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SUBCOMMITTEE HEARING ON THE FUTURE OF SPECIALTY CROPS FOR SMALL FAMILY FARMERS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

HEARING HELD
JULY 30, 2009

Small Business Committee Document Number 111-041
Available via the GPO Website: http://www.access.gpo.gov/congress/house

U.S. GOVERNMENT PRINTING OFFICE

51–036 PDF WASHINGTON : 2009

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SUBCOMMITTEE ON RURAL DEVELOPMENT, ENTREPRENEURSHIP AND TRADE HEARING ON THE FUTURE OF SPECIALTY CROPS FOR SMALL FAMILY FARMERS

Thursday, July 30, 2009

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Heath Shuler [chairman of the Subcommittee] presiding.

Present: Representatives Shuler, Bright, Dahlkemper, Luetkemeyer and Thompson.

Chairman SHULER. Since the first establishment in 1973, the Farm Bill has bolstered countless family farms and sparked a boom in production in critical staples ranging from corn to cotton. Last year that bill was expanded. It now includes important provisions for crops such as fresh fruits, nuts and vegetables. These basics are more than just good sources of revenues for our farmers. They are the foundation for sound nutrition for all Americans.

The 2008 Farm Bill recognizes that produce plays an important role in healthy diet. Importantly, it expands the USDA's fresh fruit, vegetable snack program. That initiative, designed to improve nutrition and decrease childhood obesity, now reaches over one million kids nationwide. It also opens up the world of opportunity for American farmers.

When combined with the efforts to increase production and promote specialty crops, the snack program means new businesses for small farms.

In today's hearing, we are going to examine specialty crop provisions within the 2008 Farm Bill. We will also evaluate process and its implementation. For thousands of small farms across the country, fresh fruits, nuts and vegetables are the primary source of income. In fact, the sales of these products, commonly known as specialty crops, comprise close to one-third of all crop cash receipts.

But while the industry has seen growth in recent years, it is still plagued by numerous challenges. Despite the obvious benefits of buy fresh and buy local campaigns, domestic farmers are being crowded out by foreign competitors. Trade pressures have allowed farmers overseas to undercut producers here at home. While the U.S. was once a net exporter of fruits and vegetables, it is now a net importer. In fact, Americans pay $16 billion for foreign produce every year.

For this reason, Farm Bill provisions that encourage exports are especially critical. Exporting is an important means for reaching new markets. It allows business to win new customers and improve net margins.

But while it makes sense to court consumers abroad, farmers should equally focus on customers here at home. A series of new and expanded programs in the latest farm bill will help them do that.

Meanwhile the legislation also contains incentives to encourage organic production, for an example, measures to defray the cost of organic certification.

The Farm Bill aside, many small agricultural farms are struggling. Like all small businesses, they are facing challenges in everything from securing loans to accessing health care. In terms of capital, even lending to the USDA's Farm Service Agency, traditionally a lender of last resort, has been jeopardized.

In the last year, applications for FSA loans have risen significantly. Even once we have addressed the small firms' financial challenges, other obstacles will remain. Pests, challenging weather patterns, and natural disasters are obstacles that family farms face day in and day out. These are obstacles that the Farm Bill seeks to address.

But in order to do so, it will have to be properly implemented. We need to be sure its provisions are working not just for big ag., but for smaller producers, too. Small farms have long been the foundation for the agricultural community. Today that role has expanded.

As Congress works to fix the broken health care system, for example, they will play a pivotal role. We have heard a lot of talk about the increase in obesity rates and the need for improved nutrition. Well, fresh fruits and vegetables offer healthy alternatives.

Although the 2008 Farm Bill contains important nutrition measures, the family farmers will be on the front line of delivering those healthy options.

I would like to thank the witnesses in advance for their testimony. I am pleased that they could join us here today, and I look forward to hearing from them.

With that, I will yield to the Ranking Member, Mr. Luetkemeyer, for his opening remarks.

Mr. LUETKEMEYER. Thank you, Mr. Chairman, for holding this hearing on this very important topic today, one that is particularly pressing for folks back home in my district and many other parts of our country.

In May 2008, Congress passed a new Farm Bill. Many folks throughout the country were calling for specialty crops to occupy a larger role in Farm Bill policy discussions than in the past. The 2008 Farm Bill contains provisions on marketing, crop insurance, and disaster assistance, protection against pests and diseases, export promotion, research and domestic food assistance, all of which are important to the competitiveness of U.S. specialty crops.

And for the first time in the history of the Farm Bill, there is a separate title for fruit and vegetable production. The title provides substantial mandatory funding over the life of the Farm Bill and beyond for several major new and continuing programs. One

provision provides $466 million over ten years to expand the specialty crop block grant program. These block grants are provided to states to support projects and research, marketing, education, pest and disease management, production and food safety.

Another provision expands the current farmer's market promotion program to improve and increase farmer's markets, roadside stands, community-supported agricultural programs and other direct producer-to-consumer market opportunities. Congress recognized that direct sales by farmers to consumers in some 4,300 farmer's markets and 1,200 community supported agricultural enterprises offers substantial opportunities for producers to increase their returns by capturing profits that would otherwise be paid wholesalers and retailers.

Agriculture is the largest economic sector in my state and my district and is of vital importance to our national economy as well. In the past, grant money from the Farm Bill has gone to projects to project statewide farmer's markets and to create a registry to help producers of pesticide sensitive crops, notifying applicators of their products' locations. The grants are meant to assist specialty crop producers and seem to at least somewhat achieve that goal.

Like other crops, specialty crops are facing tough international competition. So any support that is given to promotion and research for specialty crops should make the industry stronger and more competitive. In Missouri, this means maintaining agricultural land and jobs that agriculture provides.

To be sure, enactment of Title X of the 2008 Farm Bill did not eliminate all issues associated with increasing returns to producers of specialty crops. The marketplace for specialty crops requires high-quality product available fresh almost every day. The consumers expect consistency in this quality.

If producers and packers of specialty crops can deliver consistently high-quality product to the market, they will likely maintain or increase market share. The question remains whether programs for specialty crop producers in the 2008 Farm Bill will enable them to provide this high quality product to their consumers.

I know this House Small Business Committee and this Subcommittee recognize how critical fruits, vegetables, and other specialty crops are to the economic health of this country.

Again, thank you, Mr. Chairman, for holding this hearing. I look forward to hearing the witnesses, and am pleased to see another opportunity that this hearing presents us: a chance to further raise awareness of the critical role fresh produce plays in our lives.

With that I yield back.

Chairman SHULER. Thank you, sir.

We will now move to testimony. Each of you will have five minutes to deliver your prepared statement. The timer begins when the green light illuminates. When one minute remains, the light will turn yellow. The red will say that time is up.

Sometimes we are a little more lenient on that depending, but we try to move through as quickly as we possibly can for the testimony because obviously the Q&A is some of the most important information that we can gather.

At this time I would like to welcome our first witness, the Honorable Kathleen Merrigan. Dr. Merrigan is the Deputy Secretary of Agriculture at the USDA.

Thank you for your attendance here today, and we look forward to hearing your testimony. You will be recognized for five minutes.

STATEMENT OF THE HONORABLE KATHLEEN MERRIGAN, DEPUTY SECRETARY OF AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE

Ms. MERRIGAN. Thank you, Mr. Chairman. Thank you to all of the Committee members here today for holding a hearing on a topic that is near and dear to my heart.

I know it is a very, very busy time with August approaching. That you fit this into your schedules is really impressive, and I commend you for that.

I appreciate the opportunity to testify today because of the importance of specialty crops and small family farmers to agriculture and our nation as a whole. These are exciting times, and this administration is moving forward on many fronts to revitalize rural America and improve the nation's access to healthy foods, and I want to provide a few highlights.

Secretary Vilsack testified last week before the House Budget Committee on how our recovery funds are working. The Recovery Act is transitioning America from bad times to better times. These investments not only create jobs and economic stability, but also fund the technology and infrastructure that will lay the groundwork for future economic growth in rural America.

Just yesterday the Secretary announced a $1.7 billion business and industry loan program, money that's there to support business opportunities in hard hit areas. These funds will be available until expended, and there is certainly a portion of that money that is going to be going to local and regional food system infrastructure, and I think that is exciting.

Earlier this spring President Obama launched the Rural Tour with Secretary Vilsack accompanied by other cabinet members. They have been out in rural America leading a discussion about how best to rebuild and revitalize rural America through green jobs, bringing broadband access, and improving rural health care.

President Obama, as you know, has made a safe, sustainable, and nutritious food supply a central goal for USDA. He is very concerned about the health and welfare of America's children. The First Lady has also been very prominent talking about this issue. The President wants to make sure that children have access to nutritious food and lead active life styles. We are working our way to best use our programs to meet these goals.

You may have heard about the People's Garden at USDA, the First Lady's White House garden. They are raising awareness, setting examples for communities across the nation on healthy eating and reconnecting folks to agriculture.

Secretary Vilsack has charged me with leading an interagency initiative to think creatively and dynamically about how USDA can answer the President's call to reinvigorate our local food systems. Through this initiative, I have involved all of the relevant agencies in an examination of our current activities, funding mechanisms,

and authorities, as well as the opportunities and obstacles to the creation of a more vibrant regional and local food system.

This administration's commitment to healthy eating and the importance of fresh, nutritious food is raising the profile of locally grown food and which can specifically help, I believe, specialty crops. So it is my belief that the future of specialty crops is clear and very bright indeed.

My written testimony provides a fairly detailed description of the myriad of programs that can assist small and mid-size farms. I am not going to go through them in detail, but I want to bring your attention to some of the latest news on how USDA is working across agencies to increase coordination and bring targeted resources to critical issues facing young, small and mid-size farms.

The Secretary and I are both very concerned about what has been described as the disappearing middle. We see from our census data small farms are actually thriving. We are getting some new farmers actually, some women farmers, which I find very interesting and exciting, and the larger enterprises seem to be doing okay, but there is this big swath in the middle of your small and moderate size family farms that are finding i hard to survive in this climate.

And we believe taking a local and regional food system approach may help give them the tools they need to survive. Fred Kirschenmann of the Leopold Center, Iowa State, says, "Creating and expanding markets that value intrinsic qualities such as locally produce holds keys to saving the disappearing segment of agriculture."

Community supported agriculture and farmer's markets are an area that we are spending a lot of time thinking about. Farmer's markets, as the Chairman has said, has set the nation on a healthier course. CSAs, they're growing, and we think that is important.

USDA is also promoting specialty crops through our purchases. We purchased about $650 million in specialty crops in 2008 for domestic nutrition assistance programs, as well as leverage a lot of purchases through the SNAP Program, formerly known as food stamps, the WIC Program, and our own purchases for the school lunch program. Overall we figure that USDA supports the purchase of about $11 billion in fruits and vegetables.

We have a number of programs that we are trying to revamp and get on to the 2008 Farm Bill agenda. Some of those were reinvigorated, new language put in, new twists, and some absolutely brand new programs that we're moving very quickly to implement.

I see my time has run out. Let me just conclude and then take your questions with a few thoughts on the National organic Program. As you may be aware, I have a bit of a history with this program, a bit of love for the program. It's the program that, you know, regulates how products that carry the organic label, what must be done.

We have been doing a lot of very important things since in the very early months. I have been in the job for about three and a half months. In may we announced that the National Organic Program will be elevated to its own division with a new Senior Executive

Service Director, a reform that recognizes the growth and importance of the organic industry.

Second, the National Organic Program budget and staff dedicated to enforcement is increasing in size in this fiscal year and the next, insuring more robust oversight of the standards and aggressive prosecution of wrongdoers.

And third, for the first time, the National Organic Program will be subjected to outside audit to insure rigor and consistency, three very important reforms that will make our program stronger and that will be a boost for small and moderate size farms.

So as we make these improvements, we are going to also stress that the basic standards are well crafted and that the public process for establishing acceptable production materials is, will remain participatory and transparent and that consumers can continue to buy organic products with confidence.

So in conclusion, Mr. Chairman and members of the Subcommittee, I am proud to be joining the team at USDA, to have an opportunity to work with you on these important issues, and I look forward to your questions.

Thank you.

[The prepared statement of Dr. Merrigan is included in the appendix.]

Chairman SHULER. Thank you for your testimony.

A few months ago I took what was called the Food Stamp Challenge that some local folks had asked me to try to live off of the same amount of money that people on food stamps would live on, and it ended up being about $1.10 per meal. So I thought that would be pretty easy, you know, live on $1.10.

Well, I recognized pretty quickly outside of eating a box of Laura Lynn from Ingles food chain, a box of macaroni and cheese for three meals, that was about all I could afford, and everything that I looked at I realized that none of it was healthy. So if I wanted an entire meal, if I wanted to come down to the Cannon Carryout and buy an apple, it was a dollar. Well, that was my entire allotment for the meal for the entire day.

What is being done from the USDA when it comes to the government programs to insure that our local growers, that their fruits and vegetables that we are getting from them are actually, you know, going to some of the subsidies programs, the WIC, food stamps, in order for us to buy their products and not these imported products? Is there anything within the Farm Bill that really specifically looks at looking at our farmers first as opposed to looking at especially in the government programs?

Dr. MERRIGAN. Thank you, Mr. Chairman, a few thoughts. First, let me say in the Recovery Act that you all passed and provided extra money for these tough economic times, the SNAP recipient household, four person household is getting an average $80 more a month in SNAP benefits, which is equaling about $800 million a month. That is put out in the economy, and we find that for every $5 spent that provided SNAP benefits, it is a little over $9 that goes into the local economy, and we think that is good.

But I understand. It is tough to always make the proper purchases, and one of the things that we are moving forward on very

aggressively is promoting farmer's markets and then farmer's markets that have EBT abilities, electronic benefit transfer, and the ability to take SNAP benefits at farmer's markets.

That is not nationwide yet, and we are trying to ramp that up as quickly as possible so that people, particularly in food deserts, areas where you may not have a grocery store or a place where you can buy much fresh product. We need to get farmer's markets into those communities, find ways to incentivize farmers to go into those communities and make sure the electronic benefit transferability is there.

We also need to do more, I believe, in school lunch and breakfast feeding programs. Many children unfortunately, almost their entire nutrition comes from the school meals. That is, by the way, a problem in the summer. Only about ten percent of our schools have summer feeding programs in place, but during the school year we have a very good program. We want to do better in terms of the nutrition that we have in those programs, and farm to school is one important way. That is something that, for example, in your district if you had a bunch of little producers and they want to go into the school systems sitting from the school, that is hard to deal with all of these different vendors and a little of this and a little of that product.

This new business industrial industry loan program that the Secretary announced yesterday, you could be a person who decides your business is going to aggregate all of the product from those local producers and then be the vendor to the school. So that is an economic opportunity for entrepreneurs out there that would like to serve this public need, I believe.

Finally in our WIC program, you mentioned that we are doing more in terms of providing WIC beneficiaries with abilities to buy fruits and vegetables. That is in the early stages, and we are not exactly sure how much that is ultimately going to cost, but we think it is the right way to go.

Chairman SHULER. Some of the biggest challenges to be able to implement the 2008 Farm Bill because of the new programs, and there were so many programs for the specialty crops. What were some of the biggest challenges? What are the things that we can do as Members of Congress to be able to help implement the program? Sometimes it looks very good on paper, and it looks great but the implementation may be so difficult or it may be the point that we as members of Congress need to help and assist with our extension offices in the Farm Bureau and other organizations to be able to get the message out and get the word out, very similar to what you've given me today of how our farmers can co-op together to be able to make sure that their fruits and vegetables are going on the plates and the tables at school as opposed to these imported products.

Dr. MERRIGAN. And we really appreciate your help in getting out the word on some of the programs that we do have at USDA that could help in this arena. I think part of the problem comes from USDA. We have these programs and sometimes it is the same old people who apply for the money and we get very comfortable with relationships, and this is how we conceive of the programs, and what I am trying to do first and foremost is be a matchmaker, I

suppose with the programs that USDA already has at its disposal and try to say to people who are interested in local and regional food systems, "Hey, do you know about these programs in a real development mission area and have you thought about how they might apply so that we also have, for example, a community facilities program?" It is a grant program, not a loan program where a group of producers could come together and apply for a refrigeration truck money to bring their product into the inner city where markets might exist, where they're not in such quantity out in through the real countryside where they may produce their product.

Part of my job is to get those ideas into our staff in rural development because that may not be how those programs have been utilized in the past, but certainly it is within the statutory authority of these program that you all have given us, and then it is also about creating the demand side out there to sort of say here are these programs. Stand up and apply.

So there are a number of them, and I would be very happy as I start this match making process later this week actually to share that information with the Subcommittee and for you all to use your networks and your district offices to help get that word out. I would be very grateful for that.

Chairman SHULER. Well, that would be good, I think as all the members, especially in the rural areas that look at the small business. We are very diverse. We have urban and rural, but we want to make sure that we have an opportunity for everyone, both the inner city kids making sure they get a healthy, well balanced diet, but also help our growers in rural areas to insure that their products are being sold.

So I think it would be very helpful to all of us.

At this time I will yield to the Ranking Member, Mr. Luetkemeyer for his questions.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

This is a rather interesting time in Congress. We have had a lot of bills that have come through in the last several months here that have had an impact on our agricultural community, and we had one yesterday, as a matter of fact.

You made the statement that you believe that specialty crops' future is quite bright. So I would like for you to address or if you are familiar with the food safety bill that was defeated yesterday and will probably come back up again today or tomorrow, with regard to the impact of the FDA overseeing the safety and soundness of some of our food process and food chains versus the USDA.

Dr. MERRIGAN. I have not studied the latest version of the legislation. I do know that Secretary Vilsack has been working very closely with Secretary Sebelius at the request for the President to have this Food Safety Working Group where principles are laid out in terms of where we feel we need to go and make our food system stronger.

USDA has actually some fine authorities under the Food Safety Inspection Service. We have recall authority. We have inspectors in all of our plants. I think we are trying to do more on the import side of the equation, but we have strong authorities, but there are still ways to improve. We still have too many people who get sick

from Salmonella. We still have doubts that, you know, come from E. coli. We have listeriosis. So we are trying to improve our systems so that no parent needs to worry about the food that they feed their children and no senior, also another vulnerable population has to worry about the food they eat.

Part of it is education, too. USDA has tools out there. Here is the pickle. Do you know what the wattage is on your microwave oven? I have no idea what the wattage is on my microwave oven.

Mr. LUETKEMEYER. I cannot use mine. So I would not know what the wattage would be. I just punch a "go" on it. It says "start."

Dr. MERRIGAN. I do not go there, but there are a lot of foods in the marketplace now where you purchase it, and you heat it up in your microwave oven. Well, what I found out is that microwave ovens have all different wattages, and if you read the very fine print, which I have never done, on frozen food, it will tell you based on the wattage how long that you have to heat it up for, and that is only the best packaging.

So the frozen food industry, for example, comes to my office and says, "Well, you know, we have a lot of healthy food that with the convenience lifestyles people are going more to a microwave environment, but we are really concerned about getting the message out, educating people about wattage, and also maybe we can work with the companies who produce microwave ovens to have more standardizations."

So these issues are very complex, and we have a whole slew of work to do in the next four years.

Mr. LUETKEMEYER. Well, you know, the reason for the question obviously is there is a concern. Food safety is at the heart of it, but initially the food safety bill had a lot of livestock and grain producers in it and they were eventually taken out. It is, you know, I think targeted toward the specialty crop folks.

So as a result, you know, I have quite frankly much more strength and belief and support for what USDA does than what the FDA does, and so I would prefer that you be the oversight organization rather than the FDA with regards to food and at least getting it to the marketplace. At that point, if FDA wants to take over, but I think that the experience that you have in that field is much more important and much more broad and, therefore, I think that it is imperative that you do not relinquish that oversight. So that would be my concern.

There are some comments and things in there as well about fees anyway for things like farmer's markets. I was wondering if you have an opinion on how that is going to affect specialty crop folks.

Dr. MERRIGAN. I will have to look at that, sir. I am not familiar with those permit fees. So I will respond in writing by tomorrow on that.

Mr. LUETKEMEYER. One other question. I know the cap and trade bill has gone through the House. It is sitting in the Senate. I am just curious as to what your view would be on the effect on specialty crop folks.

Dr. MERRIGAN. We feel very strongly that there is a role for agriculture in all of these various bills, that we really see that agriculture is a contributor to climate change, but it is also a great contributor to climate mitigation. And so we are very involved in try-

ing to figure out the offset side, get the metrics, the methodology straight, and figuring out how to, for example, figure out how much carbon is sequestered on agricultural lands and how to articulate that and make sure that is a part of whatever package goes through.

Mr. LUETKEMEYER. How long do you think that will take?

Dr. MERRIGAN. Well, it is complicated, but we have to do it. I mean, we have to do it and we may not get it perfect on the first iteration. I think that—

Mr. LUETKEMEYER. The reason I asked the question, I sit on the Ag. Committee, and I have asked this question of ag. folks for the last four months. At this point we still do not have an answer.

Dr. MERRIGAN. I hear you, sir. I think it is also one of the challenges we have to make sure that USDA does not have their own metrics and Interior has their own metrics and EPA has their own metrics. So not only are we working within USDA, but we are trying to work with other departments of government to some to a common understanding of how we are going to move forward on this. So we are racing against the clock. We understand that.

Mr. LUETKEMEYER. Very good. One more quick question for you. I know as a former director of tourism, that in the State of Missouri agri-tourism is an important part of that and in fact, we will have a gentleman here this morning from the Missouri Wine and Grape Board.

What efforts is USDA putting forth to promote agri-tourism here in the United States?

