difficult areas to navigate, but I am optimistic that our strong market opportunities will provide the chance for this Committee to come up with positive improvements.

I would like to explore these ideas further, starting with the Federal Milk Marketing Order program that has regulated milk marketing since 1937. All of these dairy programs are interrelated so an understanding of the basic programs underpinning dairy pricing is essential to developing a comprehensive and meaningful way forward.

Federal Milk Marketing Orders are Well-Rooted in the Past

Federal Milk Marketing Orders (FMMOs) were created in 1937 because Congress wanted to make sure that all Americans had an adequate supply of milk for drinking and to protect farmers' bargaining power when selling their milk to processors. This was in the early 20th Century; dairy production in this country was a horse-and-wagon industry of five million small, low-technology farms limited by a processing sector that lacked today's refrigeration, sophisticated transportation equipment and high tech processing methods. Even though we have seen dramatic changes in technology, transportation, and the economics of the industry, the FMMO system is still in place today to assure an adequate supply of milk and orderly marketing.

Federal Milk Marketing Orders operate as a system of ten geographic regions of the country where USDA regulations determine how much processors have to pay for raw milk. FMMOs allow USDA to administer a discriminatory pricing system that assigns prices to raw milk based on the final product it is used to make. The Class I price is the highest price assigned to beverage milks. Class II prices apply to most cultured dairy products and ice creams. Class III prices are paid for milk used in cheese making, and Class IV prices apply to milk used for butter and nonfat dry milk products. There is no other commodity where pricing is regulated by the government based on the end product use of the commodity. Whether corn is used for feed, food, seed, sweetener, oil, or ethanol, its price is set by the market demand for that corn, yet the grower still enjoys a safety net for his income.

Needless to say, there is nothing simple or easy about the Federal Order system. In order for USDA to administer this complex system, milk processors have to track thousands of business transactions, file monthly reports to the ten milk marketing administrators with details about the location and volume of milk purchases, the composition of milk, and how the milk is used. From a purely business process perspective, USDA requires continual manual reporting of virtually all dairy business transactions, and charges processors a fee -- roughly $50 million annually -- to cover the cost of administering the ten milk marketing regions. Essentially, we are paying the government to set our prices.

Today, nearly 70% of the nation's milk is still sold under the USDA federal order milk price system. Most of the remaining milk supply is regulated under California's state milk marketing system, which is outside of the federal system, and a small percentage is

unregulated by any system, but highly influenced by it. A small percentage of milk is also priced under other state regulations.

Federal Orders Maintain a Discriminatory System Out of Sync with Today's Industry Structure

Dairy farms today are vastly different than their predecessors seventy years ago. They have grown in size and gained considerable bargaining power through large, well-organized cooperatives. Today, just over 60,000 commercial dairy farms – that's about 1% of the number of dairy farms in the 1930s – now produce over 181 billion pounds of milk a year. That amount is 50% more than the amount produced when the government first intervened in the dairy marketplace to assure adequate supplies. Cooperatives now control as much as 86% of the milk supply, up from under 50% in the 1940s. In 2002, according to USDA, the four largest dairy cooperatives handled 41% of the nation's milk supply. Cooperatives have become huge processors, too, manufacturing over 70% of the butter, over 85% of the nonfat dry milk, 40% of the cheese produced in the U.S. and increasingly, other dairy commodities. Some of these cooperatives are far larger than the processors who are their customers.

Even though Federal Orders regulate how processors pay for their milk, only producers (or their cooperatives on their behalf[1]) get to vote on changes to federal milk marketing orders. This leaves processors as virtual "price takers" once a decision has been rendered by USDA, with prices determined by government formula, not by consumer decisions in the marketplace. The Federal Order system also blocks processors from even offering voluntary forward contracts with producers for milk supplies. Cooperatives are not restricted by FMMOs from offering forward contracts - and they have this power over 86% of the milk supply.

Federal Orders Foster Regional Divisiveness

The FMMO classified pricing system impacts regions differently today because of their historical function. In the 1930s, milk could not be stored or transported very far. So Congress, through the Federal Orders, wanted to ensure an adequate supply of milk close to every populated area of the nation. This was accomplished by setting up a milk pricing system that would equalize producer receipts regardless of how the milk is used (called "pooling") and allow higher prices (through "differentials") close to all major urban areas. At that time, Wisconsin and the Upper Midwest were the major surplus milk production areas. So the pricing system was set up to price fluid milk according to the distance the marketplace is from Eau Claire, Wisconsin. Today's differentials for Class I, or beverage milk, are still based on this concept.

As you might imagine, this regionally based pricing system doesn't fit today's milk markets. Milk production has changed dramatically as have the variety of dairy products demanded by consumers. Through the years, Federal Orders have been changed, but every tweak to these historic pricing formulas creates "winners and losers" where one

[1] Cooperatives may bloc vote on behalf of their members.

region benefits over the other or one type of dairy product manufacturer benefits over another. As a further complication, the FMMO system still assigns the highest price to beverage milk, the category that faces declining demand as a percent of the milk supply. This distorts marketplace signals and creates a problem by stimulating more milk for fluid use than what is demanded - benefiting producers in marketing order regions where most of the milk is the higher priced beverage milk -- but resulting in lower prices in other regions, where most of the milk goes into lower priced manufactured dairy products.

Dairy is the most highly regulated of all U.S. commodities. Dairy is the only U.S. commodity that has a marketing order system that requires the government, at the approval of producers, to set minimum prices and, on top of this, maintains multiple federal dairy subsidy programs. In fact, the United States is one of the few remaining countries in the world that still intervenes in dairy pricing rather than allowing the marketplace to set prices. Other countries allow the marketplace to set dairy prices, and utilize other types of support for the farming section, if any at all.

Federal Order Decision Process is Onerous and Inconsistent

Not only is the Federal Order system complex, it utilizes a slow regulatory process. All stakeholders (producers, processors, retailers and consumers) can petition USDA to change Federal Order provisions. USDA considers the petition and must use a formal hearing and rule-making process to implement changes. It is essential that USDA act as a responsible gate-keeper to hold hearings on only those issues that must be addressed and fixed through the regulated system -- and then make sure the regulatory process is completed in a timely fashion. Both of these issues are concerning and frustrating to the industry.

When USDA decides to accept a petition that starts the formal hearing process, the terms of dairy pricing are subject to change, and all milk buyers and sellers must wait for USDA's decision to learn the impact on their business. The cost and duration of the hearing is exacerbated by the time taken away from operating a business to testify. The FMMO hearings can last days and even weeks and often require expert witnesses, legal counsel, an administrative law judge to carry out the proceedings, and a court reporter to record the proceedings. Hearing participants are required to read their entire testimony into the record, often taking hours to complete this initial step before being cross-examined by a bevy of USDA lawyers and counsel representing other interested parties.

For example, USDA is currently undertaking rulemaking to consider twenty different proposals to update various components of the Class III and Class IV pricing formulas. Deliberations of these technical and seemingly empirically-based issues, such as determining the value of whey cream or the "block-barrel spread", will enter their third week of formal hearings in early July. USDA and industry participants have and will continue to expend tens of thousands of dollars to sit through another week of testimony to comply with the strictures of the formal Federal Order process. This onerous process is nearly as arcane and outdated as the Federal orders themselves. Certainly, a simpler

streamlined process, such as the less formal "notice and comment" rulemaking used extensively across the federal government, could be used for the majority of federal order issues. Other improvements, such as utilizing the administrative processes in California's state marketing order for federal hearings, could be considered a model. California has predefined hearing schedules, and certain time limits that allow the system to work openly and efficiently.

Historically, USDA has also applied a thorough and critical analysis of any and all FMMO petitions before submitting them to the cumbersome and costly formal rule-making process. However, this appears to be changing. At the end of last year -- a year in which U.S. milk production reached a record high of over 181 billion pounds. USDA initiated an "emergency" hearing to consider a proposal intended to raise prices for fluid milk. The decision to go to a hearing on this proposal came as a complete surprise to Class I and Class II milk processors since the supply of raw milk is more than adequate to supply their needs. USDA is required to base the hearing decision on whether the changes are needed to ensure an adequate supply of fluid milk and orderly marketing. Federal Orders were designed for these purposes only -- not to enhance farmer income. In this case, there was really no legitimate reason for USDA to agree to hold a hearing to consider raising Class I and Class II prices. At a minimum, USDA should have solicited industry comments as well as convened a pre-hearing workshop, as it did prior to announcing the hearing to update Class III/IV price formulas, to allow industry participants an opportunity to explore whether a hearing was necessary.

Some issues -- like the margins, or make allowances, that product manufacturers can recover in the price formulas -- must be addressed in the Federal Order regulatory process to keep them current. Updating processing costs imbedded in the formulas for milk used in cheese making, for instance, can only be addressed through the rulemaking process. This should be done regularly and in a timely manner. As a comparison to the Federal Order system, California recently updated make allowances for plants based in California. It took California four months to update the make allowances in their minimum price regulations, and they're already planning the next update. USDA's make allowance update, which was requested on an emergency basis before California even got started, has already taken over a year, and provided less than half the relief that California provided to its cheese makers. Under USDA's proposed make allowance updates, plants across the country will have to sustain their losses or go out of business. This unfortunate outcome is more likely in regions where plants are older and smaller.

There are many examples of how illogical, time consuming, and costly the Federal Order system has become. For instance, in 2005, dairy cooperatives in the Central Order, which stretches from Colorado to Illinois and South Dakota to Oklahoma changed the rules to force any processor seeking to qualify for the producer settlement fund, or "pool", to ship a certain amount of their farm milk to a Class I bottling operation, even though it raised costs and there was no business reason to do so. One company executive told me that he has to ship milk that would normally be processed in a Nebraska Class II plant to a Class I bottling facility over 120 miles away just to participate in the pool. Most shocking, at the same time, he has to do the reverse – that is, transport milk that is produced close to

their Iowa plant back to their Nebraska plant. This change forces that company and many others to pay extra transportation costs merely to comply with unnecessary federal regulations. Can you understand why businessmen who run dairy processing operations are so frustrated with this system?

Complex Regulations Restrict Market Growth Opportunities

Dairy companies struggle against Federal Order regulatory hurdles, which put them at a competitive disadvantage in competing with other food and beverage manufacturers. The outmoded Federal Order system is not built to allow dairy to succeed in the highly competitive beverage market where other products are not constrained by cumbersome regulatory pricing mechanisms. For other agricultural commodities, unencumbered by price regulation, there are reliable risk management tools for both suppliers and buyers. Commodities purchased by most food processors have market price discovery. Commodity buyers can reliably plan for and even lock in future prices and have regular access to forward contracts with their suppliers. Not so with dairy. Uncertain changes in price regulations, and the lack of universal access to forward contracting and futures markets, means that dairy is increasingly at a disadvantage in the food and beverage marketplace. There is a strong price incentive for buyers to substitute or minimize the dairy protein components in food products – an otherwise growing but competitive market.

The classified pricing scheme also conflicts with the current demand for dairy products. The system was erected to ensure the availability of fluid milk by assigning it the highest price. However, fluid milk consumption has been on a steady decline. In fact, per capita sales of fluid milk products in 2005 were only 21 gallons, the lowest level on record. Conversely, the demand for yogurts, cheeses and many dry milk products has soared. The increasing demand for dry dairy ingredients, especially dairy proteins, is being driven by products such as pizza, snack foods, sports drinks and nutrition bars. Additionally, cheese and its by-products now account for more than 40% of the U.S. milk supply. Despite this shift, Federal Orders still require the highest prices to be paid for fluid milk, making it more expensive to purchase farm milk for processed products while only providing farmers with a "blend" or average price of all the milk used in their Federal Order marketing area.

An example of marketplace evolution that is hitting up against federal order pricing constraints is whey, a byproduct of cheese that has been unconstrained by government regulation. For years whey was traded in the open market; its price not influenced by an underlying USDA purchase program. Over time, market demand grew because of competitive pricing, and whey products are now valuable ingredients for a myriad of food processing, animal feed and industrial purposes. Exports of whey products have taken off, and because of the increased demand, whey prices have also increased. But even something that has been a success in markets has caused problems in the federal order pricing structure for cheese plants. The federal order price for cheese incorporates a new higher value for whey, so all cheese processors must pay a higher price for their milk, but not all processors are equipped to get value out of the whey to cover the higher cost of the

milk. This translates to losses for many cheese plants. This is just one more example of how markets move over time but the Federal Order system can't keep up.

An Ineffective Dairy Farmer Safety Net Compounds Federal Order Problems

Problems with the Federal Order system are compounded by ineffective support programs for dairy farmers. Current safety net programs put in place years ago no longer fit the dairy industry and markets of today. The dairy price support program is intended to keep average prices from falling below a minimum support price, but today's marketplace realities yield it ineffective. While doing nothing to support farm income, maintaining the price support structure only continues to encourage production of basic commodities for a guaranteed market (the government) instead of retooling these manufacturing facilities to produce more products now in high demand in the marketplace, such as high protein milk concentrates and powders.

On top of that, some of the problems attributable to the price support program have been compounded by the Milk Income Loss Contract (MILC) program, which was overlaid on the price support program by the 2002 Farm Bill. These programs work at cross-purposes. The price support program is intended to establish a safety net floor under milk prices-- that is, milk prices are allowed to fall enough to send a signal for the market to adjust. But, when the market price has fallen toward the price support level and thus is calling for an adjustment in supply, the MILC program kicks in. This sends the opposite signal telling farmers to continue producing milk at the same or greater levels. This, in turn, has a further dampening effect on prices, keeping them at low levels for longer periods of time. The two programs are completely counter productive and can result in more federal spending and less economic security for producers. Under certain market conditions, USDA is essentially paying for milk twice with little or no benefit to the producers.

Under today's market conditions, futures markets are projecting record high milk prices, so no MILC payments will be triggered, yet farm income is severely squeezed by soaring feed costs. This is the ideal time to transition away from the concept of buying commodities and payments tied to price and production and to put scarce government resources toward a safety net that helps farms but encourages markets.

In short, dairy policy is based on outdated supply concerns, instead of solutions which support farm income without negative marketplace impacts that can result in weakening demand for dairy products. MILC was new and untested in the 2002 Farm Bill -- now we need to take the lessons learned and fix the payment program to get it right. Price support is an illusion of security, and should be replaced with real tools that help manage price volatility, and maintain revenue. Now is the right time to make these updates in dairy policy, while demand for dairy products is strong. Congress should phase out the dairy price support program and transition MILC to a new safety net not linked to price or production. This would provide farmers with reliable support, help markets work more effectively, and position the U.S. for continued success in a growing global marketplace.

Federal Orders Are at a Crossroads – A Commission Can Provide a Roadmap for the Future

Dairy processors are not in agreement on the future direction of the Federal Orders, but there is a strong level of discontent with the current system. There are many issues currently being discussed. For example, California's state milk marketing order system is often held up as being faster and more efficient in adjusting regulations to marketplace realities than the federal order system. However, California's quota system is also seen as an impediment to California becoming part of the federal system. But the need for comprehensive reform goes far beyond just these observations. California's administrative processes should certainly be considered as a model of great efficiency, but California should not be brought into the broken Federal Order system without full and adequate study. Furthermore, expanding the Federal Order system to make one national order is also a losing proposition that will only make the pricing system's failings more apparent, accentuating regional disparities and uncertain impacts on consumers.

The Federal Milk Marketing Order system has been around for seven decades – correcting its well-entrenched problems won't be something that can be addressed within the next few months in the heat of a farm bill debate. But, we have a good context for analyzing the Federal Order system and developing a solution:

- The Federal Order system was designed to ensure a local fluid milk supply -- and that's not a problem today;
- The Federal Order system is not a safety net; there are other programs for that purpose;
- Solutions to our current problems cannot be addressed piecemeal because the entire federal dairy policy system is interrelated;
- Record high milk prices and growing global demand provide a golden opportunity to make significant portions of these interrelated dairy programs more market oriented.

A Commission is needed to study these issues, and pull together the different stakeholders to assist the industry in reaching consensus on the next steps as it relates to the Federal Order system. A national approach, representing the diversity of the industry is the only way that we will be able to get past the individual "winners" and "losers" that would be the outcome of a piecemeal approach.

USDA faces a virtually impossible task of trying to administer a discriminatory, regional pricing system that was built for the marketplace of the 1930's. Today's industry has been fundamentally reorganized and is subject to an entirely new array of market forces. Like a decades old car, the Federal Order system can keep sputtering along, but it needs more than a tune-up -- the Federal Order system needs to be completely rebuilt for the 21st century. In short, it's time to buy a new car. We need a Federal Order Blue Ribbon Commission established in the 2007 Farm Bill to chart the course for the future of milk price regulation in the U.S.

The stakes are high. The dairy industry has grown up around the classified pricing system, and any future changes need to be done thoughtfully and carefully – with balanced input. In the meantime, it is essential that Congress immediately address the issue of a new federal safety net for dairy farmers. Without this, all dairy programs and policies are at the risk of collapse.

Federal Orders and the Safety Net Are Inextricably Linked: Both Need to Change

As I started out by saying, the Federal Order system cannot be viewed in isolation -- it is only part of the government's involvement in dairy. It cannot continue in its current direction of acting as a price support program, without severe negative impacts on the market, such as declining milk demand and increased friction in the industry. The pressure must be taken off of the system by fixing the underlying safety net programs.

The future success of our dairy industry also requires a transition from ineffective policies of the past, to programs that distribute resources more equitably, promote expanded trade, and address today's challenges. In structuring a viable safety net, two important principles come into play. First, we must recognize that price-triggered payments don't help when both milk prices and input costs are high. Second, we must also recognize that it is possible to protect revenue without manipulating prices or disrupting production in the marketplace.

Dairy Needs Improved Direct Payments and Revenue Protection

We support a safety net that will make payments directly to farmers, year round, even at times of higher farm milk prices. A decoupled direct payment program will help farmers of all sizes address higher feed costs, and the higher costs of energy, and environmental compliance. At the same time, we support risk management tools that directly help producers manage price volatility and revenue fluctuations. Unlike the price support system, we think the safety net needs to be directly accessible to producers through options such as affordable revenue insurance. Milk prices are among the most volatile of all agricultural commodities, in part due to the very federal programs that intervene in the marketplace. Revenue insurance is needed to offer farmers the option of bottom line protection against severe declines in farm revenue associated with price fluctuations and natural disasters. But there is no revenue insurance product currently available specifically to meet the needs of dairy producers. Unlike dairy, most major crops in this country have access to and extensively utilize USDA subsidized insurance products, including farm revenue insurance. If milk revenue insurance were available, it would enable producers to make better long term strategic plans for their businesses and make farm investments with greater certainty.

Permanent Dairy Forward Contracting will Expand Risk Management Tools

Congress should remove restrictions on preventing thousands of dairy farms from using forward contracting of milk sales to protect against future severe milk price downturns

and to enhance revenue predictability for planning purposes. USDA operated a pilot program during 2000-2004 that allowed forward contracting for milk that goes into cheese, ice cream, butter and nonfat dry milk, and found that forward contracts were effective in achieving stable prices. USDA also determined that making the dairy forward contracting pilot program permanent will not hurt or undermine the Federal Order system.

In fact, the forward contracting pilot program under USDA's oversight was quite successful for both producers and processors alike. Structurally, a system of forward contracting can streamline the communication of market-based information from the consumer all the way to the producer and thus addresses one of the key problems in dairy price risk. Managerially, forward contracts are relatively easy to use. There is no cash settlement, no premium payment, and no monetary outlay on the part of the producer. The terms, nomenclature and concepts are not foreign to the producer or difficult to learn like futures and options trading. Forward contracting is a very simple and user-friendly risk management tool.

We support Congress making the forward contracting program permanent in the 2007 Farm Bill, with the same level of USDA oversight and no additional USDA restrictions that would create unnecessary bureaucratic red tape.

Promote Long Term Trade Prospects -- Repeal the Dairy Import Assessment

The U.S. dairy industry is in an excellent position to capitalize on growing global demand for dairy products. The U.S. Dairy Export Council estimates that global demand for dairy products will increase by more than 20% in the next few years. With world market prices for dairy products at their highest levels in recent memory, the time is right to reduce our dependency on trade-distorting federal programs, such as the dairy price support program, and eliminate needless trade barriers like the dairy-product import promotion assessment program.

Although the dairy import assessment has not been implemented since it was enacted in 2002, it hangs like a cloud over our industry just as we are poised to capitalize on global trade opportunities and move toward leadership in market-oriented innovation. The assessment would not give any additional support to farmers, but is in violation of our global trade obligations, and is likely to provoke a challenge through the World Trade Organization and risks retaliation against U.S. exports of all types. Imported dairy products would be required to pay into the domestic promotion programs, but these products would not benefit from the advertising and other promotion activities. Fluid milk imports are virtually non-existent and the volume of cheese imports is capped by strict quotas. Imported high protein dairy ingredients, use predominantly in products outside the dairy case, would not benefit from cheese and milk advertising.

Congress should use the opportunity offered by the 2007 Farm Bill to repeal the assessment and help make federal dairy policy more consistent with the nation's global trading obligations.

Conclusion

We recommend a two step process to get dairy policies in line with where the industry is today and position the dairy industry capture greater demand for dairy products here and abroad. First, fix the safety net and ensure that our dairy policies support expanding export market opportunities. The authority for the MILC and price support programs are coming to an end with this Farm Bill, offering Congress an opportunity to put a more viable safety net in place. The safety net can be improved by transitioning MILC from a trade and market distorting program into a decoupled direct payment program, while phasing out the price support program, and offering more risk management tools for dairy producers through forward contracting and revenue insurance. Along with removing artificial barriers to trade like the dairy import assessment, these new ideas are fair to all farmers, don't distort the market or hamper demand for dairy products, and are consistent with U.S. trade goals.

