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108TH CONGRESS
*2d Session*
HOUSE OF REPRESENTATIVES
REPT. 108–750
Part 1

# SPECIALTY CROPS COMPETITIVENESS ACT OF 2004

OCTOBER 6, 2004.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. GOODLATTE, from the Committee on Agriculture, submitted the following

## R E P O R T

together with

## ADDITIONAL VIEWS

[To accompany H.R. 3242]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 3242) to ensure an abundant and affordable supply of highly nutritious fruits, vegetables, and other specialty crops for American consumers and international markets by enhancing the competitiveness of United States-grown specialty crops, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Specialty Crops Competitiveness Act of 2004".

**SEC. 2. FINDINGS AND PURPOSE.**

(a) FINDINGS.—Congress finds the following:

(1) A secure domestic food supply is a national security imperative for the United States.

(2) A competitive specialty crop industry in the United States is necessary for the production of an abundant, affordable supply of highly nutritious fruits, vegetables, and other specialty crops, which are vital to the health and well-being of all Americans.

(3) Increased consumption of specialty crops will provide tremendous health and economic benefits to both consumers and specialty crop growers.

(4) Specialty crop growers believe that there are numerous areas of Federal agriculture policy that could be improved to promote increased consumption of specialty crops and increase the competitiveness of producers in the efficient production of affordable specialty crops in the United States.

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specialty crops and increase the competitiveness of producers in the efficient production of affordable specialty crops in the United States.

(5) As the globalization of markets continues, it is becoming increasingly difficult for United States producers to compete against heavily subsidized foreign producers in both the domestic and foreign markets.

(6) United States specialty crop producers also continue to face serious tariff and non-tariff trade barriers in many export markets.

(b) PURPOSE.—It is the purpose of this Act to make necessary changes in Federal agriculture policy to accomplish the goals of increasing fruit, vegetable, and nut consumption and improving the competitiveness of United States specialty crop producers.

**SEC. 3. DEFINITIONS.**

In this Act:

(1) The term "specialty crop" means fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

(2) The term "State" means the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

(3) The term "State department of agriculture" means the agency, commission, or department of a State government responsible for agriculture within the State.

# TITLE I—STATE ASSISTANCE FOR SPECIALTY CROPS

**SEC. 101. SPECIALTY CROP BLOCK GRANTS.**

(a) AVAILABILITY AND PURPOSE OF GRANTS.—Subject to the appropriation of funds to carry out this section, the Secretary of Agriculture shall make grants to States for each of the fiscal years 2005 through 2009 to be used by State departments of agriculture solely to enhance the competitiveness of specialty crops.

(b) GRANTS BASED ON VALUE OF PRODUCTION.—Subject to subsection (c), the amount of the grant for a fiscal year to a State under this section shall bear the same ratio to the total amount appropriated pursuant to the authorization of appropriations in subsection (i) for that fiscal year as the value of specialty crop production in the State during the preceding calendar year bears to the value of specialty crop production during the preceding calendar year in all States whose application for a grant for that fiscal year is accepted by the Secretary under subsection (f).

(c) MINIMUM GRANT AMOUNT.—Subject to the appropriation of sufficient funds to carry out this subsection, each State shall receive at least $100,000 each fiscal year as a grant under this section notwithstanding the amount calculated under subsection (b) for the State.

(d) ELIGIBILITY.—To be eligible to receive a grant under this section, a State department of agriculture shall prepare and submit, for approval by the Secretary of Agriculture, an application at such time, in such a manner, and containing such information as the Secretary shall require by regulation, including—

(1) a State plan that meets the requirements of subsection (e);

(2) an assurance that the State will comply with the requirements of the plan; and

(3) an assurance that grant funds received under this section shall supplement the expenditure of State funds in support of specialty crops grown in that State, rather than replace State funds.

(e) PLAN REQUIREMENTS.—The State plan shall identify the lead agency charged with the responsibility of carrying out the plan and indicate how the grant funds will be utilized to enhance the competitiveness of specialty crops.

(f) REVIEW OF APPLICATION.—In reviewing the application of a State submitted under subsection (d), the Secretary of Agriculture shall ensure that the State plan would carry out the purpose of grant program, as specified in subsection (a). The Secretary may accept or reject applications for a grant under this section.

(g) EFFECT OF NONCOMPLIANCE.—If the Secretary of Agriculture, after reasonable notice to a State, finds that there has been a failure by the State to comply substantially with any provision or requirement of the State plan, the Secretary may disqualify, for one or more years, the State from receipt of future grants under this section.