Dr. MERRIGAN. We are not doing enough. I had the very tough hardship assignment last summer of being in Italy. I was working for the Food Agricultural Organization of the U.N. Italy is the foremost country in the world for agri-tourism. They have it down to a brilliant science. I mean, it is really remarkable how wonderful that system is, and I hope that we do find more ways to promote agri-tourism. I think your point is well taken.

What we do message to small and moderate size farms is that one of your best risk management strategies is to have a diverse operation, diverse in terms of crops, but also activities, and agri-tourism can be a part of that, and that can be part of your safety net, but I take your point. I think we need to do more.

Mr. LUETKEMEYER. Well, I know there is an initiative to try and — we are one of the few countries, if not the only country, in the world that does not have an agency or division that promotes tourism in their country, and there is an effort to do that, to establish that, to put some funds aside.

Could we ask for your support in something like that to be able to promote it to the Congress to see if we cannot get something done along that line?

Dr. MERRIGAN. I am happy to talk and work with you on that. I think agri-tourism is very important. The specifics I would have to see. I cannot commit the administration in an area I do not really know very well, but I think you are absolutely right that it has great opportunity for farmers, and for where I am from in western Massachusetts, you may not think that is a big ag. state, but we actually have a pretty healthy agriculture enterprise in my part of

the world, and agri-tourism out there has proved quite successful, and it is a real income generator for farmers.

It takes work, there are issues around liability and traffic and communities. I mean, it is not just, oh, added onto your farm without thinking about it. It is tough and we need to guide farmers, I agree.

Mr. LUETKEMEYER. Well, we will look forward to working with you on that issue. Thank you.

Thank you, Mr. Chairman.

Chairman SHULER. Thank you, sir.

At this time we will yield to Mr. Bright from Alabama for his questions.

Mr. BRIGHT. Thank you, Mr. Chairman. I appreciate the hearing today, and, Madam Secretary, thank you very much for your time and your testimony here today. It has been very enlightening so far for this short period of time.

Could you talk in detail about the specialty crops' block grant program and give your opinion regarding its effectiveness in enhancing the competitiveness of specialty crops?

Dr. MERRIGAN. The block grant program that you refer to was authorized in 2004, and it is basically chunks of money—that is a technical term, I suppose—that goes out to the states to do a variety of things that help support specialty crops. We think it is a very important program.

Mr. BRIGHT. Has it been effective?

Dr. MERRIGAN. I believe so. I should probably turn to my nifty Tab 15 or whatever it is in this briefing book to see if we sent any money to Alabama.

Mr. BRIGHT. I would like to know for sure whether you have.

Dr. MERRIGAN. My staff immediate turned to—

Mr. BRIGHT. If you have not, I would like to see how we can make sure that happens.

[Laughter.]

Dr. MERRIGAN. It should happen. It is there for states to apply to, and I think it has been pretty successful. I think all told a little under 800 projects have been funded over the course of time, and let me see. Alabama, here it is, issued $125,779. That is very specific, to the Alabama Department of Agriculture and Industries, to expand efforts to target families in under served counties in Alabama in order to conduct workshops and teach parents how to incorporate fresh produce as a stable in the family's diet and to assist Alabama specialty crop producers with direct marketing, value added operations, consumer ed., agri-tourism, and general promotions.

Then there was another grant of $118,000 and such to do a whole bunch of other things, and I will have the staff hand this document to you.

Mr. BRIGHT. Very impressive. Thank you very much. We just need to triple that or quadruple that if we can for the folks down in Alabama.

Is there anything that the USDA could do to increase the awareness of this program that maybe we could help you with other than what you have already stated?

Dr. MERRIGAN. I hope that states are familiar with this, but I hold a monthly phone call with all state Departments of Agriculture, in some cases the Commissioners, Secretaries, Directors. It would be easier for me if they all had the same title, and so I don't know in Alabama.

Oh, well you have Ron Sparks.

Mr. BRIGHT. We sure do.

Dr. MERRIGAN. Well, he is important. He is the Chairman for the National Association of Departments of Agriculture.

Mr. BRIGHT. That is right.

Dr. MERRIGAN. So we have a monthly phone call, and we talk about issues, and on my next call I will raise this issue with them to see if they feel that they have enough information to be working effectively with us on this.

Mr. BRIGHT. Good. Thank you very much

In your testimony you mentioned that farmer's markets are beginning to spring up in a number of areas, and particularly in under served areas. Could you talk generally about—and this gives you a little opportunity to expand your opening comments if you desire—on how the growth of farmer's markets and community gardens can affect rural areas as a whole.

Dr. MERRIGAN. Certainly. Thank you for that question. Farmer's markets have proven to be so beneficial. We have, in fact, marked Friday Farmer's Market in our parking lot at USDA. it is very vibrant. Come down at any time. We would love to have you visit.

Mr. BRIGHT. You may see me.

Dr. MERRIGAN. Okay, and we are challenging all federal facilities to think about putting farmer's markets on their properties because it's a win-win for everybody.

The challenge is actually going into under served areas. I have been involved with this. It is hard because farmers go into areas where there is high crimes and not a lot of income, and so really I think we have to be more creative in figuring out ways to provide incentives for that to happen, but we do have the Farmer's Market Promotion Program. I hope to build that program over the next four years. That has been quite successful.

We also have the FSMIP Program, the Federal-State Marketing Improvement Program where states and other kinds of entities can apply to get money to help with farmer's markets. I thought we also recently had an inquiry from the National Endowment for the Arts, staff there interested in trying to help farmer's markets by engaging in their enterprise to find ways with design and art to bring people into farmer's markets.

So there is a lot of energy around those markets now. We count 4,900 nationally. I would like to come back in a couple of years, sir, and tell you we have many, many morel

Mr. BRIGHT. Good. Madam Secretary, thank you very much for your testimony.

And, Mr. Chairman, I yield back my time.

Chairman SHULER. Thank you, sir.

And I would like to have a Small Business Committee turned into the Appropriations Committee, which would be really nice.

[Laughter.]

Chairman SHULER. I always wanted to chair the Appropriations Committee.

Mr. BRIGHT. I will volunteer.

Chairman SHULER. At this time I would like to yield to Mr. Thompson from Pennsylvania.

Mr. THOMPSON. Mr. Chairman, I will second that motion.

I want to thank the Chairman and Ranking Member for this opportunity with this hearing. It is really important, and, Madam Secretary, thank you so much for being here and for your obvious passion in this area that we are talking about today.

I want to revisit a little bit on food safety. Obviously that is incredibly important for consumers, and frankly it is important for producers as well. There is one isolated scare in some region of the country or even a false scare can devastate the producer, the whole market, and so we have an obligation to protect certainly consumers and also producers.

Given the recent scares about food-borne illnesses, what steps is USDA taking to work with producers to reduce even minimal risk of food borne illness from consumption of specialty crops?

Dr. MERRIGAN. In early June we received from the industry proposals for a leafy green marketing order. Some of you may be aware of that. It came from California where they do have such a plan in place. We have a whole marketing order program. We also have quality grade standards, maybe as many as 320 now for specialty crop where industry really proposes to us what they think those standards should be and we codify them and help them in the enforcement of those.

The latest on the scene is this leafy green marketing order because of some of the concerns that came up around E. coli and spinach out in California a couple of years back now I guess it was.

And when we receive a proposal like that from industry, it triggers a series of events that we do at USDA, and this would go to the agricultural marketing service. I used to be the Administrator there during the Clinton years. So I love this agency.

Anyhow, so the agency will hold a series of public meetings around the country where people can give their input as we decide how to shape this marketing agreement and whether or not to put it in place. It is voluntary, but that said if enough of the big players actually are in it, then, while it is voluntary it become de facto the law of the land, and so as we have these hearings over the course of this next year, we are going to want to hear a lot about whether or not this marketing order is going to fit all sizes of operations.

I mean, safety is not something that only big guys have to adhere to or, you know, there is no exception depending upon your size or your region. Everyone has to uphold high safety standards of course, but we want to make sure that these programs that we put out everyone in the agricultural enterprise are able to meet them, and if not, then we need to reconfigure them so that everybody is able to upgrade food safety and still remain competitive in the marketplace.

Mr. THOMPSON. Great. I mean, with your testimony I hear you talking about things that USDA is doing with partnership with the industry and education and consumer input, and I have to tell you

those are the types of things that give me a lot of confidence actually in the USDA related to food safety, and frankly, some of the concerns I have with some current legislation that was defeated yesterday and is coming back, I think, today in terms of specifically with specialty crop and food safety, shifting to the FDA versus USDA.

What steps are underway, if any, at USDA to coordinate further improvements in food safety for specialty crops?

Dr. MERRIGAN. Well, we have work that we are doing in microbiological testing. We have a program in place both for pesticides and for microbiological contaminants where we go out and we actually get produce from supermarkets.

So we play the role of citizen and any Mom or Dad who goes into the supermarket and gets their food, and then we bring these back to the laboratory and then we test them, and we collect data on our Website that is publicly available to people of all shapes and sizes to analyze, and we use these programs to identify hot spots, emerging problems.

I think these are very important programs that we will continue and grow in the next couple of years to help us make sound decisions.

Mr. THOMPSON. Thank you.

It seems to me that the USDA is well positioned to do that, too, because you have a presence in almost every county in the country.

Dr. MERRIGAN. We have a few employees.

Mr. THOMPSON. Yes, you know, and have been there for support of agriculture community from many different perspectives and obviously representing the consumers as well. So just another good reasons to make sure that we keep that food safety responsibility with USDA and strengthen what you're doing.

Mr. Chairman, it looks like my time has expired, and thank you.

Chairman SHULER. Thank you, sir.

Maybe we can again defeat the bill again today and keep it with USDA.

At this time it is really a privilege to have a member on the dias today who not only has been in the small business, but has been in the horticultural business herself, and so Ms. Dahlkemper from Pennsylvania probably has the most experience of all of us on the Small Business Committee, her own personal experience before she became a member of Congress.

Ms. Dahlkemper.

Ms. DAHLKEMPER. Thank you very much, Mr. Chairman. Thank you for holding this very important hearing.

And Secretary Merrigan, thank you so much for joining us today.

As the recession continues to take its toll and climate change continues to lead to even more unpredictable weather, it is increasingly important for family farmers to better cope with business risk by diversifying their operations. One way to do this is to grow and sell fresh fruits and vegetables. These fruits and vegetables are not only good for the economy, they are also healthy eating options.

As a dietician for 25 years, I am very concerned with the obesity epidemic. With one in five four year olds now obese, we must find ways to provide our children with nutritious food options.

In 2008, the medical cost of obesity rose to 147 billion dollars while the human suffering is even greater. The availability of fresh and affordable produce is one component in addressing this tremendous public health problem.

The 2008 farm bill greatly expanded the USDA fresh fruit and vegetable Snack Program and now reaches more than one million children in 50 states. This program creates a new partnership between farmers and local schools. Thanks to this program, more schools can rely on locally grown products for their school lunch programs.

At the same time, schools are providing healthier meals to their students. This is a win-win program, and I am pleased that we are discussing how it helps specialty farmers and assured good programs like this can continue.

I come from a district in Pennsylvania where specialty crops along with dairy really are the main agriculture in my district. We have seen, for example, this year many of our farmers deal with loss in their fruits from a late year freeze. Now we are having unprecedented rain, and so our specialty crop farmers really deal with a lot of these issues.

But I also have this obviously very strong interest in the nutrition side of your program, and in your testimony today you discuss a proliferation of farmer's markets and community gardens, particularly in under served areas, and you did mention the food desert, which is something that has been a concern of mine for many, many years. There are some food deserts in our schools, and I am so glad to see that we are finally addressing that.

I know you talked a little bit about this refrigerator trucks and you talked about some other things. Is there anything else you can tell me that you are doing to try to deal with this particular issue? Because we have got to get these foods into the places where people most need them, and that is really into usually the urban areas, these food desert areas.

Dr. MERRIGAN. Thank you for that question.

Let me say first in terms of the schools I think that we are trying to do better with the help of the 2008 Farm Bill and getting fresh product into the school breakfast and lunch programs. For example, we just had a wonderful experience with sliced apples in small individual bags going to school children. They loved them. They were eaten up, and so I think we are going to expand that.

And also on the horizon is to do the baby carrots in the school lunch program. So we are really looking at having an impact on what is served in those programs, and I appreciate what you are saying about obesity.

I actually came from Tufts University, the Friedman School of Nutrition Science and Policy where I was the last eight years, and we spent a lot of time focused on the obesity crisis. It is really very compelling. We have childhood hunger and we have obesity, and paradoxically oftentimes the root of the problem is the same, lack of options, lack of access to a lot of the specialty crops that we are talking about today.

In terms of getting into the inner cities, some of these good foods, I think we, again, have a whole slew of programs at USDA that we can reorient it to help here, and I will continue on that match-

making process to try to help out, and if you know of communities that are particularly in need and you want to bring those to our attention, we will take a look at those and see what forces we may marshal to help out.

Ms. DAHLKEMPER. Thank you.

Another program that I have always thought was one of the better programs is WIC because versus food stamps which are very necessary obviously, but in WIC, the foods are targeted for the particular needs of the mother, infant and child.

And you talked a little bit about adding fresh fruits and vegetables to that program. Are there any other suggestions you have for improving nutrition in that program to add to the Clinton administration initiatives?

Dr. MERRIGAN. I think for our suite of programs that help with nutrition assistance, one of our challenges is to increase enrollment. We still don't serve all of the people who are eligible for these programs.

So it is really on our shoulders to get the word out, particularly seniors do not apply for benefits that they are eligible for under the SNAP program. They think it is not worth the bother. There is a stigma associated to it, and we really do between WIC and SNAP. We have a whole lot of support for people out there, and we need to figure out ways to make sure that people are not locked in their homes hungry when there really is help.

We also do provide a lot of help through food banks. For example, just last week we announced a $14 million buy of cultivated blueberries. That's one of these programs where we can relieve market access so that it helps producers. At the same time we are going to have fresh product. We are going to have product that we can put into our food banks and other nutrition programs. So it is a win-win, and we continue to do that and look for good product to buy to help out these various programs.

Ms. DAHLKEMPER. All right. I see my time has expired. I have many other questions, but I do appreciate you coming today and look forward to continuing to work with you for good nutrition for this nation.

Dr. MERRIGAN. Terrific.

Chairman SHULER. Would any other member wish to be recognized again?

[No response.]

Chairman SHULER. At this time we would like to yield back to you again if you need more time.

Ms. DAHLKEMPER. Thank you, Mr. Chairman.

I did have a couple of other quick questions. In terms of the specialty block grant program, how much is appropriated for that?

Dr. MERRIGAN. I do not know.

Do you guys know the actual number?

We will have to get back to you. Not off the top of our head.

Ms. DAHLKEMPER. I appreciate that.

My other question has to deal with SNAP. I probably am the only one on this panel, although I may not be, who actually was on food stamps once 30 years ago, and you did bring up the issue that I think is really probably at the height of why people do not apply for this program and it is a stigma.

I used to go grocery shopping, and I have told this story before, at 11 o'clock at night so that no one would see me using them. As a single mom, it is a really difficult place to be for people. It takes a lot of pride to be able to go out and use that program, but it is a very necessary program.

But I am trying to think of a way where we can actually incentivize better choices, and we cannot be big brother here, and we cannot, I think, limit it too much, but I do not know if there is any thought or talk going on about how we could actually incentivize people to buy more produce, for example, more dairy, more of the food we know are more nutritious for them when they are using this program.

And I just throw that question out there because I have been asking that all over the place trying to find out what we can do here to improve the health of this nation, particularly if you look at this obesity issue. We are talking about health care, but you know, until we get a handle on the childhood obesity issue in this country, we are never going to get a handle on our health care costs.

Dr. MERRIGAN. Well, you raise a perennial issue that for many, many years people have talked about whether you put some condition on SNAP benefits in terms of what can be purchased. I do know what we can do because we are working within a certain statutory regime. We need to do better on the education side.

We have a billion plus hits on the food guide pyramid Website, and yet we know, well, we get the hits of people looking at our Websites going up at the same time the obesity epidemic is going up as well. So there is a disconnect there, and we definitely have an education challenge in terms of getting people to understand at least five a day, right?

Ms. DAHLKEMPER. That is actually one of the benefits of the WIC program, the education component.

Dr. MERRIGAN. That is right. We also have the FNEET program at USDA, which is within our research education and economics division. It is a program that has been around for many, many years where we have professionals out there doing nutrition education.

I am very interested from my own work at Tufts University in garden base learning, bringing gardens into the schools and having children participate in gardens. We found it increases their scientific literacy, their environmental awareness, and it improves their willingness not only to try to actually consume fruits and vegetables.

So some of our, I think, interventions need to be targeted at young people. So we have a lot of work to do. The farmer's market EBT benefits, again, I think is a really important place where if every farmer's market, you know, allows SNAP participants to redeem their benefits there at farmer's markets, that is going to be a win-win, terrific opportunity there.

So some challenges, but I think we are making some headway, and one of the things I say to people is President Obama, I believe, when he was younger, his mom was a food stamp recipient. There is no shame in it. People need it, and what we are seeing in this hard time is that there are a lot of families who are coming into our offices for the first time, people who both spouses have lost

their jobs. They never thought they would see themselves in this situation, and there are people out there who need help, and they need to come in, and there should be no shame to it.

Ms. DAHLKEMPER. Thank you very much, and I yield back.

Chairman SHULER. Thank you, Ms. Dahlkemper.

Madam Secretary, thank you so much for your attendance here today and for your testimony, and we look forward to working with you, and if there is anything that we can do on behalf of the Committee and the members on the dias, we would love to be able to help and support anything that we can to be able to help our local growers and American workers in producing things here in the U.S.

So thank you.

Dr. MERRIGAN. One final word, Mr. Chairman, if I may.

Chairman SHULER. Yes, ma'am.

Dr. MERRIGAN. There were a number of comments about the food safety legislation. I just want to be clear that the administration is supportive of the bill that went through yesterday. I do not know what may be emerging today. I know this is a moving target, but as far as I understand, it does not really change our jurisdiction at USDA, but it makes some fine tuning of what we can do that we think we will make our program stronger. So it is not a shift from FDA to USDA as I understand it at this time.

Chairman SHULER. Thank you.

Dr. MERRIGAN. Thank you, sir.

Chairman SHULER. If the second panel would come forward, please.

Once again, I want to thank the gentlemen for being here, and we look forward to hearing your testimony. Our first witness is Bill Holbrook. Mr. Holbrook is the owner of Cold Mountain Farms in Waynesville, North Carolina. He grows specialty crops from peppers, tomatoes, cucumbers, burley tobacco on the 35 acres of his farmland.

Mr. Holbrook, you will be recognized for five minutes.

Thank you.

STATEMENT OF BILL HOLBROOK

Mr. HOLBROOK. Chairman Shuler, Ranking Member Luetkemeyer, thank you for allowing me to testify today.

My name is Bill Holbrook. I am a full-time farmer from Waynesville, North Carolina, which is in the Chairman's district. I grow specialty crops such as peppers, tomatoes, cucumber and burley tobacco on 35 acres. I am the sixth generation to farm my land.

Running a small family farm is about survival. Unpredictable weather, disease pressure always makes raising a crop a challenge. The risk I have in my crop is concentrated, and the slightest disruption, whether draught or new regulations can seriously impact my operation. I am able to keep farming by being resourceful and creative. Farming is not easy, but I am passionate about it. And so I keep planting a crop each year with the help of god and my family.

The 2008 Farm Bill contains the specialty crop title. This title would expand opportunities for direct producer to consumer mar-

keting, improve farmer's market roadside stands, and help fruit and vegetable producers address food safety, pests, and disease management issues. These provisions should benefit me as a producer as well as the general consumer.

In addition, the Farm Bill also provides states for funding for various programs through the specialty crop block grant initiative. I anticipate these grants will help expand markets for my crops by increasing marketing and promotional opportunities. I am hopeful Congress will fully fund the Farm Bill's pest and disease detection and control program because recent regulations issued by EPA restricting the use of fumigants by requiring larger setbacks are a serious threat to the future of my farm.

The Farm Bill does contain risk management tools, such as crop insurance. I understand the value of crop insurance. In fact, I purchased multi-peril crop insurance for my crops for many years. The expense became too unbearable for me to bear.

An alternative, I purchased NAP coverage, non-insured crop disaster assistance. At best, this covers less than one-third of the value of my crop. The NAP program is very inadequate as a risk management tool, especially for specialty crops.

Overall the 2000 farm bill should help my farm if it survives other pending legislation in Congress. The first example is the food safety bill in the U.S. House of Representatives.

My farm has just completed the USDA food safety audit. This audit showed me that most small farms do not have the moneys, personnel capabilities as do large corporate farms to pay for water testing equipment to develop standing operating procedure manuals. Some of these procedures required in the audit are just not practical and it will pit farmer against farmer.

Also, my farm probably cannot survive the Clean Water Registration Act pending in the U.S. Senate. This act would require buffers along all waters. These buffer areas reduce the amount of crop in the fields adjacent to these waters. To farm you have to have land and water. If either of these are eliminated and/or reduced, this becomes a real threat to the survival of my farm.

In closing, I believe that one of the greatest threats at this time to my farm or any small farm is regulations that increase cost and limit the use of any part of the farm. As a subcommittee, you can help me continue to farm by insuring that the voice of the small farmer is considered as important legislation is drafted.

Thank you, Mr. Chairman, for allowing me to testify at this Committee today. I look forward to your questions.

[The prepared statement of Mr. Holbrook is included in the appendix.]

Chairman SHULER. Thank you, sir.

Our next witness is Mr. Kenny Barnwell. Mr. Barnwell is the owner of Kenny Barnwell Orchards in Edneyville, North Carolina, and has been in the apple industry since 1980. He is involved in numerous boards and committees, including North Carolina Apple Growers Association Board of Directors and North Carolina Horticultural Council.