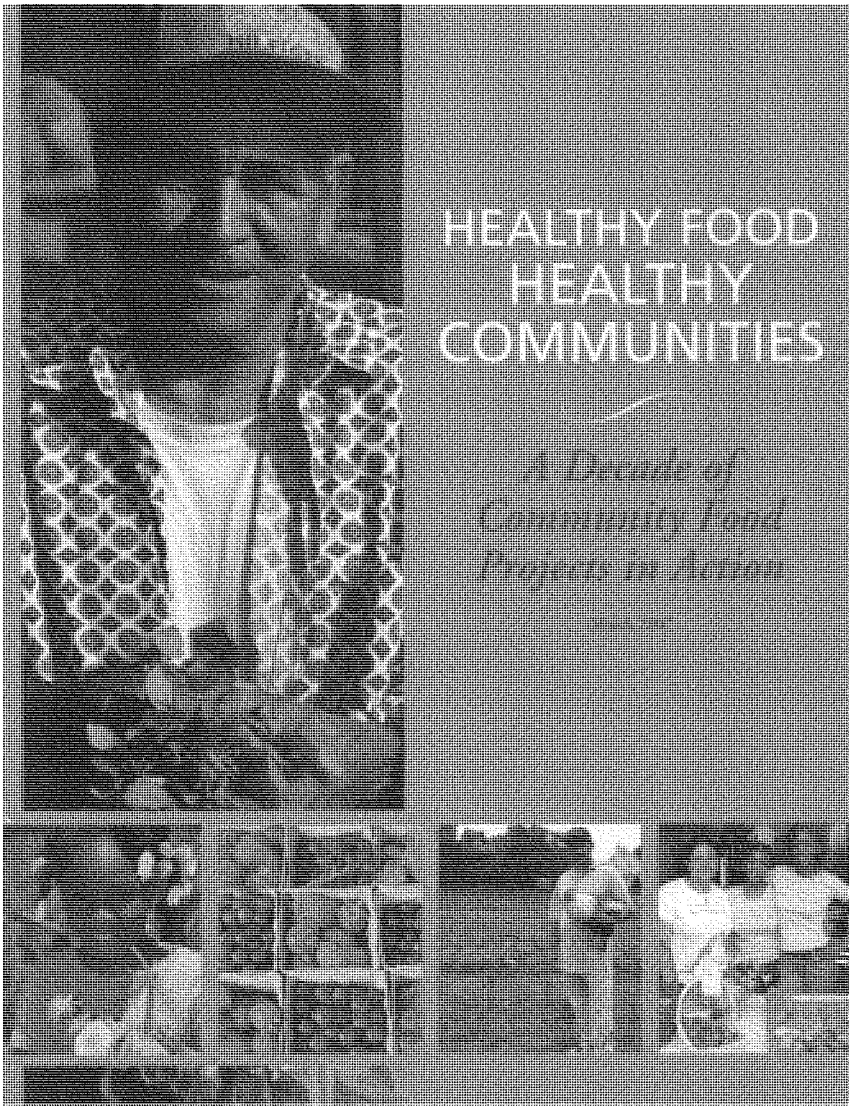
Second, establish a blue ribbon commission made up of producers, processors and experts to recommend ways to streamline and simplify the system, increase its responsiveness to market forces, and ensure that it's still serving the best interests of the industry and consumers. The time to implement the longer term solutions to fix the Federal Milk Marketing Order system will follow after the commission has reached consensus and issued recommendations.

IDFA represents companies -- large and small, public, private, and producer owned -- that build demand for U.S. dairy products; and who are dependent upon a stable and healthy U.S. milk production sector. We support and uphold the importance of federal programs that ensure dairy producers have equal standing to operate their dairy businesses to take advantage of growing markets in the U.S. and abroad.

U.S. milk production was at a record high in 2006 at over 181 billion pounds. If our milk supply continues to grow as it has in the past (production has increased by over 50 percent in the past 30 years), protecting the processing sector's capacity to buy more and more milk -- that is, to grow demand -- is equally important to ensure a healthy dairy industry. Members of this subcommittee understand this obvious point, but it needs to be reinforced that a safety net for farmers does not help farmers in the end, if those very government programs negatively impact the outlets and growth opportunities for milk and dairy product demand here and abroad.

DOCUMENTS SUBMITTED FOR THE RECORD

April 24, 2007


HEALTHY FOOD
HEALTHY
COMMUNITIES

HEALTHY FOOD & COMMUNITIES INITIATIVE

INTRODUCTION

The Community Food Security Coalition's *Healthy Food & Communities Initiative* (Initiative) presents specific policy proposals for the 2007 Farm Bill that lay out the following four broad policy goals to increase access to healthy foods and to strengthen local food systems:

- Encourage greater consumption of fruits and vegetables by enabling federal nutrition program beneficiaries to purchase food at local farmers' markets and other retail food outlets that can supply fresh, local produce;
- Expand innovative, community-based food programs to increase the scale and scope of institutional and emergency food purchasing programs, including through changes in procurement policy and support for infrastructure development;
- Create new and expanded local food system programs to help communities develop retail food markets, urban agriculture projects, and marketing networks that address the needs of under served neighborhoods;
- Provide funding to child nutrition programs to provide fruits and vegetables in schools, implement wellness policies, and expand nutrition education.

The Initiative is the product of extended discussion and research by more than 100 individuals and organizations comprising the Healthy Food & Communities Work Group. The Community Food Security Coalition (CFSC) provided staffing and leadership to this Work Group whose participants included representatives from public health, ending hunger, sustainable agriculture, nutrition, urban and regional planning, environmental quality, youth development, agricultural marketing, urban agriculture, and community development. The ideas presented here embody perspectives drawn from faith-based, community-based, academic, Cooperative Extension, governmental, and farmer sectors.

The Initiative is divided into three sections. ***Section A*** requests $60.5 million to substantially increase funding for the Community Food Projects Competitive Grants Program and supporting activities. ***Section B*** requests $50 million to improve marketing and distribution infrastructure for under served communities and further requests the elimination of restrictions on the purchase of locally- and regionally-grown food by institutions. The total request for Sections A and B combined is $110.5 million. ***Section C*** makes no funding request, but expresses the support of CFSC's partners' initiatives to promote greater access to and consumption of healthier food by low-income people.

It should be further noted that all of the goals put forward by the Initiative have been incorporated into the Farm and Food Policy Project's declaration, Seeking Balance in US Farm and Food Policy. This document was endorsed separately by over 350 national and local organizations.

THE NEED FOR A NEW DIRECTION IN U.S. FOOD AND FARM POLICY

All people want what's best for their children and for future generations. All community members, whether they are rural, suburban, and urban, want strong local economies and the ability to buy healthy and affordable food. All people in the United States, whether farmers or not, benefit when agriculture is productive, profitable, and environmentally sustainable.

But what we want from our food system and what our national food and farm policies deliver are increasingly out of balance. This is especially true for the Farm Bill-scheduled to be renewed by Congress in 2007-that addresses such critical issues as agricultural production, food and nutrition assistance, rural development, renewable energy, and conservation policies. These public policies need to result in better management of the farm and food system that serves us all.

The twin phenomena of hunger and obesity are ample proof of how the nation's farm and nutrition policies are out of balance. The obesity epidemic is so severe that the U.S. Surgeon General predicts that this generation of children may be the first to be less healthy and have shorter lives than their parents' generation. Similarly, obesity among adults has risen significantly in the United States. The latest data from the National Center for Health Statistics show that 30% of US adults who are 20 years of age and older-over 60 million people-are obese. The percentage of young people who are overweight has more than tripled since 1980.[1] Being overweight or obese increases the risk of many diseases and health conditions, including high blood pressure, Type 2 diabetes, coronary heart disease, stroke, sleep apnea and respiratory problems, and some cancers. Various non-white racial and ethnic populations are often at higher risk for certain diet-related diseases than

the white population.[iv] The Institute of Medicine estimates that national health care expenditures related to obesity are estimated at between $98 and $117 billion annually, with the U.S. taxpayer footing an increasingly large share of these costs through Medicare and Medicaid.[iii]

While obesity has reached epidemic proportions throughout America, over 35 million people (including 12.4 million children) lived in food-insecure households in 2005.[ix] These are households who are uncertain of having, or unable to acquire enough food to meet the needs of all their members. Ironically, hunger and obesity may exist side-by-side, because households that cannot afford, or do not have access to healthy food often resort to cheap, high-calorie foods that are low in nutrients to reduce sensations of hunger.[v]

The lack of full-service grocery stores in many lower income urban and rural areas, especially those with large numbers of people of color, also exacerbates these problems.[vi] Corner stores or bodegas, convenience stores, and inner-city grocery stores often charge substantially higher prices than supermarkets in middle class neighborhoods, leading to decreased purchasing power for socially disadvantaged residents.[vii] Limited access to supermarkets also reduces the consumption of fresh fruits and vegetables.[viii] Without access to affordable and nutritious foods, individuals in these under served communities have fewer chances of making positive changes to their diets.

Like consumers, the American farmer is also challenged at many levels by unbalanced food and farm policies. With increasing concentration of many food and farm sectors in the control of a few large companies, family farmers have fewer options for marketing, processing, and adding value to their products. As the cost of land, water, labor and energy rise, and the prices received for most crops remain stagnant, family farmers increasingly find themselves selling the farm and leaving agriculture altogether. These conditions adversely affect the health and security of our food system, which depends on a stable base of farmland and new generations of farmers. Currently, 1.2 million acres of farmland are lost to development and erosion every year. Developed land increased by 19% between 1982 and 1992, and by 24% between 1992 and 2002,[x] and farmers over 65 currently outnumber those who are under 35 by more than four to one.[x]

OPPORTUNITIES

Due in large measure to consumer demand and farmer innovation, new marketing channels are opening up that benefit farmers, consumers, and communities. As more people express concern about where and how their food is grown, the demand for organic, sustainable, and locally produced food expands. Evidence for this growth can be seen in the over 4,000 farmers' markets -- 1,250 of which have opened since the 2002 Farm Bill -- that are spread across the American continent.[xi] As many as 1,000 public schools in 32 states are now buying products from local producers for their school meals programs, up from a handful in 1998. And over 1200 community supported agriculture (CSA) farms and thousands of community gardens and urban farms have blossomed in the past decade.[xii]

These consumer-driven trends have existed at the margins of federal policy, which has only provided minimal support for these important new directions in food and farming. While the Farmers' Market Nutrition Program, for instance, has enabled the expansion of farmers' markets in low-income areas, a significant infusion of public resources would have a dramatic impact on farmers' markets' ability to promote healthy eating and economic development among under served populations and communities.

CFSC's ***Healthy Food & Communities Initiative*** is a new direction that makes a modest investment in the self-reliance of our nation's communities. It will give them the tools they need to develop their own solutions while employing their native skills and resources. Community-based solutions like these bridge class, racial, ethnic and geographic divides by focusing on the shared interest in healthy and affordable food.

POLICY PROPOSALS

SECTION A: Expand the Community Food Projects (CFP) Competitive Grants Program.

Since it was first authorized in the 1996 Farm Bill, the Community Food Project Competitive Grants Program (CFP) has earned a reputation as a dynamic and adaptable force within the changing circumstances of community food needs. Re-authorized in the 2002 Farm Bill at $5 million per year of mandatory funding, CFP has made grants to over 240 innovative community food projects in 45 states, the District of Columbia, and 1 US territory. These funds have promoted a wide variety of community-based solutions to local food system and food security problems.

CFP's purposes were clearly expressed by Congress, which

established the program to assist non-profit, community-based organizations with the development of projects that would require a one-time infusion of federal assistance to become self-sustaining and were designed to:

- Meet the food needs of low-income people;
- Increase the self-reliance of communities in providing for their own food needs, and;
- Promote comprehensive responses to food, farm, and nutrition issues by combining the resources of multiple sectors of the food system.

Over the past ten years, CFP has proven that modestly-sized federal grants, when combined with local resources and knowledge, can galvanize the hearts and minds of citizens and give struggling, food insecure communities new hope. These grants have played a major role in forging a national network of community food system practitioners who are eager to learn from each other, know how to put good ideas into action, and respect the need for evaluation and research. At the local level, CFP has given a diverse group of food system stakeholders the opportunity to develop and implement ideas, projects, and ultimately solutions by using creative and dynamic problem solving skills. As a result of these linkages, local planners now work with food program advocates, public health officials engage community development groups, and farmers see their futures increasingly tied to local markets.

Building on this success, CFSC's Healthy Food & Communities Initiative proposes to expand the size and scope of the Community Food Projects Competitive Grants Program in the 2007 Farm Bill by including:

- Local food procurement by institutions such as schools;
- Retail access in under served markets;
- Urban and metro-area food production;
- Technical assistance for socially disadvantaged and limited resource groups;
- Food policy council and food system network development;
- Emergency food providers who purchase food from local farm communities, and;
- A national clearinghouse on community food security innovations.

Specific provisions of this proposal are as follows:

The USDA Community Food Project Competitive Grants Program should be re-authorized at $60.5 million annually in mandatory spending, making funding permanent and keeping pace with inflation. CFP should expand in scope and size, adding specific uses of funds to meet the urgent need to supply healthy local foods to under served markets in the following ways:

Allocate $15 million annually for Community Food Project Competitive Grants as currently structured.

Rationale: Expanding CFP will accelerate the growth in community-based solutions to community food problems, especially given the dollar-for-dollar match required of CFP grantees. Over the past four years, requests for CFP funds have averaged over $27 million per year, about six times available funds. The staff of CFP report that there are a significant number of highly qualified projects that do not get funded every year due to limited resources.

Add $10 million annually within CFP for institutional food service projects to invest in infrastructure and planning in order to procure local food by school districts, municipal and state governments, and non-profit organizations.

Rationale: Serving locally grown foods in schools and other institutions and introducing kids and adults alike to the foods grown in their region has been shown to improve eating habits while increasing local farmers' income. Seed funding is critical to cover many of the infrastructure costs associated with purchasing local food. A modest outlay of resources in this area can substantially increase the number of children eating farm-fresh food at school while expanding market opportunities for local and regional farmers.

Add $10 million to CFP to provide seed grants for pre-development and development efforts designed to create new and/or expanded retail food outlets in under served areas. Examples are community-based retail development such as mobile markets, buyers' co-ops, independent grocery co-ops, revitalized public markets, and public-private partnerships with chain supermarkets.

Rationale: Modest grants to capable community-based organizations have been shown to help stimulate additional food retail outlets. Community ownership or participation in these outlets can ensure that they remain responsive to the food needs of community residents.

- Add $10 million annually within CFP to support metropolitan, urban and peri-urban food production and handling to provide stable seasonal access to healthy food for under served communities. Use of such funds should include physical improvements to existing and future garden sites, such as fencing, water and irrigation systems, importation of compost, and soil. Additionally, funds should be available for planning and technical assistance to link metropolitan-area production with food banks, retail outlets, and farmers' markets.

Rationale: Community gardens and urban farming provide numerous benefits to the individuals and communities they serve, including recreational and economic development opportunities, beautification, increased safety, social capital, and food security. Despite these multiple benefits, urban agriculture often falls through the federal cracks because USDA programs are oriented toward rural areas, and urban-focused economic development typically ignores agriculture. An allocation in this area can help urban communities more productively utilize undeveloped land at their fringes and in their cores, while making their cities more sustainable.

- Add $7 million within CFP for technical assistance and evaluation assistance to organizations applying for and receiving CFP grants.

Rationale: One reason that CFP has been so successful and unique is that it provides technical assistance to applicants and grantees. This has allowed grantees that have never received federal grants to develop successful proposals. In addition, this assistance has helped build the capacity of grantees to conduct program evaluation, which in turn helps project leaders and administrators to improve their project. As funding for CFP expands, both in number of projects funded and topical areas, additional technical assistance should be provided to bolster the capacity of applicants and grantees and ensure that funds go to the communities that need them the most.

- Add $5 million annually within CFP for food policy councils and food system networks.

Rationale: Coordinating the multiple private, public, and non-profit sector activities and policies in local and regional food systems is challenging and necessary because it can significantly increase the efficient use of existing resources. Food policy councils (public-private commissions linked to state or city governments) and other similar collaborations have taken up this challenge in an ever-increasing number of communities, but are often limited by lack of resources. New multi-sector entities with regional jurisdictions are needed to plan and coordinate on a region-by-region basis the complex production, distribution, processing and consumption sectors that are not currently integrated.

- Add $3 million annually within CFP for creating linkages between emergency food providers and other local food system sectors to integrate the handling of emergency and non-emergency locally produced food for food banks, soup kitchens, and pantries.

Rationale: Food banks-like schools, colleges, and other institutions-are becoming increasingly interested in providing healthy, locally-grown food to their clients. While USDA provides commodity foods and operating funds to food banks through the TEFAP program, additional resources to allow food banks to work directly with small-scale family farmers are urgently needed.

- Re-authorize funding in the amount of $500K annually for the Food Security Learning Center.

Rationale: The Food Security Learning Center (FSLC) is a hub of information exchange for the food security movement. The FSLC provides the tools needed to put policy into practice, offering blueprints and examples of models that work. Each topic of the FSLC provides introductory materials, policy initiatives, profiles of community food projects, links, readings, and more. First launched in 2002, the Food Security Learning Center is run by World Hunger Year, with collaboration from the Community Food Security Coalition and support from the CFP.

SECTION B: Provide access to healthy, locally produced food in under served urban and rural markets, including institutions, through new incentives and clarification of USDA language.

- Authorize $45 million in annual mandatory funding for regional planning and technical assistance pilot projects targeting transportation and processing infrastructure that will enable local and regional limited resource and socially-disadvantaged family farmers to aggregate and distribute food supply for under served markets, including local institutions.

Rationale: Farmers growing for local markets face significant barriers in getting products to market, including a lack of processing plants, warehouses, brokers, and affordable transportation options. Minority and low-income farmers are especially challenged, given the barriers they often face in utilizing USDA services. This fund provides crucial government support for revitalization of local and regional food system infrastructure that the private sector has abandoned over the past decade.

Supply $5 million annually to support the use of the EBT system at farmers' markets.

Rationale: Farmers' markets can play an important role in improving access to fruits and vegetables in low-income communities. This potential, however, has been limited inadvertently by changes in the Food Stamp Program, which converted paper coupons to a debit card. Very few farmers' markets have the ability to process electronic transactions, but many markets across the country are experimenting with technologies to enable Food Stamp users to use their benefits at farmers' markets. These innovations are limited in scope and are often costly; dedicated resources to fix this problem are critical.

Pursue policy changes to allow for geographic preferences and increased flexibility for school and institutional procurement of local and regional foods.

Rationale: Conflicting interpretations of statutory and report language in the 2002 Farm Bill have led to much confusion with regards to the ability of school districts and states to provide preference for food grown in specific geographical areas (such as in-state only) for school meals. The current administration has chosen to discourage schools and states from providing geographic preference. In doing so, it has dissuaded many school districts from implementing legally permissible contracting processes that would facilitate farm-to-school food purchasing. This no-cost provision will clarify the intent of Congress by directing USDA to remove this policy barrier.

Restore flexibility and allow geographic preferences in Department of Defense Fresh Program purchase of local products.

Rationale: Through the Department of Defense (DoD) Fresh Program, school food services have been able to use their non-cash credits for government commodities to acquire local products from family farmers. Both school districts and farmers have benefited from the substantial procurement infrastructure that DoD offers, but the preference for local products within this program has been discontinued, in part because of USDA's interpretation of the law. This no-cost provision will remove this policy barrier and allow the DoD to continue purchasing food from local farmers.

SECTION C: Work with partners to expand and improve existing programs to promote healthy food consumption among under served low-income populations.

Federal nutrition assistance provides the means to reduce food insecurity, and offers education programs that promote healthful eating. The Food Stamp Program, which has historically been used as a way to alleviate surplus of farm commodities, has become one of the nation's premiere anti-poverty programs and a highly successful bulwark against hunger. Yet with the obesity crisis and health disparities among the poor, it is clear that the Food Stamp Program and other forms of nutrition assistance must be used to combat malnutrition in all of its forms. The following provisions are supported by CFSC, but not included in the total funding request of this Initiative, due to the fact that its partner organizations are working directly on those issues. For more information on the rationale behind these proposals, see the Food Research and Action Center (FRAC) at www.frac.org.

Because farmers' market offer a low-cost way of increasing access to healthy and affordable food in under served communities, it is necessary to provide additional incentives to both farmers' market organizations and low-income consumers to extend their benefits as widely as possible. To those ends, federal funds should be used to further develop farmers' market while giving low-income, nutritionally vulnerable groups like WIC and elderly households the opportunities to fully utilize fresh, locally produced food.

1) Expand farmers' markets and improve access to them by low-income people:
   a. Increase annual funding for the Farmers' Market Promotion Program.
   b. Increase funding for the Farmers' Market Nutrition Programs and authorize FMNP Farmers' Markets to be certified for WIC fruit and vegetable vendor status.
2) Streamline the Food Stamp Program and increase access to healthy foods for Food Stamp-eligible customers:
   a. Broaden and streamline eligibility for legal immi grants to Food Stamp Program.

b. Increase food stamp benefit allotments to provide increased potential to purchase healthy foods by Food Stamp Program recipients.

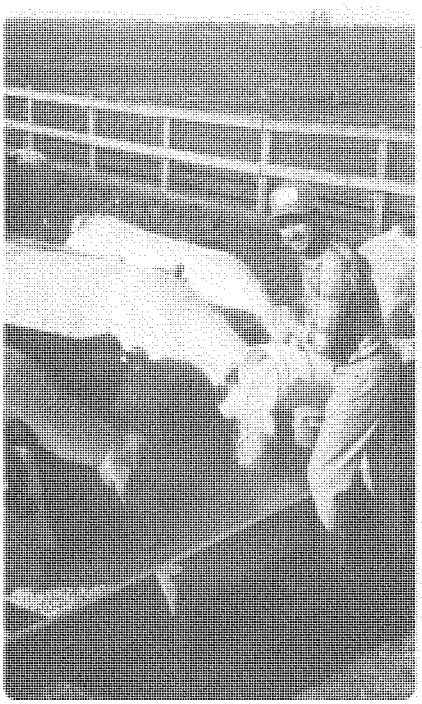
c. Provide clear support for community food security applications of Food Stamp Nutrition Education (FSNE) and EFNEP funds.