(h) AUDIT REQUIREMENTS.—For each year that a State receives a grant under this section, the State shall conduct an audit of the expenditures of grant funds by the State. Not later than 30 days after the completion of the audit, the State shall submit a copy of the audit to the Secretary of Agriculture.

(i) AUTHORIZATION OF APPROPRIATIONS.—For each of the fiscal years 2005 through 2009, there is authorized to be appropriated to the Secretary of Agriculture $44,500,000 to make grants under this section.

# TITLE II—SPECIALTY CROP ADVANCEMENT

**SEC. 201. TECHNICAL ASSISTANCE FOR SPECIALTY CROPS.**

For each of the fiscal years 2005 through 2009, there is authorized to be appropriated to the Secretary of Agriculture $2,000,000 to carry out section 3205 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 5680). Amounts appropriated pursuant to this authorization of appropriations shall be in addition to any other funds made available to carry out such section.

**SEC. 202. REDUCTION IN BACKLOG OF AGRICULTURAL EXPORT PETITIONS.**

(a) REDUCTION EFFORTS.—To the maximum extent practicable, the Secretary of Agriculture shall endeavor to reduce the backlog in the number of applications for permits for the export of United States agricultural commodities. In achieving such reduction, the Secretary shall not dilute or diminish existing personnel resources that are currently managing sanitary and phytosanitary issues for—

(1) United States agricultural commodities for which exportation is sought; and

(2) interdiction and control of pests and diseases, including for the evaluation of pest and disease concerns of foreign agricultural commodities for which importation is sought.

(b) REPORT.—The Secretary of Agriculture shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an annual report specifying, for the year covered by the report—

(1) the total number of applications processed to completion;

(2) the number of backlog applications processed to completion;

(3) the percentage of backlog applications processed to completion; and

(4) the number of backlog applications remaining.

**SEC. 203. REPORT ON SANITARY AND PHYTOSANITARY EXPORT ISSUES.**

Not later than 180 days after the date of the enactment of this Act, the Secretary of Agriculture shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on significant sanitary and phytosanitary issues that affect the export of specialty crops.

# TITLE III—SPECIALTY CROP RESEARCH

**SEC. 301. METHYL BROMIDE ALTERNATIVES.**

(a) PRIORITY.—The Secretary of Agriculture shall elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the phase-out deadline in effect on the date of the enactment of this Act, including the estimated cost to the grower or processor associated with any alternatives proposed.

(b) AUTHORIZATION OF APPROPRIATIONS.—For each of the fiscal years 2005 through 2009, there is authorized to be appropriated to the Secretary of Agriculture $5,000,000 to carry out this section.

**SEC. 302. NATIONAL SPECIALTY CROP RESEARCH PROGRAM.**

Section 1672(e) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925(e)) is amended by adding at the end the following new paragraph:

"(45) SPECIALTY CROP RESEARCH.—Research and extension grants may be made under this section for the purpose of improving the efficiency, productivity, and profitability of specialty crop production in the United States.".

**SEC. 303. SPECIALTY CROP COMMITTEE.**

The National Agricultural Research, Extension, and Teaching Policy Act of 1977 is amended by inserting after section 1408 (7 U.S.C. 3123) the following new section:

**"SEC. 1408A. SPECIALTY CROP COMMITTEE.**

"(a) ESTABLISHMENT.—Not later than 90 days after the date of the enactment of the Specialty Crops Competitiveness Act of 2004, the executive committee of the Advisory Board shall establish, and appoint the initial members of, a permanent specialty crops committee that will be responsible for studying the scope and effective-

ness of research, extension, and economics programs affecting the specialty crop industry.

"(b) MEMBERS.—Individuals who are not members of the Advisory Board may be appointed as members of the specialty crops committee. Members of the specialty crops committee shall serve at the discretion of the executive committee.

"(c) ANNUAL COMMITTEE REPORT.—Not later than 180 days after the establishment of the specialty crops committee, and annually thereafter, the specialty crops committee shall submit to the Advisory Board a report containing the findings of its study under subsection (a). The specialty crops committee shall include in each report recommendations regarding the following:

"(1) Measures designed to improve the efficiency, productivity, and profitability of specialty crop production in the United States.

"(2) Measures designed to improve competitiveness in research, extension, and economics programs affecting the specialty crop industry.