Mr. Barnwell, you will be recognized for five minutes.

STATEMENT OF KENNY BARNWELL

Mr. BARNWELL. Thank you.

Commissioner Shuler, Ranking Member Luetkemeyer, my name is Kenny Barnwell. I am an apple farmer from Henderson County, which is located in the Chairman's district.

When I returned to the family operation after I graduated from Greensboro College in 1980, the apple industry in Henderson County was a thriving industry. At that time there were 33 packing operations and almost 10,000 acres of apple orchard. Today there are only four packing operations and about 5,500 acres of apple orchards.

These numbers, however, do not accurately reflect the present condition of the industry. In the late 1980s the apple market in Henderson County began to disappear. This change was brought about by the use of controlled atmosphere storage in Washington State. This change enabled the growers in Washington State to market apples year round, which removed the window when North Carolina had been marketing most of its apples, a time that occurred before other apples were available for the new crop.

With the loss of this market advantage and the depressed prices of early apple production, many growers went out of business or reduced their acreage. Most of the rest of the growers then began to rely more heavily on processing great apple production. The processing apple market was a way for growers to balance their apple production mix. Growers produced less great apples, but made up the difference by producing more processing grapefruit.

This business model worked until the juice processing plant in Mountain Home and the Berger processing plant in Ashville, North Carolina and the National Fruit Processing Plant in Lincolnton all closed within about a year and a half of each other.

As a result, growing apples in Henderson County in the 1990s was a very challenging undertaking. The loss of markets and the boom on real estate put a lot of pressure on many growers to make hard decisions about what they were going to do for the future.

At this time many new varieties of apples were shown to work very well in the climate in Henderson County. Most of the other research was done at the Mountain Research Station in Fletcher, North Carolina. This research station is operated by N.C. State, A&T, and the North Carolina Department of Agriculture.

This new production is now coming in full production and has opened many new markets for our apples. The local grown movement has been important in our area because we are very near large markets, Atlanta, Charlotte, and all of Florida.

Also, a new processing plant to slice apples has been built in Henderson County by the Henderson family. This plant production and many of the fresh apples produced in Henderson County are now going into the school's nutrition program thanks to increased funding from the new Farm Bill.

The Farm Bill also provided much needed funding for research and mechanical harvesting of apples. With new methods of harvest, we would be less dependent on migrant labor.

My own route in the apple industry has followed a changing course. When I returned to the farm, I worked for my uncle for nine years in the 1980s and then went into business for myself. I

bought an apple orchard in 1983, and then rented additional acreage in 1989 and became a full-time farmer. Since then I have purchased part of a packing house where we no longer pack apples. We have changed from older varieties and large trees to almost all new varieties and dwarf trees.

In that time I also worked as a federal crop insurance adjuster and have served on most of the agricultural committees that you can serve on in Henderson County and in North Carolina. The apple industry in Henderson County is now strong and doing very well. However, the industry is still very fragile and faces many challenges. Some of these challenges are the increased cost of production, the new regulations in food safety, and the questions about availability of enough labor to harvest the crop.

We as growers feel that we will be able to deal with this changing environment with the help of research and continued recognition that apples and other specialty crops are an important part of agriculture in the United States. Without the funding in the Farm Bill, we growers could not continue. We must have federal crop insurance to mitigate the inherent unpredictability of the weather as we experienced in 2007 when most of the crop was destroyed in an Easter freeze.

Chairman Shuler came to our packing house and met with growers twice to give much needed support in Edneyville and in Washington. His hard work helped apples and other specialty crops be included in a crop disaster bill that provided much needed help in a very difficult time and is one of the reasons I would call the apple industry in Henderson County healthy.

As we producers face many challenges, I feel that we need to be able to meet them all with the continued help and understanding from members of Congress like yourselves.

[The prepared statement of Mr. Barnwell is included in the appendix.]

Chairman SHULER. Thank you, Mr. Barnwell.

Before I introduce our next witness, as you can tell three of these gentlemen are from the 11th District, which is just an honor to be able to represent. As we saw the Easter freeze and we saw the floods obviously come through Haywood county, we have seen devastation, and I just want everyone to know what an impact these three gentlemen have had in our communities in a day in and day out basis with the volunteerism, the things that they do, the work that they associated with, the committees that they are on. They truly are the backbone of our communities and what they are able to establish.

And so before I introduce Mark I wanted to just tell how much I appreciate what they do in our communities, especially when it comes to our farmers and the workforce.

Our next witness is Mark Williams. Mr. Williams is the Chief Financial Officer for Flavor 1st Growers & Packers in Horse Shoe, North Carolina. Mr. Williams is also Commissioner, Liaison of the Agricultural Advisory Board in Henderson County.

Mr. Williams, you will be recognized for five minutes.

STATEMENT OF MARK WILLIAMS

Mr. WILLIAMS. Thank you, Chairman Shuler, Ranking Member Luetkemeyer and other members of the Committee. Thank you for the opportunity to present today.

As mentioned, I do serve as Chief Financial Officer for Flavor 1st Growers & Packers. Additionally, I serve currently as a County Commissioner in Harrison County, North Carolina.

I also happen to be a part owner of a small family farm growing apples as well as some ornamental trees.

If I may tell you a little bit about Flavor 1st, it is a grower, packer, shipper, and a repacker specializing in tomatoes, sweet corn, and other Southern vegetables. We source product year round and have operations from Florida all the way up to North Carolina with our primary facility being located there in the State of North Carolina.

We also partner with and depend upon a number of small growers to serve our customers, and our customer base basically includes larger chain type stores, grocery stores as well as food service companies.

We certainly appreciate the inclusion of specialty crops in the Farm Bill, and we hope to see continued support in the future. Today's topic, the future of specialty crops for small farmers, is a broad one. I want to briefly touch upon three different issues, good safety being one, risk management, and also credit access.

In regard to food safety, the United States arguably has the safest source of food in the world. Over a billion servings of produce are consumed each day in the United States, and it happens with almost without a food safety incident. Of course, one is too many.

At the same time, consumer confidence is probably at an all time low, which presents a threat to the industry. In the federal government I feel like can help protect public health and also help build consumer confidence when it comes to consumption of produce, but in doing so, it does have to be cautious so as not to devastate small family farms or entire commodity groups.

Public policy principles should include commodity specific approach based on the best science available. I think it needs to be consistent throughout the U.S. and have the same standards for produce that is being imported into the country. I think that is critical. It needs to be federally mandated with reasonable oversight just to give the credibility.

Additionally, we cannot afford to have multiple standards of food safety audits. Currently different customers require audit programs or standards which is inefficient and costly to produce or needs to be tiered levels of standards I feel like based on size and customer base. With too stringent regulation a small farmer simply may choose to quit or economically be forced out of business.

Flavor 1st paid approximately $25,000 in this past year just to set up our current food safety plan that we have in place, and that is the initial requirement, plus the ongoing cost. Small farmers simply cannot afford that.

A sound science based program is also imperative as once a recall is issued, there is immediate impact and even if there is no fault by producers of the product implicated, damaging effects can last for years. Flavor 1st lost an estimated $400,000 last year due

to the Salmonella scare with tomatoes, and to my knowledge not a single tomato tested positive for the bacteria. After the event there was no government statement clearing tomatoes.

On the issue of risk management, others have and probably we will talk about this particular topic, and I addressed it in my written testimony. I will simply say the federal crop insurance program does need work concerning specialty crops. We have some of the highest value products on a per acre basis, and there is a high level of cost associated in bringing those crops into production. Availability to cost effectively protect against loss is needed.

Additionally, our growing seasons often do not coincide with USDA's crop years, and past programs have favored some areas over others and distorted markets.

Finally, on the access to credit, it is essential for a successful business, particularly important to agriculture given their susceptibility to weather related events and other uncontrollable factors. The farm credit system is operated in a responsible, conservative manner for many years. They are not immune to the credit crisis. Their sources of funds have constricted along with the rest of the global banking system.

In regard to commercial banks, we have experienced in this past year an increase, what we are looking at, of rates being offered of 250 basis points higher than what we saw last year even though the markets actually would indicate that the price should be cheaper. We also are seeing more stringent balloons.

Loan guarantees have their place. Global interest rates have their place in terms of government help, but the underwriting process and application process tends to be burdensome, and there is little enticement for banks to use FSA guarantees.

Most farmers that remain in operation today are good managers. Given the tremendous risks associated with their business, all they are asking for is a fair chance to continue to operate in this unusual economic circumstance that we currently face. Nobody is looking for handouts.

So appreciate your time.

[The prepared statement of Mr. Williams is included in the appendix.]

Chairman SHULER. Thank you, Mr. Williams.

Our next witness is Rich Hudgins. Mr. Hudgins is the president and CEO of California Canning Peach Association, Sacramento, California. He is also testifying on behalf of the National Council of Farmer Cooperatives.

Mr. Hudgins, you will be recognized for five minutes.

STATEMENT OF RICH HUDGINS

Mr. HUDGINS. Chairman Shuler, Ranking Member Luetkemeyer and members of the Subcommittee, my name is rich Hudgins, and I am president and CEO of the California Canning Peach Association, a grower owned marketing and bargaining cooperative which represents nearly 500 growers who produce 80 percent of the nation's canned peach supply.

I am also a council member of the National Council of Farmer Cooperatives, or NCFC. On behalf of my California cling peach

grower members and, more broadly, of the more than two million farmers and ranchers who belong to one or more farmer co-ops, I appreciate this opportunity to submit testimony regarding issues facing co-ops in the specialty crop industry.

As you may know, farmer co-ops are businesses owned and controlled by farmers and ranchers and offer the best opportunity for our nation to realize the farmer focused ideal of an enduring, competitive agricultural industry. Farmer co-ops supply just about any agricultural input imaginable, provide credit and related financial services, including export financing, and market a wide range of commodities and value added products.

Earnings from these activities are returned to their farmer members on a patronage basis, helping to improve their income from the marketplace. These earnings are then recycled through rural communities as farmers and ranchers purchase goods and services from local businesses.

Established in 1922, the California Canning Peach Association is the nation's oldest farm bargaining association. As a farm co-op, the CCPA is owned and directed by its grower members and dedicated to serving their needs with a variety of services. Our average member grows just 40 acres of peaches and typically farms other tree crops as well.

Many of the issues before Congress have the potential to impact farmer co-ops, and especially the future of the specialty crop industry. Those issues include climate change, integration and labor, food safety, as well as water, international trade, tax issues, and Farm Bill implementation. And believe it or not, farmer co-ops also have a stake in pension issues, especially in light of the market crash last year.

I will highlight just a few of these issues today, but urge the Committee to refer to my written statement for more details.

While NCFC supports an energy policy that maximizes energy independence, farmer co-ops and their members are very concerned that current proposals will result in higher business costs, including those related to energy, fuel, and fertilizer.

For specialty crop, there is very little data on the potential gain or the impacts that this diverse sector may face from a cap and trade program like the one recently passed by the House. Production of many fruits, vegetables and tree nuts is a resource intensive process involving considerable investment in inputs and energy. It is unclear if or how specialty crop producers will benefit from an agricultural offsets program.

Furthermore, those agricultural products with the least opportunity to participate in an offset market, specialty crops for instance, will have the highest sensitivity to competition from international competitors, such as China and South America, who are not subject to the same emissions reduction standards.

Another vital issue to the future of the specialty crop industry is immigration and labor. Farmer co-ops and their member owners must have access to an adequate, dependable, and flexible labor force in order to insure their continued competitiveness in the international marketplace.

Thousands of U.S. family farmers provide this country with the lowest cost, safest, and most reliable food supply in the world, but

in order to do so, they need an immigration policy which permits temporary guest workers to pick our fruits and vegetables, milk our cows, and perform all the other jobs that are being filled today by workers who lack legal status. Just as we cannot have a thriving Wall Street while Main Street suffers, we cannot having a thriving Main Street in rural America if more of our food production is forced to relocate outside the borders of the U.S.

The question for members of Congress is whether the harvest will place in our country or in a foreign country.

A cornerstone to President Obama's domestic policy agenda is the goal of energy independence. Wouldn't it be ironic if we developed a new strategy for energy independence only to find ourselves more reliant on something even more vital to our country than oil, the nation's food supply.

The final issue I will mention is the Child Nutrition Act which must be reauthorized this year. Whether it is the National School Lunch Program, the School Breakfast Program, and the WIC Program, NCFC supports increasing the consumption of all fruits and vegetables without pitting one form of fruit or vegetable against another. Sound science and the USDA's dietary guidelines do not distinguish between fresh, canned, dried or frozen fruits and vegetables, and we encourage Congress not to make a distinction either.

Our goal should be increased fruit and vegetable consumption which will lead to a healthier future for all sectors of the society and reduce future health care costs for our nation.

In closing, let me thank you for the opportunity to testify today. We appreciate your attention to these issues, and I would be happy to respond to any questions.

[The prepared statement of Mr. Hudgins is included in the appendix.]

Chairman SHULER. Thank you, sir.

At this time I would like to yield to the Ranking Member for introduction of our next witness.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

It is my pleasure and honor to introduce today Mr. Anderson. Jim Anderson is Executive Director of the Wine and Grape Board for the Missouri Department of Agriculture. As Director, his duties are to coordinate with wholesalers, restaurants, retailers, and the general public on Missouri wines and juices.

As stated earlier, as the former Director of Tourism, I have worked with the Wine and Grape Board. It is exciting to have them here today, and I look forward to your testimony, Mr. Anderson.

Thank you.

STATEMENT OF JIM ANDERSON

Mr. ANDERSON. Thank you, Ranking Member Luetkemeyer.

Chairman Shuler, thank you very much and also the Committee. I want to thank you for the opportunity to be here.

My name is Jim Anderson. I am the Executive Director for the Missouri Wine and Grape Board in Jefferson City, Missouri.

The Missouri Wine and Grape Board is responsible for researching, developing and promoting the selling and marketing of grapes and grape products grown in Missouri. Missouri now has 90

wineries and 1,500 acres of grapes planted presently. Made of mostly small and mid-size wineries in the state. Right now the state contributes about $701 million to the state's economy.

As an emerging and growing specialty crop industry that is populated by small and family farms, we are pleased to see the mandatory funding for specialty crop programs is included in the Farm Bill, considering Mr. ANDERSON. s now that make up 50 percent of the current farm gate value for the United States, providing money for research, marketing, quality improvement and good investment for agriculture and the future of small farms.

We are particularly pleased to see the inclusion of the specialty crop block grant program, in addition to clean plant network as permanent programs in the Farm Bill. These two programs that the Missouri wine and grape industry will directly benefit from.

The specialty crop block grant program was initially established as a stand-alone program in 2001. But since that time these grants have been used by the industry nationwide for marketing research and wine trails, establishing wine and cuisine partnerships, developing online educational manuals for new and existing wineries and growers, procurement for a more efficient wine processing equipment and other projects to help the industry producers.

Missouri began using specialty crop block grants in 2004 by funding a multi-year project with a goal of reducing the shortage of adequately educated young people entering the wine and grape industry. A network of grower based demonstration vineyards stretching across Missouri. The Missouri River Hills region, west central part of the state allows local FFA chapters, vocational ag. classes in high school, and producers to participate in these on-farm demonstration programs which gives the tools to start their own vineyards in the state.

In fiscal year 2008, Missouri Department of Agriculture started a specialty crop grant program calling for projects to enhance Missouri specialty crops. One special project is a voluntary online registration database for farmers such as grape growers, organic growers, special farmers and other producers or pesticide sensitive specialty crops to alert applicators of crop locations. This will help prevent damage, and danger to crops by legal applicators and co-ops that commercially spray.

Presently fiscal year 2009 grant applications are being collected at this time for the state specialty crop block grant program. The National Clean Plant Network is a new program with mandatory Farm Bill funding and will be involved in decisions that are about importing and clearing new varieties and developing plans to insure that plants available commercially are disease free.

Plant centers will be used for diagnosis, packaging elimination services and the effort to produce clean plant material, including vines for propagation, and maintain blocks of pathogen tested plant material. The clean plant material will be made available to states for certified plant programs as well as private nurseries and growers.

Missouri is one of the states that will be in the loop, in the network through the University of Missouri at Columbia and the Missouri State University in Springfield, Missouri.

Healthy plant stock is a key to cost effective production of horticulture crops, such as fruit trees, nuts, and grapevines. Healthy plant stock is used to propagate, requires fewer chemical inputs and produces higher crop yields and better crop quality than common plant stock.

Healthy planting stock is necessary for U.S. agriculture to remain internationally competitive and economically viable. The most effective approach to producing healthy plant stock is through programs that screen viable plant selections for viruses and other diseases that can spread contaminated plant stock.

Quarantined services provided by clean stock programs reduce the chance of introduction of exotic pests that also can be difficult and costly to control. For example, the cost planting a vineyard is $10,000 to $15,000 per acre in Missouri, and these vines do not bear fully mature until the fifth year.

A grower generally plans to have the vines producing for about 30 years. Therefore, if a disease shows up and destroys part of their crop in, say, eight growing years, the grower has not only lost production years, but also stays with tremendous cost of replanting. Having a clean plant stock generally reduces or eliminates the risk of such a loss.

The grape and wine industry's economic impact is significant in areas not affected in most other agricultural industries. When wineries are built, bed and breakfasts are also put in, restaurants, hotels, gift shops, artisans and other tourist attractions soon follow.

As the industry matures, the clusters of tourism are developing statewide.

The industry also benefits other businesses, such as oak barrel businesses in Missouri, stainless steel tank manufacturers, chemical and equipment dealers, wine wholesalers, and retailers in the state. This rural economic development is common and can be seen in other States, such as California, New York, and Oregon.

Presently, about a million people hit Missouri wineries every year as far as tourism. As a tourism cluster develops in these rural areas, small producers and businesses can grow, and it helps benefit the area.

In 2007, the Missouri wine industry paid about 39 million in state taxes and 28 million federal taxes and provide over 6,000 full-time jobs. Missouri's 1,500 acres of vineyards and 90 acres or 90 wineries are made up of small farms with an average of less than 15 acres of grapes and family wineries of about 10,000 gallons, what they produce.

Data indicates that grape and wine production in Missouri offers sustainable growth in jobs, income, and tax revenue to the state. With eight percent of the wine market share currently being served by Missouri wineries, the opportunity for growth is excellent.

In conclusion, the Missouri Wine and Grape Board strongly supports the Farm Bill and specialty crop industry in the United States.

Thank you for my testimony.

[The prepared statement of Mr. Anderson is included in the appendix.]

Chairman SHULER. Thank you, Mr. Anderson.

Mr. Williams, as you look at the possible expenses that could come forward from new legislation from Congress based upon what was voted on yesterday and defeated in the House on food safety, obviously I think we are all in agreement that food safety is very, very important. No one would deny that.

But what added expense would that place upon you as a small growers? What added expenses are you looking at that it will cost you, and what impact will it have to your bottom line?

Mr. WILLIAMS. There is a great deal. Initially, the initial costs are bringing facilities up to standards, and that can be rather expensive, particularly for family owned farms. Oftentimes, that will be older facilities that may never be capable of being brought up to standard at a reasonable cost. That is the initial cost.

I think the bigger cost is the ongoing cost, the administrative cost. The record keeping is enormous, and that is just basically right now to meet some of the standards that have been set in place, the common practice particularly that the chain stores are already requiring. This is not a government requirement, but requirement by the customer base.

It is very extensive. So you are actually looking in many cases having to employ additional labor just to keep up and to administer the programs. Those are things which are astronomically expensive and could be devastating from my viewpoint to the small farmer.

Chairman SHULER. Mr. Anderson, how about you, I mean, in the wine industry?

Mr. ANDERSON. Well, we see that in similar ways that it does affect us, and it is a growing concern.

Thank you.

Chairman SHULER. Mr. Barnwell, when we are talking about the different markets that the 2008 Farm Bill has expanded, what part has the USDA played in helping you expand those markets?

Mr. BARNWELL. Well, particularly in Henderson County, one is being into the schools. It has been very, very hard for a long time to get local produce in there. It has made it more accessible. It also is buying all of those sliced apples that are working very well in the nutrition part for Mr. Henderson, and also the local farm markets and some things like that it is supporting.

There is a really good market in Ashville. The state farmer's market is there. We have got the Curb Market in Harrisonville, a Tail Gate Market that is actually done in the Commissioner's parking lot in Hendersonville. Those are some things that it has specifically done and helped to support for us.

And the new money for some of the grants on the export markets is also there, but we had not seen that direct effect yet in our area, but we see the direct effect of the nutrition part of the bill.

Chairman SHULER. And correct me if I am wrong, and maybe Mr. Williams has more detail being a Commissioner, but I think Henderson County is number two in the state of a state that is second in the country of being diversified in cash crops.

Mr. WILLIAMS. That is correct. Total crop production, it does rank second in the State of North Carolina. We are quite proud of that.

Chairman SHULER. Absolutely. Maybe Mr. Luetkemeyer will ask about tourism. That may be a really good one to ask.

[Laughter.]

Chairman SHULER. It is really good. I will not give it away, but they do a great job in Henderson County, especially with their apples.

Mr. Holbrook, talk to me about crop insurance. I know in your testimony you talked about how difficult it has become, the added expense. You know, what added pressure does that put on your farm? What added pressure does it put on you personally?

And obviously with loans, if there are outstanding loans, they are not necessarily looking at you, but maybe from your neighbor farmers. How difficult is it? They do not have the crop insurance to get the loans and how that plays an important, vital role within the bottom line, but obviously the financial structure of the company.