3) Increase the entitlement for TEFAP (The Emergency Food Assistance Program) for food, storage, and distribution.

4) Expand the Fresh Fruit and Vegetable Pilot Program to all 50 states.

5) Expand research and technical assistance resources for urban agriculture within existing programs or through the renewal of past urban USDA programs.

6) Provide funds for consolidated national research of challenges and solutions for healthy food access through retail markets in under served low-income areas.



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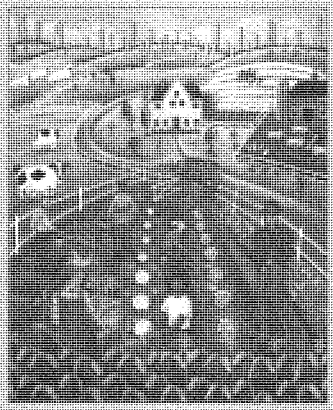
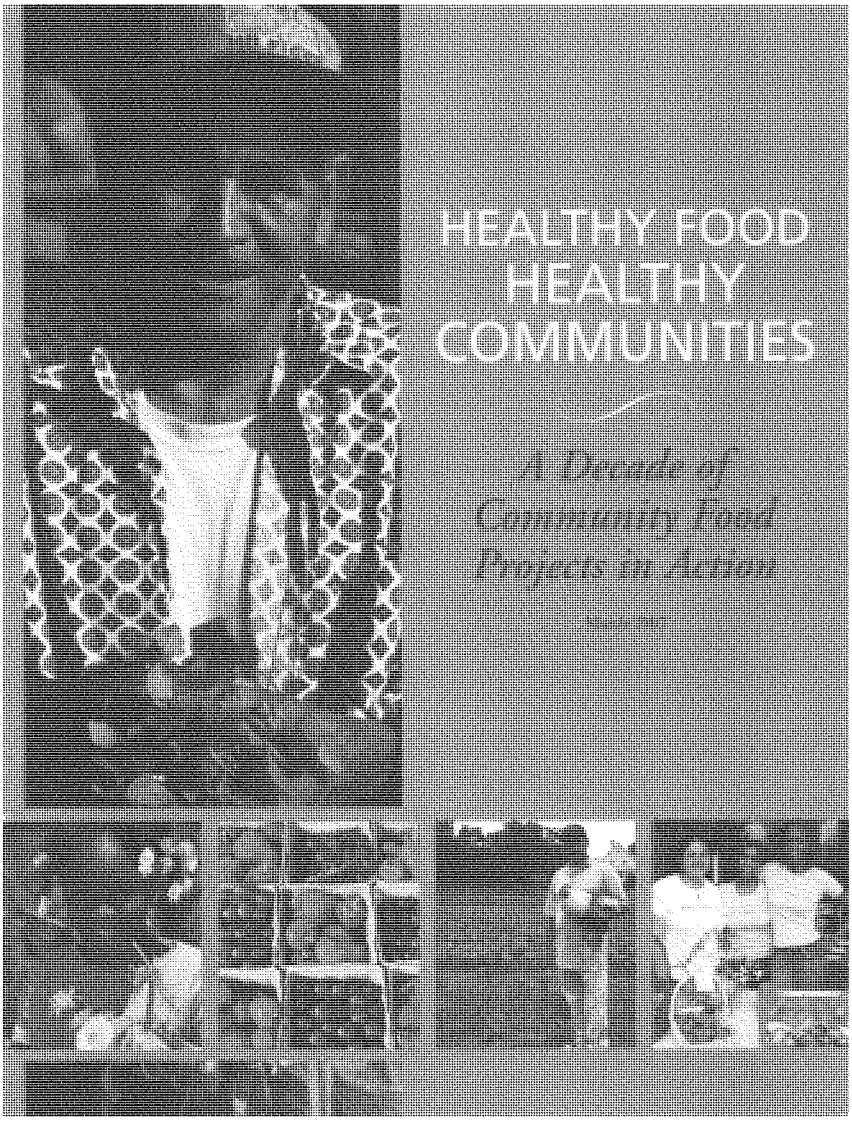


The Community Food Security Coalition is dedicated to building strong, sustainable local and regional food systems that ensure access to affordable, nutritious, and culturally appropriate food to all people at all times. We work to develop collaborations among all communities to ensuring that food and economic systems of growing, manufacturing, processing, distributing, and selling food, that is equitable, based and grounded in the principles of justice, democracy, and sustainability.

Community Food Security Coalition
PO Box 209
Venice CA 90294
310-822-5410
www.foodsecurity.org


HEALTHY FOOD
HEALTHY
COMMUNITIES
A Decade of
Community Food
Projects in Action

ACKNOWLEDGEMENTS

The Community Food Projects 10th Anniversary Production Team gratefully acknowledges the U.S. Congress for its leadership and foresight in authorizing the Community Food Projects Competitive Grants Program in Section 25 of the Federal Agriculture Improvement and Reform Act of 1996 and for re-authorizing the program in the Farm Security and Rural Investment Act of 2002.

The Community Food Security Coalition and World Hunger Year also acknowledge the outstanding professionalism and commitment shown by the Cooperative State Research, Education, and Extension Service (CSREES) of the U.S. Department of Agriculture in the implementation of the first 10 years of the peer-reviewed Community Food Projects Competitive Grants Program.

And lastly, to the more than 240 program grant recipients since 1996, we are forever indebted to you for your spirit of innovation, passion for food security for all people, and your community leadership.

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FOREWORD

Over a decade ago, the Office of then-Secretary Dan Glickman asked the Cooperative State Research, Education, and Extension Service (CSREES) to take over the administration of a small, competitive grants program in support of community organizations fighting hunger in America. The primary recipients of awards would be nonprofit, community-based organizations that design and implement innovative, sustainable approaches to alleviating hunger. Our responsibility would be to listen to this community, develop a Request for Applications (RFA), solicit and merit-review proposals, and provide programmatic and fiduciary oversight of the awardees. But we wanted to do more: we wanted to ensure that the sum of the projects was greater than the program. We wanted to ensure that, collectively, the individual projects had a meaningful impact on ensuring access to food in all communities. We hoped that project directors would benefit from one another's work and experiences and share what they learned with others in the hunger community.

We were apprehensive about taking on a program that was not part of our established missions in research, education, extension and international programs. The project applicants and organizations were not people we knew; the review panels would need to be comprised of "experts" we had not met; and, although there was meaningful overlap among some clients of extension, by and large CSREES had little experience with the citizens to be served by the Community Food Program (CFP). And, as it turned out, the CFP community was apprehensive about us. Within a few weeks of the announcement that CSREES would administer the CFP, concerns reached a zenith in the hunger community about the agency's ability to manage a social assistance program. Although we had little previous experience with potential grantees, the agency is very deft at running fair, expeditious, and clearly defined grants programs–and listening to program constituents.

CSREES was also fortunate to have on staff Elizabeth Tuckermanty, an expert in community nutrition and public health, who eagerly accepted the challenge of program manager and recruited Zy Weinberg to serve as panel manager. Liz and Zy became well versed not only in community food programs, but also in community gardens and farms, public/private partnerships, and in coalitions linking professionals in these fields. They have listened to those committed to fighting hunger and have creatively designed the program to expand that which works and eliminate that which fails. By its 10th anniversary, the CFP had made more than 200 grants to nonprofit and community-based organizations to innovate and test approaches to feeding the hungry. The Decade Report highlights a number of successful projects supported by the CFP and lays forth a history of discovery, information sharing, and progress for the future.

Thanks to a caring partnership who has worked with CSREES, the program has grown and continues to seek new cost-effective ways to help communities ensure that all citizens have access to healthy food, year round.

Colien Hefferan
Administrator

INTRODUCTION

The Community Food Projects (CFP) Competitive Grants Program–10 Years of Progress

From the Sonoran Desert in southern Arizona to the densely populated neighborhoods of East New York, Community Food Projects (CFP) grantees are reaching back into the past and ahead into the future to develop new ways to produce and distribute healthy food. On the Tohono O'odham Reservation, along the Mexico and Arizona border, tribal members are battling the devastating effects of a diabetes epidemic by restoring the cultivation of traditional drought-resistant crops. New farming operations devoted to traditional foods, such as tepary beans, are developing new jobs, increasing the tribe's food security and self-sufficiency, and leading the way to healthier diets.

Facing similar concerns caused by the limited availability of healthy food, East New York's 200,000 residents are using CFP funds to grow vegetables on small urban farms and to distribute fresh fruits and vegetables through new farmers' markets. The community's young people are learning important gardening skills, and the region's farmers and neighborhood vendors have new markets for their goods. Best of all, residents are taking charge of their local food economies and their physical health.

Since 1996, when Congress first authorized the Community Food Projects Competitive Grants Program, more than 240 projects have harnessed local resources and knowledge to build food security within local communities. CFPs grow from the ethic of community self-reliance, which has always been a prominent cornerstone of the American tradition. The principles of helping one's neighbor and of mutual aid are among the time-honored values that communities have drawn upon to maintain control over their own destinies. But, just as the old-fashioned bucket brigade soon reached the limits of its ability to put out fires, the size and complexity of today's social and economic challenges are often too great for communities to tackle on their own.

This is certainly the case when it comes to hunger and food insecurity, nutrition and health, and farms and farmland, all of which make up what we call the food system. Today in the United States, more than 12.9 million American households, an estimated 35 million people–a population equal to that of California–are unable to purchase enough food on a regular basis (1). More than 60 percent of Americans are either obese or overweight and, nationally, we spend about $117 billion annually on illnesses associated with obesity (2). While we can still take pride in having the most productive agricultural economy on earth, the United States loses 1.2 million acres of farmland a year, an area nearly the size of Delaware (3). Taken together, these food system concerns represent the loss of important human and natural legacies.

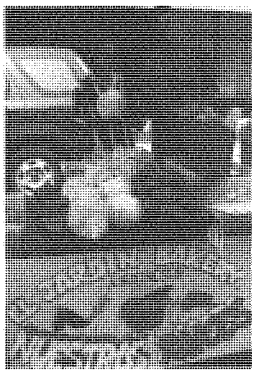
Since it was enacted as part of the 1996 farm bill, the CFP has provided 243 grants to private nonprofit organizations in 45 states, the District of Columbia, and 1 U.S. territory. Those grants, which have ranged in size from $10,400 to $300,000, have fostered innovative responses to the challenges facing local and state food systems. They have been essential in bringing together many diverse partners who, by sharing their knowledge, skills, and resources, have created local networks of enterprising solutions to some of the nation's most intransigent food and hunger problems.

In July 1995, Texas Representative Eligio "Kika" de la Garza introduced the Community Food Security Act of 1995, the bill that would later become the Community Food Projects Competitive Grants Program. He was joined at the time by a bipartisan group of 17 Congressional co-sponsors. The bill was referred to the House Committee on Agriculture and to its Subcommittee on Department Operations, Nutrition and Foreign Agriculture, whose chairman, Bill Emerson, of Missouri, was also one of the bill's sponsors. An additional 15 House members joined their colleagues to bring the number of co-sponsors to 33.

> "The concept of community food security is a comprehensive strategy for feeding hungry people, one that incorporates the participation of the community and encourages a greater role for the entire food system, including local agriculture. There is a need to develop innovative approaches to providing food to low-income families, particularly approaches that foster local solutions and that deliver multiple benefits to communities."
>
> *– Former Congressman Eligio "Kika" de la Garza as stated in the* Congressional Record *upon introducing the legislation that created the CFP*

At the time of the bill's introduction, Congressman de la Garza said, "The concept of community food security is a comprehensive strategy for feeding hungry people, one that incorporates the participation of the community and encourages a greater role for the entire food system." Indeed, the CFP is founded on the principle of community food security, a condition in which all community residents obtain a safe, culturally acceptable, nutritionally adequate diet through a sustainable food system that maximizes community self-reliance and social justice (4).

This kind of systems thinking guides the 10-year-old program and is evident in the projects that have received funds. In places as different as Lubbock, TX, and Green Bay, WI, the CFP has played a key role in building comprehensive approaches to multiple problems. The South Plains Food Bank of Lubbock uses its 5 1/2 acre farm to produce food for the food bank. But that's not all; the farm also serves as a demonstration site for sustainable farming practices, a youth training and job site, and a community-supported agriculture facility. In Green Bay, the Brown County Task Force on Hunger identified the region's large Hmong population as the group most at risk for food insecurity. The Hmong benefit from small business and enterprise mentoring that allows them to develop farm- and food-related micro-businesses. Again, self-sufficiency and self-help are putting people on the road to food security.



Goals and Objectives of Community Food Projects

Congress established CFP as a program to help nonprofit, community-based organizations develop projects that require a one-time infusion of federal assistance to become self-sustaining. The programs:

- Meet the food needs of low-income people;
- Increase the self-reliance of communities in providing for their own food needs; and
- Promote comprehensive responses to food, farm, and nutrition issues.

It is interesting to note, however, that the CFP's broad mandate in terms of food issues and its careful focus on low-income and community concerns enable the program to use its limited resources to maximum effect. By allowing the

projects and the communities they represent to determine their priority food needs, grant funding generally has flowed to the areas where it is needed the most. For instance, at the time of CFP's initial authorization, the awareness of diet-related health problems had not reached the level that it has today. However, a significant number of grants made over the past 5 years have allowed communities to address issues such as access to healthy food, community nutrition programs, and nutrition education.

A good example of how health and diet awareness, local innovation, and CFP funding can make a difference is the Lower East Side Girls Club of New York. Building on relationships among the Girls Club, a family farm, and a community health center, a 2002 CFP grant enabled the Girls Club to set up "Juice Joints," after-school venues for healthy food. When coupled with food purchased from regional farms, job training, and business management classes, this entrepreneurial approach enabled youth participants not only to eat better, but also to earn money. In the words of Adrianna Pezzuli, the project director, "The 2002 CFP grant enabled us to expand the highly replicable Juice and Muffin Bars to reach 2,000 teens per week. [They have] increased girls' energy, resulting in increased class participation and enthusiasm in school, positively affected girls' eating habits, and enabled better self-esteem through a sense of personal bodily health."

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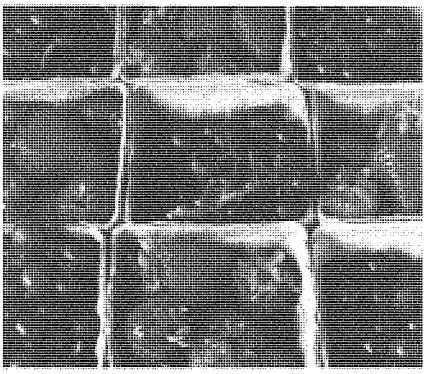
>
> *– Adrianna Pezzuli, Project Director, Lower East Side Girls Club of New York*



Since its inception in 1996, the CFP Program has earned a reputation as a dynamic and adaptable force within the changing circumstances of community food needs. This was especially apparent in 2002 when Congress re-authorized the program as part of the 2002 farm bill. This legislation not only doubled the funding for the program, it added some important new revisions that allowed grants for food system infrastructure development and food policy councils. By making these amendments to the program, Congress acknowledged CFP's expanding role as a supporter of community food system innovation and recognized the need for civil society to participate in the shaping of food and agriculture policies.

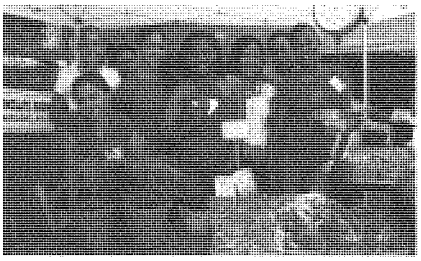
One of the first groups to receive a CFP grant under the new language was San Francisco Food Systems (SFFS), a public-private partnership that works closely with the city's Department of Public Health. Like many cities across the country, San Francisco city government recognized that it could do more to promote waste recycling, urban agriculture, the purchase of locally grown food, and better use of the Food Stamp Program. However, without the right people and skills, it was unlikely that these ideas would succeed. The CFP grant enabled SFFS to work within the structure of city government to attract more grocery stores to underserved neighborhoods, increase the use of food stamps at farmers' markets, and increase the use of regionally grown food in the city's schools. As it has done countless times across the nation, the CFP brought together stakeholders and forged partnerships to promote a healthier and more responsive food system.

As you read project profiles and review other materials in this decade report, place in your mind's eye a familiar community, organization, or local setting where people have worked together to improve the quality of their lives. At the outset the challenges may have been large and complex, the resources few, and the organizational capacity weak. But, when a spirit of innovation was encouraged, when uncommon connections between seemingly disparate elements were forged, and when a modest amount of outside support was secured, things began to change. One small success led to another and, with patience and persistence, big problems became manageable.

This has been the story of the Community Food Projects Competitive Grants Program over the past 10 years. Modest grants for communities across the nation have given people the incentive they need to join arms, put their noses to the grindstone, and start the difficult task of change. It may start with a community garden on vacant land or a farmers' market in a church parking lot. These projects may lead to a youth farming business, a new food store, or a food policy council. As one success points the way to the next, more people will have access to affordable and healthy food, fewer children will go to bed hungry, and farms and farmland will stop their spiral downward. This is the goal of the Community Food Projects Competitive Grants Program, to build the capacity of communities across America, in partnership with the federal government, to achieve food security for all citizens.

COMMUNITY FOOD PROJECT PROFILES

New York, New York
Lower East Side Girls Club of New York's "Growing Girls, Growing Communities"



It is possible to make fresh, healthy food popular among urban youth, even in the heart of New York City, and the Lower East Side Girls Club of New York can prove it. You just have to make it cool, tasty, profitable, and empowering. The Girls Club received a CFP grant in 2002 for a "Growing Girls, Growing Communities" project to establish and operate "Juice Joints," after-school venues to serve healthy foods, such as smoothies and muffins.

Background

Girls Club Executive Director Lyn Pentacost noticed in her visits to the local farmers' market that baked goods were always a top seller. She founded the organization's first earned-income venture, the Sweet Things Bake Shop, which yielded profits, jobs, and training for the participating girls. The Juice Joints operation was conceived as an adjunct to stress healthier foods. "We can change preferences and behavior if there's availability," claimed Pentacost.

Success

The project offered job training, entrepreneurial development, and business management classes to provide high school girls the skills to successfully run the Juice Joints independently, with business profits shared among all participants. Using locally grown produce, the girls developed their own products and menu selections and sold items from the Bake Shop.

The first Juice Joint was located in a public high school 1 day a week. Within a year, four Juice Joints were operating 5 days a week in four different schools, supplemented by a community farmers' market that improved access to fresh fruits and vegetables. Kiosks and the distribution of multilingual materials at the market promoted healthy nutrition.

The Girls Club also operates a retail Café and Juice Bar in a commercial storefront near two public high schools, a settlement house, and a number of public housing developments. The Café specializes in coffee, tea, juices, products from the Bake Shop, and other nutritious snacks and sells crafts from women's art collectives around the world. An art gallery adjoining the Café displays the work of professional artists as well as work produced in Girls Club art and photography classes.

> "The incidence of obesity among youth is what got us started. The grant enabled us to expand the highly replicable Juice and Muffin Bars, reaching [more than] 2,000 teens per week."
>
> – *Adrianna Pezzuli*

The Bake Shop, housed in the Girls Club kitchen, began producing healthy added-value products, such as dried fruit, granola bars, organic baby food, and more, to be sold onsite. The kitchen is open to members and their parents, who may receive training in product development, marketing, and advertising for value-added products made for household use or sale at the farmers' market.

Impact

"The incidence of obesity among youth is what got us started," stated Project Director Adrianna Pezzuli. "The

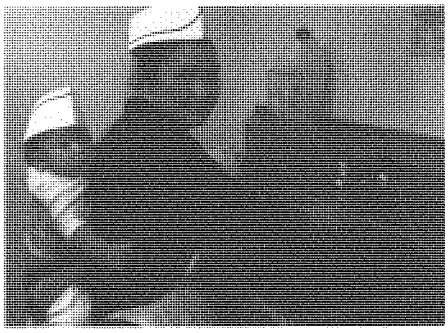
grant enabled us to expand the highly replicable Juice and Muffin Bars, reaching [more than] 2,000 teens per week. In an immediate sense, the Girls Club has: increased girls' energy, class participation, and enthusiasm in school; positively affected eating habits due to increased familiarity with healthy foods and produce; made available personal health and nutrition group sessions to girls most at-risk; and enabled better self-esteem through a sense of personal bodily health.

"The Girls Club participant retention rate is extremely high–93 percent," added Pezzuli. "In the long-term, the Girls Club will help lower the incidence of obesity, decrease the likelihood that girls will develop Type II diabetes, diminish the chances that girls will develop cardiovascular disease as they become adults, and open girls' minds to the many ways in which they can integrate physical activity into their daily lives."

Vision for the Future

The Girls Club was awarded another CFP grant in 2006 to open "The Intersn@ck Cafe," a 5-day per week after-school and weekend healthy food Internet café for low-income youth and their families, serving food prepared with New York State and regional produce. The Intersn@ck Cafe features an entrepreneurial training program for young adults ages 18-25 transitioning out of foster care or enrolled in college part-time. This café, being constructed with New York City Council funding, opened in the fall of 2006 in the heart of an inner-city neighborhood, and will feature various teen-run programs, including: "Fit 4 Life" health and nutrition workshops for teenagers; "Tech Girls" Web design and pod-casting classes; and "First Fridays" family environmental film festivals.