"(3) Programs that would—

"(A) enhance the quality and shelf-life of fresh fruits and vegetables, including their taste and appearance;

"(B) develop new crop protection tools and expand the applicability and cost-effectiveness of integrated pest management;

"(C) prevent the introduction of foreign invasive pests and diseases;

"(D) develop new products and new uses of specialty crops;

"(E) develop new and improved marketing tools for specialty crops;

"(F) enhance food safety regarding specialty crops;

"(G) improve mechanization of production practices; and

"(H) enhance irrigation techniques used in specialty crop production.

"(d) CONSIDERATION BY SECRETARY.—In preparing the annual budget recommendations for the Department of Agriculture, the Secretary shall take into consideration those findings and recommendations contained in the most recent report of the specialty crops committee that are adopted by the Advisory Board.

"(e) ANNUAL REPORT BY SECRETARY.—In the budget material submitted to Congress by the Secretary in connection with the budget submitted pursuant to section 1105 of title 31, United States Code, for a fiscal year, the Secretary shall include a report describing how the Secretary addressed each recommendation of the specialty crops committee described in subsection (d).".

# TITLE IV—PEST AND DISEASE RESPONSE FUND

**SEC. 401. PEST AND DISEASE RESPONSE FUND.**

(a) ESTABLISHMENT.—There is established on the books of the Treasury an account to be known as the "Pest and Disease Response Fund". There shall be deposited into the Fund any proceeds received by the Secretary of Agriculture as reimbursement for services provided by the Secretary using amounts in the Fund.

(b) AVAILABILITY.—Amounts in the Fund shall remain available until expended.

(c) USE OF FUND.—In implementing the Animal Health Protection Act (7 U.S.C. 8301 et seq.) and the Plant Protection Act (7 U.S.C. 7701 et seq.), the Secretary of Agriculture shall have complete discretion regarding the use of amounts in the Fund to support emergency eradication and research activities in response to economic and health threats posed by pests and diseases affecting agricultural commodities.

(d) AUTHORIZATION OF APPROPRIATIONS.—For each of the fiscal years 2005 through 2009, there is authorized to be appropriated to the Secretary of Agriculture $1,000,000 for deposit in the Fund.

**SEC. 402. IMPORT AND EXPORT REGULATION REVIEW.**

(a) PEER REVIEW.—The Secretary of Agriculture shall enter into an agreement with the National Plant Board to obtain a peer review of the procedures and standards that govern the consideration of import and export requests under section 412 of the Plant Protection Act (7 U.S.C. 7712). The peer review shall be consistent with the guidance by the Office of Management and Budget pertaining to peer review and information quality.

(b) ELEMENTS OF REVIEW.—The peer review required by subsection (a) shall address, at a minimum—

(1) the preparation of risk assessments; and

(2) the sufficiency, type, and quality of data that should be submitted to the Secretary of Agriculture.

(c) SUBMISSION OF RESULTS.—The results of the peer review conducted under subsection (a) shall be submitted to the Secretary and Congress not later than 180 days after the date of the enactment of this Act.

**SEC. 403. MAINTENANCE OF FREDERICKSBURG INSPECTION TRAINING CENTER.**

For each of the fiscal years 2005 through 2009, there is authorized to be appropriated to the Secretary of Agriculture $1,500,000 for the maintenance of the Agricultural Marketing Service inspection training center in Fredericksburg, Virginia.

## BRIEF EXPLANATION

H.R. 3242 is intended to make changes in Federal agriculture policy in order to accomplish the goals of increasing fruit, vegetable and nut consumption and improving the competitiveness of United States specialty crop producers.

The bill is an authorization of $54 million per year over five years. There are several provisions designed to help U.S. specialty crop producers compete globally and export internationally, improve the focus of specialty crop research, and help improve response to pest and disease problems.

H.R. 3242 authorizes $44.5 million per year in state block grants to be used solely to enhance the competitiveness of specialty crops. Base grants of $100,000 will be awarded to each state with remaining monies to be allotted based on the proportion of the value of specialty crop production of each state in relation to the national value of specialty crop production for that year. Each state will have to submit a plan that fulfills the requirements of enhancing the competitiveness of specialty crops to the Secretary of Agriculture for approval. Additionally there are yearly audit requirements and the ability of the Secretary of Agriculture to disqualify states for future grant receipt if the states fail to comply with the requirements of the plan.