Mr. HOLBROOK. The crop insurance, I have taken multi-peril crop insurance every year since I have been farming. In 2004, when Ivan and Frances came through and flooded my fields, I got up one morning and what am I going to do now? Well, I have got crop insurance. I did not get a dime out of it.

So that expense, some farmers did not have the insurance, could not afford to guy it. So the cost kept going up, and eventually I just dropped it. I have NAP insurance now, which would cover very little of it if there is a loss.

Raising tomatoes and peppers, they are high capital crops. The average prices is around $9,900 dollars an acre just to get a crop in and harvest it. We need some type insurance back-up for that much expenditure. It is a very important part of our farm, insurance, but it has to be able to be manageable and workable for us when we do need it and in disasters like we had in '04.

Chairman SHULER. Why wasn't it covered under the insurance? I mean that was a devastating flood. I remember seeing your peppers floating down the river through the middle of Canton.

Mr. HOLBROOK. Yes, I gave them all to Canton.

Chairman SHULER. Every single one of them.

[Laughter.]

Chairman SHULER. You guys would not believe it, but I mean there were peppers everywhere.

Mr. HOLBROOK. It was eight foot deep in my field.

The reason it did not help me primarily I insured for a 65 percent coverage. In other words, if I harvested over 65 percent of the crop, then there is no coverage. And on September 8th when it came, I had already harvested 70 percent of the crop. It does not matter that the price that I had already harvested the crop at 70 percent of it. I did not matter what the price was, but I had harvested over the allowable 65 percent coverage I had. That is the reason it did not cover it.

Mr. Hudgins, before I yield to the Ranking Member, in canned peaches, are there competitors in the import market in canned peaches? Are there competitors out there from other countries that you are having to compete with?

And if you are, then what are some advantages they have that you may not have?

Mr. HUDGINS. We face significant international competition. Today the largest player internationally in terms of imported product into this country is China. The advantages there would be very apparent: low labor cost. So when it comes to our ability to compete

internationally, we cannot touch the Chinese, and no one else can either.

Our argument would go back to more of the quality issues, the reliability of the product, the fact that we have a domestically produced product that is available in a timely manner, but when we look at the Chinese today, the Chinese are counting for more than 70 percent of the imported product coming into this country today. It is a real challenge.

Chairman SHULER. And that is really a shame. I mean, if you look at it, legislation from Congress, you know, regardless of the administration, Democrats, Republicans, you look at more added pressures and restraints on our local farmers, which makes it more difficult for them to produce.

We went from 35,000 acres of producing apples in Henderson County now to 5,500 acres, but the outside world does not have to abide by those same requirements and regulations that we are having to push our farmers to do.

I certainly think if we were to require those same requirements and level the playing field, that we would be what I have been talking about earlier, net import and net export. I think we would be then exporting and have a much stronger exportation of our fruits and vegetables and allow the backbone of all of our communities in the rural area, which is our farmers, to be able to support their families.

I mean, I remember 20, 30 years ago—I am only 37—but all of the communities, when you looked at the people who were on the bank boards, who are financially very strong in the community, it was all of our farmers, and now our farmers are struggling day in and day out, and we have got to put our farmers back on the top of the economic structure in our communities.

That is one of the things that I know the Ranking Member and I have had a couple of hearings already based upon trade, and if there is one area that we can really focus on, textiles would be obviously great for North Carolina, but our farmers particularly would be a very good place for us to start and look at leveling that playing field if we are going to have any type of continuation of small farmers and small ag. in our country.

So at this time I will yield to the Ranking Member, Mr. Luetkemeyer, for his questions.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Some of the themes that we have seen so far have been crop insurance. We need to find a new way to revamp the program. Obviously it is not working. It is not effective. It is not something that can really bring some relief in situations that you all are engaged in. I think that is one thing that we need to take a look at here.

Import standards the Chairman just mentioned. I think it is another thing that we need to take a look at as well, and perhaps, Mr. Chairman, we need to take a look at maybe doing a report of our findings here today to submit to the different other folks who would be involved in these things or have further hearings that we can develop some of these things.

So I think these gentlemen here today have really pointed out some problems with specialty crops that I think need to be addressed.

The Clean Water Act was brought up by Mr. Holbrook. We had a hearing on that, I think, last week in our full Committee, and it is a huge issue in my district from the standpoint they have a lot of crop, a lot of livestock production in my district, and it just caused all kinds of problems.

So what are your concerns with that, sir? I know you mentioned it in your testimony. I would like to see you follow up with some information on that.

Mr. HOLBROOK. Thank you.

My concerns with the Clean Water Act is it requires certain buffer areas. In Western North Carolina, my average field is like four acres. You know, I have got eight different fields, and all of them join waterways, and if they take a buffer area and some of the buffer areas require we take the whole field because they are narrow and long running with the field. It would take the whole production area out of my farm. That is one of the reasons that I resent it.

Mr. LUETKEMEYER. Do you have any problems with runoff into your water areas, for instance, the herbicides or pesticides or fertilizers that you use? Is there a problem with that?

Mr. HOLBROOK. No, sir. I am glad you asked that question. I am a member of the Haywood Waterway Association, which is a nonprofit organization in our county that watches the water quality, and the Pigeon River that runs through my farm runs through developments, residents, farms, 100 acres of tomato and pepper farms, and the water quality was ranked higher than it is coming out of the Smoky Mountain National Park there at Chattaloochee Creek. So we are doing a good job.

And most of our land is flat. It does not erode, and we have to be along waterways, and therefore it is in bottomland.

Mr. LUETKEMEYER. Very good. Mr. Barnwell, what about you? Are you experiencing any problems with the Clean Water Act herbicide and pesticide runoff, anything like that?

I know with orchards I am sure you spray.

Mr. BARNWELL. Oh, yes, a lot. We had the Mudd Creek Watershed Project came in and tested specifically the Lewis Creek watershed, which two of my biggest orchards sit right on, and the reason is it has got the most apple acreage of any watershed in Henderson County, and I cooperated with them. I told them what I was spraying with and let them test below my orchard.

That went on for about a year and a half, and they stopped the thing before they wrote their conclusion because they couldn't find anything.

Then they came back another year later with their findings, and unfortunately they did not use good scientific methods. They had formed their conclusion and did not have the details to work it up, and they were funded by the Clean Water Trust in North Carolina.

And when the Assistant Commissioner of Agriculture presented the results to the head of the Clean Water Trust, as we presented them from the agriculture community, they pulled the money from that research project. They left.

We deal with it a lot. We are good stewards of the land. We have reduced the amount of pesticides, herbicides that we put out. We have scouts that travel orchards. So we only spray with what we need to. I use a computerized spray that uses sonar, reads the

shape of the tree and turns it off where there are spaces in the orchard or spaces where there are no limbs. And we work very hard to be very good stewards of the land.

There is trout in the stream between two of my orchards. There is a culvert there, and I have seen trout swimming in that stream. So we have worked very hard to be very good stewards, and I want to leave that land to my grandkids just like my grandfather did to me, and I want to make sure it is as good or better when they get it than it was when I got it.

Mr. LUETKEMEYER. I think that is one of the problems that we have with the Clean Water people. They do not understand that farmers are probably better stewards of their property than they would be themselves. I appreciate your testimony.

Mr. Hudgins, you made the comments with regard to climate change about costs. Can you expand on that just a little bit?

Mr. HUDGINS. Well, certainly, With regard to—

Mr. LUETKEMEYER. Well, you made the comment that said with the impending climate change, I guess cap and trade, you are looking at the increased cost of production. Apparently you looked at the bill, and you represent 80 percent of the peach production. You are going to be impacted significantly, I would assume.

Mr. HUDGINS. Yes, to the extent that our fertilizer costs increase and our fuel costs increase, as I referenced in my remarks earlier, our world today is under severe pressure from imports coming in from China and from Greece and from South Africa, Chile, and to the extent that we find ourselves less competitive with the global producers of our canned peach products, we will lose more of our domestic market to lower cost imported product entering this country.

At this point it appears very doubtful that we have the ability to pass on higher farm gate costs back through the food chain, and there is a real concern that we are already at the lowest bearing acreage position that our industry has been at in the last 50 years, and so there is real concern about our ability to sustain the industry if we have another layer of cost imposed on peach growers that we cannot pass on into the marketplace.

Mr. LUETKEMEYER. I know I am about out of time here, but Mr. Anderson, just very quickly, I know that you made comment about the research dollars in the Farm Bill. I know it is a really, really big deal to the wine and grape folks. Would you expand on it just a second?

Mr. ANDERSON. Sure. The research dollars coming in especially on clean plant is very important to us, and I would say for the grape industry in the United States it is very costly to get started in the business and then five, eight to ten years down the road having a disease that wipes it out, going back to the cost of that production loss and the start of the grapes again, starting back in the field, so very important.

The Clean Plant Network, having clean plants start out, and I think if you are in the fruit industry or nut industry, it is very important, too, because of the loss of time and the cost per acre. So this is a very important piece to us, having a clean plant, having nurseries with clean stock before it goes to the farmer's fields and being planted out in the vineyards.

Mr. LUETKEMEYER. Thank you.

Thank you, Mr. Chairman.

Chairman SHULER. Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman.

Mr. Anderson, coming back to the role of tourism with its contributions as a result of the wine and grape industry playing a vital role, I understand you had a bit of a decline last year with weather and high energy costs. Can you provide us an update on how the business has been this spring and into the summer?

Mr. ANDERSON. It has been interesting this year, too. As other parts of the United States, Missouri has been awful wet, too, and we will catch a lot of rain again this year. Fuel prices have gone down some, but input costs, such as fertilizers and sprays still continue to stay high.

And so with the weather conditions, we are out there spraying quite often, more than we would like to to keep our crop.

In Missouri, we are about two weeks out before harvest, and we will continue harvest through the end of October. The challenge is, of course, agri-tourism wise is that it is weather related. Having fuel prices down and then having good weather to get people out, we get close to about a million people hit Missouri wineries every year. So activities are bringing them out to that region, and also trying to get the consumer confidence back to come out there and spend an extra day or two just so that money stays at the community, those tax dollars and that stuff stays in that community and recycles back.

So it is very important to us, but again, a lot of it is weather based, and we are hopeful that in the next few weeks it will have some sunshine and we can start harvesting grapes.

Mr. THOMPSON. I hope so, too. You have not much of a presence of that in my very rural district, but I wish we could replicate that agri-tourism with milkshakes and dairy farmers right now. That would be a blessing if we could figure out how to do it. I love milkshakes so I don't see why it would not work.

[Laughter.]

Mr. THOMPSON. I throw this just open to all the members of the panel. Have any of your farms or products ever been subjected to a recall as a result of food-borne illnesses? Anyone?

Mr. WILLIAMS. We have had threat of it from the standpoint that it is very simple for a consumer to catch wind of someone getting sick from a particular product, and all of a sudden you know, the mind plays tricks on you and you begin to think, well, maybe I am sick as well.

We have had folks to call in and to indicate, well, they had some of our product and now they are not feeling well. Fortunately, we have got a system in place where we can trace back and be able to clear ourselves of such indications.

The problem comes in from my perspective we can take every step, every measure possible to protect and provide safe food supply. Once that product ends up on the shelves on the grocery store or in a school system, it is easy enough for anyone to come through as a consumer, to pick up an item maybe not having washed their hands, maybe sneezed on it, a mother that has changed the diaper of a young child and not washing hands, and contamination can

occur. And yet that falls back so much with the liability and responsibility, falls back on the producer, and there is just that point of contamination that can occur in so many other areas.

But there is always a threat looming, and you always have a little bit of an element of fear of what is going to happen in the event of a recall, and I do know of several folks that have and experiences they have gone through.

Mr. THOMPSON. Just following up on that, I would be curious to see what the opinion of the panel is. Do you have an opinion on the effectiveness that USDA has had in terms of food safety and their oversight of that?

Mr. HOLBROOK. I think it was mentioned earlier about the fiasco that happened on tomatoes last year that was falsely blamed. We lost a lot of money last year just on a rumor or false Salmonella being on tomatoes, and it really has not recovered yet.

Mr. THOMPSON. Any others?

Mr. ANDERSON. Congressman, for us in the wine industry, we are a little bit unique. We do work with USDA, but we are pretty much overseen by the Trade and Tax Bureau, TTB. So we have another agency involved that oversees us. So it is kind of interesting that there is FDA, there is TTB, and the USDA, and for us we have had a pretty good working relationship, speaking for the wine industry in the United States, with the Trade and Tax Bureau that oversees our labeling, our inspection process in the United States.

Mr. THOMPSON. Let's see. Just real quick because I know my time is going, have any of you or your members utilized the Small Business Administration or the USDA's guaranteed loan program to expand your operations?

And if so, what was your experience with those programs?

Mr. WILLIAMS. I'll speak from the banker's side. I have worked for 18 years with the farm credit system, and although I never obtained a loan myself, I did do a number of loans that had FSA guarantees.

The experience that I think most at that time our customer base went through was that burdensome application process. It did take some time to go through that.

Also, the fact that every bit of property was secured or the loan was secured by every bit of property. I am talking real estate, equipment, crops, the whole nine years. That becomes very cumbersome.

Then the process of providing annual records in support. It is a difficult process not only for the applicant, but also for the lender that is assisting in those programs as well. It does become cumbersome to the point that there is some reluctancy to want to go through that process, and so I would say anything that could be done to help simplify that would certainly be beneficial to those that are in need of those type programs.

Mr. THOMPSON. Well, I thank the panel and, again, thank the Chairman and Ranking Member for this opportunity.

Chairman SHULER. Thank you, Mr. Thompson.

I am going to yield back to the Ranking Member, Mr. Luetkemeyer, for a follow-up question.

Mr. LUETKEMEYER. Because the food safety situation is on our minds and we have got a bill in front of us, and we are very con-

cerned about the overreach of the bill with regard to what its impacts may be and whether we really have a problem, let me just ask the question this way.

Has there been a problem in the past that this bill is going to solve or are we just creating more levels of bureaucracy, more intrusion into your business? Is it going to have a real effect on the quality of food safety?

And it is concerning to me from the standpoint that all of you are going to go out of business if you have a problem. So you have a vested interest in making sure you have something and you do it right to begin with. I do not know why you need anymore oversight.

Tell me what the problem is and if it is being addressed correctly.

Mr. BARNWELL. We store apples for Gerber Foods for baby food. We already had a trace back policy in place. If something is not right with those apples, they do not get shipped, you know. Apples we have had very little problem. The only thing was a little bit of fresh cider a few years ago in an organic orchard. Apples have been very safe even though they have got some bad raps about specifically alar, which the science never do come close to supporting the claims that were made.

But you know, we work very, very hard. When we packed apples we sold to Kroger Food Stores. Now we are dealing with Nestle Foods. We deal with large places, and it is just another level of regulation by and large. There is a lot of it in that that makes a lot of sense, but everything that is in that that we are going through right now getting certified, it is going to cost us about $4,000 just in our small operation to get certified. It is things that we are already doing. We just do not write down. That is basically the biggest thing. Testing the water, making sure your employees wash their hands, these are just common sense things that we do.

Mr. LUETKEMEYER. Basically what you are saying is that you already do a lot of these things already. It is just going to be put in law and you will be forced to do this now.

Mr. BARNWELL. And document that you do it. So now we have to have a food safety officer.

Mr. LUETKEMEYER. And, quite frankly, that is probably why we have the quality of food that we have, because you have these things already in place.

Mr. BARNWELL. I think that we have the safest food in the world. Talk like Mark was talking about. When I go in my orchard, we have got some plums, some peaches that are ready now. I pick them off the tree, wipe them off on my sleeve and eat them.

If I go to the grocery store and buy that, I take it home and wash it because somebody else has handled it. I would a whole lot rather eat out of my orchard than out of a grocery store, and I mean I feel completely safe eating my food out of there. I know how we spray it.

I mean, I do not take it home and wash it, and I did it to my three year old granddaughter the other day. If you ever saw anything any better, she was eating plums and the juice was running down the side of her face and she looked and said, "Kenny, I like plums." And you know that I am not going give somebody that pre-

cious something that is going to hurt them. I am absolutely going to make sure it is as close to perfect as we possibly can, and the vast majority of the farmers in the United States have exactly what. Well, all farmers, I think, have exactly that same feeling.

A lot of times where this stuff has come through is being like the peanuts, was after it was into the farmer or like a lot of times in the meat. It is the processing plant, not what the farmer sent to them.

The farmer gets a lot of bad rap, but you know, you were talking about being the head of the community. The perception I see in our county right now is the little old man and the little old lady in the picture with him holding the pitchfork. That is the way a farmer is supposed to be in western North Carolina right now. They are supposed to be dirt poor. They should not be able to have ever made any money.

Mr. LUETKEMEYER. Thank you.

Mr. Williams.

Mr. WILLIAMS. Yes, sir. Thank you, Ranking Member Luetkemeyer.

I would say that food safety is really market driven. From the standpoint of us as a shipper and repacker for smaller farmers, we are meeting the demands of our customer base, largely the retail chain stores. Just as someone might meet the demands of a local farmer's market, there are going to be requirements, expectations of the consumer that is going to drive the market in a direction. I do not think that the government necessarily needs to try to do that and try to get involved. That will take care of itself.

I think that where government can actually be of benefit, two areas. One is standardization. For instance, we have multiple metrics out there that may be required. One chain store may require this one. We go through a prime slabs. There are others. There is EuroGAP, GAP. I mean, the list goes on and on and on about the metrics.

We could be required by one store to have this set and by another store to have this set. So when you get duplication, that in itself can create problems. So some standardization, you know, would be of great benefit to the industry.

Another thing that food safety does and being able to document the process of which you have grown and processed fruit, it is beneficial whenever you do have scares to be able to basically show your innocence, that there is not a trace-back to your farm or to your facility, and so that can be very beneficial.

But the biggest thing still that concerns me is the way that that is done in terms of recall and not being science based because that is just hugely devastating to an industry. We have seen it time and time again. We go back to in the '80s apples with alar. We have seen the recent tomato deal, and we can go on and on and on and on, and generally speaking, whenever we have those recalls, it has not been very science based.

Yes, people have gotten sick, and there have been reasons. More often than not, it comes imported product, not domestically grown product, and we just need to be very cautious in that area, and I think the government can help by exercising some science based data whenever this happens.

Mr. LUETKEMEYER. We will indulge the Chairman here for how long to go with this. How long do you want to allow the comments to continue?

Chairman SHULER. Let's let Mr. Hudgins response.

Mr. LUETKEMEYER. Mr. Hudgins? Okay. Go ahead.

Mr. HUDGINS. Thank you.

I would like to echo some of Mr. Barnwell's comments. As I speak right now, some of our California peaches are on their way to Gerber, and obviously, we have a very great awareness of the importance of food safety for product that is going into baby food use.

I can also say that there has never been a single documented case of a food borne illness that has been attributed back to a canned fruit item in this country. So we look at the food safety legislation that is under consideration today and say that it certainly represents an improvement over where the discussion started, but clearly NCFC would have a concern with regard to facility fees which essentially would be a tax on our member producers with, again, very limited ability to pass along those costs in the marketplace.

I would also echo Mr. Williams' comment that in our world, in the peach industry what we have seen is a dramatic increase in the imported product entering this country and would hope that the same scrutiny and the same level of certification would go into verifying the safety of those products because in the end if there is a problem with a consumer, no one is going to read the fine print to say where did that product come from. It is going to be there was a food safety problem relative to the canned peach, and no one will look at where that product originated form.

Mr. LUETKEMEYER. Very good. Thank you.

Chairman SHULER. Thank you. I want to thank all of the witnesses for their testimony today, and I look forward to working with my colleagues to address any issues that may have arisen today.

I ask unanimous consent that the record be open for five days for members to submit their statement. Hearing no objection, so ordered.

This hearing is adjourned.

[Whereupon, at 12:03 p.m., the Subcommittee meeting was adjourned.]

HEATH SHULER, NORTH CAROLINA
CHAIRMAN

BLAINE LUETKEMEYER, MISSOURI
RANKING MINORITY MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
Subcommittee on Rural Development,
Entrepreneurship and Trade
2361 Rayburn House Office Building
Washington, DC 20515-0315

STATEMENT
Of the Honorable Heath Shuler, Chair
Subcommittee on Rural & Urban Entrepreneurship of the
House Committee on Small Business
Hearing on the "*The Future of Specialty Crops for Small Family Farmers*"
Thursday, July 30, 2009

Since it was first established in 1973, the Farm Bill has bolstered countless family farmers, and sparked a boom in production for critical staples ranging from corn to cotton. Last year, that bill was expanded. It now includes important provisions for crops such as fresh fruit, nuts and vegetables. These basics are more than just a good source of revenue for our farmers. They are the foundation for sound nutrition for all Americans.

The 2008 Farm Bill recognized that produce plays an important role in a healthy diet. Importantly, it expanded the USDA's Fresh Fruit and Vegetable Snack Program. That initiative—designed to improve nutrition and decrease childhood obesity — now reaches over 1 million kids nationwide. It also opens up a world of opportunity for American farmers. When combined with efforts to increase production and promote specialty crops, the snack program means new business for small farms.

In today's hearing, we're going to examine specialty crop provisions within the 2008 Farm Bill. We will also evaluate progress in their implementation.

For thousands of small farms across the country, fresh fruits, nuts and vegetables are a primary source of income. In fact, sales of these products—commonly known as specialty crops—comprise close to one-third of all crop cash receipts. But while the industry has seen growth in recent years, it is still plagued by a number of challenges.

Despite the obvious benefits of "Buy Fresh, Buy Local" campaigns, domestic farmers are being crowded out by foreign competitors. Trade pressures have allowed farmers overseas to undercut producers here at home.