Green Bay, Wisconsin Brown County Task Force on Hunger's "Community Garden Outreach Program"



Yia Yang emigrated from Laos in the mid-1970s, where she worked as a migrant worker in agriculture. She often reflected on the animals, rice, and vegetables she had raised before her family emigrated, so when an opportunity presented itself to use a small patch of land for gardening, Yia seized it. The garden provided healthy food for her family of eight while Yia and her husband looked for work.

With assistance from the Community Garden Outreach Program, Yia was able to expand her garden plot to one-half acre. The additional space allowed Yia and her children to raise produce for the family's needs and to sell at the Green Bay Farmers' Market. She also used the cold storage facility on the grounds to keep her produce fresh for market and improve the profitability of her operation. "Without use of this land, I would not be able to do this and help support my family," Yia said as her daughter May Lin Yang translated.

Background

Brown County has an Asian population of more than 5,700, or 2.4 percent of the population. Most Asians in the county are Hmong. Traditionally, the Hmong have agrarian roots and many of the immigrants had back-

grounds in agriculture before moving to America. While children of these immigrants are largely bilingual in Hmong and English, language is a significant barrier for many older Hmong who immigrated as adults. Other challenges faced by this community include access to farmland, lack of bilingual adult education that could help them utilize existing agricultural skills, and lack of access to business connections.

> "Without use of this land, I would not be able to [garden] and help support my family."
>
> *– Yia Yang, Laotian immigrant*

The Brown County Task Force on Hunger, along with the University of Wisconsin (UW) Extension in eastern Wisconsin, completed a study on food insecurity in their community. From the study, the Hmong emerged as the population most in danger of hunger and malnutrition. Because of this study, the Brown County Task Force on Hunger partnered with UW Extension and the United Hmong Community Center for a 3-year CSREES Community Food Projects grant. The collaboration added to the residents' skill set by increasing their proficiency in direct marketing and food safety and sanitation, and expanded the Hmong Community Center to include a shared community kitchen and micro-enterprise development.

Success

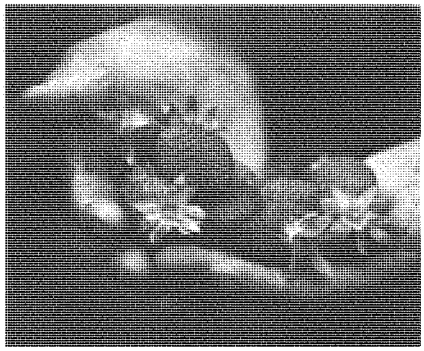
Initially, project organizers planned to focus on improving food security by overcoming business challenges faced by the Hmong community. The organizers planned to coordinate bilingual education in direct marketing and mediate rented land opportunities for Hmong farmers outside the city of Green Bay. As the relationship between the Hmong and the organizers developed, it became clear that a shared community kitchen was a much higher priority to the community. Using grant funds, the community center installed a fully functional kitchen with ample storage space. In addition, 60 Hmong residents received food safety and sanitation certification, allowing the Hmong to "support community events that are the basis of their cultural beliefs and rituals," said Project Director Karen Early with UW Cooperative Extension.

Impact

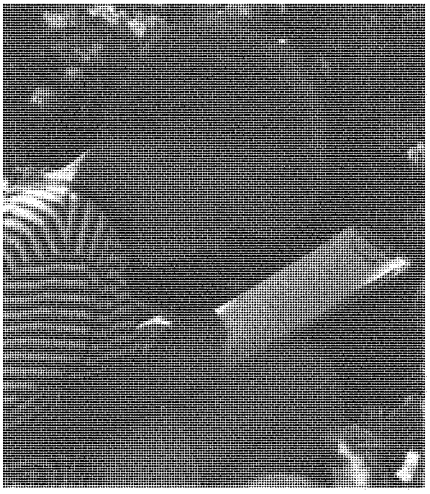
Project partners continue to work together to improve the well-being of Hmong residents. To date, 40 people have participated in a small-business mentoring program that motivated more Hmong to develop micro-enterprises, such as cut flowers, greenhouses, and an egg roll business. The groups collaborated to organize an entrepreneur banquet with guests from area businesses, helping to forge connections and build bridges to span cultural gaps. With assistance from the program, 19 Hmong farmers now own land and/or livestock, and they have begun to work cooperatively to improve their own community. As the Hmong become a more visible part of the larger regional community, there is greater understanding and appreciation between cultures, leading to increases in economic and cultural opportunities for everyone.

Vision for the Future

Brown County extension agents Karen Early and Cathy Huntowski report that additional opportunities for continuing bilingual adult education are in progress. Those opportunities include culinary education, direct marketing, wholesale marketing, agricultural planning, and cooperative development for beef farmers and produce growers. Hmong farmers are working with local buyers to sell their produce wholesale. As partners continue to work together, the Hmong community becomes less stigmatized and, more importantly, increasingly food-secure.



Berkeley, California Center for Ecoliteracy's "Rethinking School Lunch"



"It's lunch hour on a luminous spring day at Berkeley High School's open campus–the perfect time to stroll to Extreme Pizza on nearby Shattuck Avenue, grab a Coke, order some pizza heaped with sausage, and sit in the California sun. But in Berkeley High's lunchroom, lines of students are waiting patiently for–get this–cafeteria food. The longest line–now, get this–is for salad." This report from the June 12, 2006, issue of *Time* reflects the revolution occurring in school lunch programs.

Background

"Our goal was . . . not just to change the food on the plate, but to change the hearts and minds of young people to understand and appreciate where their food comes from," said Zenobia Barlow, executive director of the Center for Ecoliteracy in Berkeley, which received a 1998 CSREES Community Food Projects grant to tackle school food issues. The center mobilized a network of organizations and individuals interested in improving the local food system, with the goal of enhancing food security for school-age children. They would accomplish this goal through a major transformation of the Berkeley Unified School District (BUSD) food service and by providing access to healthy school meals to the 9,400 students in the district's 15 schools.

Success

In 1999, BUSD was the first school district in the United States to adopt a district-wide school food policy that encourages food purchases from sustainable local farms to the greatest extent possible, initiates instructional gardens at every school, and implements a curriculum that draws connections between the cafeteria, gardens, and classrooms. BUSD focused on food quality and freshness by altering food procurement practices to emphasize locally grown, organic produce, half of which would come from local sources by the end of the 3-year project.

BUSD actions included: eliminating the "reduced price" category of meals making free meals available to all low-income children; initiating breakfast and after-school snack programs at all schools; offering salad bars on seven campuses; serving organic fruit at breakfast and lunch in all schools; providing organic snacks for all after-school programs; offering vegetarian options for lunch; and establishing school gardens at 14 of its 15 campuses to deliver experiential education and provide greens for the salad bars. Within 3 years, 90 percent of the district's suppliers were located in the Bay Area, and local and organic food purchases constituted 44 percent of the district's total food spending.

> Our goal was . . . not just to change the food on the plate, but to change the hearts and minds of young people to understand and appreciate where their food comes from.
>
> – *Zenobia Barlow*

In contrast to national school food trends of kitchen consolidation and outsourcing of meals, BUSD renovated and built kitchens to bring food preparation closer to the students. In early 2000, the BUSD Board unanimously proposed a $116 million bond issue to include $7 million

for the construction of 3 new kitchens and the renovation of 12 others; it passed in November 2000 by a margin of 83 percent.

Shortly thereafter, the Center for Ecoliteracy received a $300,000 foundation grant to help BUSD devise a new business plan for food service operations. To enhance student education, the center held curriculum development institutes at five schools, helped plan an environmental studies program at Berkeley High School, and hired a nutritionist to assist BUSD develop a hands-on food education curriculum to be integrated into other classroom subjects.

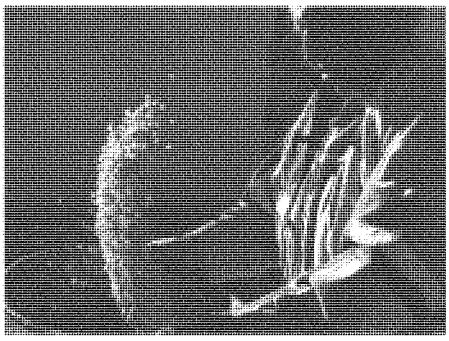
Impact

The Community Food Projects grant succeeded in boosting food security initiatives not only in BUSD, but in the city as a whole. "It's taken 10 years to make these internal changes," said Barlow, "but by taking a whole-systems approach, the goals of the project have become part of civic life." The Rethinking School Lunch project has gained national exposure by providing materials through the center's Web site at www.ecoliteracy.org.

Vision for the Future

"Our vision, which was supported by the Community Food Projects grant and continues today, is to make our community and region an inspiration and a model that migrates around the country and the world," stated Barlow. "As we reclaim the authority and responsibility for the well being of our school-age population, we are reweaving connections that can be replicated everywhere–family farms with schools, health with education, and meals with culture. As difficult as it is to change the food on the plate, it is insufficient without changing children's knowledge and understanding."

Sells, Arizona
Tohono O'odham Community Action's "Traditional Foods Project"



When Tristan Reader speaks, his language is often peppered with unfamiliar words. Tristan works with the people of the Tohono O'odham Tribe, and the form of agriculture they have practiced for generations is called ak chin. Ak chin is centered on the Sonoran Desert climate system, where inhabitants cultivate crops that have adapted to absorb water quickly from the annual monsoon rains and have a short growing season. Not only have the

GROWING FOOD, GROWING YOUTH –

In 1992, The Food Project (TFP) in Lincoln and Boston, MA, started teaching urban and suburban youth in the Boston area how to garden, with 24 young people working 2 1/2 acres of land. Today, TFP farms about 25 acres from suburban Lincoln to inner-city Roxbury, producing a quarter-million pounds of food a year. A full-time staff of 25 offers paying jobs to hundreds of students annually, and oversees the work of nearly 2,000 volunteers. Two CFP grants have turned toxic vacant city lots into income-producing gardens and generated more than $200,000 a year from sales of salsa that uses TFP's garden-grown ingredients.

The Food Project is featured in a 4-minute segment in video magazine format at: http://www.csrees.usda.gov/newsroom/partners/partners_17.html

crops adapted to the unique desert climate, but over generations the O'odham people also adapted to the food they grow. Some of their staple foods, such as tepary beans, actually work to regulate blood sugar. Because of this, the members of the O'odham Tribe have developed lowered pancreatic functions.

Background

Beginning in the 1930s, the traditional Tohono O'odham diet succumbed to national trends, transitioning to higher amounts of processed, sugar-laden foods. This transition harmed the health of the O'odham people because their bodies were not accustomed to having to regulate so much sugar in the blood. In the 1960s, the tribe reported zero cases of Type II diabetes. Today, the extent of cases has skyrocketed to approximately 70 percent of tribe members over age 35, the highest rate of any ethnic group in the world.

Recognizing the important role that diet played in the downturn in both the health and cultural sustainability of the tribe, Tohono O'odham Community Action (TOCA) used two Community Food Projects grants to reintroduce traditional foods to members of their community and to renew their own food self-sufficiency. They faced an uphill battle. Unemployment rates reached nearly 70 percent and the high school dropout rate was close to 50 percent. Young people were losing their sense of cultural identity and tradition, often because many of the ceremonies focused on forgotten traditional foods.

Success

TOCA's vision for this program followed three goals: increase availability of traditional foods for tribal members; promote health and cultural awareness; and bring elders together with youth. Beginning in 1998, the first CFP grant brought ak chin agriculture back to the reservation. At that time, only one elder was cultivating 1 acre of traditional food. TOCA increased the acreage and brought elders and youth together to learn more about their culture. Hampered by a 10-year drought, participants had difficulty harvesting even 500 pounds of tepary beans per acre. TOCA addressed this problem by adding irrigation to their farming practices. Although their ancestors would have relied more heavily on wild food collection and hunting during this time of drought, TOCA believed that irrigation was the best way to make traditional foods widely available to all O'odham people.

Impact

Although the reintroduction of traditional agriculture has not overcome all these challenges, it has had a positive impact on tribal members. Traditional foods are now available on a daily basis and are increasing food security and self-sufficiency, which had been absent for two generations. Work on the more than 80 acres of TOCA farmland is also providing steady jobs, which will increase the food security for those residents. Tribal members are better educated about the causes of diabetes, which prompted them to shift their discussion from mediating the disease to preventing it. The program has increased interest in the overall health of tribal members. TOCA is even assisting in organizing a coalition to promote healthy food and wellness across the reservation.

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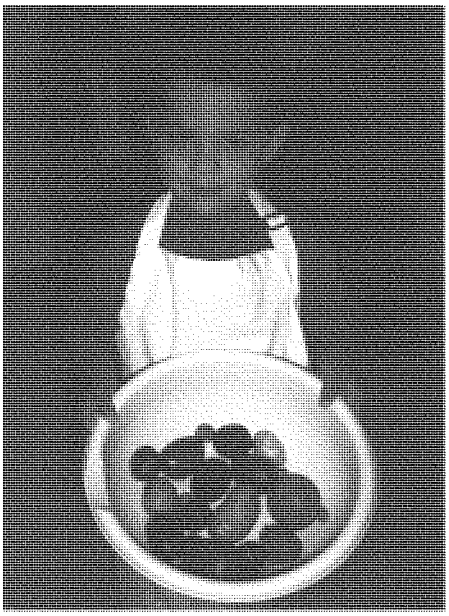
Vision for the Future

Three years after the end of the second grant, the program's commitment to its original goals remains strong. TOCA continues to scale up agricultural production and is currently in negotiations for a long-term lease for 1,100 acres of prime agricultural land. They also plan to grow their marketing and distribution capacity both on and off the Reservation and increase education about traditional foods and health. TOCA looks forward to the day when every member of the Tohono O'odham Tribe will be able to enjoy both the cultural and positive health effects of a traditional O'odham diet.

Bowdoinham, Maine
Friends of the Bowdoinham Public Library's "Food Freaks"



Every Wednesday, the "Food Freaks," a self-named group of two dozen students ranging from kindergarten through 5th grade, dress in aprons they designed themselves and meet in the hallway just outside the Bowdoinham School kitchen. They take their job seriously, as they prepare to plant, plan, cook, or serve their latest project.

A small CSREES CFP grant, awarded in 2001 to the Friends of the Bowdoinham Public Library, supports the projects. The group, working in conjunction with the University of Maine Cooperative Extension, implemented a broad array of activities that touched the lives of a majority of the town's 2,612 residents.

Background

For the Friends of the Library, who raise $10,000 annually from plant sales to keep the community's library alive, taking steps to integrate food and education was a logical progression. The town tradition of starting school an hour late every Wednesday morning to foster community-based education activities abetted the development of the Food Freaks, according to Kathy Savoie, an extension educator and Bowdoinham resident with three children of her own in the group.

Success

The project sought to reach both adults and children with educational activities centered at the community school. Extension staff adapted the state-approved Food, Land, and People (FLP) curriculum for the local system. Ten Bowdoinham teachers received training on the FLP, and Cooperative Extension created a "Teacher Toolbox" with materials for 15 lessons that were delivered to first, third, and fourth graders.

Local food producers, including a vegetable farmer, a poultry farmer, a maple syrup producer, and a beekeeper, were invited to school to speak. Schoolchildren took field trips to learn first-hand about farm environments. The project extended into the wider community by using grant funds to purchase 47 new books for the library's permanent collection on such topics as gardening, food preservation, raising animals, and nutrition.

TURNING LIVES AROUND –

In Lubbock, TX, where one in four children is hungry or food insecure, the South Plains Food Bank received a CFP grant to engage youth, provide job training, conduct leadership development, and produce food at its 5 1/2 acre urban farm. The results have been impressive. More than 100 youth participants are pursuing healthier lifestyles by staying away from drugs, alcohol, and tobacco, while increasing their consumption of fresh produce. And, through its gardening efforts, the Food Bank has more fresh produce to distribute to hungry families.

Food production was an important aspect of the project. The library offered gardening classes covering water conservation, composting, and landscape design. The project initiated and expanded a children's gardening program. A 6-week "Greenhouse Fun" course, taught for children ages 8 to 10, included growing lettuce, developing interactive displays, and starting seedlings for outdoor planting and container gardens for seniors at the low-income, elderly housing complex. The project promoted a "Plant-A-Row" program to grow food for donation to the local emergency food pantry.

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Two annual community events–a Spring Brunch and a Fall Harvest Festival–involved local foods, children, and a healthy share of the community. The Spring Brunch regularly attracts more than 300 residents–more than 10 percent of the town's population. The Food Freaks, in conjunction with parents and teachers, plan the Spring Brunch and serve spelt (wheat) pancakes, ham, honey, eggs, and maple syrup. The Food Freaks and other students plant seeds each spring before school closes and use the crops for a Fall Harvest Supper, free to more than 200 town residents. The menu, featuring foods grown and prepared by the Food Freaks, includes coleslaw, pesto sauce, and apple crisp.

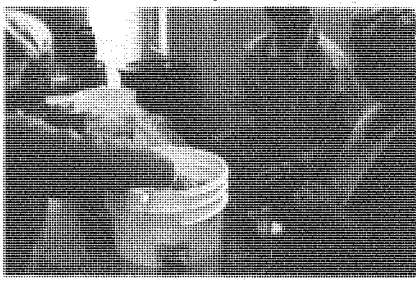
Impact

The annual Harvest Supper, now a 6-year tradition, combines with the school's open house to cement further the relationship between education and local foods. "People understand the concept, for sure," asserted Savoie. And the Food Freaks program, which has become very popular and offers positive rewards for children through the school, will definitely continue, Savoie said.

Vision for the Future

School land used for the garden and greenhouse has become "an attractive focal point for the school," noted Savoie. With a strong sense of community food ingrained in kids' minds, Bowdoinham leaders plan to shift their future focus to adult education. Bolstered by a new director of parks and recreation, about a dozen master gardeners in residence, and a statewide initiative for home gardening (spearheaded by the governor's wife), the future of community food security in Bowdoinham is looking brighter and greener.

Sneedville, Tennessee Jubilee Project's "Clinch Powell Community Kitchens"



MORE THAN A MARKET –

East New York is a densely populated urban neighborhood where the high poverty rate has discouraged supermarkets and other high-quality retailers from doing business. The Local Development Corporation of East New York established East New York Farms! in 1998 to tackle nutrition-related illnesses by improving access to healthy food and better job opportunities. A farmers' market and a youth garden brought much-needed fresh produce to the community and new job and market opportunities for young people and farmers. Efforts are now underway to establish a storefront food cooperative.

Bill Davidson, a third generation farmer from Tennessee, began growing tobacco at an early age. "I grew my first tobacco crop when I was 12," Bill remembers. "In those days you could pay off your debts and have a little money to start again next year. Now you go from paying debts [at the end of the year] to borrowing again for next year."

To keep the farm, Bill started raising cattle and growing fruits and vegetables to sell directly to consumers. Upon learning about the Jubilee Project's Clinch Powell Community Kitchens, he began bringing leftover strawberries to make jam and, later, making pickles, relishes, soup starter, salsa, and a variety of value-added products. He sells the products both from his renovated country store on the farm and through the marketing efforts of the Appalachian Spring Cooperative, organized by Jubilee Project of Sneedville.

Background

Poverty and food insecurity can affect people for a variety of reasons. Steve Hodges, executive director of the Jubilee Project, noted that it is difficult for residents in Appalachia to break the cycle of generational poverty while living in one of the most economically depressed counties in the country. Before the 1930s, most of the region relied on subsistence agriculture until burley tobacco was introduced as the mainstay for most farmers in this area. The rapid decline of demand for tobacco meant that already impoverished farmers had to find alternatives in order to improve their food security.

To date, more than 30 small businesses have used the kitchen to test their products in a low-risk environment, creating jobs in the community and much-needed income for residents.

Success

In 1999, the Jubilee Project received funding through the CSREES Community Food Projects program to establish a shared-use community kitchen. This grant funded the creation of a small-scale processing facility that enabled the local community to produce jams, jellies, and salsa. Farmers now produce their own value-added products and have the opportunity to sell their crops to another entrepreneur for processing. The presence of a processing facility in the community allows project organizers to attract urban entrepreneurs, bringing an influx of capital and creating additional jobs.

Residents in the community continue to use traditional knowledge, such as canning, quilting, and gardening techniques, which are fast disappearing from the American experience. The CFP project brought additional skills to the community, including marketing knowledge for the value-added products. As time progressed, residents became more empowered with their new knowledge. In an effort to build on this momentum, the Jubilee Project used a second infusion of CSREES Community Food Projects funding in 2002 to organize an agricultural cooperative to market items produced in the shared-use kitchen. Members of the co-op began selling their products online and marketing gift baskets to churches and local businesses. This new marketing avenue allowed the residents to expand their customer base. To date, more than 30 small businesses have used the kitchen to test their products in a low-risk environment, creating jobs in the community and much-needed income for residents.

Impact

Change occurs slowly in the mountainous region of east Tennessee, but the Jubilee Project's positive effects are rippling through the community. The increased income and self-sufficiency have emboldened residents to challenge some of the entrenched inequalities in their community. The community is beginning to diversify, not only economically, but also in determining the future direction of growth. One small project revitalized a community that was on the brink of economic disaster and unified its residents to set their sights on a prosperous future.

Vision for the Future

Building on the success of the shared-use kitchen and marketing co-op, the Jubilee Project also plans to open a retail store selling only local foods and products, develop the kitchen, and expand the Farm-to-Cafeteria project that supplies schools with locally produced food and food for people with special dietary needs. As ideas become reality, new economic opportunities for farmers and workers will emerge.