This bill also authorizes the appropriation of $2 million per year, in addition to Commodity Credit Corporation funds already made available, to carry out the Technical Assistance for Specialty Crops (TASC) program; authorizes $5 million per year and requires the Secretary of Agriculture to elevate the priority of current methyl bromide alternative research and extension activities and re-examine the risks and benefits of extending the phase-out deadline; authorizes $1.5 million per year for the maintenance of the Agricultural Marketing Service inspection training center in Fredericksburg, Virginia; and establishes and authorizes $1 million per year on the books of the Treasury a pest and disease response fund account. The Secretary shall have complete discretion regarding the use of this fund to support activities in response to economic and health threats posed by pests and diseases affecting agricultural commodities.

H.R. 3242 requires the Secretary of Agriculture to reduce the export petition certificate backlog, submit a report to Congress on the significant sanitary/phytosanitary issues that affect the export of specialty crops, and instructs the Secretary of Agriculture to enter into an agreement with the National Plant Board to obtain peer review of procedures and standards that govern consideration of import/export requests. Additionally the bill adds specialty crop research to the list of the United States Department of Agriculture's high priority research and extension activities, and establishes a permanent specialty crops committee under an existing board to

study research needs of specialty crops and make recommendations. Specialty crops are defined for the purposes of this bill.

## PURPOSE AND NEED

The specialty crop industry is very diverse and is comprised of fruits and vegetables, tree nuts and nursery crops. Specialty crop growers believe that there are numerous areas of Federal agricultural policy that could be improved to promote increased consumption of specialty crops and increase the competitiveness of producers in the efficient production of affordable specialty crops in the United States. Increased consumption of specialty crops will provide health and economic benefits to both consumers and specialty crop growers.

Due to the industry's diverse array of products, the specialty crop industry in the United States faces a higher number of emerging pests and diseases every month than any other market in the world. This problem is compounded by frequent trade restrictions and the imposition of sanitary and phytosanitary barriers placed on our commodities by other countries. United States specialty crop producers also continue to face serious tariff and other non-tariff trade barriers in many export markets. As the globalization of markets continues, it is becoming increasingly difficult for United States producers to compete against heavily subsidized foreign producers in both the domestic and foreign markets. It is the purpose of this Act to make necessary changes in Federal agriculture policy to accomplish the goals of increasing fruit, vegetable and nut consumption and improving the competitiveness of United States specialty crop producers.

## SECTION-BY-SECTION ANALYSIS

*Section 1. Short title*

Provides that this Act shall be known as the "Specialty Crops Competitiveness Act of 2004."

*Section 2. Findings and purpose*

Enumerates Congress' findings with respect to the nature of the specialty crops industry in the U.S. Declares that the purpose of this Act is to increase consumption of specialty crops and competitiveness of specialty crop producers.

*Section 3. Definitions*

(1) Defines "specialty crops" as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

The Committee is aware that no one legal definition currently exists for "specialty crops" and that each agency at the United States Department of Agriculture (USDA) has various definitions that reflect the development of different programs. For the purposes of this Act the definition of specialty crops is: fruit, vegetables, dried fruit, tree nuts and nursery crops (including floriculture). The block grant program is intended for all specialty crop producers, however their crops are marketed.

The State of Hawaii grows many unique crops, and the Committee considers certain crops such as, but not limited to, coffee, cacao, cut flowers, foliage, herbs, vanilla, ginger root, algae and

seaweed as specialty crops for the purposes of this Act. The Committee encourages Hawaii's State Department of Agriculture to work with USDA to determine additional eligible specialty crops, as appropriate.

(2) Defines "State" as the several states, the District of Columbia, and the Commonwealth of Puerto Rico.

(3) Defines "State department of agriculture" as the agency, commission, or department of a State government responsible for agriculture within the State.

## TITLE I—STATE ASSISTANCE FOR SPECIALTY CROPS

*Section 101. Specialty crops block grants*

(a) Requires the Secretary of Agriculture, during each of fiscal years 2005 through 2009, to make grants to States to be used by State departments of agriculture to enhance the competitiveness of specialty crops.

(b) Provides that the amount of each grant shall be based on the value of specialty crop production in each State in relation to the national value of specialty crop production for that year.

(c) Provides that each State shall receive no less than $100,000 during each year in which grants are provided to the states.

(d) Restricts eligibility for grants to those states that submit, for approval by the Secretary, an application containing a State plan.

(e) Requires a State plan to identify the State agency that will carry out the plan and indicate how the funds will be used to increase the competitiveness of specialty crops in that State.

(f) Instructs the Secretary of Agriculture to ensure that a State plan would carry out the purpose of the grant program. Provides that the Secretary may reject applications for grants.

