TESTIMONY OF
CHUCK CONNER
DEPUTY SECRETARY
U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE
HOUSE AGRICULTURE COMMITTEE
SUBCOMMITTEE ON HORTICULTURE AND ORGANIC AGRICULTURE
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Mr. Chairman, and members of the Subcommittee, good morning. Thank you for the opportunity to discuss USDA's efforts to assist and promote specialty crops and organic agriculture. My testimony will provide an overview of both of these critical components of U.S. agriculture, as well as discuss the Department's Farm Bill proposals in these two areas.

Specialty Crops

The Congress has defined specialty crops, in the Specialty Crops Competitiveness Act of 2004, as fruits and vegetables, tree nuts, dried fruits, and nursery crops, including floriculture. The U.S. specialty crop sector is comprised of producers, handlers, processors, and retailers of fruit, vegetables, tree nuts, and nursery crops.
Sales of fruit, vegetables, and tree nuts account for nearly one-third of U.S. crop cash receipts and one-fifth of U.S. agricultural exports. When floriculture, greenhouse, and nursery crops are included, specialty crops account for approximately half of all U.S. cash receipts of farm crops. The specialty crops industry encompasses 250 types of fruit, vegetables, tree nuts, flowers, ornamental nursery products, and turfgrass crops that are produced throughout the United States. The industry can be characterized as high risk, high cost farming with high labor and input costs. One half of specialty crops are produced on irrigated acreage.

The Department currently administers a number of programs that benefit specialty crop producers. In the Agricultural Marketing Service (AMS), for example, a robust program of price and shipment reporting provides several hundred daily reports from shipping areas and terminal markets located throughout the country. All data are internet-accessible through a web portal that allows pre-selection of reports and downloads of data in multiple formats for analysis. AMS also offers national quality grading and production process verification services at shipping and receiving points on a cost recovery basis. These services are conducted using both Federal employees and Federally-licensed State employees. Growers, shippers, and receivers of fruit and vegetables benefit from the enforcement of fair trade practices under the Perishable Agricultural Commodities Act program administered by AMS. Specialty crop growers also have available an array of marketing tools under marketing orders that are created by industry initiative which if approved through referendum are enforceable on growers through regulation. The Foreign Agricultural Service (FAS) has a number of programs that benefit specialty crop producers. The Market Access Program (MAP) provides funding for expansion of markets for U.S. agricultural products. In addition, the Technical Assistance for Specialty Crops (TASC) grant program assists U.S. food and agricultural organizations by funding

projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops.

Although existing programs do assist specialty crop growers, specialty crop producers who do not grow program crops are not eligible for support under USDA's farm commodity price and income support programs. We believe more can and should be done for this sector of U.S. agriculture that accounts for about half of all U.S. farm crop cash receipts. Our farm bill proposal addresses specialty crops in the areas of conservation, trade, nutrition, rural development, energy, and research.

USDA Farm Bill Proposals for Specialty Crops

The Department's Farm Bill proposal would create greater equity in farm policy by increasing support for specialty crop growers through an array of changes that will enhance their ability to compete in the marketplace.

Specialty crop producers have traditionally been under-represented in farm bill policy. Five program crops receive 93 percent of direct farm bill cash subsidies, yet the value of U.S. specialty crops is equivalent to the combined value of these five crops. Sixty percent of all farmers do not raise program crops and therefore do not receive direct subsidies. At USDA's Farm Bill Forums held across the country, specialty crop producers did not ask for direct subsidies similar to the program crops, instead requesting additional support to address sanitary and phytosanitary issues, market promotion, and targeted research. For example, Chris, in Washington State, said "Potato growers do not want traditional programs with direct payments but need assistance in other program areas." Mike, in Rhode Island, said "We need equitable distribution of federal funds to the areas and to an array of producers that do not grow program crops." Charles, in Georgia, reflecting the comments shared by many other producers, said "Mr. Secretary, your assistance is paramount in assuring the U.S. specialty crop industry remains competitive, through proper support of research, nutrition, promotion and conservation efforts."

The Administration is recommending a broad package of proposed changes to several farm bill titles many of which will better assist specialty crop producers. Major components of our package that are either targeted directly toward, or include, the specialty crop sector are listed below.

Conservation Title

We propose increased funding of $7.8 billion over the next 10 years for several conservation programs that assist all producers, including specialty crop producers in managing their natural resources. These include significant increases to the Conservation Security Program, the Environmental Quality Incentives Program, and the new Private Lands Protection Program. This increased funding will provide more opportunity for the specialty crop producer to be protected from urban encroachment, while providing more resources geared toward pest management, air quality, and water conservation issues that are a priority for the specialty crop sector.