Holyoke, Massachusetts Nuestras Raices's "Centro Agricola"

Growing up in Salinas, Puerto Rico, Fermin Galarza's father taught him how to raise chickens and grow a variety of fruits and vegetables. Fermin brought these skills with him when he immigrated to the United States as a migrant farm worker. He settled in Holyoke, MA, 25 years ago and was one of the first to obtain a plot of land to farm from the Nuestras Raices ("Our Roots") program.

Like his father and grandfather, Fermin planted vegetables and raised chickens. He sold his products directly to the public from the farm site and at a stand at the Holyoke Farmers' Market. At the end of his first year, Fermin said, "This year I made a bit of money, but next year, I'll know what to do better and I'll have more land. This is what my father taught me, what I teach my son, and what I love."

Background

The City of Holyoke has a population of nearly 40,000. Almost half the population is of Latino decent, emigrating primarily from Puerto Rico. Many of the immigrants worked as migrant agricultural laborers, but unlike in their homeland, many of the immigrants had difficulty finding places to raise culturally important crops for their families. Nuestras Raices was formed to help residents of the community access adequate land to farm in an urban setting. The group successfully obtained and completed three CSREES Community Food Projects grants, beginning in 1996.

Success

The first project, Centro Agrícola ("Agricultural Center"), converted vacant lots and abandoned buildings into a community center grounded in agriculture. The organizers also developed a model for sustainable inner-city revitalization and used funds from the first grant to build a greenhouse, restaurant, shared-use community kitchen, meeting space, library, and an outdoor plaza that has become a landmark in Holyoke. Since then, seven new small businesses have formed and have created sustainable food and farming jobs for community members.

In 2002, the food policy council expanded to organize the community around food justice and access issues. The group completed a market assessment to understand better how to develop enterprises in the city center, supported the growth of the Holyoke Food Policy Council, and looked for ways to use inner-city land for urban agriculture.

A NEW DIRECTION SPAWNED BY DISASTER –

Hurricane Iniki devastated the Hawaiian island of Kauai in 1992, leaving one-third of the population homeless and all residents with only a 3-day food supply. A CFP grant to the Kauai Food Bank allowed them to teach emergency food recipients to grow their own food on land donated by a former plantation. This effort, now known as "Kauai Fresh," led the way to increasing the island's self-sufficiency and helping 57 local growers develop produce markets worth $2 million in retail outlets, restaurants, and hotels.

Another project of Nuestras Raices, called Tierra de Oportunidades ("Land of Opportunities"), teaches beginning farmers and at-risk youth on its 30-acre riverfront site. The project develops value-added and direct marketing skills, as well as agro-tourism enterprises, to help farms grow and become profitable. Tierra de Oportunidades also provides access to affordable, healthful, and culturally appropriate food that may not be currently available in local supermarkets in the Holyoke region. Besides addressing the economic needs of the Latino community, Tierra de Oportunidades provides an outlet for cultural expression. The meeting space at Nuestras Raices acts as a learning center in which community members can utilize educational services, exhibit crafts, and share their culture.

"This year I made a bit of money, but next year, I'll know what to do better and I'll have more land. This is what my father taught me, what I teach my son, and what I love."

– Fermin Galarza

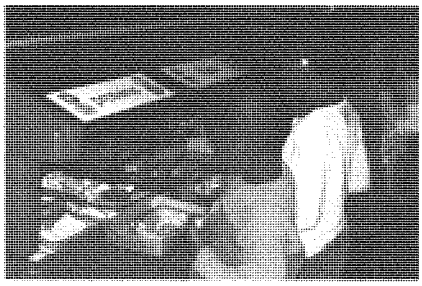
Impact

Nuestras Raices builds community spirit by focusing on agriculture as a shared cultural component. "The Community Food Projects program has had a very profound impact on Nuestras Raices," said Daniel Ross, executive director. "It has been central to organizational growth each year in capacity, programs, and reach." More importantly, Nuestras Raices is building community leadership and a stronger sense of community. Ross notes that each funded project is planned, implemented, and evaluated by the low-income people most affected by the project activities. "We have evolved a unique model that is about combining food and community development with cultural development," Ross concluded.

Vision for the Future

Plans are underway to expand the Tierra de Oportunidades compound to include a petting zoo, nature trails, a music venue, and a horse stable. Educational exhibits are being developed on such topics as environmental restoration. Not only will Tierra de Oportunidades continue to grow and be a model for sustainable community development and revitalization, but Ross believes it will become a destination for Latinos in the Northeast who have similar ties to the land and agriculture. This program will engage and inspire others to form food and farming projects in their own communities.

San Francisco, California
San Francisco Food System's San Francisco Food Alliance



Bringing a diverse group together and reaching consensus on an issue is a particularly challenging aspect of organizing community projects. In San Francisco, many public and private groups address issues concerning food systems and develop policy to alleviate food insecurity. One of the first goals of San Francisco Food Systems (SFFS) was to create a public-private partnership to work on common projects.

Using CSREES Community Food Projects funding, SFFS formed the San Francisco Food Alliance and opened a dialogue between nonprofits, organizations, residents, and various branches of city government, including the Departments of Public Health (DPH); Human Services; Children, Youth, and Their Families; and the Redevelopment Agency.

Background

The San Francisco County Board of Supervisors passed a sustainability plan in 1997 that included a chapter on food and agriculture, dealing with such elements as

organic waste recycling, promotion of urban agriculture, institutional purchases of local foods, and increased food stamp participation among low-income residents. Most provisions of the plan languished until 2002, when the leadership of DPH took steps to implement these ideas. From the outset, DPH gave wholehearted support to SFFS and the concept of a coordinated local food system that encompasses sustainable agriculture, the environment, health, and nutrition education. The health department not only provided office space and logistical support for SFFS, but also signed a 10-year contract to ensure that SFFS will have the long-term foundation needed to carry out its mission.

Success

In an effort to understand the food system better within San Francisco, the San Francisco Food Alliance brought together more than 150 people from throughout the city to assess the city's food security. They incorporated their findings into a guidebook to assist organizations performing similar assessments and to aid government officials when drafting food system policy. As a direct result of the guidebook, the Redevelopment Agency created food enterprise zones to attract grocery stores to food-insecure sections of the metropolitan area. Newly developed policies supported the use of food stamp benefits at farmers' markets, and a new citywide purchasing initiative examined how the city obtains food.

San Francisco Food Systems developed the Farm-to-Cafeteria project, which began working with the school district to examine its purchasing practices. Working together to meet the changing needs of schools and children alike, an interagency group formed to investigate local procurement possibilities. A salad bar supplied by local farmers was exceptionally popular at the pilot school. This program is now a model for schools around the country and provides input on how to educate kids, both in the classroom and the cafeteria, about healthy eating. althy eating.

Impact

At the project's inception, little was known about how to work within San Francisco's food system. This project developed tools to assess a situation and implement change. The resulting dialogue increased both institutional and individual awareness of local food issues. SFFS also served as a bridge between policy and on-the-ground implementation to ensure that the intentions of a given policy were fully realized. SFFS director Paula Jones notes that San Francisco is now poised to invest even more in its food system and can serve as a model for other cities around the country.

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Vision for the Future

In the coming years, organizations will continue to work together as a part of the San Francisco Food Alliance, and there is interest in creating an Office of Food Security within city government to maintain the momentum of the program. Interest among elected officials about food systems issues remains very high.

Further action includes solidifying food system gains and making new advances. Public institutions that serve food, including hospitals, jails, youth facilities, and schools, are reworking their policies to emphasize local and sustainable sources. Community-based organizations are working together to avoid duplication. Even the city's Real Estate Department is re-examining its contracts involving vendors that sell food in city-owned buildings. "After 5 years, it's all starting to blossom," Jones said.

EVALUATION & TECHNICAL ASSISTANCE

Among the many values that distinguish the Community Food Projects program is its emphasis on evaluation and technical assistance. Although most of the funding for more than 10 years has supported local projects in low-income communities, 14 grants have funded national and regional training and technical assistance projects and 2 have funded evaluation. The reasons for this emphasis are logical and straightforward. If the federal government is going to be a responsible manager of the taxpayers' money, then it should seek assurance that its investment brings a reasonable return. Equally as important, communities should have the opportunity to learn from each other, to share their knowledge about what works and what does not, and how to increase their capacity to deliver the most effective services possible.

> "I was inspired by the way Tera (of Janus Youth Programs, in Portland, OR) empowered the youth in her program to develop the evaluation component of their project–even to develop the logic model and evaluation questions. This type of participatory evaluation shows deep respect for community members and will have a long-lasting impact. I hope to do something similar with the projects where I am working."
>
> *– CFP Evaluation Workshop Participant, March 2004*

To these ends, the Community Food Projects program provided significant support to develop comprehensive evaluation resources for grantees to build their evaluation capacity. The Community Food Security Coalition (CFSC), with the help of a training and technical assistance grant, worked with grantees to assess their evaluation needs and resources to develop an integrated evaluation program. This program provides grantees with evaluation materials, training, technical assistance, tools, and results tracking. All CFP grantees receive a detailed, step-by-step evaluation manual (*Community Food Projects Evaluation Handbook*) that provides guidance and information on developing program evaluations. They also receive a companion toolkit (*Community Food Projects Evaluation Toolkit*) that contains more than 50 specific tools and templates that grantees can modify and use in their evaluations.

Perhaps the most innovative element of the evaluation support is the involvement of CFP grantees in developing the tools and their involvement as peer trainers. All of the tools in the *CFP Evaluation Toolkit* were created and pilot-tested with grantees and were designed specifically for their needs and projects. Each year, selected grantees act as grantee trainers, sharing their evaluation experiences, tools, and successes with other grantees.

Building the evaluation capacity of grantees in these ways has helped cultivate a greater culture of inquiry and accountability among community food project practitioners. With the tools and resources to ask questions about what is and isn't working with the various projects around the country, and the support of CSREES staff to modify program activities in response to evaluation results, community food project have become stronger and better able to reach their goals.

Additionally, CSREES has developed a state-of-the-art evaluation process that enables all CFP grantees to chart their projects' outputs in a group database. Compiling results from

multiple projects enables CSREES to monitor and understand the broader impacts of CFP work, to compare results across projects, and to adapt CFP grant guidelines and program operations accordingly.

"The evaluation training and resources provided by CSREES have had a profound impact on the process of carrying out program objectives in the Navajo Nation Traditional Agricultural Outreach project. Both the method and purpose of evaluation techniques provided through CSREES trainings have guided our subsequent evaluation activities. We are particularly grateful for the consistent support of CSREES evaluation trainers in helping us establish specific benchmarks and data collection tools for carrying out our evaluation process; it has been a significant benefit to our program."

– Kyril Calsoyas, Navajo Nation Traditional Agricultural Outreach, Flagstaff, AZ

The same can be said for the grants made to organizations for training and technical assistance. Since the inception of CFP grants, literally hundreds of workshops, seminars, one-on-one sessions, and other training activities have met the needs of thousands of grant recipients, project staff, and community members. The strength of training and technical assistance is that it builds a community of practice that supports shared learning and avoids the traps and pitfalls of repeating the same mistakes. The winners inevitably are the projects that deliver the services, the communities that are struggling to improve their food security, and taxpayers who are paying for this work.

Understanding the Many Contributions of Community Food Projects

In addition to improving the skills and evaluation capabilities of its grantees, CFP has been gathering data that shed light on the breadth of project activities and their lessons for communities. Dr. Kami Pothukuchi, of Wayne State University, studied 43 projects that received grants from 2000 to 2003, catalogued their activities, and elicited themes related to successes and challenges faced by community food projects. Some conclusions of her research follow.

Community Food Projects Build Local Food Systems

Community Food Projects adopt a systems approach to food, farming, nutrition, and hunger problems. This approach represents a significant departure from traditional approaches that treat these issues as separate domains within community and policy arenas.

CFPs offer a variety of activities, from farm and garden production, processing, waste management, distribution and marketing, and related training, policy development, and planning. Some CFPs focus intensively on a select set of activities to meet local needs, while others seek to develop entire systems by creating linkages and related policy infrastructure. Community food projects help link the health of individuals to that of farms, communities, and the environment.

This analysis documents 42 activity groups related to

production, 48 in sales, 16 involving donation of product to food assistance sources, and 15 in food processing. An extraordinary 76 activities were related to curriculum development and training provided to different age and population groups, and an additional 19 activities included technical assistance. Thirty-one projects mentioned activities in raising public awareness, six included community food assessments, and five engaged in systematic community food policy development and planning.

Together, these activities paint a picture of increased community and regional food system capacity, closer links between local producers and consumers, greater integration of food systems into aspects of community life, and greater community awareness of local food issues.

Community Food Projects Address Significant Community Needs

In addition to increasing access to healthy foods in at least 55 activities, study projects also contributed to local economies through business development, job training and preparedness, and employment generation in 31 activities, and native and ethnic food heritage programs in another 7 activities. In 10 projects, activities helped qualified participants enroll in government nutrition programs, and at least 4 projects developed permanent food infrastructure in the form of greenhouses and grocery stores. At least five projects focused specifically on developing youth leadership in community food issues, and seven projects showcased specific sustainability practices, such as organic production or composting.

Community Food Projects Build the Capacity of Communities To Help Themselves

In addition to the activities discussed above, Community Food Projects develop and employ a variety of community improvement strategies. These include community education (39 activities), community organizing (30 activities), food policy development and organization (5 activities), and neighborhood or community planning (3 activities). In shaping community-based partnerships to deliver programs (51 nonprofit collaborations and public-private partnerships), these projects demonstrate a community systems approach to problem solving. These partnerships contribute to wider and deeper organizational networks within communities, win-win solutions, and increased civic and social capital through greater interdependence, reciprocity, and coordination.

Community Food Projects Develop Knowledge and Networks Nationally

CFPs provide ways to integrate previously isolated sectors in food assistance, nutrition, sustainable agriculture, and community and economic development. Project leaders routinely share experiences in national and regional forums related to food security, local agriculture, and public health. They trade tips and analyses, create affinity groups to enhance particular areas of practice (such as urban agriculture, farm-to-cafeteria projects, or food policy councils), and engage in efforts to coordinate their interests.

The growth of CFPs has fueled the recent surge of interest in farm-to-cafeteria projects, farmers' markets, grocery stores in underserved neighborhoods, community gardening and urban agriculture projects, community-supported agriculture farms, local food guides, and food policy councils. Successful projects are providing training and technical assistance on a range of issues as well as leadership in project replication.

A VISION FOR THE NEXT 10 YEARS

Over the past 10 years, the CFP has proven that modest-size federal grants, when combined with local resources and know-how, can galvanize the hearts and minds of citizens and give struggling communities new hope. These grants have played a major role in forging a national network of community food system practitioners who are eager to learn from each other, respect the need for evaluation and research, and know how to put good ideas into action.

There are many aspects of the CFP that are noteworthy, but its major advantage may simply be food. Since everybody eats, everybody has a stake in the food system. The CFP has given the diverse group of food system stakeholders that exists in every community, a chance to develop and implement ideas, projects, and, ultimately, solutions. These new and exciting linkages are seen every day as local planners work with food program advocates, as public health officials engage community development groups, and as farmers see their futures increasingly tied to local markets. The silos that held narrowly defined interest groups captive for so long are now crumbling, which opens up an infinite number of opportunities for creative and dynamic problem solving.

What might the next 10 years look like for the CFP and the community-based solutions it fosters? Based on its performance to date, we expect that the CFP will be in the vanguard of an ever-expanding universe of solutions that are bringing healthful food to all Americans, restoring the economic prosperity of communities, and ensuring the viability and sustainability of local agriculture. Increasingly, we expect to see more people of all ages and backgrounds first becoming educated food consumers, and then becoming engaged food citizens. As healthful food and healthy eating become the norm, we anticipate that more people will look for broader regional and policy-based answers to the problems that continue to beset their communities. Knowledgeable eaters are more likely to roll up their sleeves and work with a variety of groups to tackle their food systems' tough problems.

We also believe that a reinvigorated local agriculture sector is a part of the future. Whether farming in cities, at the city's edge, or in rural areas, local agriculture will make an ever-growing contribution to the health, food security, and general well-being of America's communities. This vision extends as well to the ability of all people, regardless of economic status or residency, to secure for themselves healthful and affordable food. As nonprofit organizations, local and state governments, and their federal partners increase their capacity to support community economic development, easily accessible and affordable food outlets will be available to all.

For those who have seen the promise of the Community Food Projects Competitive Grants Program become a reality in places both large and small, in every corner of America, the next 10 years look exceedingly bright.

COMMUNITY FOOD PROJECTS PROGRAM GRANTEES BY STATE & YEAR(S) FUNDED

ALABAMA
Upper Sand Mountain Methodist Larger Parish, Sylvania (1998)
Alabama Rural Heritage Foundation, Thomaston (2001)
Jones Valley Urban Farm, Birmingham (2006)

ALASKA
Nome Community Center, Nome (2005)

AMERICAN SAMOA
Native Resources Developer, Pago Pago (2002)

ARIZONA
Tohono O'odham Community Action, Sells (1997) (2001)
Seba Dalkai School Board, Winslow (1998)
Tucson Audubon Society, Tucson (1998)
Arizona-Mexico Border Health Foundation, Tucson (1999)
Hopi Pu'tavi Project, Second Mesa (2001)
Developing Innovations in Navajo Education, Flagstaff (2002)
Northern Arizona University Foundation, Flagstaff (2003)
Natwani Coalition, Hotevilla (2004)

ARKANSAS
Southern Sustainable Agriculture Working Group, Elkins (2003)

CALIFORNIA
Community Alliance with Family Farmers Foundation, Davis (1996) (2005)
Southland Farmers Market Association, Los Angeles (1996)
Community Food Security Coalition, Venice (1997) (2000) (2002) (2003) (2004)
San Francisco League of Urban Gardeners, San Francisco (1998) (2001)
Center for Ecoliteracy, Berkeley (1998)
Rural California Housing Corporation, Sacramento (1998)
Escondido Community Health Center, Escondido (1998)
Occidental College, Los Angeles (1999) (2004)
United Indian Health Services, Trinidad (1999)
BOSS Urban Gardening Institute, Berkeley (2000)
Mercy Foundation/CA State University, Sacramento (2000)
Compton Community College Development Foundation, Compton (2001)*
Center for Urban Agriculture at Fairview Gardens, Goleta (2002)
San Francisco Food Systems, San Francisco (2002)
Environmental Justice Institute/Tides Center, Oakland (2003)
Los Angeles Leadership Academy, Los Angeles (2003)
Fresno Metropolitan Ministry, Fresno (2003)
Ecology Center, Berkeley (2003)
Downtown El Cajon Community Development Corporation, El Cajon (2004)
Life Learning Academy/Delancy Street Foundation, San Francisco (2004)
Sustainable Economic Enterprises of Los Angeles, Los Angeles (2004)
AnewAmerica Community Corporation, Berkeley (2004)
Thai Community Development Center, Los Angeles (2006)
Whittier Area First Day Coalition, Whittier (2006)
Girls 2000, San Francisco (2006)

COLORADO
Denver Urban Gardens, Denver (1996)
Growing Gardens of Boulder, Boulder (2000)
Rocky Mountain Farmers' Union Cooperative Development Center, Aurora (2002)
National Conference of State Legislatures, Denver (2005)
Southern Ute Community Action Program, Durango (2005)

CONNECTICUT
Hartford Food System, Hartford (2003)

DELAWARE
Food Bank of Delaware, Newark (2001)

DISTRICT OF COLUMBIA
Association for Community-Based Education (1997)
Community Harvest (2002)

FLORIDA
Florida Certified Organic Growers and Consumers, Gainesville (2000) (2003)
Florida Educational Development Corporation, Gretna (2001)

GEORGIA
Five Loaves and Two Fish Food Pantry, Griffin (1997)
Federation of Southern Cooperatives/Land Assistance Fund, East Point (2003)
Rolling Hills RC&D Council, Dallas (2004)

HAWAII
Kauai Food Bank, Lihue (1996)
Zen Center of Hawaii, Kamuela (1999)
Wai'anae Community Re-Development Corporation, Wai'anae (2001)
Na Po'e Hoa 'Aina, Pahoa (2001)

IDAHO
Rural Roots, Moscow (2005)

ILLINOIS
Centro San Bonifacio, Chicago (2001)
Center for Neighborhood Technology, Chicago (2002)
Illinois Stewardship Alliance, Rochester (2003)
Seven Generations Ahead, Oak Park (2005)

INDIANA
Community Kitchen of Monroe County, Bloomington (1996)
Mid-North Food Pantry, Indianapolis (2006)
Middle Way House, Bloomington (2006)

IOWA
Practical Farmers of Iowa, Ames (1997) (2003)

KANSAS
Kansas Rural Center, Whiting (1998) (1999) (2005)
Stardusters Crime Prevention, Topeka (2000)
Kansas Center for Urban Agriculture, Kansas City (2005)

LOUISIANA
ECOnomics Institute, Loyola University, New Orleans (1996)
Beauregard Community Action Association, DeRidder (1997)
Parkway Partners Program, New Orleans (1999)
New Orleans Food and Farm Network, New Orleans (2006)

MAINE
Coastal Enterprises, Wiscasset (1996) (1997) (2003)
Maine Coalition for Food Security, Portland (1998)
Friends of the Bowdoinham Public Library, Bowdoinham (2001)
Cultivating Community, Portland (2002) (2005)
Unity Barn Raisers, Unity (2004)

MARYLAND
Garden Harvest, Glyndon (1998) (2004)
Civic Works, Baltimore (1999)
Red Wiggler Community Farm, Clarksburg (2006)