(g) Provides that the Secretary may disqualify, for one or more years, a State from the grant program if the State fails to substantially comply with its State plan.

(h) Requires a state who receives a grant to conduct an audit of the expenditures and submit to the Secretary of Agriculture.

(i) Authorizes $44,500,000 for each of fiscal years 2005 through 2009 to make specialty crop block grants to states under this section.

## TITLE II—SPECIALTY CROP ADVANCEMENT

*Section 201. Technical assistance for specialty crops*

Authorizes $2,000,000 per year, in addition to CCC funds already made available, to carry out the Technical Assistance for Specialty Crops (TASC) program.

*Section 202. Reduction in backlog of agricultural export petitions*

(a) Instructs the Secretary to reduce the number of backlog permit applications for the export of agricultural commodities without diluting or diminishing existing personnel resources that are currently managing sanitary and phytosanitary issues.

(b) Requires the Secretary to report annually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, regarding the progress made in considering applications.

*Section 203. Report on sanitary and phytosanitary export issues*

Requires the Secretary to submit to Congress a report on the significant sanitary and phytosanitary issues that affect the export of specialty crops.

## TITLE III—SPECIALTY CROP RESEARCH

*Section 301. Methyl bromide alternatives*

(a) Requires the Secretary of Agriculture to elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the phase-out deadline.

(b) Authorizes $5,000,000 for each of fiscal years 2005 through 2009, to carry out this section.

*Section 302. National specialty crops research program*

Adds specialty crop research to the list of the Department of Agriculture's high priority research and extension activities.

*Section 303. Specialty crops committee*

Establishes a permanent specialty crops committee, under the National Agricultural Research, Extension, Education and Economics Advisory Board.

Requires the committee to study the scope and effectiveness of research, extension and economics programs affecting the specialty crop industry and report its finding to the Advisory Board.

Provides that if the Advisory Board adopts the findings of the committee's report, the Secretary of Agriculture shall submit the report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition and Forestry of the Senate. Requires the Secretary of Agriculture to consider the annual report of the committee when developing the Department of Agriculture's annual budget recommendations.

## TITLE IV—PEST AND DISEASE RESPONSE FUND

*Section 401. Pest and disease response fund*

Establishes a pest and disease response fund account on the books of the Treasury. Provides that the Secretary of Agriculture shall have complete discretion regarding the use of this fund to support activities in response to economic and health threats posed by pests and diseases affecting agricultural commodities. Authorizes $1,000,000 for each of fiscal years 2005 through 2009 to be deposited in the fund.

*Section 402. Import and export review*

(a) Instructs the Secretary to enter into an agreement with the National Plant Board to obtain a peer review of the procedures and standards that govern the consideration of import and export requests under section 412 of the Plant Protection Act (7 U.S.C. 7712).

(b) The peer review, at a minimum, shall address the preparation of risk assessments and the sufficiency, type, and quality of data that should be submitted to the Secretary.

(c) The results of the peer review shall be submitted to the Secretary of Agriculture and to Congress.

*Section 403. Maintenance of Fredericksburg inspection training center*

Authorizes $1,500,000 for each of fiscal years 2005 through 2009 for the maintenance of the Agricultural Marketing Service inspection training center in Fredericksburg, Virginia.

## COMMITTEE CONSIDERATION

### I. HEARINGS

The Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs of the Committee on Government Reform held a hearing on December 12, 2003, in Salinas, California. The hearing focused on the merits of H.R. 3242, the Specialty Crop Competitiveness Act. Witnesses representing the specialty crop industry discussed Federal financial assistance and domestic and international trade policies affecting the U.S. specialty crop industry's ability to be competitive in today's expanding global market. The hearing focused on the industry's concerns to demonstrate that legislative and regulatory changes are needed in order to moderate impacts on specialty crops.

The first witness panel was the Secretary of the California Department of Food and Agriculture, Mr. A.G. Kawamura. The second panel was Mr. Joseph Zanger, a member of the board of directors of the California Farm Bureau Federation; Mr. Jim Bogart, president of the Grower-Shipper Vegetable Association of Central California; Mr. John D'Arrigo, chairman of Western Growers; and, Mr. Robert Nielsen, vice president of Tanimura & Antle.

### II. FULL COMMITTEE CONSIDERATION

The Committee on Agriculture met, pursuant to notice, with a quorum present, on September 30, 2004, to consider H.R. 3242, the Specialty Crops Competitiveness Act of 2004, and other pending business.