While the U.S. was once a net *exporter* of fruits and vegetables, it is now a net *importer*. And in fact, Americans pay $16 billion for foreign produce every year. For this reason, Farm Bill provisions that encourage exports are especially critical.

Exporting is an important means for reaching new markets. It allows businesses to win new customers and improve profit margins. But while it makes sense to court customers abroad, farmers should be equally focused on consumers here at home. A series of new and expanded programs in the latest Farm Bill will help them do that. Meanwhile, the legislation also contains incentives to encourage organic production. For example, measures to defray the cost of organic certification.

The Farm Bill aside, many small Ag firms are struggling. Like all other small businesses, they are facing challenges in everything from securing loans to accessing healthcare. In terms of capital, even lending through the USDA's Farm Service Agency —traditionally a lender of last resort — has been jeopardized. In the last year, applications for FSA loans have risen significantly.

Even once we've addressed small firms' financial challenges, other obstacles will remain. We all know the Recovery Act has gone a long way, but it simply can't tackle problems such as pests, changing weather patterns and natural disasters. These are the obstacles that family farmers face day in and day out. And these are the obstacles that the Farm Bill seeks to address. But in order for it to do so, it will have to be properly implemented. We need to be sure its provisions are working — not just for Big Ag, but for small producers, too.

Small farms have long been the foundation for the agricultural community. Today, that role is expanded. As Congress works to fix our broken healthcare system, for example, they will play a pivotal role. We've heard a lot of talk about increases in obesity rates and the need for improved nutrition. Well, fresh produce offers healthy alternatives. Already, the '08 Farm Bill contains important nutrition measures, and family farmers will be on the front lines in delivering those healthy options.

For release only by the
House Committee on Small Business

U.S. Department of Agriculture
Statement of
Kathleen Merrigan, Deputy Secretary
before the
House Small Business Subcommittee on Rural Development, Entrepreneurship and Trade

July 30, 2009

Chairman Shuler, Ranking Member Luetkemeyer, and members of the Subcommittee, thank you for inviting me to appear before you today at this hearing to review the future of specialty crops for small family farmers.

I would like to introduce myself to the Subcommittee. My name is Kathleen Merrigan, and I am the new Deputy Secretary for the U.S. Department of Agriculture. I have worked on agriculture issues from various perspectives throughout my professional career, including six years with the Senate Agriculture Committee and serving as Administrator for USDA's Agricultural Marketing Service (AMS) from 1999-2001. I look forward to working with the Committee in the coming months and years.

I especially appreciate the opportunity I have to testify before you on this issue today because of its importance to agriculture and our nation as a whole. This Administration's commitment to healthy eating and the importance of fresh, nutritious food is raising the profile of locally grown food, and subsequently specialty crops. President Obama has made a safe, sustainable, and nutritious food supply a central goal for USDA. He's very concerned about the health and welfare of America's children. He wants to make sure they have access to nutritious food and lead active lifestyles. The People's Garden at USDA and the White House Garden are raising awareness in a tangible and very visible way setting the examples for communities across the nation on healthy eating.

I want to share with you that Secretary Vilsack has charged me with leading an interagency initiative to think creatively and dynamically about how USDA can answer the President's call to reinvigorate our local food systems. Through this initiative we will involve all of the relevant agencies in examination of our current activities, funding mechanisms and authorities as well as opportunities, and obstacles, for the creation of more vibrant regional and local food systems. I will be discussing many of these programs today in my testimony but it is my belief that this initiative will allow us to coordinate our efforts and ensure that all the programs work together to support small and mid-sized farms, sustainable practices, reduced energy consumption and equitable access to fresh, local and healthy food.

USDA support for specialty crop producers is often overlooked, in part, because much of the assistance is provided through programs other than the usual commodity support programs typically provided to the "program" crops.

The Specialty Crops Competitiveness Act of 2004, as amended by the 2008 Farm Bill, defines specialty crops to include fruits and vegetables, tree nuts, dried fruits, horticulture and nursery crops, including floriculture. In 2008, specialty crops accounted for about 32 percent of the $181.1 billion in U.S. crop production. This level of productivity was accomplished on only about 3 percent of the crop acres.

The *Dietary Guidelines for Americans*, developed jointly by USDA and the Department of Health and Human Services (DHHS), recommends 5-13 servings of fruits and vegetables per day. That means average daily fruit consumption for all Americans should be increased 132 percent from current levels and vegetable consumption should be increased by about 31 percent. Translating the *Dietary Guidelines* into action to improve our nutritional intake and strengthen our family farms, rural economies and small businesses is a very complex but compelling challenge that USDA is working to meet. Specialty crops account for most direct-to-consumer sales, and are produced at a high frequency by small farmers. "Direct-to-consumer" sales include farmers markets, roadside stands, and produce routes where the farmer delivers fruits, vegetables, eggs, and such to the consumer on generally a regular route that they drive. Research shows that many small and medium-sized specialty crop producers have seen increases in farm sales as a result of these direct sales to consumers, as well as to restaurants, schools and other institutional outlets.

Community-Supported Agriculture and Farmers Markets

We are extremely proud of our accomplishments in direct-to-consumer sales through farmers markets. They're helping us set the nation on a healthier course while providing farmers—especially small farmers—additional demand for their products. Community-level programs, such as farmers markets, community gardens, or mobile carts or trucks that sell fruits and vegetables increase the availability of healthy foods. These options for improving the food environment are often less expensive, require less space, and can be quicker to implement than programs that encourage new store development.

Local markets play a pivotal role in maintaining the viability of family farmers by providing them direct access to markets close to home. While locally-grown food still accounts for a small share of total agricultural sales, it is a fast growing segment of U.S. agriculture and is important to small specialty crop farms in areas such as the Northeastern states, which tend to have clusters of small farms around major metropolitan areas. I would direct you to our new publication, Facts on Direct to Consumer Marketing, which examines the regional breakdown of the 2007 Census of Agriculture direct marketing statistics. Farmers who sell directly to their customers receive more of the full retail price for their food, which means that many small farmers are able to earn greater returns. USDA's programs that promote farmers markets and

direct marketing can play an important role in fostering the development of regional and local markets.

Farmers markets and community gardens have sprung up in many places, including a significant number in underserved areas. There are currently about 4,900 farmers markets nationwide that bring fresh produce right to consumers. That's 3,000 more than we had 15 years ago and a 70 percent increase in the past decade alone. For the past several decades, consumers and program recipients have been shifting from the use of cash to credit, debit and other electronic funds transfer mechanisms, leaving any operation that was not wired to use these mechanisms out of a growing share of the market. Few farmers markets or other direct-to-consumer operations could handle these transactions. However, due to the efforts of States and local leaders, often with help from USDA, we are turning that around which is helping to foster direct-to-consumer operations.

In FY 2008, there were 753 farmers markets authorized to participate in the electronic benefits transfer (EBT) program, up from 253 in FY 2000. Several factors contributed to this increase, including the increased popularity of these markets among the general population. In addition, the Food and Nutrition Service (FNS) has endorsed a number of local and State initiatives to provide access to Supplemental Nutrition Assistance Program (SNAP) and other nutrition assistance benefits through wireless point-of-sale equipment or scrip alternatives. With provisions in the 2008 Farm Bill, USDA's Agricultural Marketing Service (AMS) will set aside 10 percent of the approximately $5 million in competitive grants funding for fiscal year (FY) 2009 under the Farmers Market Promotion Program (FMPP) for new EBT projects at farmers markets.

Under the FMPP, grants are targeted to help improve and expand domestic farmers markets, roadside stands, community supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. Those eligible to apply for FMPP funding include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers market authorities and Tribal governments.

As I noted, one mechanism to increase use of farmers markets among underserved communities and populations is through SNAP. Because of the concentration of fresh and nutritious foods at farmers markets, farmers markets provide access for low-income households to a variety of healthy foods. USDA works with State agencies and farmers markets organizations to assist markets in implementing EBT systems and in becoming authorized SNAP retailers. Because all SNAP benefits are provided through EBT, this is an essential move to open up farmers markets to SNAP customers. Enabling more markets to accept EBT will help expand the customer base for farmers markets benefitting small, local farmers.

USDA has an ongoing cooperative research agreement with the non-profit Projects for Public Spaces (PPS) to examine lessons learned from initial EBT demonstration projects

funded by PPS with Kellogg Foundation money and AMS through the FMPP program. A draft of the report is expected to be completed in September 2009.

Innovative farmers market incentive projects, funded by various private, nonprofit organizations, provide matching bonus dollars in the form of token or paper coupons for purchases made with SNAP benefits. The projects are structured to improve the purchasing power of low-income families so that they can afford to buy more fruits and vegetables and other healthy foods. Approximately a dozen pilot projects are underway across the country.

Finally, USDA is developing helpful hints and outreach ideas that participating farmers markets can use to attract more SNAP clients. The USDA farmers market consortium meets on a regular basis to keep members informed about farmers market issues and best practices. Through these efforts, USDA will be in a better position to devise policy that will attract greater numbers of farmers markets to SNAP.

Two smaller programs, the Women, Infants, and Children Farmers Market Nutrition Program (WIC FMNP) and the Senior Farmers Market Nutrition Program (SFMNP), also provide benefits that can be used in farmers markets. These programs boost the sales of fresh fruits and vegetables at farmers markets, especially in areas where consumers more likely to face food insecurity problems.

Promoting Specialty Crops

USDA provides a wide variety of support for the production and consumption of specialty crops. This includes direct support, such as farm to school activities, insurance indemnities, and commodity purchases and disaster payments, and indirect support such as benefits to States for purchases, trade assistance, research and inspection and protection activities. In addition, as I mentioned, USDA and DHHS develop the *Dietary Guidelines for Americans*, which make consumption recommendations that, if followed, would dramatically increase consumption of fruits and vegetables. We also work with the private sector through myriad alliances and through the Federal nutrition assistance programs to encourage Americans to follow the *Dietary Guidelines*. In fact, the State agencies that run the SNAP and those that run the WIC program spend over a $1 billion a year promoting good nutrition and the Dietary Guidelines. We are proud of this commitment, and you will be happy to know that we are working very hard to determine how this effort can be made more effective, and have a greater positive effect on the dietary habits of Americans.

Nutrition Programs

USDA is also committed to working with our partners to identify strategies to link children with foods that are produced in the same community where they attend school. This strategy benefits children, who receive a diverse, healthy diet, as well as farmers and local economies.

USDA purchased about $650 million in specialty crops in 2008 for domestic nutrition assistance programs, including those that serve elderly and American Indian populations. In part to support small farmer participation in these purchases, USDA, through its Office of Small and Disadvantaged Business Utilization (OSDBU), provides technical assistance and guidance on how to supply commodities to the domestic feeding programs. OSDBU conducts regular vendor outreach sessions to identify marketing strategies and information on how small farmers can market their products to USDA. These sessions and the OSDBU outreach enable small farmers to establish relationships with USDA procurement officials, leading to increased procurement opportunities.

USDA programs also supported the purchase of over $11 billion in fruits and vegetables via purchases made independently by millions of SNAP recipients and school meal planners when they include these foods in the meals they serve. Nutrition education provided through domestic nutrition assistance programs promotes diets that conform to the Dietary Guidelines, which would further increase fruit and vegetable consumption for most individuals.

We also support local farm to school efforts by providing technical assistance resources to our cooperating agencies. In 2000, USDA issued a step-by-step guide on the Small Farms/School Meals Initiative which details how to bring small farms and local schools together. In 2005, USDA issued Eat Smart—Farm Fresh! A Guide to Buying and Serving Locally-Grown Produce in School Meals, which provides best practices and strategies for finding locally-grown food and implementing Farm to School initiatives. We will be updating this publication later this year, with new success stories, additional resources from outside organizations, and basic tools for operating a successful program from start to finish. To support these efforts, we have an Emerson Hunger Fellow assisting the Department with Farm to School issues. The Hunger Fellow is identifying opportunities to help institutions use local procurement options when appropriate, and determining the most effective ways to improve Farm to School efforts.

In addition, USDA continues to ramp up the very popular Fresh Fruit and Vegetable program that started several years ago in schools. The program has increased from $9 million in 2008 to over $108 million in 2009 and we anticipate continued growth due to the strong support for the program and increased funding in the 2008 Farm Bill.

Further, the revisions have been made to the Women's, Infants, and Children (WIC) food packages to add fruits and vegetables to the program. As you know, the nutrients brought by fruits and vegetables are very much needed by all Americans, and particularly by the WIC demographic. This change was initiated by the Clinton Administration and will finally go live nationwide on October 1, 2009. With this change WIC will begin to improve the nutritional status of WIC recipients every day, and will help them develop good nutritional habits and eat more fruits and vegetables for the rest of their lives.

Ready to Eat Nutrition

This year, USDA's Agricultural Marketing Service (AMS) purchased 3.3 million pounds of fresh-cut apples in 2 ounce bags for limited national distribution to National School Lunch Program recipients and is working with fresh cut apple producers and distributors in an effort to overcome several distribution issues. Early indications from schools that have received the fresh-cut apples slices are that the program seems to be working well and the product is highly acceptable. Schools have indicated a desire for AMS to purchase fresh cut fruit and vegetables to aid their efforts in meeting the Dietary Guidelines for Americans. Based upon the anticipated success of the fresh cut apples pilot, AMS plans to expand the program to include fresh cut baby carrots in single-serving sizes. AMS met with fresh cut baby carrot representatives on February 26, 2009, to begin collaborating on efforts and lessons learned from the fresh cut apples test purchase. AMS and FNS are working closely together to assure all distribution issues from the fresh cut apple pilot are addressed prior to a procurement of fresh-cut baby carrots. AMS hopes to conduct a test purchase in FY 2010.

The Specialty Crop Block Grant Program (SCBGP)

The Specialty Crop Block Grant Program (SCBGP) was authorized on December 21, 2004, by Section 101 of the Specialty Crops Competitiveness Act of 2004. The Act authorized the USDA to provide grants to states to enhance the competitiveness of specialty crops. Under the SCBGP, the agency, commission, or department responsible for agriculture within the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands are eligible to apply for grant funds directly to the USDA.

To date AMS has granted funds to benefit 746 projects. The States utilized these funds to implement projects, which pertained to specialty crop production, education, marketing and promotion, food safety, research, and pest control/plant health.

Crop Insurance, Commodity Programs and Disaster Payments

We have made tremendous strides in making the Federal crop insurance program more widely available and a better value for specialty crop producers. Over the last decade, the value of specialty crops with crop insurance protection has quadrupled from about $4 billion in 1998 to over $16 billion in 2008. While the value of specialty crops covered by crop insurance has risen sharply, we are continually conducting research on new insurance products and testing new types of coverage.

USDA's Risk Management Agency helps farmers and ranchers manage their business risks with effective, market-based risk management products through a network of public and private-sector partners. RMA's mission is to promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of America's agricultural producers. As part of this mission, RMA administers the crop insurance program on behalf of the Federal Crop Insurance Corporation (FCIC).

RMA offers crop insurance products for a variety of specialty crop growers, most of which are well suited to small farmers. Specialty crops comprise about 20 percent of RMA's product portfolio. Most of the new product development and pilot programs being offered by RMA are geared specifically to specialty crops. Pilot crop insurance programs are currently in place for specialty crops such as bananas, coffee, avocados, cultivated clams and nursery crops; while development efforts are underway for crops such as, lawn seed and strawberries.

Most recently, we announced that beginning with the 2011 crop year we will pilot test a new product that will provide California citrus and avocado producers with coverage against losses from quarantines. Quarantine coverage is of great interest to many specialty crop producers and we have high hopes that this pilot, although limited and narrow in scope, will be successful and can be expanded to other crops and other areas of the country.

RMA also offers two comprehensive whole farm pilot programs: Adjusted Gross Revenue (AGR) and Adjusted Gross Revenue-Lite, which provide protection against low revenue due to unavoidable national disasters and market fluctuations that occur during the insurance year. Covered farm revenue consists of income from agricultural commodities, including incidental amounts of income from animals and animal products and aquaculture reared in a controlled environment. The AGR and AGR-Lite products provide insurance coverage for multiple agricultural commodities in one insurance product, and can be particularly suitable for small farmers.

In addition, specialty crop producers who do not yet have access to crop insurance are not left out. These producers are able to take advantage of the non-insured crop disaster assistance program (NAP). NAP provides a catastrophic level of protection for crops that do not have crop insurance coverage. Losses resulting from a loss in production due to a natural disaster are covered. All commercial crops that are produced for food or fiber are eligible to participate in NAP.

Also, specialty crop growers have received significant assistance through *ad hoc* crop disaster programs that have covered nearly every crop year since 1988. Further, the 2008 Farm Bill established 5 new permanent disaster programs that will provide a new level of certainty to producers across the country. Foremost among the new disaster programs, the Supplemental Revenue Assistance Program (SURE) will provide assistance to specialty crop producers for quantity and quality losses resulting from a natural disaster. We expect regulations implementing SURE to be published later this fall. We will begin taking applications for 2008 and 2009 crop loss assistance as soon as the regulations are in place. In addition to SURE, the Tree Assistance Program (TAP) helps producers of orchards and vineyards replant and rehabilitate after natural disasters. We also expect TAP regulations to be published later this fall.

Farm Ownership and Operating Loans

USDA's Farm Service Agency (FSA) farm loan programs have a statutory mandate to finance family farms, and have excelled at doing so. These programs have a long history of being directed to smaller farms that are operated by a family with modest additional labor. FSA direct and guaranteed farm ownership loans may be used to purchase farmland, construct or repair buildings and other fixtures, and promote soil and water conservation. Direct and guaranteed operating loans may be used to purchase items such as livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses such as minor improvements to buildings and costs associated with land and water development.

The vast majority of FSA loans are made to diversified farming operations which may include specialty crops in addition to livestock, dairy, and row-crops such as corn and soybeans. Recent data indicates that the average FSA direct operating loan is only $59,000 and the average FSA direct loan borrower has less than $200,000 in gross farm income. New guaranteed loans are estimated to be roughly $750,000 for fiscal year 2009. So far this year, FSA has provided credit, either directly or by a loan guarantee, to over 29,000 family farmers.

Conservation Programs

Producers wishing to transition into organic production are often faced with the daunting task of converting their operations from conventional agricultural practices to a sustainable organic system. USDA operates several programs that are designed to assist producers with this task. Through the Agricultural Management Assistance (AMA) Program USDA helps to mitigate financial risk through production or marketing diversification or resource conservation practices, including soil erosion control; integrated pest management; and transitioning to organic farming.

In addition, the Environmental Quality Incentives Program (EQIP) offers financial and technical assistance to help producers install or implement structural and management practices on eligible agricultural land. EQIP provides payments up to 75 percent of the incurred costs and income foregone of certain conservation practices and activities. However certain historically underserved producers (limited resource farmers/ranchers, beginning farmers/ranchers, socially disadvantaged producers) may be eligible for payments up to 90 percent of the estimated incurred costs and income foregone. Historically, that assistance has included helping producers to make beneficial, cost effective changes to production systems, including transition to organic production. However, the 2008 Farm Bill reinforces this purpose by specifically including transitioning to organic production as an eligible purpose under EQIP.

Trade Assistance, Inspection and Protection

Critical to ensuring the efficient and sustainable production of specialty crops are USDA's efforts to enhance crop protection from domestic and invasive pests and

pathogens through improved detection, identification, and eradication technologies. For example, USDA's IR-4 program, utilizing resources across 11 USDA locations, works to develop management and control strategies for such key crop pests and diseases as the glassy-winged sharpshooter, fruit flies, peachtree borer, and the tomato spotted wilt virus. The relatively small acreages of specialty crops make it unlikely that the agricultural chemical companies will commit the resources needed to label their products on specialty crops. IR-4, both at USDA and the landgrant universities, collects the data needed to request Environmental Protection Agency (EPA) approval of critical management tools for specialty crops.

The 2008 Farm Bill reauthorized the Technical Assistance for Specialty Crops (TASC) program, which assists U.S. organizations in activities designed to overcome sanitary, phytosanitary and technical barriers to trade in exporting U.S. specialty crops.

Our Market Access Program (MAP) administered by the Foreign Agricultural Service also plays a role in our efforts to assist American agricultural producers and processors in competing internationally. Small companies receive funding from FAS on a cost-share basis through nonprofit trade organizations and four State-Regional Trade Groups (SRTGs) comprised of state departments of agriculture.

The four State-Regional Trade Groups – Food Export Association of the Midwest USA, Food Export USA Northeast, Southern United States Trade Association, and Western U.S. Agricultural Trade Association – support FAS' efforts to coordinate international marketing programs for processed foods and other regional agricultural products. These partnerships combine the resources of the private sector and state departments of agriculture with program and financial resources of USDA to expand exports of U.S. agricultural products and to educate companies in export marketing.

AMS also has several programs to help facilitate the marketing of specialty crops. AMS enforces the Perishable Agricultural Commodities Act (PACA), which was enacted at the request of the fruit and vegetable industry to promote fair trade in the industry. The PACA protects businesses dealing in fresh and frozen fruits and vegetables by establishing and enforcing a code of fair business practices and by helping companies resolve business disputes.

Federal marketing orders are locally administered by committees made up of growers and/or handlers, and often a member of the public. Marketing order regulations, initiated by industry and enforced by USDA, bind the entire industry in the geographical area regulated if approved by producers and the Secretary of Agriculture.

Using marketing orders and agreements, industries may request the Department to establish regulations to (1) maintain the high quality of produce that is on the market; (2) standardize packages and containers; (3) regulate the flow of product to market; (4) establish reserve pools for storable commodities; or (5) authorize production research, marketing research and development, and advertising. Currently there are 32 fruit and vegetable marketing orders.