MASSACHUSETTS
Nuestras Raices, Holyoke (1996) (2002) (2005)
The Food Project, Lincoln (1996) (2000) (2004)
Community Teamwork, Lowell (2000) (2003)
Re-Vision House, Dorchester (2002)
The "X" Main Street Corporation, Springfield (2002)
Red Tomato, Canton (2003)
Seeds of Solidarity Education Center, Orange (2003)
Community Involved in Sustaining Agriculture, South Deerfield (2004)
Cambridge Health Alliance, Cambridge (2005)
Tufts University (2005)
Groundwork Lawrence, Lawrence (2006)
United Teen Equity Center, Lowell (2006)
Somerville Community Corporation, Somerville (2006)

MICHIGAN
Hunger Action Coalition of Michigan, Detroit (1997)
Neighborhood Renewal Services of Saginaw, Saginaw (1999)
Michigan Integrated Food and Farming Systems, East Lansing (2002)
Capuchin Soup Kitchen, Detroit (2003)
West Michigan Environmental Action Council, Grand Rapids (2006)

Allen Neighborhood Center, Lansing (2006)
Warren/Conner Development Coalition, Detroit (2006)

MINNESOTA
Youth Farm and Market Project, Minneapolis (1997) (2001) (2006)
Community Design Center of Minnesota, St. Paul (1999)
East Side Neighborhood Development Company, St. Paul (1999)
Land Stewardship Project, Montevideo (2003)
White Earth Land Recovery Project, Ponsford (2003)

MISSISSIPPI
Mississippi Food Network, Jackson (2000)
Mid-Delta Community Center, Cleveland (2001)
Mississippi Association of Cooperatives, Jackson (2001)

MISSOURI
Missouri Rural Crisis Center, Columbia (1998) (2000) (2006)
Putnam County Foundation, Unionville (2001)
Saint Louis University, St. Louis (2004)
Gateway Greening, St. Louis (2005)

MONTANA
Missoula Nutrition Resources, Missoula (1996) (1997)
Little Big Horn College, Crow Agency (1998)
Lake County Development Corporation, Ronan (2002)
Missoula Food Bank, Missoula (2005)

NEBRASKA
City Sprouts, Omaha (1999)
Lincoln Action Program, Lincoln (2002)
United Methodists for Mission and Justice, Omaha (2005)
Open Harvest Natural Foods Cooperative, Lincoln (2006)

NEW JERSEY
Isles, Inc., Trenton (1997)
Rutgers University Foundation, New Brunswick (2002)
The Food Bank of Monmouth and Ocean Counties, Neptune Township (2002)

NEW MEXICO
New Farms, Rociada (1999)
Rio Grande Community Farms, Albuquerque (2000)
Friends of the Santa Fe Farmers' Market (2001)
Farm to Table, Santa Fe (2001) (2003) (2006)
Taos County Economic Development Corporation, Taos (2002) (2006)
Dixon Cooperative Market, Dixon (2004)
Pueblo de Pojoaque, Santa Fe (2005)

NEW YORK
Community Food Resource Center, New York City (1997)
Just Food, New York City (1997) (2003)
North East Block Club Alliance, Rochester (1999)
Bounty of the County, Hudson (2000)
Council on the Environment, New York City (2002)
Local Development Corporation of East New York, New York City (2002) (2006)
Lower East Side Girls Club of New York, New York City (2002)
Massachusetts Avenue Project, Buffalo (2004)
American Community Gardening Association, New York City (2005)
Rochester Roots, Rochester (2005)
Broadway Market Management Corporation, Buffalo (2006)
City Harvest, New York City (2006)

NORTH CAROLINA
Episcopal Diocese of North Carolina, Kinston (2006)

NORTH DAKOTA
Parshall Resource Center, New Town (2003)*

OHIO
Rural Action, Athens (1999)
Stratford Ecological Center, Delaware (2002)
Appalachian Center for Economic Networks, Athens (2003) (2005) (2006)
Ecological Design Center, Oberlin (2004)
American Community Gardening Association, Columbus (2006)
Toledo Area Ministries, Toledo (2006)

OKLAHOMA
Kerr Center for Sustainable Agriculture, Poteau (2004)
Legacy Cultural Learning Community, Muskogee (2006)

OREGON
Janus Youth Program, Portland (2003) (2005)
Food for Lane County, Eugene (2002)
Community Action Resource Enterprises, Tillamook (2003)
Ecotrust, Portland (2003)
Ecumenical Ministries of Oregon, Portland (2005)

PENNSYLVANIA
Black United Fund of Pennsylvania, Philadelphia (1998)
Farmers' Market Trust, Philadelphia (1998)
West Philadelphia Partnership, Philadelphia (1999)
Southwest Pennsylvania Food System Council, Homestead (1999)
Norris Square Civic Association, Philadelphia (1999)
South Central Community Action Program, Gettysburg (2002)
Greensgrow Philadelphia Project, Philadelphia (2002)

RHODE ISLAND
Southside Community Land Trust, Providence (2002) (2004)
Rhode Island Association of Conservation Districts, Warwick (2003)

SOUTH CAROLINA
Lowcountry Food Bank, North Charleston (2005)

SOUTH DAKOTA
Center for Permaculture as Native Science, Mission (2000)*

TENNESSEE
Knoxville-Knox County Community Action Committee, Knoxville (1996) (1998)
Narrow Ridge Center, Washburn (1997) (1998)
Jubilee Project, Sneedville (1999) (2002)
Rural Resources, Greenville (2004)

TEXAS
Urban Harvest, Houston (1997)
Sustainable Food Center, Austin (1997) (2004)
South Plains Food Bank, Lubbock (2000)
Southern Sustainable Agriculture Working Group, Fredericksburg (2006)

VERMONT
Vermont Campaign to End Childhood Hunger, South Burlington (1997)
Northeast Organic Farming Association of Vermont, Richmond (2000) (2004)
Shelburne Farms, Shelburne (2003)

VIRGINIA
Washington Area Gleaning Network, Alexandria/Lorton (1998) (2004)
American Community Gardening Association, Blacksburg (2003)
First Nations Development Institute, Fredericksburg (2004)
Appalachian Sustainable Development, Abingdon (2005)
Lynchburg Grows, Lynchburg (2006)

WASHINGTON
Institute for Washington's Future, Seattle (1996)
Tahoma Food System, Tacoma (1997)
Church Council of Greater Seattle, Seattle (1998)
Lopez Community Land Trust, Lopez (1999)
South Puget Intertribal Planning Agency, Shelton (2000)
Sunfield Education Association, Port Hadlock (2005)
Cascade Land Conservancy, Seattle (2006)
Garden-Raised Bounty, Olympia (2006)

WEST VIRGINIA
Lightstone Foundation, Moyers (1996)

WISCONSIN
West Central Wisconsin Community Action Agency, Glenwood City (1999)
Brown County Task Force on Hunger, Green Bay (2001)
Council for the Spanish Speaking/Loyola Academy, Milwaukee (2001)
Hunger Task Force of Milwaukee, Milwaukee (2002)
Cooperative Development Services, Madison (2002)
Growing Power, Milwaukee (2004) (2005) (2006)

*Funding awarded but project never implemented.

Community Food Projects Competitive Grants Program Funding Request & Grant History

	# Proposals received	# Proposals funded	Total $$ requested*	Total $$ funded
FY96	122	13	17,826,541	1,110,000
FY97	120 regular	16	17,181,685	2,198,675
	3 training and technical assistance (T&TA)	2	310,400	195,400
FY98	71	18	12,071,311	2,400,000
FY99	109	20	19,553,632	2,400,000
FY00	113 regular	15	21,536,503	2,154,000
	4 T&TA	1	944,169	246,000
FY01	117	19	20,620,778	2,400,000
FY02	101	28	16,826,019	4,336,990
	1 Evaluation	1	220,000	220,000
FY03	124 regular	25	26,244,537**	4,100,000
	17 T&TA	3	5,426,515**	500,000
FY04	109 regular	20	22,657,834	3,995,022
	14 T&TA	5	3,031,484	604,978
FY05	146 regular	21	32,623,843	3,950,000
	16 T&TA	4	3,358,302	650,000
FY06	122 regular	16	28,032,454	3,850,000
	18 T&TA	4	3,710,296	500,000
	46 Planning	12	1,052,971	250,000
TOTAL		243	251,229,576	36,009,975

*Individual applicant requests over the maximum were reduced before totaling.
**Maximum funding request level raised from $250,000 to $300,000.

Application Information for the Community Food Projects Competitive Grants Program

The Community Food Projects Competitive Grants Program is a unique government initiative that fosters leadership among community organizations in developing and improving local food systems. By statute, only private, nonprofit organizations are eligible to apply for standard project funds. However, a competitive application often includes collaborations with public institutions and private, for-profit entities that bring in outside expertise and enhance local support to construct a project that will truly benefit low-income people, enhance the community, and coincide with regional priorities.

Application requirements and evaluation criteria are subject to annual adjustments. Individuals and organizations interested in applying for CFP funds are advised to review program guidelines at:

http://www.csrees.usda.gov/fo/fundview.cfm?fonum=1080

For additional information about Community Food Projects, including information about past and currently funded projects, contact the World Hunger Year Food Security Learning Center at: www.worldhungeryear.org/fslc.

References

1. U.S. Department of Agriculture, Economic Research Service, Household Food Security in the United States, 2005, Washington, D.C. Economic Research Report 29, November 2006.
2. Institute of Medicine. Preventing Childhood Obesity. National Academies Press, Washington, D.C., 2005.
3. American Farmland Trust, Washington, D.C., 2006.
4. As defined by Dr. Mike Hamm, Michigan State University, and Dr. Anne Bellows, Rutgers University, on the World Hunger Year Food Security Learning Center Web site, http://www.worldhungeryear.org/fslc/faqs/ria_061c.asp?section=1&click=1.

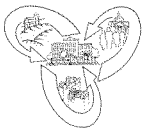
CREDITS

Cooperative State Research, Education, and Extension Service (CSREES) advances knowledge for agriculture, the environment, human health and well-being, and communities through national program leadership and federal assistance.

www.csrees.usda.gov

World Hunger Year (WHY) is a leader in the fight against hunger and poverty by challenging society to look beyond emergency responses and advance solutions that create economic justice, self-reliance, and access to nutritious and affordable food.

www.worldhungeryear.org



Community Food Security Coalition (CFSC) is a national alliance dedicated to building strong, sustainable, local and regional food systems that ensure access to affordable, nutritious, and culturally appropriate food to all people at all times.

www.foodsecurity.org

Healthy Food, Healthy Communities Production Team:

Elizabeth Tuckermanty
Dionne Toombs
Zy Weinberg
Kelly Morrison
Noreen Springstead
Christina Schiavoni
Jeanette Abi-Nader
Scott Elliott
Kami Pothukuchi
Katherine Hanks
Steph Larsen
Andy Fisher
Hugh Joseph
Rebecca Mann
Mark Winne

For additional copies contact:

Elizabeth Tuckermanty etuckermanty@csrees.usda.gov
Andy Fisher andy@foodsecurity.org

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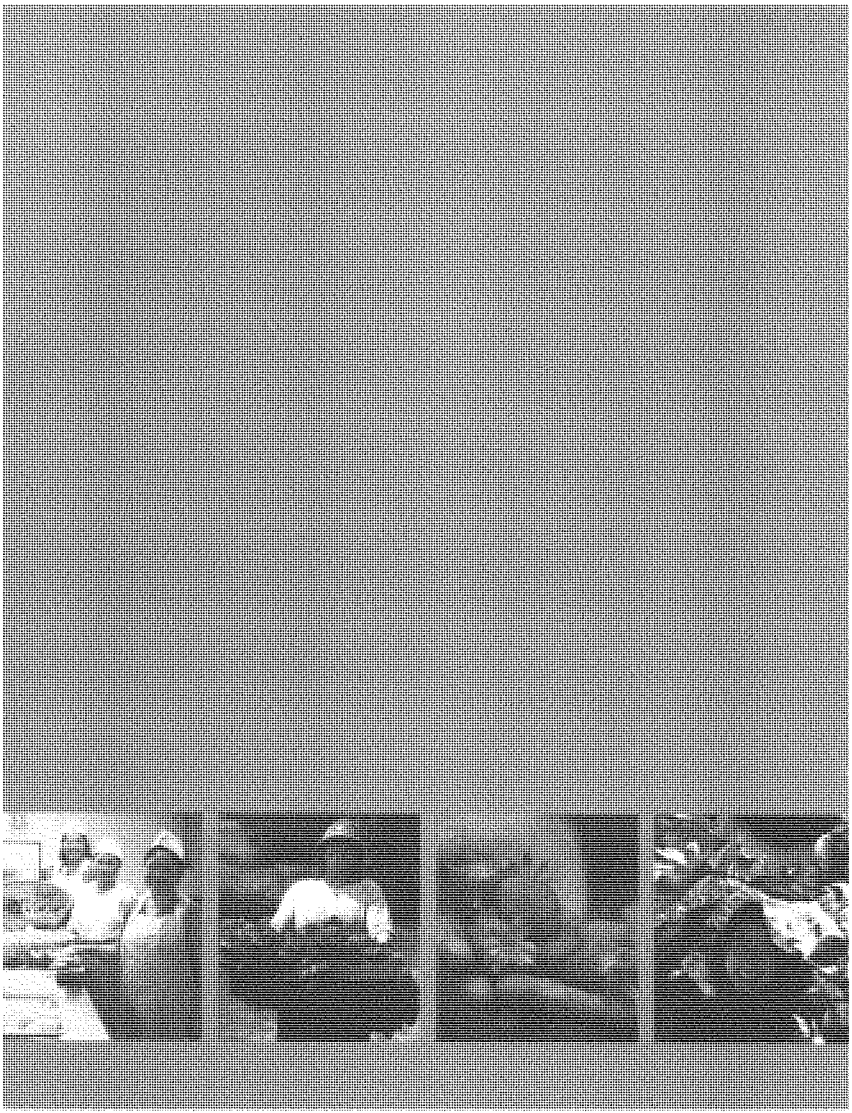

COMMENTS

OF

AMERICAN PEANUT SHELLERS ASSOCIATION

BEFORE THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

Submitted by
John T. Powell
Executive Director

Mr. Chairman and members of the Committee:

These comments are submitted on behalf of American Peanut Shellers Association (APSA). Our members handle approximately 80% of the peanuts grown in the United States and operate throughout all peanut growing regions of our country.

Grower Expertise

It is our general inclination to leave many of the features of the Peanut Title of the Farm Bill to peanut growers. In many instances growers have greater experience and expertise than do we. However, since shellers market virtually all the peanuts grown in this country, we do feel we have something to offer the industry and the Committee with respect to issues relating to marketing of peanuts.

Commitment to Free Market

The Peanut Title of the 2002 Farm Bill made a commitment to the free market. The old quota system was dismantled and quota holders were paid for their quota. The new system was intended to be one based on free markets. Unfortunately, the administration of the repayment rate by the Department of Agriculture has significantly inhibited U.S. peanuts moving into the free market.

The Department's refusal to follow the intent of Congress in setting the repayment rate has seriously eroded the U.S. position in international markets.

That issue must be addressed in the new farm bill. We will, along with growers, submit suggestions to the Committee for that important issue.

At this time we wish to focus our comments on any attempt to move away from the commitment to free markets in peanuts.

Forfeited Peanuts

Some have suggested that the market for forfeited peanuts be severely restricted. Such a move would be a serious mistake in our view.

One of the great successes of the 2002 Peanut Title of the Farm Bill was to make U.S. peanuts price competitive with imports. Having freed our farmers to be competitive, U.S. peanuts have virtually eliminated imports into this country. However, it is important to note that the elimination of imports has been due to the price competitiveness of U.S. grown peanuts. The import TRQs under WTO are still available, and on January 1, 2008, imports of peanuts and peanut butter from Mexico become unlimited under NAFTA. Therefore, the substantial threat of competition from imports remains. We must not lose sight of the fact that we simply must be price competitive.

Any attempt to remove peanuts from the free market will inevitably have adverse consequences on the availability of U.S. peanuts, thereby making them less competitive.

There is no better way to build a viable growing industry than to operate in a free market. U.S. grown peanuts have numerous markets available to them.

Some are: the edible domestic market, the edible export market, the oil market both in the U.S. and overseas and the seed market. To legislatively remove access to any of these markets for U.S. grown peanuts will have exactly the opposite effect apparently desired by those promoting such a position. Apparently, the motivation is to raise prices for U.S. peanuts. However, the consequences will be to reduce the U.S. as a reliable supplier and create wide price swings and volatility in the market. This is just the recipe for bad consequences to the entire industry including growers. In many respects, this was the situation that existed under the old quota system. We cannot return to that era.

Federal State Inspection Service

Current law mandates that FSIS inspect all farmers stock peanuts marketed in the U.S. It is our view that legislating a monopoly naturally creates inefficiencies and excessive cost. Therefore, we believe it to be more beneficial to the entire industry for no entity to have a legislative monopoly. This does not mean that FSIS would not inspect peanuts. Rather that FSIS would not have a legislated monopoly and would, therefore, need to be competitive in rates and service.

Loan Service Agent

Most other commodities allow growers to utilize the services of loan

service agents to obtain marketing assistance loans. In the 2002 Farm Bill, the bill as reported to the floor of the House allowed loan service agents for peanuts as well.

Since the peanut industry had historically utilized the services of three area associations, some thought it would be appropriate to allow the associations to act as designated marketing associations for a transition period to assist growers in obtaining marketing assistance loans. We believe it is now time for the peanut industry to utilize the services of loan service agents similar to other commodities. Of course, this would only be an option for the grower who could continue to utilize either offices of Farm Service Agent or designated marketing associations. No grower would be forced to utilize an LSA. With continuing closures of local FSA offices there is a need to allow more grower options for obtaining marketing assistance loans.

Respectfully submitted this 1st day of May, 2007.

John T. Powell
Executive Director
American Peanut Shellers Association
P.O. Box 70157
Albany, Georgia 31708-0157

Statement Before the

Committee on Agriculture, Nutrition & Forestry

United States Senate

Washington, D.C.

Hearing on

"CHALLENGES AND OPPORTUNITIES FACING AMERICAN AGRICULTURAL PRODUCERS"

April 25, 2007

Submitted By:

Ted Higginbottom
Seminole, Texas

On Behalf of the United Peanut Alliance

Mr. Chairman and Members of the Committee:

These comments on the peanut program for the 2007 farm bill are submitted on behalf of the "United Peanut Alliance." This alliance is currently comprised of peanut farmers from the six peanut-growing states of New Mexico, North Carolina, Oklahoma, South Carolina, Virginia and Texas. In 2005, the farm gate value of peanut production from these six states totaled $308 million, which represents 37% of the peanut production in the United States. This value does not count the economic value of shelling operations in these states, nor does it account for peanut product manufacturing facilities across the South as well as in Pennsylvania, Ohio, New Jersey and other states.

The United Peanut Alliance

The following groups – as members of the United Peanut Alliance – are proud to have coalesced in an effort to sow the seeds of unity across the U.S. peanut sector and work on a peanut program in the 2007 farm bill, and peanut policy generally, that ensures the viability of the peanut industry:

New Mexico Peanut Growers Association
North Carolina Peanut Growers Association
Oklahoma Peanut Commission
Panhandle Peanut Growers Association
South Carolina Peanut Growers Association
South Texas Peanut Growers Association
Texas Peanut Growers Association
Texas Peanut Producers Board
Virginia Peanut Growers Association
Western Peanut Growers Association
American Peanut Product Manufacturers, Inc.

This broad-based group of peanut industry interests came together on August 8, 2006 to coordinate efforts to develop a future peanut program that works for all segments of the peanut sector. As a result of this first meeting, several peanut industry organizations have come together in this affiliation called the "United Peanut Alliance." The alliance appreciates the opportunity to submit our views for the hearing record as we continue to work toward a common set of goals and objectives for the new peanut program contained in the 2007 farm bill.

The purpose of the United Peanut Alliance (UPA) is to act as a mechanism to allow for a unified voice from all groups, individuals and segments of the industry. We welcome an on-going dialogue with the entire peanut industry to communicate common positions for the peanut program. If any organization is not able to join the UPA, we encourage their individual members to participate in the alliance officially or unofficially.

We Support the Peanut Program That Was Promised Growers in 2002

The United Peanut Alliance supports the current peanut law, but not the way this law has been administered by USDA. We seek to amend the law during consideration of the 2007 farm bill to compel USDA to operate a true marketing loan program for peanuts. To us, the peanut program represents a promise not kept to American peanut growers. Peanut farmers were persuaded to give up their old program and quota holders were given a buy-out of their quota in return for a marketing loan program. USDA has refused to give the industry a marketing loan program, but has insisted on the old outmoded kind of loan program which results in a build-up of price depressing stocks.

To anyone who understands farm programs, the meaning of a marketing loan program is clear. Under such a program, the government provides the grower a non recourse loan at time of harvest. The government then sets a repayment rate for the loan that keeps the commodity competitive in domestic and international markets. **The government never lets large price-depressing stocks accumulate because the loan repayment rate is set at a market-clearing level.** This concept was tried successfully for cotton and rice in the 1985 farm bill, and was subsequently adopted for the other program crops, such as corn, wheat and soybeans, in subsequent legislation. **However USDA spokesmen may try to rationalize their record, the indisputable fact is that the peanut program has never been operated as a marketing loan program.**

The Current Problem of High Energy Costs & Low Peanut Prices

The 2006 crop went down in history as the most expensive peanut crop ever produced as high energy costs drove up production expenses. These costs will continue to escalate in 2007. High energy costs coupled with low yields in many cases and the per-unit cost of producing peanuts has sky-rocketed. Unfortunately, last year's costly peanut crop also coincided with the lowest ever crop prices under the new peanut program since it was established in the 2002 farm bill. Because of USDA's refusal to properly administer the peanut repayment rate and thus, provide peanut farmers with a true marketing loan program, the peanut sector was faced with a build-up of excessive peanut stocks that depressed the price of peanuts to the loan level.