Chairman Goodlatte called the meeting to order and made an opening statement as did Ranking Member Stenholm. Without objection, H.R. 3242 was discharged from the Subcommittee on Livestock and Horticulture and placed before the Committee to be open for amendment at any point. Counsel was then recognized to give a brief summary of the bill.

Mr. Ose was recognized to offer and explain an amendment to move $24,000,000 from Title IV, Section 401, the Pest and Disease Response Fund, to Title I, Section 101, Specialty Crop Block Grants, increasing the block grant total to $39,500,000. Discussion occurred, and by voice vote the amendment was adopted.

Mr. Dooley was then recognized to offer and explain an amendment to increase the funding for Title I, Section 101, Specialty Crop Block Grants, to $220,000,000 per year, offset by reductions in direct payments. Discussion occurred and by a voice vote, the amendment failed.

Mr. Pence was recognized to offer and explain an amendment to allow for the production of fruits and vegetables for processing on

covered commodity base acres. Discussion occurred and without objection, the amendment was withdrawn.

Mr. Dooley was again recognized to offer and explain an amendment to increase the funding for Title I, Section 101, Specialty Crop Block Grants, to $220,000,000 per year, offset by increased payment limitations. Discussion occurred and without objection, the amendment was withdrawn.

Mr. Cardoza was then recognized to offer and explain an amendment to increase the funding for Title I, Section 101, Specialty Crop Block Grants, to $200,000,000 per year. Discussion occurred and without objection, the amendment was withdrawn.

Mr. Baca was recognized to offer and explain an amendment to improve border inspection facilities. Discussion occurred and without objection, the amendment was withdrawn.

In response to the concerns of Members, Mr. Ose offered a perfecting amendment to increase the funding for Title I, Section 101, Specialty Crop Block Grants, to $44,500,000 per year. Discussion occurred, and by a voice vote, the amendment was adopted.

Mr. Case was recognized and expressed concern with the broad definition of the term "specialty crop." He indicated that some Hawaiian crops such as coffee, vanilla, and cacao, not commonly grown on the mainland, should be included in this definition. Chairman Goodlatte indicated that he would work with Mr. Case to define Hawaiian crops as specialty crops, if appropriate.

There being no further amendments, the Amendment in the Nature of a Substitute to H.R. 3242, as amended, was adopted, by a voice vote.

Mr. Stenholm moved that H.R. 3242, as amended, be adopted and reported favorable to the House with the recommendation that it pass.

By voice vote, the motion was agreed to in the presence of a quorum, and H.R. 3242, as amended, was ordered to be favorably reported to the House of Representatives.

Chairman Goodlatte advised Members that pursuant to the rules of the House of Representatives that Members have 2 calendar days to file supplemental, minority or additional views for inclusion to the committee report.

Mr. Stenholm then moved that pursuant to clause 1 of rule XXII, that the Committee authorize the Chairman to offer such motion as may be necessary in the House to go to conference with the Senate on H.R. 3242, or a similar Senate bill. Without objection, the motion was agreed to.

Without objection, staff was given permission to make any necessary clerical, technical or conforming changes to reflect the intent of the Committee.

The Committee then adjourned, subject to the call of the Chair.

## REPORTING THE BILL—ROLLCALL VOTES

In compliance with clause 3(b) of rule XIII of the House of Representatives, H.R. 3242 was reported by voice vote with a majority quorum present. There was no request for a recorded vote.

## COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Agriculture's oversight findings and recommendations are reflected in the body of this report.

## BUDGET ACT COMPLIANCE (SECTIONS 308, 402, AND 423)

The provisions of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(1) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and sections 402 and 423 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, October 6, 2004.*

Hon. BOB GOODLATTE,
*Chairman, Committee on Agriculture,*
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3242, the Specialty Crops Competitiveness Act of 2004.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jim Langley.

Sincerely,

DOUGLAS HOLTZ-EAKIN,
*Director.*

Enclosure.

*H.R. 3242—Specialty Crops Competitiveness Act of 2004*

Summary: H.R. 3242 would authorize the appropriation of $45 million a year over the 2005–2009 period to make grants to states to enhance the competitiveness of specialty crops (including fruits, vegetables, tree nuts, dried fruits, and nursery products). The bill also would authorize the appropriation of $2 million a year to provide technical assistance for growers of those crops, and $5 million a year to research certain pesticides over the 2005–2009 period. H.R. 32242 also would authorize the appropriation of $2.5 million a year over this period to respond to threats posed by pests and diseases affecting agricultural commodities, and to maintain a crop inspection center in Virginia. In addition, CBO estimates implementing the bill would cost $10 million a year to establish a federal research program for specialty crops, subject to appropriation of the necessary amounts.