AMS' quality grade standards and grading services are voluntary tools that industry can use to help promote and communicate quality and wholesomeness to consumers. For products such as fresh and processed fruits and vegetables, the grade mark isn't always visible on the retail product. In these commodities, the grading service is used by wholesalers, and the final retail packaging may not include the grade mark. However, quality grades are widely used--even if they are not prominently displayed--as a "language" among traders. They make business transactions easier whether they are local or made over long distances. Consumers, as well as those involved in the marketing of agricultural products, benefit from the greater efficiency permitted by the availability and application of grade standards. There are more than 312 product standards for fruit, vegetable, and specialty crops.

Authorized by federal legislation, research and promotion programs are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. The programs are all fully funded by industry assessments. Board members are nominated by industry and appointed officially by the Secretary of Agriculture. AMS oversees the activities of the boards or councils and approves budgets, in order to assure compliance with the legislation. There are several research and promotion programs serving the specialty crop industry including hass avocados, blueberries, watermelons, potatoes, mushrooms, honey, mangoes, and peanuts.

The National Organic Program (NOP) develops, implements, and administers national production, handling, and labeling standards for organic agricultural products. The NOP also accredits the certifying agents (foreign and domestic) who inspect organic production and handling operations to certify that they meet USDA standards.

Finally, the, Federal-State Marketing Improvement Program (FSMIP) is a matching grant program that provides matching funds to State Departments of Agriculture and other appropriate State agencies to assist in exploring new market opportunities for food and agricultural products, and to encourage research and innovation aimed at improving the efficiency and performance of the marketing system.

The Animal and Plant Health Inspection Service (APHIS) helps defend America's animal and plant resources from agricultural pests and diseases. For example, if the Mediterranean fruit fly were left unchecked, it would result in several billions of dollars in production and marketing losses annually. In the event that a pest or disease of concern is detected, APHIS implements emergency protocols and partners with affected States to quickly manage or eradicate the outbreak. This aggressive approach has enabled APHIS to successfully prevent and respond to potential pest and disease threats to U.S. agriculture.

Research

USDA places high priority on research to develop specialty crops, recognizing their excellent value and high potential benefits for producers, especially small farmers.

Specialty crops research efforts include the areas of breeding and genetic resources; the detection, identification, and management of pathogens, pests, and weeds; mechanization and automation; nutrition and food safety; environmental sustainability and water management; and new uses for specialty crop products and waste.

A key focus of USDA's intramural research crop production and protection programs is its genetics, genomics, and breeding efforts, which have particular application for small farmers, who often rely on the public sector for superior new varieties. By increasing the development, evaluation, and use of genetic resources, USDA scientists are working to more fully exploit the genetic potential of specialty crops. The agency's many breeding programs in turn use these resources to develop high yielding, disease- and pest-resistant crop varieties that are well suited to meet the various regional needs of small farmers.

Also important are USDA's efforts to develop new and improved automation and mechanization technologies that reduce labor and energy requirements for crop production, which can significantly aid small farm growers especially when labor availability is uncertain.

The 2008 Farm Bill established the Specialty Crop Research Initiative (SCRI) to support the specialty crop industry by developing and disseminating science-based tools to address needs of specific crops and their regions in five focus areas: improving crop characteristics through plant breeding, genetics and genomics; addressing threats from pests and diseases; improving production efficiency, productivity and profitability; developing new innovations and technologies; and developing methods to improve food safety.

Projects supported by SCRI have addressed research and extension needs for crops that span the entire spectrum of specialty crops, from sustainable production systems for turf grass to mechanical fruit thinning devices for peaches and apples. Except for projects that addressed plant breeding, genetics and genomics of specific crops, successful applicants simultaneously addressed needs in more than a single crop. Major projects were also funded to protect important specialty crops from invasive pests, such as Citrus Greening.

To address issues facing the U.S. specialty crop industry, Congress authorized in 2004 the creation of a National Agricultural Research, Extension, Education and Economics (NAREEE) Specialty Crop Committee as a permanent committee of the NAREEE Advisory Board. This committee is charged with studying the scope and effectiveness of research, extension, education, and economics programs affecting the specialty crop industry. The committee develops annual reports containing findings and recommendations that are submitted to the Secretary of Agriculture, the Under Secretary for REE, and congressional staff for consideration in developing program priorities.

USDA Support for Business Development

Small, family farmers' success with specialty crops and farmers markets will ultimately depend on their ability to build strong, sustainable business structures. USDA Rural

Development (RD) provides a wide range of financial and technical support for rural business development. Many of these programs can be used to support activities undertaken by recipients who are interested in marketing their products locally and regionally, including processing and packaging as well as marketing.

Value-Added Producer Grant (VAPG) Program. The Value-Added Producer Grant Program provides grant funds to agricultural producers for planning activities and working capital expenses to assist them in receiving a greater share of the consumer's dollar for value-added agricultural products. The 2008 Farm Bill specifically allows the inclusion of locally-produced food as an eligible value-added product and requires a simplified application form and process for project proposals requesting less than $50,000.

In addition, the Farm Bill directed RD to give priority to projects that increase the opportunities for beginning farmers and ranchers, socially disadvantaged farmers and ranchers, and operators of small- and medium-sized farms and ranches that are structured as a family farm And, there is a reserve of 10 percent of the funds made available to fund projects that benefit those groups as well as target the funding of applications of eligible entities that propose to develop mid-tier value chains.

Business and Industry Guaranteed Loan Program (B&I). The purpose of the B&I Program is to improve, develop, or finance business, industry, and employment in rural communities. This is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. While the B&I Program is not oriented towards production agriculture, it is a potential source of support for rural businesses engaged in agricultural processing and marketing activities.

In addition, the 2008 Farm Bill provided for specific eligibility for loan guarantees made to establish and facilitate enterprises that process, distribute, aggregate, store, and market locally or regionally produced agricultural food products to support community development and farm and ranch income. Food products could be raw, cooked, or a processed edible substance, beverage, or ingredient used or intended for use or for sale in whole or in part for human consumption.

Rural Microentrepreneur Assistance Program. The Rural Microentrepreneur Assistance Program (RMAP) is a new program created by the 2008 Farm Bill. We currently anticipate issuing a proposed rule by the end of this calendar year, with initial applications to be accepted early in 2010.

This program will provide business based technical assistance and training coupled with small amounts of capital to micro level businesses including family owned and operated small farms. These farms and businesses may be retailing raw produce at local markets and farmers markets or, may be adding value to their product- such as jelly, pickled mushrooms, gourmet pies; furniture built from sustainably harvested wood; wood based musical instruments, local art work; and animal by products such as emu oil, organic cheese, sausage; and so forth- and taking it to market as well.

We are excited about the prospect of increasing economic opportunity in rural areas as home based businesses and very small farming entities unable to obtain funding elsewhere are assisted in maintaining self sufficiency or expanding into business incubators and/or directly to small town centers, creating regional flavor, moving local produce and product to close by urban areas, creating economic impact from the ground up, increasing self sufficiency, and supporting family based operations.

Conclusion

Mr. Chairman and Members of the Subcommittee, I am proud to be joining the team at USDA and to have the opportunity to work with you on this and other important issues. This is a dynamic time for U.S. food and agriculture. We have a lot of history behind us and many challenges ahead. I look forward to working with you, as always, as we push toward our goals and continue this outstanding path of progress.

I am happy to answer any questions you might have.

Testimony of Bill Holbrook
House Small Business Subcommittee on Rural and Urban Entrepreneurship and Trade
Thursday, July 30, 2009

Chairman Shuler, Ranking Member Luetkemeyer, thank you for allowing me to testify today.

My name is Bill Holbrook. I am a full time farmer from Waynesville, North Carolina, which is located in the Chairman's District. I grow specialty crops such as peppers, tomatoes, cucumbers and burley tobacco on 35 acres. I am the 6th generation to farm my land.

Running a small family farm is about survival. Unpredictable weather and disease pressures always make raising a crop a challenge. The risk I have in my crop is concentrated and the slightest disruption – whether drought or new regulations – can seriously impact my operation.

I'm able to keep my farm running by being resourceful and creative. Farming is not easy, but I'm passionate about it. And so I keep planting a crop each year with the help of God and my family.

My testimony will focus on three issues: 1) the Specialty Crops Title of the 2008 Farm Bill and how it impacts small farmers like me; 2) food safety legislation; and 3) my concerns about the Clean Water Restoration Act, S. 787. I realize the focus of this hearing is on the Farm Bill's impact on small farmers. Accordingly, the bulk of my comments will relate to this issue, but the other two issues will have a big impact on me and other farmers large and small and I want to make the Subcommittee aware of my concerns.

First, as all of you know, the 2008 Farm Bill contained – for the first time – a title dedicated to specialty crops. This is a great step forward for specialty crop producers and agriculture as a whole. Unlike the Commodity Title, the Specialty Crop Title will not put money in a farmer's pocket. Rather, it will solidify the foundation of the specialty crop industry. Specifically, this title would expand opportunities for direct producer-to-consumer marketing, improve farmers markets, roadside stands and community-supported agriculture initiatives and help fruit and vegetable producers address food safety, pest and disease management issues. As a result, these provisions should indirectly benefit me as a producer as well as the general consumer.

The Farm Bill also provided States with funding for various programs through the Specialty Crops Block Grant initiative. In North Carolina, our State Department of Agriculture has experienced strong demand for competitive grant funding under this program. In fact, the Department reports that it has received 61 grant applications requesting just over $5 million. However, the State only received $1 million total funding. Although it is natural to wish for more assistance, I am encouraged by the strong demand for these funds. I anticipate these grants will help expand markets for my crops by increasing marketing and promotional opportunities. Further, I hope these funds are used to help me and other farmers prepare to meet future food safety regulations for fruit and vegetables.

I am also hopeful Congress will fully fund the Farm Bill's pest and disease detection and control programs because recent regulations issued by EPA restricting the use of fumigants by requiring

larger setbacks are a serious threat to the future of my farm. For example, my average field size is less than 5 acres. Under the EPA's new regulation, the setback for some fumigants must be a quarter mile. Thus, if I want to use a certain fumigant on my land, I lose the use of a large portion of my fields or all of some of them. If I chose not to use the fumigant, I become more vulnerable to soil borne diseases. In this situation, I need additional assistance in battling pests and disease. By fully funding the Farm Bill's pest and disease initiatives, Congress can help me deal with this problem over the long term.

My final thoughts about the Farm Bill relate to risk management tools, even though these provisions are contained elsewhere in the Farm Bill. According to USDA's Risk Management Agency, only 18% of crops sold in North Carolina were covered by crop insurance. This inadequate amount of coverage is even worse for specialty crops. Only 73% of the apples grown in North Carolina have crop insurance. For cabbage, the coverage amount is 16%. For peaches, the amount is 60%. Although blueberries are completely covered and 83% of potato acreage is insured, only 9.5% of strawberries are covered by an insurance product.

I understand the value of crop insurance. In fact, I purchased Multi-peril Crop Insurance for all of my crops for many years. But eventually the expense became too much for me to bear. In 2009, very few tomato growers in our state bought crop insurance. It is important to note that in 2008 North Carolina's tomato crop was about 3,400 acres valued at $33.7 million. That's about $9,900 per acre. In the mountains of North Carolina, tomatoes are one of the highest value crops we can grow. But the kicker is few can afford to protect their tomatoes with crop insurance.

In the alternative, I purchased NAP coverage (non-insured crop disaster assistance) this year. At best, this will cover less than one-third of the value of my crop. To be eligible for NAP assistance, I must suffer greater than a 50% production loss. Thus, if I sustain a 70% loss, NAP will cover only 20% of my loss. On that 20%, I may be paid 55% of the average market price for my tomatoes.

As you can tell, the NAP program is woefully inadequate as a risk management tool, especially for specialty crops. But it is the only affordable way that I may survive a serious disaster such as a drought or flood. This area greatly needs reform and I urge you to work with your colleagues on the House Agriculture Committee to address this deficiency in the NAP program.

I understand the focus of this hearing is on the Farm Bill and its Specialty Crop Title, but I want to briefly touch on two other issues that pose significant challenges to my ability to survive as a small farmer.

The next issue I want to talk about is the food safety bill moving through the U.S. House of Representatives, H.R. 2749, the Food Safety Enhancement Act of 2009. I do not believe a single member of this Subcommittee or any member of Congress is opposed to the idea of improving our food safety system. But I urge you to be careful as you draft this legislation, and to reject a one-sized fits all approach to produce safety. Small family farms cannot survive this kind of legislation as it is written.

Having recently completed a food safety audit on my farm it is evident that small farms do not have the monies, personnel, and capabilities, as do large corporate farms, to pay for water testing, audits and equipment, and to develop Standard Operating Procedure manuals. Some procedures are especially not practical. Examples include not allowing my pet dog in the fields, prohibiting spitting in the fields, and controlling wild and domestic animals along the ¾ of a mile of river frontage that I use for irrigation. These regulations will pit farmer against farmer, example being: livestock, dairy and fowl production operations are not to be located near crop production areas. In addition, there are still farmers in remote areas of our region that do not have on-line access or even computers needed to do research to develop their SOPs.

I am a member of the North Carolina Fresh Produce Safety Task Force, a broad coalition of industry, academics and regulators that is designed to enhance the competitiveness of the State's fresh produce industry. My colleagues on this task force and I know that diversity is inherent in agriculture, especially in the produce sector. Any food safety legislation enacted by Congress must start in a way that enables producers to keep their food safe without burdening them with regulations they cannot possibly implement. Simply put, the regulations imposed by this bill or the FDA must take into account farm size and type. Food safety standards should be risk-based and commodity specific. In the view of many farmers, USDA should have a specific role in the development of food safety regulations because they have the knowledge and resources to make sure that farm size and type are appropriately considered.

The last issue I want to address is a bill pending in the U.S. Senate, S. 787, the Clean Water Restoration Act. This bill greatly troubles me and many of my neighbors in Western North Carolina because it would dramatically expand federal authority to regulate water beyond what is reasonable. Specifically, the bill strikes the term "navigable" from the Clean Water Act and replaces it with an expansive definition of the term "waters of the U.S." This new definition would include all interstate and intrastate waters. As a result, the federal government would have authority to regulate almost any body of water in the nation, including those areas that are rarely, if ever, wet. The mountains of North Carolina have many areas – known as wet weather springs – that are only occasionally wet that would fall under the reach of this bill. In North Carolina, the State already has jurisdiction over isolated wetlands and features such as wet weather springs. Therefore, we do not need the federal government asserting power over these areas, too. Contrary to the claims of its supporters, the Clean Water Restoration Act does not restore the original intent of the Clean Water Act. In truth, it greatly expands current law. In Western North Carolina most crops are grown along waterways. This act will require buffer areas along any waterway and that will reduce the amount of crop area in fields adjacent to these waterways. To farm you have to have land and water. If either of these two is eliminated or reduced it is a very real threat to the survival of that farm.

I believe that one of the greatest threats to the survival of my farm, or any small farm, is regulations that increase costs and limits the use of any part of the farm. As a Subcommittee, you can help me continue to farm by ensuring that the voice of the small farmer is considered as important legislation is drafted.

Thank you, Mr. Chairman, for allowing me to testify before the Subcommittee. I look forward to your questions.

Testimony of Kenny Barnwell, Apple Grower, Henderson County, North Carolina

Chairman Shuler and Ranking Member Luetkemeyer,

My name is Kenny Barnwell. I'm an apple farmer from Henderson County, which is located in the Chairman's District.

When I returned to the family farming operation after I graduated from Greensboro College in 1980, the apple industry in Henderson County was a thriving industry. At that time, there were 33 Apple Packing Operations and almost 10,000 acres of apple orchards and today there are only 4 Apple Packing Operation and about 5,500 acres of apple orchards. These numbers, however, do not accurately reflect present condition of the industry.

In the late eighties, the apple market in Henderson County began to disappear. This change was brought about by the use of controlled atmosphere storage in Washington State. This change enabled the growers in Washington State to market apple year round, which removed the "window" when North Carolina had been marketing most of its apples, a time that occurred before any other apples were available from the new crop.

With the loss of this market advantage and the depressed prices for early apple production many growers went out of business or reduced their acreage. Most of the rest of the growers then began to rely more heavily on process grade apple production. The processing apple market was a way for growers to balance their apple production mix. Growers produced less fresh grade apples but made up the difference by producing more processing grade apples. This business model worked until the juice processing plant in Mountain Home, N.C., the Gerber processing plant in Asheville, N.C., and the National Fruit processing plant in Lincolnton, N.C. closed. As a result, growing apples in Henderson County in the 1990's was a very challenging undertaking. The loss of markets and the boom on real estate put a lot of pressure on many growers to make some very hard decisions about what they were going to do in the future.

At this time many new varieties of apples were shown to work very well in the climate in Henderson County. Most of the early research on these new varieties was done at the Mountain Research Station in Fletcher, N.C. This research station is operated by North Carolina State University, A&T State University and the North Carolina Department of Agriculture. This new apple production is now coming into full production and has opened many new markets for our apples. The local grown food movement has been important in our area because we are very near many large markets (Atlanta, Ga., Charlotte, N.C., and all of Florida). Also a new processing apple plant to slice apples has been built in Henderson County by the Henderson family. This plant's production and many of the fresh apples produced in Henderson County are now going into the school nutrition program thanks to the increase in funding from the new

Farm Bill. The Farm Bill has also provided much need funding for research in mechanical harvesting of apples. With new methods of harvest we would be less dependent on migrant labor for harvest.

My own route in the apple industry has followed a changing course. When I returned to the farm I worked for my Uncle for nine years in the 1980's and then went into business for myself. I bought an apple orchard in 1983 and the rented additional acreage in 1989 and became a fulltime apple farmer. Since then I have purchased part of a packing house where we no longer pack apples, I have changed from older varieties and large trees to almost all newer varieties and dwarf trees. In that time, I also worked as an adjuster for Federal Crop Insurance and have served on most agricultural committees that you can serve on in Henderson County and in North Carolina.

The apple industry in Henderson County is now strong and doing very well. However the industry is still very fragile and faces many challenges. Some of these challenges are the increased cost of production, the new regulations in food safety, and the questions about the availability of enough labor to harvest the crop. We as growers feel that we will be able to deal with this changing environment with the help of research and the continued recognition that apples and other specialty crops are an important part of agriculture in the United States. Without the funding in the Farm Bill, we growers could not continue.

We must have Federal Crop Insurance to help mitigate the inherent unpredictability of the weather as we experienced in 2007 when most of the crop was destroyed in an Easter freeze. Chairman Shuler came to our packing house and meet with growers twice and gave much need support in Edneyville and in Washington. His hard work helped to get apples and other specialty crops included in a crop disaster bill that provided much needed help in very difficult times and is one of the reasons I would call the apple industry healthy. We as producers face many challenges. I feel that we will be able meet them all with the continued help and understanding from members of Congress like you.

Prepared Statement on behalf of the United Fresh Produce Association

Mark Williams
Chief Financial Officer
Flavor 1st Growers and Packers
Horse Shoe, North Carolina

Before the
U.S. House of Representatives
Committee on Small Business
Subcommittee on Rural Development, Entrepreneurship and Trade
July 30, 2009

Good morning Chairman Shuler, Ranking Member Luetkemeyer and Members of the Subcommittee. My name is Mark Williams and I am the Chief Financial Officer and Food Safety Coordinator of Flavor 1st Growers and Packers located in Horse Shoe, North Carolina. Additionally I serve as a County Commissioner for Henderson County, North Carolina, which ranks second in total dollars from crop production for the state. I am also part owner of small family farm producing apples and ornamental trees.

Flavor 1st is a grower, packer, shipper, and repacker specializing in vine ripe tomatoes, southern vegetables, corn and peppers. We source product year round, and have farming operations in Florida, Georgia, South Carolina and North Carolina. Our repacking warehouse in Hendersonville, North Carolina operates year round and we have seasonal operations in Belle Glade and Homestead, Florida and Bainbridge George. Our customers include retail grocery stores and food service companies, and our products are delivered up and down the east coast from Boston to Miami.

There are several important issues I would like to discuss today that are important for strengthening the fresh produce industry in the United States.

General Thoughts on Food Safety and Produce

I have watched with great interest over the last several years the policy debate here in Washington, DC about potential changes in our food safety laws. We support many of those changes. Yet, I am reminded everyday that produce consumed in the United States is an extraordinarily safe and healthy food. Every major worldwide public health authority advises that the health benefits of eating produce far outweigh risks; and over 1 billion servings of produce are consumed daily in the U.S., almost universally without a food safety incident.

While, these statistics do not lie, we also must recognize that consumer confidence in their food is at an all-time low. According to a recent survey conducted for United Fresh Produce Association, 88% of the respondents indicated they are at least somewhat concerned about the safety of produce while 21% are at least very concerned about food safety and produce. This must change as fear has no place in the fresh produce department.

Ensuring the safety of fresh produce is an ongoing and integral focus for the entire industry. With a product that is grown in a natural environment and usually eaten raw, it is critical that the produce industry take every opportunity to ensure that our products are grown and handled properly at every step of the supply chain from grower to retailer, the produce industry is making tremendous investments to assure that the highest quality and safest produce is available to consumers to enjoy everyday.

Challenges for food safety

- **Multiple food safety audits from customers** – One of our greatest challenges today is the lack of a consistent and agreed-upon standard for Good Agricultural

Practices. Without that government endorsed standard, different customers demand different food safety audits which are burdensome to our company. Food safety personnel could do a better, more efficient job if they had one standard to adhere to instead of trying to make sure that our controls will meet the nuances of several sets of metrics.