Lower CBO Baseline for Peanuts

With the way USDA has administered the peanut program, the Congressional Budget Office (CBO) has scored the peanut program to take a 56% cut in its March baseline. The CBO estimate assumes there will be no peanut storage and handling program and USDA will continue to operate the peanut program as it has done in the past, which is to deny the peanut industry a true marketing loan program. CBO's reduced cost estimates for the future peanut program are based on the projection that actual harvested acres of 1,629,000 in fiscal year 2005 will drop by 400,000 acres as evidenced by only 1,233,000 harvested acres in 2006. **For 2007, planted peanut acreage is projected to fall to less than 1.2 million acres, the lowest level since 1915.**

The Peanut Program for the 2007 Farm Bill

The development of a workable peanut program in the 2007 farm bill is one of the major challenges facing the U.S. peanut industry. This is especially the case now that the Administration has successfully blocked the extension of the peanut storage and handling program for the 2007 crop, potentially costing the peanut farmer $50-$60 per ton that was formerly available from the program. Also, USDA has unveiled a farm bill proposal that would seriously undermine the future viability of peanut farmers and the entire peanut industry. Thus, the U.S. peanut sector is in a precarious position.

For the next peanut program, the United Peanut Alliance supports:

1) New language in the 2007 farm bill to ensure that USDA administers a repayment rate that provides peanut farmers with a true marketing loan;
2) Continuation of the separate payment limitation for peanuts and no new payment limitations;
3) Extension of the peanut storage and handling provisions of the 2002 farm bill; and
4) Maintaining the current loan rate for peanuts.

New Repayment Rate Provisions Needed

For the reasons we have outlined above, the peanut industry strongly urges Congress to amend the 2007 farm bill with language on the peanut repayment rate to compel USDA to operate a true marketing loan program for peanuts. The peanut industry believes Congress should enact statutory language that will ensure USDA administers the peanut repayment rate properly.

USDA's setting of the "national posted price" (which is the repayment rate) is the single most important action in accomplishing the purpose of the marketing loan program. No marketing loan program can be operated successfully without the correct establishment of a market-clearing price as the repayment rate. If USDA continues to mismanage the setting of the repayment amount, peanut farmers will be left with no other choice than defaulting on the loan rather than repaying it. For other farmers, if USDA acts correctly in setting the repayment amount, the farmer sells the crop commercially and collects the loan deficiency payment (LDP) or places the commodity under USDA loan, which is repaid at the current market price. This avoids forfeiture and USDA ownership of the crop. USDA is required by law to establish and regularly post a peanut price at which the crop could be sold, even if the national posted price is less than the established loan. The posted price is to be set at a market-clearing level, meaning at a level that avoids forfeiture. Clearly, USDA peanut inventory records show this outcome has not been the case.

By setting the repayment rate, USDA establishes the price at which peanuts are sold in the international as well as domestic markets. An uncompetitive price makes the U.S. government a more attractive buyer than export markets. By consistently setting this price too high, USDA has priced U.S. peanuts out of the international marketplace. Since USDA's implementation of the new program, the export market for U.S. peanuts has dropped by 40 percent. This has resulted in a price-depressing surplus, which plagued the peanut industry in 2006.

What the Current Law Requires on the Repayment Rate: The 2002 farm bill requires that USDA "shall permit producers to repay a marketing assistance loan for peanuts" at a rate that reflects four factors (7 U.S.C. 7957(d)(1)(B)) as follows:

> "(i) minimize potential loan forfeitures;
> (ii) minimize the accumulation of stocks of peanuts by the Federal Government;
> (iii) minimize the cost incurred by the Federal Government in storing peanuts; and
> (iv) allow peanuts produced in the United States to be marketed freely and competitively, both domestically and internationally."

USDA's Disregard for the Law: It is clear that USDA has not properly implemented the law, since peanut loan forfeitures have increased rather than USDA minimizing forfeitures; USDA has accumulated huge stocks of peanuts rather than minimizing stocks; and USDA's actions have led to increased peanut storage costs. USDA has refused to comply with the first three mandates of the law set forth in the 2002 farm bill. USDA has also refused to comply with the fourth statutory mandate, as demonstrated by a severe drop in U.S. peanut exports because of a refusal to allow peanuts to be marketed freely and competitively in international markets.

USDA has disregarded the law and made decisions strictly based on short-term budget considerations. In an attempt to hold down loan LDPs and countercyclical payments to farmers, it has increased storage and handling costs and created a situation where the pipeline for peanuts is double what it should be, thus severely depressing prices.

The oversupply of peanuts has resulted from USDA's failure to administer the peanut marketing loan program according to the law and as promised in the 2002 farm bill. It has created a situation where payment of storage and handling is more desperately needed than ever before. Because of the current oversupply, peanuts must be stored longer, and thus storage costs are greatly increased.

Payment Limitations

The Administration's proposal to take away the separate payment limitation breaks the agreement with peanut growers, who gave up their quota program and moved to a marketing loan program. In addition, the Administration's proposed "means test" at the $200,000 Adjusted Gross Income (AGI) level in many ways is the beginning of the end for many commercial farmers because once an AGI level is established as a precedent, it can be cut each year until commercial agriculture is excluded from farm

support. The means test applies such that any farmer who has an AGI of over $200,000 from farming or combined with any source would receive no farm program benefits.

Payment of Peanut Storage & Handling

The Administration also supports the elimination of peanut storage and handling payments that were provided for in the 2002 farm bill. The loss of this key program feature means peanut growers would lose this amount of money from the peanut program baseline every year in the future, which translates to a $74 million a year cut from the peanut program. If Congress chooses not to extend peanut storage and handling, we believe that this amount of money should go to peanut farmers in another form.

We are mindful of the budget constraints that you, the Committee, are operating under. While our farmers would welcome larger government payments in some form or another, we have sought to be realistic in what we are requesting. In informal visits, we have been told that if we want higher payments or higher loans, we must be prepared to take cuts in other areas.

Maintain the Current Peanut Loan Rate

The loan rate should serve as a safety net, not as a primary marketing option. If the loan rate is set too high, history has shown that producers will grow for the loan, thus causing oversupplies which leads to a greater chance of loan forfeitures.

Conclusion

The Committee should note that all segments of the peanut industry – growers, buying points, shellers and manufacturers – are unified in our support of the basic peanut program authorized in the 2002 farm bill. However, we do not favor the way the program has been administered. **We ask that Congress amend the law to keep the promises made in 2002.**

Thank you for the opportunity to submit our comments on the future peanut program.

Written testimony on behalf of:

Mr. Mitch Irwin, Director
Michigan Department of Agriculture
P.O. Box 30017
Lansing, Michigan 48909

Tuesday, April 24, 2007

U.S. Senate Agriculture, Nutrition and Forestry Committee
"Challenges and Opportunities Facing American Agriculture Producers Today"

I respectfully submit the following to the Senate Agriculture, Nutrition and Forestry Committee:

Mr. Chair and members of the committee, on behalf of the Michigan Department of Agriculture, thank you for affording us an opportunity to comment on "the Challenges and Opportunities Facing American Agricultural Producers." We appreciate the chance to offer testimony on this important topic, and the encouragement of Sen. Debbie Stabenow, who has provided Michigan's agriculture industry with critical support as a member of this committee.

Agriculture in Michigan

Michigan's dynamic agri-food system generates $60.1 billion and supports more than 1 million jobs annually. With strong public and private investment - $8.6 billion since 2000 - and the nation's second most diverse commercial crop base, this industry will continue fueling Michigan's economic development.

When the Michigan Department of Agriculture (MDA) was created in 1921, its primary responsibility was to implement laws pertaining to the production, handling, and distribution of agricultural products. The department was later given the mandate to promote agricultural interests in Michigan and foster direct trading or marketing between producers and consumers. Today, our mission is to "protect, promote and preserve the food, agricultural, environmental and economic interests of the people of Michigan." Although some things have remained constant, the 21st century has presented the agriculture industry both with considerable challenges and unprecedented opportunity.

With factors such as technological advancement, global trade and scarce natural resources, MDA's dual role as regulator and marketer is becoming increasingly complex and our work more critical. Our ability to provide nearly 10 million citizens with timely, quality service is thanks in large part to innovative partnerships with federal, state and local agencies, the university community and private industry. Fostering cooperation and integration at several levels has enabled us to pool limited resources, increase our effectiveness, and be better equipped to address the challenges–and take advantage of the opportunities–that exist within American agriculture.

PROTECT

Food Safety

As international commerce increases so does our vulnerability to invasive species, foreign animal diseases, and unsafe imported food. Michigan has first-hand experience with these risks

to our public health, economy and environment–from exotic insects to zoonotic diseases and tainted food to toxic feed. Whether the threat is intentionally or inadvertently introduced into the agri-food system, one thing is essential for responding effectively: early detection.

The Detroit/Port Huron border crossing is the second-busiest in the U.S. often making Michigan the nation's first line of defense from invasive species, foreign animal diseases, and unsafe imported food. The high volume of agri-food products transported and distributed at this international gateway poses a risk to our state and country's food, animal and plant health.

- *MDA supports a pilot program to station trained staff with the ability to quickly recognize and respond to threats at multiple points in the supply and distribution chain.*

Food Access
Programs that foster a healthy food supply that is available to all citizens not only improve quality of life, but also encourage economic growth and increase the viability of small- to mid-scale farms.

- *MDA supports expansion of the Fresh Fruit and Vegetable Program.*

- *MDA supports improved funding and delivery of nutrition programs–in particular delivery of fresh fruits and vegetables.*

Animal Identification
Michigan has been a leader in establishing and implementing an electronic identification program for cattle. The initiative will increase food safety at home and make Michigan's cattle more profitable in the international marketplace.

- MDA supports grants from USDA to states that have initiated their own animal or premise identification programs.

PROMOTE

Biofuels
When it comes to creating a bio-based economy, Michigan has a natural competitive edge: a skilled work force, a solid scientific and manufacturing infrastructure, a business friendly climate and overwhelming public support. The Michigan Renewable Fuels Commission received an exciting charge from Governor Jennifer Granholm to recommend policies to fuel the growth of the state's alternative energy industry. Commission members include leaders from the state's agricultural, automotive and environmental sectors, world renowned universities and other public and private representatives.

Biofuel production in Michigan has increased significantly with the establishment of several corn-based ethanol and biodiesel plants. While this growth continues, the state is taking action to encourage a thriving, sustainable alternative fuel market.

- *MDA supports provisions linking promotion of biofuels with conservation efforts.*

- *MDA supports enhanced research dollars for corn-based ethanol to explore supply chain concerns and make the distillation process more efficient.*

- *MDA supports removal of land from the Conservation Reserve Program for growing feedstocks for biofuels if it is not in environmentally sensitive areas.*

- *MDA supports full funding for research on the production, harvesting and processing biomass for cellulosic ethanol.*

- *MDA supports initiation of transportation studies to improve biofuels access to market.*

Michigan Products
With the second most diverse agriculture crop in the United States, marketing programs are critical to maintaining Michigan's strong export presence internationally and within its borders. USDA programs authorized through the Farm Bill, such as the Food Export Organization of the Midwest, have been very successful for Michigan producers. Additionally, domestic promotion through the Select Michigan program has been successful in increasing sales of state grown and processed products. Expansion of the program beyond the two metropolitan areas currently being piloted would increase benefits for the state and its large processing industry.

- *MDA supports continued funding for Market Access and Foreign Market Development Programs.*

- *MDA supports the specialty crop block grant provision creating a base grant of $3 million to each state.*

- *MDA supports the creation of new state-based marketing programs to support promotion of local foods in Michigan.*

PRESERVE

Conservation
As everyone on this committee is well aware, the first step to maintaining farmland throughout the country is to keep farming profitable. Michigan supports preservation of farmland through full-funding of current Farm Bill programs.

- *MDA supports expanding the scope conservation programs and increasing their funding.*

- *MDA supports expansion of the Conservation Security Program in scope and eligibility.*

- *MDA supports maintaining a priority for the Environmental Quality Incentive Program. USDA needs to continue to allow states to do local decision-making.*

- *MDA supports more money and continued flexibility for technical assistance in states.*

Thank you for considering Michigan's needs for the upcoming Farm Bill revisions. If you have additional questions regarding the information provided in the document, please do not hesitate to contact me. I look forward to continuing our work together in the future.

Produce Marketing Association

Mail: PO Box 6036 • Newark, Delaware 19714-6036 • USA
Address: 1500 Casho Mill Road • Newark, Delaware 19711 • USA
Tel: +1 (302) 738-7100 Fax: +1 (302) 731-2409
Web: www.pma.com

Stat ment for the Record of the Produce Marketing Association to the Senat Committee on Agriculture, Nutrition and Forestry Full Committee Hearing: Part II, Challenges and Opportunities Facing American Agricultural Producers; Held on April 24, 2007
Submitted April 30, 2007

The Produce Marketing Association is the largest not-for-profit trade association representing companies that produce and market fresh fruits and vegetables. Our 2,100 members range from producers to grower-shippers and supermarket retailers located in most every state in the U.S. PMA members handle more than 90% of fresh produce sold to U.S. consumers.

PMA believes that the 2007 Farm Bill provides a unique opportunity to develop new farm policies that enhance the competitiveness of the specialty crop industry and take into account nutrition, environmental stewardship and economic innovation goals to meet the challenges for the agriculture and food policy in the 21st century.

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 and is a growing component of U.S. agriculture. Due to the healthful qualities of fruits and vegetables, the 2007 Farm Bill should include initiatives to encourage consumption of fruits and vegetables and also help producers to innovate and succeed in the global marketplace.

Specialty Crop Competitiveness Priorities
PMA supports maintaining the current restrictions that prevent the planting of fruits and vegetables on acres now receiving program crop payments. PMA supports maintaining current law regarding U.S. planting flexibility policy. Any change in the policy is premature. The World Trade Organization dispute settlement decision-- relied upon as the basis for proposals to change flex acre policy-- did not rule against flex acres, but only referenced the policy in "dicta". Moreover, WTO dispute settlement cases are not binding on future WTO panel decisions. It would be unprecedented for the U.S. Congress to change U.S. policy in anticipation of a particular decision of a dispute settlement panel in a case that has not even been filed.

The flex acre planting restriction is designed to ensure that federal subsidies intended for producers of program crops do not get diverted to support the expansion of specialty crops on subsidized land. Since specialty crops receive no type or level of support similar to the Direct and Counter-Cyclical Program, without the restrictions existing specialty crop producers would be forced to compete directly with the subsidized producers that enter the

specialty crop industry. Using conservative assumptions, economic modeling shows that removing this restriction (2007 Informa Economics Study) would reduce the revenues of existing specialty crop producers by slightly over **$3.1 billion per year**, relative to levels with the planting restrictions remaining in place.

PMA supports retaining the statutory language of the Specialty Crop Competitiveness Act of 2004 regarding the participation of specialty crop interests in the Block Grant Program and developing guidelines to ensure appropriate assignment of these resources to the specialty crop sector. This program allows states to invest in programs and projects that support production-related research, commodity promotion, sustainability, product quality enhancement, consumer health, 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. PMA recommends annual mandatory funding of $500 million.

U.S. specialty crop growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of their 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. specialty crop industry will continue to lose market share to global market competitors. PMA supports the Technical Assistance for Specialty Crops (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 specialty crop export markets, the TASC program should maintain its focus on specialty crops. PMA supports increased funding for USDA's Market Access Program.

Specialty Crop Nutrition Priorities

Specialty crops are 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. 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. In the 2007 Farm Bill Congress has a unique opportunity to ensure that the new Guidelines are fully implemented. Future farm policy would not only support American agriculture; it would support and encourage the health and well-being of all Americans.

Nutrition policy is also a matter of fundamental fairness. In America today, the people with the least amount of money to spend on food are the ones most likely to be overweight. This is because the most calories per dollar leads to purchase of the least healthful products. Congress has an opportunity to address this important issue in the 2007 Farm Bill.

PMA supports 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. PMA would welcome the opportunity to work with all allies in the nutrition community toward this important goal.

Specialty Crop Conservation Priorities
PMA supports a food production system that produces abundant, affordable and safe food, but also conserves and enhances the natural resource base and protects the environment. PMA will work with all allies to expand general support for conservation programs.

For specialty crop 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. PMA supports any available assistance that encourages specialty crop producers to invest in natural resource protection measures they might not have been able to afford without such assistance.

PMA supports a mandatory allotment of funding for specialty crop production within the Environmental Quality Incentive Program (EQUIP). Among all conservation programs, EQIP has arguably been the most effective and widely used program for specialty crop producers. 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. Specialty crop producers should receive a mandatory allotment of 25% of total funding.
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.

For many specialty crop 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. We recommend that the 2007 Farm Bill: 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; make greater use of TSPs to assist producers in the planning and implementation of conservation measures and best practices; streamline and simplify application certification procedures; use a resource- and needs-based formula to enhance funding for NRCS conservation technical support to applicants.

Specialty Crop Research Priorities
Specialty crops and their research needs are unique and important. 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. Funding that emphasizes nutrition will provide significant return on investment through better health among the U.S. populace.

Specialty Crop Food Safety Priorities

In the area of food safety, PMA takes its role as an industry leader seriously. PMA is committed to doing whatever it takes to protect public health and maintain and improve consumer confidence in the healthful products our members grow and market. PMA supports strong private-public sector partnerships and additional government funding in the area of food safety.

PMA has recently committed $2.75 million in additional resources to food safety. This month, at the University of California in Davis, PMA was joined by officials of federal and state government at the launch of the Center for Produce Safety at Davis under the umbrella of the Western Institute for Food Safety and Security. Aimed at coordinating, funding and disseminating research to enhance the safety of fresh produce worldwide, this Center will bring together experts from industry, government and academia to find answers to how our products can get contaminated and what we can do to stop that. PMA has committed two million dollars specifically to the Center for Produce Safety. Those funds have already been matched by one company and PMA expects more to follow. The State of California has committed another half million dollars. PMA urges the Committee to review these commitments from industry, the state and the university and to do everything it can to support this critical effort to improve our understanding of produce safety and supply answers to critical questions.

Food safety efforts must be prioritized based on risk. PMA applauds the work of other organizations, including the successful effort to establish a California Lettuce and Leafy Greens Marketing Agreement, founded on strong, science-based food safety protocols and state verification. PMA believes that the initiative in California needs to be followed by a robust federal effort that is verifiable and applies to any products grown in the U.S. or abroad. We must avoid a patchwork and develop a commodity-specific protocols based on sound science and prioritized by risk.

Another shared goal we have is public health. We welcome the opportunity to work in partnership to improve communications. We must assure that the public has all the information required to take appropriate action by being as specific as possible as early as possible in the event a public health risk being identified. Rapidly narrowing the focus of an investigation is responsible to public health and mitigates damage to those in the affected industry that are not implicated in the outbreak. In 2004 PMA funded, through the Partnership for Food Safety Education, guidelines aimed at helping consumers handle fresh produce safely. Industry and government must do their parts to deliver safe, nutritious fruits and vegetables, and consumers have a role to play in food safety as well. PMA also

regularly tracks consumer confidence in fresh produce nationwide through ongoing research.

Conclusion

Congress has a unique opportunity in the 2007 Farm Bill to begin to alter the paradigm of U.S. farm policy for the 21st century. Congress must make as a priority producers and the necessity for a robust and profitable producing industry, including the specialty crop producers and industry. PMA believes that these proposals will attain that goal while also taking into account consumers and their concerns about nutrition and reducing obesity--along with the need for environmental stewardship.

P.O. Box 11280, Columbia, South Carolina, 29211 Telephone: (803) 734-2200

Statement

of

Sidney Livingston
President
South Carolina Fruit, Vegetable & Specialty Crop Association

for the

U.S. Senate Committee on Agriculture, Nutrition & Forestry
Washington, DC

April 24, 2007

Mr. Chairman, Ranking Member Chambliss and members of the Committee, the South Carolina Fruit, Vegetable, and Specialty Crop Association is pleased to allow me to make comments on their behalf to the Committee in regards to the pending Farm Bill legislation. We appreciate the opportunity and are excited about the new bill.

My name is Sidney Livingston, President of the South Carolina Fruit, Vegetable & Specialty Crop Association. I am from Woodford, South Carolina, where I farm a variety of vegetable crops.

We are very excited that Specialty Crop producers are being considered at a greater level in this bill. The industry as a whole has been under-represented in past legislation. The facts are that producers of specialty and other non-program crops make up 60% of farmers in our country.

In reviewing the Farm Bill, we support recommendations made under the Conservation Title, Trade Title, Nutrition Title, Rural Development Title, Energy Title, Research Title, and the Miscellaneous Title. We believe that these areas offer good incentives for continued improvement for specialty crop production. We do need more money earmarked for programs such as EQUIP, for dedicated research, and for market enhancement efforts. The school lunch and breakfast programs should also mandate more purchases of fresh products when available.

Crop Insurance is an area that requires close scrutiny for Fruit and Vegetable producers. Many crops are not currently covered by crop insurance. Many that are require extremely high premiums that make it uneconomical for producers to carry coverage. The other issue is fraudulent crop insurance claims by unscrupulous producers to attempt to make money off of the program.

Crop insurance needs to provide a safety net to cover proven losses at a reasonable cost to producers. It should not be a system that artificially inflates acreage or overall production as the system does rely on supply and demand economics. Many producers have not supported prior attempts to include some crops under the program for fear of large increases in acreage. Pilot programs in some commodities have proven that point and any new programs must be carefully crafted to address those issues. Crop Insurance should be a tool that producers use for protection...not an opportunity to make money off of the system. We do like the idea of the supplemental deductible coverage should growers face a complete loss due to widespread natural disaster in their area.