Assuming appropriation of the amounts specifically authorized by the bill and estimated to be necessary, CBO estimates that implementing H.R. 3242 would cost $60 million in fiscal year 2005 and $320 million over the 2005–2009 period. Enacting this legislation would not affect revenues or direct spending.

H.R. 3242 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. The grant funds authorized by this bill would benefit state governments, and any costs they might incur to comply with the conditions of this assistance would be incurred voluntarily.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3242 is shown in the following table. The costs of this legislation fall within budget function 350 (agriculture). The estimated cost of the specialty crop research program that would be authorized by the bill is based on the size of similar research conducted by the Department of Agriculture.

| | By fiscal year, in millions of dollars— | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | |
| Specified Authorization Level | 55 | 55 | 55 | 55 | 55 |
| Estimated Outlays | 55 | 55 | 55 | 55 | 55 |
| Estimated Authorization Level | 10 | 10 | 10 | 10 | 10 |
| Estimated Outlays | 5 | 10 | 10 | 10 | 10 |
| Total Changes: | | | | | |
| Estimated Authorization Level | 65 | 65 | 65 | 65 | 65 |
| Estimated Outlays | 60 | 65 | 65 | 65 | 65 |

Intergovernmental and private-sector impact: H.R. 3242 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The grant funds authorized by this bill would benefit state governments, and any costs they might incur to comply with the conditions of this assistance would be incurred voluntarily.

Estimate prepared by: Federal Costs: Jim Langley; Impact on State, Local, and Tribal Governments: Marjorie Miller; and Impact on the Private Sector: Amina Masood.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

## PERFORMANCE GOALS AND OBJECTIVES

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objections of this legislation are to ensure an abundant and affordable supply of highly nutritious fruits, vegetables, and other specialty crops for American consumers and international markets by enhancing the competitiveness of United States-grown specialty crops, and for other purposes.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the Constitutional authority for this legislation in Article I, clause 8, section 18, that grants Congress the power to make all laws necessary and proper for carrying out the powers vested by Congress in the Constitution of the United States or in any department or officer thereof.

## COMMITTEE COST ESTIMATE

Pursuant to clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the Committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the Congressional Budget Act of 1974.

## ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

## APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104–1).

## FEDERAL MANDATES STATEMENT

The Committee adopted as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104–4).

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

## SECTION 1672 OF THE FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

**SEC. 1672. HIGH-PRIORITY RESEARCH AND EXTENSION INITIATIVES.**

(a) * * *

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(e) HIGH-PRIORITY RESEARCH AND EXTENSION AREAS.—

(1) * * *

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*(45) SPECIALTY CROP RESEARCH.—Research and extension grants may be made under this section for the purpose of improving the efficiency, productivity, and profitability of specialty crop production in the United States.*

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## NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT OF 1977

***SEC. 1408A. SPECIALTY CROP COMMITTEE.***

*(a) ESTABLISHMENT.—Not later than 90 days after the date of the enactment of the Specialty Crops Competitiveness Act of 2004, the*

*executive committee of the Advisory Board shall establish, and appoint the initial members of, a permanent specialty crops committee that will be responsible for studying the scope and effectiveness of research, extension, and economics programs affecting the specialty crop industry.*

*(b) MEMBERS.—Individuals who are not members of the Advisory Board may be appointed as members of the specialty crops committee. Members of the specialty crops committee shall serve at the discretion of the executive committee.*

*(c) ANNUAL COMMITTEE REPORT.—Not later than 180 days after the establishment of the specialty crops committee, and annually thereafter, the specialty crops committee shall submit to the Advisory Board a report containing the findings of its study under subsection (a). The specialty crops committee shall include in each report recommendations regarding the following:*

*(1) Measures designed to improve the efficiency, productivity, and profitability of specialty crop production in the United States.*

*(2) Measures designed to improve competitiveness in research, extension, and economics programs affecting the specialty crop industry.*

*(3) Programs that would—*

*(A) enhance the quality and shelf-life of fresh fruits and vegetables, including their taste and appearance;*

*(B) develop new crop protection tools and expand the applicability and cost-effectiveness of integrated pest management;*