- **Consistency of auditing and inspections** – Although many of the metrics in different audits are identical, we have found it difficult to deal with multiple third party auditors due to the fact that different auditors focus on different parts of the metrics. This would be a challenge for either third-party auditors or government inspectors. For example, one third party auditor will focus heavily on land use and water quality while another third party auditor will focus heavily on paperwork, & records.

- **Cost** – Range of cost varies tremendously when all audits intend to do about the same thing. I believe that with a consistent and agreed-upon government standard, the cost of food safety inspections should be borne by the general public since it is the general public's health that is being protected. The current system, lacking that government standard, allows the private auditing industry to charge whatever they can especially when customers dictate to producers which third party audit they will accept. There are no checks and balances in place to prevent price gouging.

Key Recommendations for Food Safety Reform

Put simply, we are at a point where we must work to rebuild public confidence in our system of food safety government oversight, such that when another outbreak occurs, the public can have confidence that it is the result of an isolated breakdown in one situation, not an endemic problem causing them to question the safety of all the produce they eat.

With an analogy of the airline industry, we must have rigorous government oversight and strong industry compliance with the clear, scientifically vetted safety practices. But, when an isolated tragedy occurs, we must get back on the airplane knowing that next flight is inordinately safe – just as spinach, tomatoes, or peppers from thousands of farms were safe on the day of the tragedy in our industry, and the next day, and the next day. Therefore the industry has focused on three major policy principles that are aimed to protect public health and ensure consumer confidence.

1. *Must allow for a commodity-specific approach, based on the best available science* – Produce safety standards must allow for commodity-specific food safety practices based on the best available science. In a highly diverse industry that is more aptly described as hundreds of different commodity industries, one size clearly does not fit all. For example, the food safety requirements of products grown close to the ground in contact with soil are far different from those grown on vines or trees. And, the large majority of produce commodities have never been linked to a food borne disease. In fact, a recent FDA federal register notice in 2007 confirmed that five produce commodities have been associated with 90% of all food borne disease outbreaks in the past 10 years, and that is where we must direct our resources.

2. *Must be consistent and applicable to commodity or commodity sector, no matter where grown or packaged in the United States, or imported into the country* – Produce safety standards must be consistent for an individual produce commodity grown anywhere in the United States, or imported into this country. Consumers must have the confidence that safety standards are met no matter where the commodity is grown or processed. I want to know that if I am required to comply with food safety requirements, my competitors are complying with the same standard.

   Because of the variation in our industry's growing and harvesting practices in different climates and regions, flexibility is very appropriate and necessary. For

example, some production areas use deep wells for irrigation while others use surface water and flowing rivers. Some farms use sprinkler irrigation, others use a drip system laid along the ground, and still others use water in the furrows between rows of produce. But the common factor must be that all sources of irrigation water must meet safety standards that protect the product. That must be true whether the produce is grown in North Carolina, California, or Mexico.

3. *Must be federally mandated with sufficient federal oversight of compliance in order to be most credible to consumers* – Achieving consistent produce safety standards across the industry requires strong federal government oversight and responsibility in order to be most credible to consumers and equitable to producers.

   The U.S. Food and Drug Administration, which is the public health agency charged by law with ensuring the safety of the nation's produce supply, must determine appropriate nationwide safety standards in an open and transparent process, with full input from the states, industry, academia, consumers and all other stakeholders.

   For this work, FDA must also have strong relationships with the USDA, state agriculture and regulatory officials, and foreign governments to ensure that compliance is taking place. Cooperative agreements between FDA and the states have been extremely effective in providing oversight of food safety standards.

   In particular, USDA has been a strong ally and has offered a number of means to assist the produce industry in safely growing, handling and processing fresh produce. For example USDA through AMS offers several auditing programs that assist the industry in measuring good agricultural practices, good handling practices, and HACCP programs in processing plants. These are good education and training programs, as well as a means to measure individual operators' understanding and implementation of food safety practices.

Risk Management Tools

Risk has always been a part of agriculture and today, agriculture producers have an array of tools at their disposal with which to manage risk. These tools include crop and/or revenue insurance, production contracts, marketing contracts, hedging in futures, futures options contracts, vertical integration, diversification, off-farm income, and production and cultural practices.

The produce industry has changed dramatically over the years and the industry is now learning that it is a game with new rules, new stakes, and most of all, new risks. The nation's most successful producers are now looking at a deliberate and knowledgeable approach to risk management as a vital part of their operations. For them, risk management means operating a business with confidence in a rapidly changing world and their ability to deal with risks that come with new and attractive business opportunities. Over the years, little has been done at the federal level to ensure that the fruit and vegetable industry has access to risk management tools that are cost - effective and reliable. Additionally, the produce industry has become increasingly concerned about the development of risk management products that can create market distortion.

There now exists a window of opportunity to change the way produce industry risk management tools are developed and administered in such a way to reflect the fundamental differences between growing and marketing fruit and vegetable crops as opposed to traditional farm program crops. By increasing the flexibility of risk management tools that will respond to the diverse and heterogeneous needs of producers and commodities, and by creating policies that are of real value to growers, opportunities for effective risk management options for the fruit and vegetable industry can be achieved.

It should be noted that many of the insurance products that are offered by USDA's Risk Management Agency are not focused on fruits and vegetables commodities. One of the differentiating factors is that the commodities produced in our sub-sector of agriculture are among the highest value products on a per acre basis. Additionally, our growing seasons often do not coincide with USDA's crop years. Therefore, the risk management products that are offered for the traditional program crops cannot easily be translated to the fresh produce industry.

Some insurance products that bear further research include insuring producers for when their commodities fall within a quarantine area but are not affected by the particular pest or disease. In this case, because the product is otherwise consumable, current crop insurance products have been unavailable to those producers who still suffer significant economic harm. As part of this discussion, RMA should also look at possibly developing recall insurance product to help protect innocent farmers that are caught up in a recall that were never part of the actual incident. Many innocent spinach growers across the country were put into this situation back in September of 2007 when FDA told consumer to not eat spinach and effectively shutting down an entire industry. In turn, this came down to one 50 acre farm in California that was implicated in the outbreak.

Additionally, it may be appropriate for RMA to consider expanding the use of revenue assurance programs that allow producers to insure a portion of their farm's revenue against unusual fluctuations in the marketplace. The foundation of coverage for these insurance products in the specialty crop industry should be that they rely upon the producer's historical track record of production and profitability. This would strengthen the products and limit the government's risk by eliminating underperforming operations via rolling averages.

ACCESS TO CREDIT

Access to credit is an essential component of any successful business. For the agriculture sector, it is particularly important given our susceptibility to weather-related events and other uncontrollable factors. The history of the traditional lending institutions is that they are quick to abandon the agriculture sector during difficult times. That reality gave rise to the Farm Credit System

Though the Farm Credit system has operated in a responsible, conservative manner over many years, they are not immune to the credit crisis. Their sources of funds have constricted along with the rest of the global banking system. This pressure on Farm Credit puts further pressure on their members.

We have already experienced less desirable rates and terms being offered. For example, lines of credit on a variable plan have been quoted to us with a floor rate which is approximately 250 basis points higher than last year's rate offering. Term debt is now set on balloon maturities much shorter than in the past.

Underwriting standards have tightened considerably in response to the macroeconomic upheaval. If ratio requirements and other lending covenants became unreasonably restrictive, farmers will suffer in just as significant a way as if they faced a natural disaster.

While loan guarantee programs and low interest government loans have their place, they are not the sole solution to this issue. These programs tend to be burdensome in the application and underwriting process. Additionally, there is limited enticement for banks to use FSA guarantees.

Legislation to provide greater enticement for banks to make agricultural loans without overly burdensome requirements should be carefully considered. Most farmers have been conservative forward-thinking managers. Given the tremendous risk associated with their business, all they are asking for is a fair chance to continue to operate given

the unusual economic circumstances we currently face. They are not asking for a free hand-out or terms so lenient that it would allow marginal producers to overstay their welcome in the marketplace.

Thank you again for the opportunity to participate in this hearing and I look forward to answering any questions that you may have.

Statement of the
National Council of Farmer Cooperatives

Regarding
The Future of Specialty Crops for Small Family Farmers
from a Cooperative Perspective

By Rich Hudgins
President and CEO, California Canning Peach Association
Council Member, National Council of Farmer Cooperatives

Submitted to the
Subcommittee on Rural Development, Entrepreneurship, and Trade
Committee on Small Business
U.S. House of Representatives

Heath Shuler, Chairman
Blaine Luetkemeyer, Ranking Member

July 30, 2009

Chairman Shuler, Ranking Member Luetkemeyer and members of the Subcommittee, my name is Rich Hudgins, and I am President and CEO of the California Canning Peach Association (CCPA), a grower-owned marketing and bargaining cooperative which represents nearly 500 growers who produce 80 percent of the nation's canned peach supply. I am also a Council Member of the National Council of Farmer Cooperatives (NCFC), and serve as Chair of NCFC Fruit, Vegetable & Nut Subcommittee. On behalf of my California cling peach grower members, and more broadly of the more than two million farmers and ranchers who belong to one or more farmer cooperatives, thank you for continuing to engage on issues affecting U.S. agriculture, as many of us in agriculture operate small businesses and deal with the same issues as those outside of agriculture who own small businesses.

I appreciate this opportunity to submit testimony regarding issues facing the specialty crop industry, and respectfully request that this statement be made part of the official hearing record.

Since 1929, NCFC has been the voice of America's farmer cooperatives. Our members are regional and national farmer cooperatives, which are in turn composed of nearly 3,000 local farmer cooperatives across the country. NCFC members also include 26 state and regional councils of cooperatives. Farmer cooperatives allow individual farmers the ability to own and lead organizations that are essential for continued competitiveness in both the domestic and international markets.

America's farmer-owned cooperatives provide a comprehensive array of services for their members. These diverse organizations handle, process and market virtually every type of agricultural commodity. They also provide farmers with access to infrastructure necessary to manufacture, distribute and sell a variety of farm inputs. Additionally, they provide credit and related financial services, including export financing.

Established in 1922, the California Canning Peach Association is the nation's oldest farm bargaining association. As a farm cooperative, the CCPA is owned and directed by its grower-members and dedicated to serving their needs with a variety of services. Our average member grows just 40 acres of peaches and typically farms other tree crops as well. Most importantly, the CCPA provides the leadership that safeguards the profitability and success of California's processing peach industry.

The California Canning Peach Association is the only organization dedicated exclusively to improving the welfare of cling peach growers and the strength of California's cling peach industry. From pricing issues to legislative concerns, the CCPA provides its members with the best means available to positively influence their futures.

What is a farmer cooperative?

Farmer cooperatives are businesses owned and controlled by farmers, ranchers, and growers. They contribute to a vibrant rural economy, providing jobs for over 250,000 Americans. Farmer cooperatives offer the best opportunity for our nation to realize the

farmer-focused ideal of enduring, competitive agricultural industry. Through their cooperatives, farmers are empowered, as elected board members, to make decisions affecting the current and future activities of the cooperative.

Farmer cooperatives exist for the mutual benefit of their farmer members with earnings returned on a patronage basis. For example, a farmer member who accounts for 10 percent of the volume of corn delivered to the cooperative would receive a patronage dividend equal to 10 percent of the earnings derived from the handling, processing, marketing, and sale of corn. Such patronage dividends help boost the income of farmers directly or by reducing the effective cost of the goods and services provided.

Many of the issues before Congress are the issues that have the potential to impact farmer cooperatives, and especially the future of the specialty crop industry. Those issues include climate change, immigration and labor, food safety, and pensions, as well as water, international trade, tax issues, and farm bill implementation.

Climate Change

While NCFC supports an energy policy that maximizes a role in energy independence for American agriculture, farmer cooperatives and their member-owners are very concerned that a carbon reduction program will result in higher business costs, including those related to energy, fuel, and fertilizer. The wide range of commodities and value-added products marketed by farmer co-ops include some of which are produced under energy-intensive circumstances; many others may be import-sensitive or rely on a strong export market. If the only recourse is to pass along increased costs to the consumer in the form of higher priced goods, American agriculture risks losing even more of its competitive edge in the global market place.

NCFC's membership is broad and diverse, geographically and by commodity, and our membership includes a number of cooperatives that market various specialty crops, both fresh and processed. To date, there is very little data on the potential gains or impacts this diverse agricultural sector may face from a cap-and-trade program. Production of many fruits, vegetables, and tree nuts is resource intensive involving considerable investment in inputs. It is unclear if, or how, specialty crop producers will benefit from an agricultural offsets program. We recommend that any revenues generated by allowances allocated to U.S. Department of Agriculture (USDA) would be for transitional assistance to those operations not able to benefit from an offset program under cap and trade for whatever reason, and are therefore bearing only the costs of GHG reduction in the U.S. Such funds could also be used for research and development of further low cost GHG reducing or mitigating practices in agriculture.

The specialty crop industry is also concerned because those agricultural products with the least opportunity to participate in an offset market will have the highest sensitivity to competition from international competitors not subject to emissions reductions standards. For example, the biggest competition U.S. specialty crop producers face comes from China and South America. Legislation should not give overseas producers an unfair

competitive advantage due to the fact that they do not have to comply with emissions reduction goals. Furthermore, any measures adopted to address these competitiveness concerns must also be WTO legal and not threaten possible retaliatory trade sanctions.

Immigration

Farmer cooperatives and their farmer and rancher members must have access to an adequate, dependable, and flexible labor force in order to ensure their continued competitiveness in the international marketplace. This need is felt acutely by the specialty crop industry, where seasonal laborers are vital at very specific times to perform the skilled jobs of picking, sorting, and packing fruits and vegetables. As part of the broad Agriculture Coalition for Immigration Reform (ACIR), NCFC has long been an advocate for a responsive temporary guest worker program, along with enhancements for the H2A program.

We must recognize that thousands of U.S. family farmers who provide this country with the lowest-cost, safest, and most reliable food supply in the world need an immigration policy which permits temporary guest workers to pick our fruits and vegetables, milk our cows, and perform all other jobs that are being filled today by workers who lack legal status. Just as we cannot have a thriving Wall Street while Main Street suffers, we cannot have a thriving Main Street in rural America if more of our food production is forced to relocate outside the borders of the U.S. Simply put, our fruits and vegetables are going to continue being picked by foreign workers. The question for Members of Congress is whether that harvest will take place in our country or in a foreign country. President Obama made the issue of energy independence one of the cornerstones of his campaign. Would it not be ironic if we developed a new strategy for energy independence only to find ourselves more reliant on something even more vital to our country than oil—our nation's food supply?

The Agricultural Job Opportunity, Benefits, and Security Act of 2009 (also known as AgJOBS) has been introduced in the House (H.R. 2414) by Congressmen Howard Berman (D-CA) and Adam Putnam (R-FL). The bill seeks to provide immigration reform for agriculture and embodies the core principles supported by NCFC. Without action the consequences for agriculture include an estimated $9 billion in annual agricultural production lost to foreign competition. We encourage Congress to seek an approach that includes a reliable verification system, adequate transition provisions, and a usable guest worker program that accommodates modern agriculture, including year-round livestock and dairy operations as well as farms with seasonal labor needs.

Food Safety

America's farmer cooperatives have a large stake in producing, handling, and processing our nation's food supply, and take pride in providing the most safe, abundant, and affordable food in the world. NCFC supports science-based, risk-based enhancements to our nation's food safety system. But some of the policies put forward in the bill recently passed by the Energy and Commerce Committee, the Food Safety Enhancement Act of

2009 (H.R. 2749), are overly burdensome, duplicative, and may not actually result in a safer food supply. We appreciate the many changes that have already been incorporated into the bill, and the work that the Members of the Energy and Commerce Committee have done to make it more feasible for agriculture—but we continue to have several concerns with the bill.

Our first concern is that Congress is contemplating a requirement that all facilities register with the Food and Drug Administration (FDA) annually, and pay a fee of $500 per domestic or foreign facility, not to exceed $175,000 per company per year. Especially for farmer cooperatives and other small businesses, any facility registration fee is onerous, and in the case of farmer cooperatives, is a direct tax on cooperative farmer members.

Another concern with the bill is FDA's access to business records. The Food Safety Enhancement Act of 2009 dramatically expands FDA's access to facility records and expressly encompasses farms in the records access requirement. The bill must provide protections against unauthorized disclosure by FDA of proprietary or confidential business information to which the agency gains access when reviewing the contents of written food/feed safety plans and other records.

Farm Bill Implementation

NCFC strongly supported passage of the 2008 Farm Bill to meet the needs of U.S. producers; ensure the long-term viability, health, and competitiveness of U.S. agriculture; and help meet domestic and international food, fiber, feed, and energy needs. The 2008 Farm Bill also made a precedent-setting investment in programs that are of significant benefit to specialty crop producers. The bill dedicates approximately $3 billion in funding for specialty crop, pest and disease, trade, nutrition, research, and conservation priorities. We remain focused on the lengthy implementation process ongoing at USDA and encourage Congress to appropriate funds as directed by the bill.

Of particular interest to NCFC's specialty crop members, the Farm Bill provided funding for the Market Access Program (MAP). MAP provides matching government funds to help U.S. producers, farmer cooperatives, and other trade organizations promote U.S. agricultural products overseas. Cooperatives and their farmer-owners benefit directly when new markets are opened to their products, or when market share is gained in existing markets. The increased profits of the cooperative flow back to the farmer-owners in increased dividends, boosting their income from beyond the farm gate. USDA data show that every dollar invested in foreign trade translates into $16 in additional exports. Studies also show that every additional billion dollars in agricultural exports creates 17,000 new U.S. jobs, which makes MAP a jobs program. We encourage Congress to continue supporting the Market Access Program and the ability of cooperatives to directly participate in the program.

While many U.S. specialty crops are very reliant on foreign markets, clearly trade is a two-way proposition when it comes to the fruit, vegetable, and tree nut industries as

international competition is increasing both in foreign markets and in the U.S. For example, our industry looks to take advantage of foreign markets as exports of U.S. canned peaches in 2008 stood at about 1.3 million cases. Meanwhile, U.S. imports of canned peaches have continued to grow to roughly 4.2 million cases in 2008, with more than half of this volume coming from China. I highlight this because all of the issues that I've discussed in my testimony—climate change, immigration, food safety—and how they are addressed will potentially have very large implications for U.S. agriculture's competitiveness, both in the U.S. and throughout the world.

Pension

Many farmer cooperatives sponsor defined benefit pension plans for their employees. Because of the collapse of the stock market, plans that were fully funded just one year ago are now facing huge shortfalls. For many of our cooperatives, pension funding obligations will more than double in the next two years. Such funding requirements are staggering and will result in cooperatives laying off employees, freezing benefits, and postponing investments in order to fund their pension plans. Legislative action is needed immediately as organizations are making funding and employment decisions now for the coming year. Cooperatives are not asking for a bailout from pension funding obligations, but merely for a longer time horizon to meet those obligations. I urge that the Committee support legislation providing funding relief to sponsors of both multiple-employer and single-employer defined benefit pension plans.

Tax

On the tax front, I would like to draw the Committee's attention to a recently introduced bill, H.R. 2739. (An identical bill, S. 1641, has been introduced in the Senate.) The bill attempts to bring fairness to the tax code by extending the bonus depreciation provided in the stimulus bill to growers of trees, vines and nuts. Under the stimulus bill signed into law in February, property acquired and placed in service in 2009 is eligible for "bonus" depreciation – an additional first year depreciation deduction equal to 50 percent of the basis in the property. However, permanent crops such as trees and vines that are planted in 2009 are not considered "placed in service" until the harvest of their first commercially harvestable crop. In most cases, it takes significantly longer than a year before these permanent crops produce their first commercially harvestable crop and, therefore, these crops (even though planted in 2009) are not eligible for bonus depreciation.

H.R. 2739 would extend bonus depreciation to plantings occurring in 2009. Because 2009 tree and vine plantings are already completed, growers may not be able to take advantage of this beneficial provision. NCFC would support making this provision permanent and not limiting it to 2009 plantings.

Water

I can hardly talk about the future of specialty crop production in California without talking about water, which is truly a threat facing California agriculture. California is

experiencing the worst drought in almost fifty years. We also face what many are calling a "regulatory drought" do to recent actions taken to protect the Delta Smelt, which is listed as endangered under the federal Endangered Species Act. Hundreds of millions of dollars in crop losses have already occurred due to water supply cut-backs, as land has been left fallow or converted for development or other uses. Without further action to address expanded water storage and water conveyance facilities, the California farmer may join the Delta Smelt as an endangered species!

Child Nutrition Reauthorization

This year, the Child Nutrition Act must be reauthorized. NCFC supports increasing consumption of all fruits and vegetables, without pitting one form of fruit or vegetable against the other, in the National School Lunch Program, the School Breakfast Program, and the WIC program. Sound science and the *Dietary Guidelines* do not distinguish between fresh, canned, dried, or frozen fruits or vegetables, and we encourage Congress not to make a distinction either. Congress' efforts are especially important to the individuals, families, and children who rely on federal nutrition programs.

Children who participate in the school feeding programs are among the population at highest risk for childhood obesity, malnutrition, and other health problems associated with a poor diet. Often, the fruits and vegetables they receive through these federal programs are the only access some individuals have to healthy foods, or in some cases, food at all. We can start now to form a culture of fruit and vegetable consumption, which will lead to a healthier future for all sectors of society, and in turn reduce future health care costs for our nation.

NCFC looks forward to working with Congress to provide more healthy fruits, vegetables, and nuts in many forms for federal nutrition programs.

In conclusion, thank you again for the opportunity to testify today before the Subcommittee. There are a number of important issues before Congress, many of which would have a lasting impact on whether small family farms are able to stay in business and producing fruits, vegetables, and tree nuts for the U.S. and the world. We appreciate your attention to these issues and urge you to continue to preserve our cooperatives' abilities to produce our nation's food, feed, and fiber.