The biggest fear in our industry, in regards to the new Farm Bill, is the proposed loss of the planting prohibition of non-program crops on program crop acreage. This will allow program crop participants to plant non-program, specialty crops on idle program land and still receive their subsidy payments. This is an unfair situation for non-program crop producers and will put us in direct competition with producers who are receiving payments on that land. Please don't misunderstand. We are not opposed to growers receiving subsidy payments. We just feel that our economic interests must be considered as we have farmed Specialty Crops without major farm subsidies and assumed the risk of production. We don't want to compete on an un-level playing field.

There may be some ways to offset these issues. The Farm Bill, as currently drafted, covers some of those areas including crop insurance improvements, more funding for conservation programs such as EQUIP, and enhanced research funding for Specialty Crops. Perhaps greater subsidies for crop insurance premiums to traditional Specialty Crop producers would help? New programs that are revenue based could also address some of the disparity. We also need greater access to current programs as outlined earlier.

Other options we suggest for parity would be to make comparable direct subsidy payments to Specialty Crop Producers for the proven acreage and volume that they produce. We would also suggest that the cap be lifted or adjusted higher when adhoc disaster bills are passed by Congress in years of major natural disaster. This could be based proportionally to the size of an operation and actual proven losses.

Our concern is not to make a living off of the government, but to continue to grow specialty products in an environment where we can expect to compete fairly and have profit potential. Specialty Crop and other Non-Program crop producers must be protected or given consideration as this one issue could easily disrupt the entire fruit and vegetable marketplace and cripple profit potential. We have chosen to operate and to compete in the marketplace for many years with limited assistance from the Federal Government. Please do not require us to compete against farmers receiving payments from our own government.

Mr. Chairman, we are pleased with many of the aspects of the pending legislation. We do ask that you give considerable thought to our concerns and how we can be fair to producers of all commodities. The South Carolina Fruit, Vegetable, and Specialty Crop Association is ready and willing to work with you as you and your colleagues begin crafting the new farm bill. We must keep agriculture strong in our nation and we thank you for your efforts in this regard.

Statement

of

Larry Yonce
President
South Carolina Peach Council

for the

U.S. Senate Committee on Agriculture, Nutrition & Forestry
Washington, DC

April 24th, 2007

Mr. Chairman, Ranking Member Chambliss and members of the Committee, on behalf of the South Carolina Peach Council (SCPC), I appreciate this opportunity to present our members' views and recommendations as you consider the challenges and opportunities that are facing U.S. agriculture and the future of America's farmers.

My name is Larry Yonce, President of SCPC. I am from Johnston, South Carolina and farm with my family and brother's family producing peaches.

The SCPC is a nonprofit membership organization that seeks to protect and advance the future of the South Carolina peach industry. We are grateful for this opportunity to comment on the upcoming Farm Bill that is now under consideration. Our members believe many aspects of the Farm Bill, as drafted, will be of benefit to our industry. However, we are concerned that some aspects of the bill could have a negative impact on the fruit and vegetable industry and other non-program crops.

First, we commend Congress for realizing that specialty crop producers need more representation in the farm bill. Currently, five program crops receive 93% of direct farm bill cash subsidies, yet the value of our specialty crop industry is equivalent to the combined value of these five crops. It is only equitable that more money be included to assist the 60% of all farmers who do not raise program crops. The South Carolina peach industry supports the effort in this farm bill to place more resources in research, phytosanitary issues, marketing efforts, and conservation incentives.

The Peach Council supports the efforts in trade to expand the Market Access Program under the Trade Title. We believe that this will be an effective tool for specialty crops, just as it has made a major positive impact on traditional program crops. A component of this program addresses sanitary and

phytosanitary issues and other trade restrictions that affect the peach industry. Resolving these international issues could re-open markets for us in places like Mexico while providing new opportunities in other regions. We agree that trade issues should be based on sound science, not politics.

Conservation programs will also be of benefit to the peach industry. We fully support the EQUIP program that encourages water conservation and provides some financial assistance to install these conservation systems. The peach industry is dedicated to conservation and feels that this will continue to help us manage resources.

The Nutrition Title provides for net increases for purchases of fruits and vegetables for use in the National School Lunch and Breakfast Programs. We support and encourage efforts to provide even more fruits and vegetables to schools, in particular fresh products. Children are our future and it is vital that we educate them on the benefits of healthy lifestyles and eating habits.

The peach industry is also in support of the areas of rural development that address value-added grants and the awards process that will prioritize the specialty crop industry. In addition we hope that these grants could assist rural areas in developing alternative fuel opportunities, to take advantage of programs under the Energy Title that provide support for use of crop waste to produce cellulosic ethanol. The peach industry alone in South Carolina has millions of pounds of waste product each year that must be discarded. Through research and implementation, this could be a way to utilize a waste product and add value to our needs in alternative fuels.

Research continues to create the best roadmap for success of specialty crops and is vital to the peach industry. We need to expand research efforts as genomics and other cutting edge technology evolves. Refining new technology will enable peach producers to better battle issues such as weather and disease, as well as provide even higher quality products, consistently, for American consumers and consumers in export regions. Specialty Crops have special research needs. The peach industry is no exception as we battle issues such as peach tree short life and oak root rot that severely limit the longevity of orchard production. Research investments will pay great dividends to the specialty crop industry.

Efforts to improve Crop Insurance are vital to the South Carolina Peach industry. We have worked for many years with the Risk Management Agency to provide realistic coverage levels based on the crop potential of an orchard in lieu of actual production histories that are currently skewed when we do have a loss. For instance, we have lost the bulk of our crop this season due to a devastating late freeze. Many orchards will have zero production for the season that will impact the actual production history for the next five years. This will lower our ability to actually cover any future production losses, yet rates do not reflect that downward trend. The orchards actually have more potential as they reach peak production years and we can not adequately cover our risk under current guidelines. We would suggest that a units actual production history be used in lieu of a zero in years when a disaster is declared by the Governor.

The efforts to provide supplemental deductible coverage can help offset the large cost involved in insuring peaches, particularly in years like the one we now face. This insurance, however, must be affordable for producers to consider utilizing as part of their risk package. All we seek are means to protect the large investment made each year to produce peaches and other high value crops for the marketplace. We would be opposed to any effort in the Farm bill that would increase insurance costs for lower coverage levels when producers have losses due to natural disaster. We must be able to protect our investments. This is not a money making program, but a program to protect risk.

Another proposal in the Farm Bill that is of great concern to our industry is the loss of planting prohibitions for Commodity Growers to produce non-program crops on program crop acreage. This

would create an unfair production and marketing advantage for farmers who are also receiving program subsidies on that acreage. While we are opposed to this portion of the Farm Bill there are some possible offsets for Specialty Crop Producers to make the loss in planting prohibitions more equitable for everyone.

- Crop Insurance:
  - Provide greater subsidies for insurance premiums for non-program crop producers.
  - New programs such as farm revenue policies could be implemented to offer specialty crop producers better overall coverage.
  - Provide easier access for vegetable growers to existing programs so that they can cover risk. Currently, many crops are not covered under Risk management Programs.

- Increase EQUIP funding and its allotment or allocations to Specialty Crop Growers.

- Disaster Programs should be restructured to remove payment caps or at least make payments more proportional to the size of an operation and the losses incurred.

- Research Funding should be expanded to allocate funding to USDA specifically for Specialty Crop Research.

- Provide comparable Direct Payments to Specialty Crop producers for the acreage they produce.

We request that Congress consider these options to level the playing field for all producers involved in the production of Specialty Crops. Many are being considered in the current Farm Bill, but others such as direct payments are not. These proposals could offset the unfair advantage that program crop producers entering Specialty Crop production would have over long term Specialty Crop producers who have long shouldered the risk involved in production with limited federal assistance. We simply want to compete against other producers...not other producers who have financial backing from our own Government, unless we are afforded the same opportunities.

Mr. Chairman, we thank you for allowing us to make comments on the upcoming Farm Bill and again commend you for including positive provisions for specialty crops. We do believe that a strong Farm Bill will enable our country to continue providing the necessary food and fiber for our nation and allow us to compete in the global economy. We can not afford to allow agriculture to be "outsourced overseas" and make us dependant on others for our food and fiber needs. A strong agricultural economy is still the backbone of our nation and must be protected at all costs.

Statement of Western Growers

Senate Committee on Agriculture, Nutrition and Forestry

Challenges and Opportunities Facing American Agricultural Producers

Washington, DC

April 24, 2007

Introduction

Mr. Chairman, Ranking Member Chambliss, and other members of the committee, Western Growers commends you for holding this hearing to review challenges and opportunities facing U.S. agricultural producers. Western Growers looks forward to working with the Senate Agriculture Committee in the development of a Farm Bill that will address the many challenges facing specialty crop producers today.

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops. In addition, with all the concerns about food safety and bio-terrorism today, a secure domestic food supply is a national security imperative. Federal agriculture policy must be improved dramatically if we are to sustain an efficient and productive domestic specialty crop industry in the United States.

Growers of specialty crops currently face a crisis of competitiveness that must be addressed by Congress in the 2007 Farm Bill. As markets become globalized, as federal and state regulation of our industry increases, and as trade barriers continue to block access to foreign markets, it is increasingly difficult for specialty crop growers to compete against foreign producers who are heavily subsidized and/or minimally regulated.

Specialty crop growers produce nearly 50% of the farm gate value of total agricultural crop production in the United States, but only receive a very small percentage of federal resources aimed at sustaining efficient agricultural production. The allocation of resources devoted to addressing issues of concern to specialty crop growers in the Farm Bill must reflect the value of their production to our economy, as well as the dietary needs of Americans.

Western Growers is co-chairing the Specialty Crop Farm Bill Alliance (hereafter, the "Alliance") which has been working for two years to build consensus on federal agricultural policies needed to address issues of concern to specialty crop growers. The Alliance has developed a broad array of proposals aimed at improving and expanding federal programs that are more responsive to the needs of specialty crop growers. Many of the provisions endorsed by the Alliance build on what was started by introduction and enactment of the Specialty Crop Competitiveness Act of 2004.

Many of the Alliance recommendations have been incorporated into the Specialty Crop Competition Act of 2007 (S. 1160), introduced on April 19 by Senators Stabenow, Craig, Feinstein, Boxer and others. This legislation recognizes the unique needs of specialty crop growers by establishing policies and allocating resources that are needed to sustain our industry in today's global markets. WG commends the Senators who have cosponsored this legislation and urges the Senate Agriculture Committee to include this proposal in the 2007 Farm Bill.

Challenges Facing Fruit and Vegetable Growers

Specialty crop growers make a large contribution to our nation's economy. However, this economic activity is in jeopardy due to a number of challenging trends facing our industry today. With the increasing globalization of agricultural markets due to the rapid growth in international trade, as well as dramatically increased federal and state regulation of our industry, it is becoming virtually impossible for U.S. growers to compete against heavily subsidized and minimally-regulated foreign producers in both the domestic and international markets.

In essence, specialty crop growers face a "crisis of competitiveness" due to the confluence of a number of trends, including the following:

- Stagnant export growth due to a lack of access to foreign markets;
- Heavily subsidized foreign competition (for example, the European Union provided over $13.8 billion a year in price supports and other subsidies to its fruit and vegetable industry according to the most recent figures available (2004);
- Rapidly increasing energy and other production costs;
- The loss of cost-effective crop protection tools due to the Food Quality Protection Act and other federal and state laws;
- Increasing import competition from growers in nations with minimal regulation;
- Increasing pest and disease problems resulting primarily from the growth of international trade;
- Increasing federal and state regulation, such as clean air and clean water requirements.

As you can see, specialty crop growers face many extremely difficult challenges today. These trends are putting substantial downward pressure on the economic returns of our growers.

It is also important to stress that specialty crop growers have very different characteristics and needs compared with those who grow federal program crops. As a result, many current federal agricultural policies do not adequately address the needs of specialty crop growers in meeting the challenges faced today. Given the current problems that threaten the economic viability of specialty crop growers, and thus the rural communities which they sustain, a targeted federal policy response is essential.

Western Growers believes that federal agriculture policies established by the next Farm Bill must fully recognize the needs of specialty crop growers. The federal government has an important role to play in making sure that U.S. specialty crop growers have the tools needed to remain

competitive in global markets. The Specialty Crop Farm Bill Alliance has developed a comprehensive approach to federal agriculture policies that will meet the needs of specialty crop growers, as well as consumers in rural, urban, and suburban America. The major areas of this program are as follows:

- Specialty crop block grants;
- Foreign market access;
- Nutrition;
- Research and development;
- Pest and disease exclusion;
- Conservation/environment.

Western Growers strongly believes that the next Farm Bill must establish policies and programs in these areas that are specifically tailored to meet the needs of specialty crop growers.

Producing Fruits and Vegetables on Program Acreage

WG strongly supports the current policy of prohibiting fruits and vegetables from being produced on acreage enrolled in USDA farm programs, as contained in the 2002 Farm Bill. This is essential to ensuring that growers of fruits and vegetables are not put at an unfair competitive disadvantage to growers who receive government subsidies, or subject to the disruption of markets due to artificially imposed signals arising from changes in government policy.

Along with many other organizations, WG worked to ensure that Congress abided by this policy in developing 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. Western Growers remains committed to ensuring that the fundamentally fair policy of prohibiting subsidized growers from competing against growers who do not participate in federal farm programs in the production of fruits and vegetables remains the law of the land in the next Farm Bill, and that the law is effectively enforced. As noted above, our growers already face daunting challenges from competing against subsidized producers in foreign countries without having to deal with the same problem among domestic growers.

At the request of our industry, Informa Economics recently conducted a study of the potential impacts of removing the fruit and vegetable planting restriction in the 2007 Farm Bill. The Informa study found that repealing the current policy could reduce specialty crop growers' revenues by approximately $3.1 billion per year, and that the greatest impacts of this policy change would be in areas were specialty crop and program crop production exist together, such as California. Furthermore, economic damages to growers will persist until demand for specialty crops grows by an equivalent amount.

The Informa study illustrates that even small changes in supply – given the small acreage now devoted to specialty crop production in the U.S. compared to program crops – could have large market impacts. For example, if only 1% of the 220 million acres of land now enrolled in USDA

farm programs shifts to specialty crops, this would translate into a 20% increase in acreage planted to specialty crops. Given the inelastic demand conditions present in most specialty crop markets, even modest increases in supply can have much larger impacts on prices and growers revenues. An independent but similar study by Arizona State University economists conducted for the California Institute for the Study of Specialty Crops in 2006 produced very similar results to those found in the Informa study.

Western Growers is fully aware of the role of this policy in the WTO case filed by Brazil contesting the U.S. cotton program. However, specialty crop producers must not be asked to accept a fundamentally unfair policy in order to bring U.S. farm programs into WTO compliance. Program crop growers already have maximum flexibility to grow fruits and vegetables as long as they are willing to participate in the marketplace on a level playing field. As such, WG strongly urges Congress to maintain the existing policy in the 2007 Farm Bill.

Specialty Crop Block Grants

Western Growers and the Alliance strongly support the inclusion of $500 million per year for Specialty Crop Block Grants in the 2007 Farm Bill. Block grants have proven to be very successful in providing funding for investments aimed at enabling specialty crop growers to remain competitive in both the U.S. and international markets. Under this program, federal funds are provided for grants to the agriculture departments of the 50 states. These grants must be used to support programs that promote the competitiveness of U.S. specialty crop growers, including research and development, nutrition education, food safety programs, export promotion, environmental and other initiatives. Each state receives a minimum level of funding, and the grant allocations are 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 year. The funds may not be used to provide direct payments to growers, and would be characterized under the WTO's "green box" category.

For example, grants authorized by the Specialty Crop Block Grant program enacted by Congress in 2001 have funded activities like the Produce for Better Health Foundation's national "5 A Day" nutrition campaign, which is designed to increase the consumption of fruits, vegetables and other specialty crops. The $2.5 million grant allocated through the block grants to the PBH allowed the foundation to leverage an additional $16 million in cash and in-kind promotion activities to promote fruit and vegetable consumption. This is just one of many success stories that are documented in a report by the National Association of State Departments of Agriculture (NASDA) entitled "Improving the Competitiveness of Specialty Crop Agriculture: A Progress Report on State Agricultural Block Grants."

Congress recognized the success of the 2001 block grants when it approved the Specialty Crop Competitiveness Act (SCCA) of 2004 (H.R. 3242), which authorized $44.5 million per year over five years for the block grants. USDA's Agricultural Marketing Service has issued regulations and is now implementing the block grants authorized by the SCCA of 2004. Western Growers greatly appreciates the support of the members of this committee for the SCCA of 2004.

Western Growers believes that block grants, as proposed in S. 1160, are critical because they provide the flexibility that is necessary for state departments of agriculture to partner with growers and other stakeholders in the development of innovative investments that address competitiveness issues for specialty crop growers. State departments of agriculture have the expertise needed to deal effectively with competitiveness issues that confront specialty crop growers in their state. In contrast, USDA does not have the expertise to deal with over 250 different types of specialty crops because it is oriented towards program crops.

While the 2001 and 2004 block grant programs are a good start, there is still much work to be done to improve the competitiveness of specialty crop growers. NASDA estimates that the unmet demand for block grants from the states in 2001 was $1.36 billion, and surely that figure has grown in the past six years. As such, it is critical that Congress greatly increase the funding for Specialty Crop Block Grants as part of the 2007 Farm Bill.

Foreign Market Access

Unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance with our trading partners. Between 1995 and 2005, imports of fruits and vegetables into the U.S. more than doubled, to $10.1 billion in 2005, while U.S. exports have increased much more modestly. As a result, the fruit and vegetable trade *surplus* in 1995 of over $600 million is now a trade *deficit* of nearly $2.3 billion (see Attachment 1). This trade deficit of $2.3 billion is a manifestation of the many difficulties that specialty crop growers now confront in their efforts to remain competitive in global markets.

While the U.S. market welcomes imports of fruits and vegetables from some of our trading partners who heavily subsidize their industries, U.S. growers have unfortunately not received significant market access to foreign markets. Since the impact of multilateral and regional trade agreements has not materialized into a favorable balance of trade for fruits and vegetables, WG and the Alliance have several recommendations that are designed to address this problem.

Many of the trade barriers that restrict the expansion of U.S. specialty crop exports are phytosanitary problems, many of highly questionable scientific validity, used by foreign governments to block access to their market. The Technical Assistance for Specialty Crops (TASC) program was established in the 2002 Farm Bill to provide assistance to U.S. growers to engage in research and other activities needed to remove such trade barriers. This program has proven to be very successful in removing phytosanitary trade barriers, but funding is not sufficient to keep up with demand. The 2002 Farm Bill provided only $2 million in mandatory funding annually for TASC.

Western Growers believes that Congress should immediately accelerate efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding to meet demand. S. 1160 would phase in an increase in mandatory TASC funding until it reached $10

million per year. Congress must also ensure that the Foreign Agriculture Service has the personnel available to implement an expanded TASC program.

Western Growers continues to support the Market Access Program (MAP), which has proven to be very successful in assisting U.S. fruit and vegetable exports to be more competitive in world markets. Western Growers supports increasing funding for the MAP program to $350 million per year in the 2007 Farm Bill.

Specialty Crop Research

As U.S. specialty crop growers strive to remain competitive in global markets, being able to economically produce high value crops in an environmentally sensitive manner 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 increased 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.

WG and the Alliance recommend the creation of a National Specialty Crop Development Initiative, an integrated, competitive grant program supported with mandatory funding annually, as provided in S. 1160. This program is a long-term investment to improve efficiency and competitiveness of specialty crop growers in the world marketplace, and all colleges and universities, as well as private organizations, would be eligible to compete for the grants. Another important component of S. 1160 is a provision to authorize USDA to conduct research into alternative methods of harvesting specialty crops, including mechanized harvesting.

Pest and Disease Exclusion

As you know, Mr. Chairman, an increase in international trade inevitably brings an increase in threats to U.S. specialty crops from invasive pests and diseases from abroad. In order to protect the U.S. specialty crop industry from these increased threats, greater levels of assistance and resources are necessary for APHIS. This agency 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.

WG and the Alliance recommend that the Farm Bill direct APHIS to develop a Threat Identification and Mitigation Program that clearly identifies and prioritizes foreign invasive species threats to the domestic production of specialty crops. Such a program would be modeled after the Cooperative Agricultural Pest Survey approach. As a component of this task, APHIS should work with the Agricultural Research Service in developing appropriate domestic mitigation and eradication measures. The goal of this program is to protect the U.S. specialty crop industry by preventing pest and disease threats from entering the country.

Additionally, WG and the Alliance believe that the 2007 Farm Bill should contain language that directs the Secretary of Agriculture to provide funding for emergency response and eradication programs needed to combat invasive species in a timely and effective manner. The legislation should also grant the Secretary the authority to provide compensation to growers if the Secretary believes this is warranted, and if so, such a program should be administered with existing Farm Services Agency services so it will not dilute APHIS resources needed to accomplish eradication goals.

Marketing

To be competitive, fruit and vegetable growers need timely price information. Without this price information, growers are at a severe disadvantage in domestic and international markets. In addition, there is a need to assure U.S. entities that price information will be available to resolve international trade disputes governed by international trade agreements. Unfortunately, the current Agricultural Marketing Service Market News funding allocation for fruit and vegetable price information is not sufficient to provide market prices to U.S. fruit and vegetable growers, nor is it sufficient to resolve trade disputes. As such, WG and the Alliance support the allocation of $9 million per year for Market News fruit and vegetable activities at AMS. WG further urges that future funding for this program be indexed for inflation on an annual basis.

Conclusion

Again, Mr. Chairman, thank you for the opportunity to express the views of Western Growers with respect to the challenges and opportunities facing our nation's specialty crop growers. It should further be noted that the above discussion is not an exhaustive list of the competitiveness issues addressed by S. 1160. WG urges the members of the committee to carefully consider these and other issues addressed by S. 1160 as you craft the 2007 Farm Bill. WG looks forward to working with you as the process moves forward.

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