*(C) prevent the introduction of foreign invasive pests and diseases;*

*(D) develop new products and new uses of specialty crops;*

*(E) develop new and improved marketing tools for specialty crops;*

*(F) enhance food safety regarding specialty crops;*

*(G) improve mechanization of production practices; and*

*(H) enhance irrigation techniques used in specialty crop production.*

*(d) CONSIDERATION BY SECRETARY.—In preparing the annual budget recommendations for the Department of Agriculture, the Secretary shall take into consideration those findings and recommendations contained in the most-recent report of the specialty crops committee that are adopted by the Advisory Board.*

*(e) ANNUAL REPORT BY SECRETARY.—In the budget material submitted to Congress by the Secretary in connection with the budget submitted pursuant to section 1105 of title 31, United States Code, for a fiscal year, the Secretary shall include a report describing how the Secretary addressed each recommendation of the specialty crops committee described in subsection (d).*

## ADDITIONAL VIEWS OF REPRESENTATIVE CAL DOOLEY

U.S. farm policy has long overlooked the importance of specialty crops, despite the fact that these non-subsidized crops account for the majority of crop production in this country. Instead, U.S. farm policy has tended to focus on so-called "program" crops, such as cotton, rice, sugar, peanuts, wheat, corn, oilseeds, feed grains, and others, which account for less than half of domestic production.

Representative Doug Ose and I introduced H.R. 3242 not to bring fruits, vegetables, tree nuts, and other horticultural products into the category of "program commodities" but instead to focus federal attention and resources on the problems facing this segment of U.S. agriculture. The bill as introduced included various regulatory reforms as well as a modest level of federal dollars to invest in non-market-distorting ways in the competitiveness of the U.S. specialty crop sector.

As the lead Democrat sponsor of H.R. 3242, however, I am very disappointed that the version of the bill reported out of committee is significantly scaled down from the bill as introduced. In particular, the federal funding provided by this bill has gone from a mandatory spending level of $508 million per year for five years, to a discretionary authorization of only $54 million per year that is further subject to annual appropriations.

This is a far cry from the level of federal commitment to the specialty crop sector that is warranted.

Specialty crops have an annual farm-gate value of $52 billion and receive no federal subsidies. Program crops, on the other hand, have a farm-gate value of only $48 billion. Yet the program commodities received federal subsidies in the amount of $12–13 billion, the equivalent of 27% of their farm-gate value.

This bill does not change the fact that producers of specialty crops receive no federal subsidy payments, and instead rely solely on the market for their income. No new federal price supports, direct payments, marketing loans, or counter-cyclical payments are created in this bill.

A serious federal commitment to this sector, however, requires a serious level of federal dollars.

The bulk of federal expenditures under H.R. 3242 would go to a block grant program that would distribute federal dollars to interested states for research, marketing, promotion, and other competitiveness-enhancing programs for their specialty crop industries. These funds are designed to increase consumer awareness and demand for specialty crop products and otherwise strengthen U.S. producers' ability to supply a safe, nutritious and quality product to both domestic and foreign markets.

Unfortunately, the bill as amended in committee drastically reduced the federal commitment to this block grant proposal, from

$470 million in mandatory spending down to $44.5 million in discretionary spending.

During the committee markup of the bill, I attempted to restore merely half of the mandatory funds provided under the original bill for the block grant program. In order to keep the legislation revenue-neutral from a budgetary standpoint, I offered two separate alternative offsets—one based on a small, pro rata reduction in direct fixed payments to program commodity producers, and the other based on a bipartisan payment limitations proposal pending in the Senate (S. 667).

My amendment to finance the cost of a mandatory $220 million per year block grant program for specialty crops would have reduced the annual federal subsidies received by program crops by merely 1.7 percent. As a percent of program crop gross income, this represents a 0.36 percent reduction. Yet even this miniscule reduction encountered fierce resistance by those farm and commodity organizations benefiting from these federal subsidies today.

The inequitable distribution of federal expenditures between program commodities and non-subsidized specialty crops must be changed. The United States can no longer afford to short-change the majority of its crop producers who rely on market forces—not federal program payments—to drive their income. The fact that the current farm bill, enacted in 2002, does not expire until 2007 is no excuse for not reallocating a small portion of federal expenditures by less than 2 percent.

Some of my colleagues seek to support the specialty crop sector without simultaneously disturbing the enormous benefits enjoyed by the program commodities. However, federal dollars are scarce resources and a more equitable distribution of these limited resources is long overdue. I hope my colleagues will eventually agree.

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