Testimony of Jim Anderson
Executive Director
Missouri Wine and Grape Board

Submitted to the
House Committee on Small Business
Subcommittee on Rural Development, Entrepreneurship and Trade

For a hearing to discuss
"The Future of Specialty Crops for Small Family Farmers"

July 30, 2009
Washington, D.C.

Good morning, Chairman Shuler, Ranking Member Luetkemeyer, Members of the Committee. Thank you for the opportunity to be here. My name is Jim Anderson and I am the Executive Director of the Missouri Wine and Grape Board in Jefferson City, Missouri. The Missouri Wine and Grape Board is responsible for researching, developing and promoting Missouri grapes, juices and wine. The funds are used to develop programs for growing, selling and marketing of grapes and grape products grown in Missouri. Missouri now has 90 wineries and 1,500 acres of grapes planted. Made up of mostly small and mid-size wineries, the state's industry contributes over $701 million each year to the state's economy.

As an emerging and growing specialty crop industry that is populated by many small family farms, we were pleased to see that mandatory funding for specialty crop-programs is included in the Farm Bill. Considering specialty-crops now make up 50 percent of the

current farmgate value in the United States, providing money for research, marketing and quality improvement is a good investment in agriculture and in the future of small farms.

We are particularly pleased to see the inclusion of the Specialty Crop Block Grant Program and the addition of the Clean Plant Network as permanent programs in the Farm Bill. These are two programs that Missouri's wine and grape industry will directly benefit from.

The Specialty Crop Block grant program was initially established as a stand-alone program in 2001. Since that time, these grants have been used by the industry nationwide for marketing, research, wine trails, establishing wine and cuisine partnerships, development of online educational manuals for new and existing wineries and growers, procurement of more efficient wine processing equipment, and other projects to help industry producers.

Missouri began using the specialty crop block grants in 2004 by funding a multi-year project with the goal of reducing the shortage of adequately educated young people entering the wine grape industry to establish a network of grower-based demonstration vineyards stretching across the Missouri River Hills region and the West Central area of Missouri. This allows local FFA chapters, vocational-agriculture classes in high school and producers to participate in these on-farm demonstration programs which give the tools to start their own vineyards.

In fiscal year 2008, the Missouri Department of Agriculture started a Specialty Crop Grant program calling for projects to enhance the Missouri Speciality Crops. One specific project is a voluntary online registration database for farmers such as grape growers, organic growers, vegetable farmers, and other producers of pesticide-sensitive specialty crops to alert applicators of a crop's location. This will help prevent danger to the crop by legal applicators and co-ops that commercially spray. Presently, fiscal year 2009 grant application proposals are being collected for the state's Specialty Crop Grants program.

The National Clean Plant Network is a new program with mandatory Farm Bill funding and will be involved in decisions about importing and clearing new varieties and developing plans to ensure that plants available commercially are disease free. Plant centers will be used for diagnostic and pathogen elimination services in an effort to produce clean plant material, including vines, for propagation; and maintain blocks of pathogen-tested plant material. The clean plant material will be made available to states for certified plant programs as well as private nurseries and growers. Missouri is one of the states that will be looped into the network through the University of Missouri-Columbia and Missouri State University.

Healthy plant stock is key to the cost-effective production of horticultural crops such as fruit trees, nut trees, and grapevines. Healthy plant stock is easier to propagate, requires fewer chemical inputs, and producer higher crop yields and better crop quality than common plant stock. Healthy planting stock is necessary for U.S. agriculture to remain

internationally competitive and economically viable. The most effective approach to producing healthy plant stock is through programs which screen valuable plant selections for viruses and other diseases that can spread by contaminated plant stock. Quarantine services provided by clean stock programs reduce the chance of introduction of exotic pests that can be difficult and costly to control. For example, the cost of planting a vineyard is $10,000 - $15,000 per acre and the vines do not bear fully mature fruit for five years. A grower generally plans for those vines to be growing and productive for 30 years. Therefore, if a disease shows up and destroys part or all of the crop in year eight, the grower has not only lost those productive years and but is also faced with the tremendous cost of replanting. Having clean plant stock greatly reduces or eliminates the risk of such a loss.

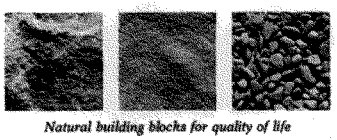
The grape and wine industry's economic impact is significant in areas not affected by most other agricultural industries. When wineries are built, bed and breakfasts, restaurants, hotels, gift shops, artisians and other tourist attractions soon follow. As the industry matures, these "clusters of tourism" are developing statewide. The industry also benefits other businesses such as oak barrel and stainless steel tank manufacturers, chemical and equipment dealers, wine wholesalers and retailers in the state. This rural economic development is common and can be seen in other states such as California, New York, and Oregon.

Presently, about one million people visit Missouri wineries yearly. As tourism clusters develop in rural areas, small producers and businesses can grow. In 2007, the Missouri

wine industry paid $39.4 million in state taxes and $28.9 million in federal taxes and provided over 6,000 full-time jobs. Missouri's 1,500 acres of vineyards and 90 wineries are made up of small farms with an average of less than 15 acres of grapes and family wineries over 10,000 gallons. Data indicates that grape and wine production in Missouri offers substantial growth in jobs, incomes and tax revenue to the state. With 8 percent of the wine market share currently being served by Missouri wineries, the opportunity for growth is excellent.

In conclusion, the Missouri Wine and Grape Board strongly supports the Farm Bill for the Specialty Crops industry.

NATIONAL STONE, SAND & GRAVEL ASSOCIATION



Natural building blocks for quality of life

Statement of the

National Stone, Sand & Gravel Association

Hearing On

"Meeting the Needs of Small Businesses and Family Farmers in Regulating our Nation's Waters"

Submitted to the
House Committee on Small Business
U.S. House of Representatives

July 22, 2009

Madam Chairman and Members of the Committee:

On behalf of the National Stone, Sand & Gravel Association (NSSGA), we offer this testimony for the hearing on, "Meeting the Needs of Small Businesses and Family Farmers in Regulating our Nation's Waters." NSSGA and its member companies go to great lengths to ensure proper stewardship of the land in our aggregate operations and we are proud of our record. However, NSSGA is concerned that legislation pending in Congress that goes under the misnomer of the Clean Water Restoration Act would have a negative impact on our member's operations.

NSSGA's interpretation of the Clean Water Restoration Act (S. 787), as passed by the Senate Environment & Public Works Committee, is that it would expand the jurisdiction of the Clean Water Act (CWA) so broadly that multiple permits would be required to continue aggregate operations, adding another layer of regulation on an already highly regulated industry. Further, the broad definition of 'Waters of the U.S.' will result in unnecessary over-regulation that will negatively impact our customers. NSSGA also is concerned that the legislation abrogates the federal – state partnership that is central to the successes of the CWA. For these reasons NSSGA opposes the legislation and believes it will ultimately result in higher construction material costs while failing to achieve the enumerated goals of the legislation.

NSSGA and our member companies have been involved in numerous court cases regarding CWA jurisdictional issues. We laud the goals of the CWA and support the regulators in implementing this complex law. Our members, however, believe the current CWA Section 404 program should be restructured to focus on the value and function of wetlands. They are opposed to expanding the jurisdiction of the CWA due to the unintended consequences which could have a negative impact on, and limit access to, essential aggregate deposits.

According to the U.S. Geological Survey, NSSGA is the largest mining association by product volume in the world and represents the crushed stone, sand and gravel-or construction aggregate-industries. Our member companies produce more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed annually in the United States. There are more than 10,000 construction aggregate operations nationwide. Almost every congressional district is home to a crushed stone, sand or gravel operation. Proximity to market is critical due to high transportation costs, so 70 percent of our nation's counties include an aggregates operation. Of particular relevance to this hearing, 70 percent of NSSGA members are considered small businesses.

Clean Water Restoration Act (S. 787)

NSSGA does not believe the Clean Water Restoration Act as passed by the Senate Environment and Public Works Committee simply "restores the original intent of Congress." We believe it greatly expands the original intent of Congress by redefining jurisdiction of the CWA to the point that activities on dry land would be subject to the law. By removing the term "navigable" from the CWA, and redefining 'waters of the U.S.' as *all intrastate and interstate waters* the jurisdictional reach of the law becomes virtually endless.

Because the legislation is designed to define federal jurisdiction as broadly as possible and only includes two exemptions, NSSGA is concerned that areas that simply should not be regulated will end up being regulated. NSSGA believes the courts will interpret Section 4 as not limiting jurisdiction in any way, reasoning that if Congress wanted to exclude specific features they would have included them alongside the exemptions for prior converted cropland and waste treatment systems. The result of this unlimited jurisdiction will be the regulation of mud puddles, ditches, gullies, and other land features by the federal government and any alteration will require an expensive and time-consuming permitting process. Regrettably, the legislation does not differentiate between a spring mud puddle in the middle of an aggregate operation and an actual wetland that provides benefits to wildlife, flood protection, or water filtration.

Overregulation is simply bothersome if there are no additional costs associated with complying with the regulation, however in the case of section 404 permits the costs are quite substantial. In fact, a study of the CWA Section 404 permitting process found that obtaining a nationwide general permit from the Corps of Engineers took on average 313 days at a cost of $28,915. Moreover, obtaining an individual permit from the Corps took on average 788 days at a cost of $271,000. *See* David Sunding and David Zilberman, *The Economics of Environmental Regulation by Licensing: An Assessment of Recent Changes to the Wetlands Permitting Process*, 42 Nat. Resources J. 59 (Winter 2002). NSSGA believe that these costs will create a cost-prohibitive disincentive for small businesses to seek these permits in order to continue to operate – thus reducing economic activity at a time when Congress is working hard to restore economic growth.

Additionally, by including "and all interstate and intrastate waters, including lakes, rivers, streams (including intermittent streams), mudflats, sand flats, wetlands, sloughs, prairie potholes, wet meadows, playa lakes, and natural ponds, all tributaries of any of the above waters, and all impoundments of the forgoing" in the new definition of "waters of the United States," the legislation is abrogating the state-federal partnership that exists under the current law. The legislation would assert federal jurisdiction over all waters traditionally left to state regulation. In our opinion this dramatic expansion of the law far exceeds original Congressional intent, and edges on being unconstitutional.

It is important to note that the many past successes of the CWA are a direct result of the partnership between the federal government and the states. Voiding this partnership may have drastic unintended consequences as water and land use decisions would shift from local and state authority closest to the people who elected them, to the far removed federal government. Citizens and businesses seeking permits would be forced to deal with the federal government instead of their local city or county personnel. Local officials understand the issues and reasons for or against a project and importantly are accountable to the public for those decisions. By subjecting local water and land-use decisions to the delays, and potentially less responsive federal bureaucracy, the unintended consequence of the legislation may be further alienation of the citizenry as to the impact on them and their community, and a blatant disregard of their opinions.

Additionally, NSSGA is concerned that the legislation will negatively impact our members by granting CWA jurisdiction over man-made ponds in upland-areas at aggregate operations used in

conjunction with the normal course of business. These ponds are used in a variety of ways, including: sediment and erosion control, recycling of storm water for washing aggregate to meet the specifications of customers (notably state Departments of Transportation); dust suppression; and for vehicle wheel washes to eliminate tracking of aggregate material onto the public right-of-way. These ponds may take on, over the course of time, various characteristics of hydric soils or hydric vegetation, even though they are created in upland areas and have no hydrological connection to any flowing traditionally jurisdictional stream. Forcing these operations to obtain CWA permits for incidentally-created or man-made upland ponds will not achieve the goal of protecting the natural wetlands resources of the United States. Unfortunately, the legislation does not even give the regulators the authority to exempt such ponds.

After an aggregates operation's production ends, operators begin the process of reclamation. Again, operators' ability to conduct normal reclamation of their mine site could be severely limited under the broad jurisdiction of the CWA as proposed by the legislation. During this reclamation period operators return the land to a useable form to benefit the local community. Some of the uses of reclaimed quarries include: nature preserves, wildlife habitat, recreation areas, golf courses, housing subdivisions, water reservoirs, industrial parks, shopping centers, or any other use approved by the local zoning board. Any man-made water body created incidentally to aggregate production or reclamation would fall under the broad CWA jurisdiction of S. 787. Even if a quarry pond is slightly altered or even expanded, NSSGA believes this legislation would require a permit and possibly mitigation.

NSSGA worries that the proposed legislation could affect siting of future aggregate operations. Currently it takes a considerable investment of time and money to locate a suitable deposit for aggregate production, determine if the aggregate is of sufficient quantity and quality for development, and make it through the local, state and federal permitting process. For example, in California, a recent study warned that the state does not have sufficient aggregate reserves available to meet the needs of the communities unless additional deposits are located, permitted and developed within the next 15 years. (see Aggregate Availability in California, Department of Conservation, California Geological Survey, S. Kohler, 2006) . However, it takes on average 12 years to site and permit a new aggregate operation within the state of California. Florida is experiencing similar difficulties in siting or expanding aggregate operations. Legislation like S. 787 could delay the permitting process further as all potentially jurisdictional areas must be identified, thus delaying an already over-taxed permitting process of the federal government, as well as having unintended consequences on the aggregate operator's ability to conduct business. These kinds of delays for providing construction materials essential to the built environment will add expense to consumers and to stretched local and state budgets.

As introduced the Clean Water Restoration Act greatly expands federal jurisdiction far beyond the original intent of Congress in passage of the CWA and will severely impact aggregates businesses, as well as the communities served who need to maintain, repair and replace buildings, roads, airports and water-sewage treatment facilities (94 percent of asphalt is aggregate, 80 percent of concrete is aggregate).

NSSGA urges Congress to reassess this legislation and in the meantime seek input from the regulated community to identify and protect waters and wetlands that truly are important to

ecosystems and watersheds. NSSGA agrees that waters and wetlands that recharge groundwater, provides flood control, and/or water purification should be protected.

NSSGA also believes the Section 404 program can be improved by:

- Classifying wetlands based on value and function. Wetlands should be classified into three categories on a national, state or regional basis with "strict sequencing" in the high value wetlands; "public interest" (balancing) test in medium value wetlands; and automatic permit with mitigation requirements in lowest value wetlands.

- Developing incentive programs for private landowners to conserve wetlands on their property. Tax credits and other benefits encourage landowners to leave privately owned wetlands in their natural state and to manage such lands accordingly.

NSSGA is proud of the work our members do to protect the environment. By working together, wetlands that are truly valuable can be protected for the benefit of the environment, our nation's waters, and future generations while at the same time our members can continue to provide essential aggregate materials that sustain the quality of life enjoyed by all Americans.

COMMUNITY FOOD SECURITY COALITION

August 4, 2009

House Small Business Committee
Congresswoman Nydia Velazquez, Chairwoman
Congressman Sam Graves, Ranking Member

Subcommittee on Rural Development, Entrepreneurship, and Trade
Congressman Heath Shuler, Subcommittee Chair
Congressman Blaine Luetkemeyer, Subcommittee Ranking Member

c/o Darienne Gutierrez, Clerk
Darienne.Gutierrez@mail.house.gov

Dear Representatives Velazquez, Graves, Shuler, Luetkemeyer, and full committee:

Thank you for your leadership regarding the 2008 Farm Bill and specialty crops. We would like to take this opportunity to discuss Farm to School Programs and the vital role they can play in benefitting both the health of our nation's children and family farmers. Farm to School is based on the premise that students choose healthier foods, including more fruits and vegetables, when food is fresh, locally grown, picked at peak flavor and reinforced with educational activities. School meals are a vital part of the nation's responsibility for ensuring the health and well being of future generations. Improving the quality of school meals, while also making them accessible to all children is essential. School food services fight an uphill battle in providing kids with healthful food. But, with proper support, Farm to School projects can be a solution.

Existing research shows that Farm to School programs influence students on many levels. According to a Missouri study, the greater the exposure to farm-fresh fruits and vegetables, the greater the likelihood that a child ate them. Studies in Portland, OR and Riverside, CA found that students eating a farm-fresh salad bar consume roughly one additional serving of fruits and vegetables per day. And, additional research has shown that Farm to School programs have reduced consumption of unhealthy foods and sodas.

This research demonstrates that purchasing food locally or regionally for Farm to School programs can aid in combating obesity and poor nutrition. In testimony to Congress on May 15, 2009, Bill Dietz (Director of the Division of Nutrition, Physical Activity and Obesity of the National Center for Chronic Disease Promotion and Prevention at the Centers for Disease Control) said: "CDC has identified Farm to School Programs as an effective mechanism to improve the quality of school meals, enhance effectiveness of nutrition education, and provide opportunities for eco-literacy training of students through hands-on experiences in the outdoors." Additionally, the Robert Wood Johnson Foundation and Trust For America's Health released a new report "F as in Fat: How Obesity Policies are Failing in America" (July 2009) that highlights Farm to School Programs as a positive obesity prevention standard in schools.

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Farm to School programs also benefit local farmers by opening up a multi-billion dollar market. The transactions from farm to school keep dollars in the community, thus strengthening local economies and creating jobs. For example, the 60 farms providing products to local schools in Massachusetts are generating more than $700,000 in additional revenue each year. This $700,000, which could have been spent bringing fresh produce in from across the country, has instead been deposited back into the local economy, thus acting as its own mini-economic stimulus package. The multiplier effect for local and regional sourcing is estimated between 1.3 and 2.6, depending on assumptions of the analysis.

Even programs that cost a bit more to encourage local and regional sourcing are solid investments for states, according to recent research. For example, an Oregon pilot farm to school program in Portland and Gervais school districts that provided an additional seven cents per meal for schools to purchase local agricultural products demonstrated potential for not only providing healthier food to students but also for stimulating Oregon's local economy. A preliminary analysis by Ecotrust, an Oregon Non-Profit, indicated that $66,000 provided to schools resulted in $225,000 in local purchases and, for every dollar spent, an additional 87 cents was spent in Oregon. This multiplier of 1.87 is greater than that of SNAP (formerly Food Stamps) in the most recent economic stimulus package (1.76).

Selling to schools can be particularly important for beginning or socially disadvantaged farmers as schools provide a consistent and secure customer base as shown with the New North Florida Cooperative (NNFC). As one of the pioneers of the Farm to School approach, the NNFC has been working with school districts providing fresh produce for school meals since 1995. NNFC has 60-100 farmers involved at any given time from the states of Florida, Georgia, Alabama, Mississippi, and Arkansas. North Florida, where the program initially began, is an economically depressed area with high unemployment rates. The cooperative saw sourcing to schools as a new market bringing stability, profitability, and organization to small-scale farm operations. The farmers wanted bargaining power – they wanted to be "price-makers" rather than "price-takers" – which Farm to School provided. Sales from Farm to School provided a much-needed income supplement; in some cases doubling the yearly income of participating farmers.

With the 2008 Farm Bill, school districts can purchase local and regional foods for the National School Lunch Program and the School Breakfast Program through the allowance of geographic preferencing. Any Food Service Director who chooses to support producers within the state can ask for and take local bids meeting their specifications. However, with high overhead costs and limited budgets, School Food Service Director's are often nervous to try new things. As several of our members have told us, Food Service Directors "live in constant fear of losing their jobs due to budget issues." But, many Food Service Directors have expressed willingness and desire to purchase local products. "Seed money" is needed to help start programs nationwide. An opportunity to provide "seed money" funding exists in the 2009 Child Nutrition Act Reauthorization.

One effective way Congress can improve how American children eat in schools, while also

COMMUNITY FOOD SECURITY COALITION

benefitting the local economy, is to:

Enact $50 million mandatory, for Section 122: Access to Local Foods and School Gardens for grants to schools.

- Such funding covers start-up costs for farm to school programs through one-time competitive grants.
- 100-500 farm to school programs could be created with such funding—having the potential to impact tens of millions of children.
- This would allow schools to develop vendor relationships with nearby farmers, plan seasonal menus and promotional materials, start a school garden, and develop hands-on nutrition education

The bottom line: the ripple effect of Farm to School programs will benefit kids, enable schools to have the tools to do this the right way, and open up a large market for family farmers.

We appreciate your strong support of specialty crops and Farm to School programs. Please feel free to call on us for support you need as we move through the Child Nutrition Reauthorization process.

Sincerely,

Megan Elsener Lott
Policy Coordinator
Community Food Security Coalition

Andy Fisher
Executive Director
Community Food Security Coalition

August 12, 2009

The Honorable Heath Shuler
U.S. House of Representatives
422 Cannon House Office Building
Washington, DC 20515

Dear Congressman Shuler:

Thank you for the opportunity to appear before your Subcommittee on July 30, 2009. The issue of specialty crops is of vital importance to both the Nation and the Department of Agriculture, and it was an honor to be able to speak about some of the programs that USDA has to promote specialty crops and help small family farmers.

I would like to make a correction to two points in our discussion, however. Recalls, under USDA's current authorities, are voluntary actions on the part of industry. However, they are usually the result of active oversight and intervention by USDA's Food Safety & Inspection Service. As we discussed, USDA has a major role in the Food Safety Working Group, and we are open to any ideas that will strengthen our food safety system recall process.

Also, in our discussions, I said that for every $5 spent that provided SNAP benefits, there is a little over $9 that goes into the local economy. That estimate was made using an older methodology. For comparability, our Council of Economic Advisors recommends the common "multiplier" of 1.55 to estimate the effect of increased spending, which results in an impact of just a little over $7.50.

Again, thank you for the opportunity to appear before you to discuss these topics and the issue of specialty crops. I will look forward to continuing to discuss these and other issues with your Subcommittee.

Sincerely,

Kathleen Merrigan
Deputy Secretary

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