Trade Title

We propose the phase-in of $68 million in enhanced mandatory funding for the Technical Assistance for Specialty Crops (TASC) program, including $4 million in Fiscal Year (FY) 2008, $6 million in FY 2009, $8 million in FY 2010, and $10 million thereafter through FY 2015. In addition, the maximum allowable annual project award would be increased from $250,000 to $500,000 and more flexibility would be allowed to grant TASC project timeline extensions.

We propose that mandatory funding for the Market Access Program (MAP) be expanded by $250 million over 10 years with the increased funding focused on non-program commodities. MAP funding has proven to be effective in expanding markets for U.S. agricultural products.

We propose increased support for a number of initiatives that will help address sanitary and phytosanitary (SPS) issues and other trade restrictions that affect specialty crop and other producers:

1. Establish a new grant program investing $20 million over ten years to focus additional resources on international sanitary and phytosanitary issues. With an increasing number of non-tariff trade barriers in both developed and developing countries, the SPS issues grant program would be designed to fund projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of all U.S. food and agricultural products, including specialty crops.

2. Authorize and provide mandatory funding of $15 million over ten years to increase the U.S. presence in international standard-setting bodies, such as the *Codex Alimentarius*, the International Plant Protection Convention, and the World Animal Health Organization. Increasing in U.S. representation in these and other similar international agricultural health organizations are critical to harmonizing multilateral food, plant, and animal safety standards. By ensuring these international health and safety protection standards are properly designed and implemented, the U.S. can avoid unwarranted technical barriers that threaten opportunities for two-way trade.

3. Provide enhanced monitoring, analytical support, and other technical assistance to support U.S. agriculture in bringing forward or responding to significant trade disputes and challenges. For example, U.S. specialty crop exports are sometimes threatened by rampant trademark piracy in international markets. USDA technical assistance could help the specialty crop industry address these threats.

Nutrition Title

We propose that new mandatory funding be provided for the purchase of additional fruits and vegetables for use in the National School Lunch and Breakfast Programs. This $500 million over 10 years represents a net increase in the total purchase of fruit and vegetables for school meals over levels available under any other authorities. It reflects recent changes in the Dietary

Guidelines for Americans and a recommendation from the Department's Fruit and Vegetable Industry Advisory Committee that endorses a substantial increase in produce commodities being offered within the school lunch program to improve the nutrition of the nation's school children.

We propose to establish a new five-year, $20 million per year competitive grant demonstration program to develop and test solutions to the rising problem of obesity in low-income Americans. These funds, for example, could be used to examine such things as incentives at point-of-sale for purchases of fruits and vegetables by food stamp participants.

We propose the reauthorization of The Emergency Food Assistance Program (TEFAP) and recommend more fruits and vegetables be provided under Section 32 authority through this program.

Rural Development Title

We propose that priority consideration be given to project applications involving specialty crops under the Rural Development Value-Added Grants program.

Energy Title

We propose that a new, temporary program be initiated to provide $100 million in direct support to producers of cellulosic ethanol. Eligibility for this program would be restricted to specialty crop wastes and other cellulosic biomass feedstocks.

Research Title

We propose that $1 billion be invested over 10 years to establish a Specialty Crop Research Initiative that would provide science-based tools for the specialty crop industry. This will support both intramural and extramural research programs across the country and address the critical needs of specific crops and regions.

Miscellaneous Title

We propose that an additional $2.75 billion of funds made available under Section 32 of the Act of August 24, 1935, be utilized over 10 years to increase purchases of fruit and vegetables for food and nutrition programs.

It should be noted that the Department's proposal does not mention the Specialty Crop Block Grant program. This program is authorized through 2009 by the Specialty Crop Competitiveness Act of 2004 subject to appropriation. Since this program is in its infancy, we thought it best to have a few more years of demonstrable results before recommending further action by Congress. The Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2006, provided $7 million for this program. To date, grants have been awarded to Texas, Mississippi, North Carolina, Oklahoma, and Michigan.

Planting Restrictions

Finally, let me discuss our proposal to remove planting restrictions on traditional program crops base acres.

The World Trade Organization (WTO) has raised questions as to whether planting restrictions on base acres that are tied to commodity payments puts our direct payment support for wheat, rice, grain sorghum, barley, oats, peanuts, corn, cotton and oilseeds outside of WTO green box. Some have claimed that, because of planting resrictions, direct payments should be considered amber box-which could affect our current WTO support limit and our compliance with current trade agreements. Eliminating planting restrictions ensures that we comply with our WTO commitments and positions us for the future, keeping our exports-production from one of every three acres – flowing without WTO challenge.

Importantly too many farmers who want to produce specialty crops in addition to program crops are already doing so, and the current planting restrictions do not appear to inhibit them.

According to a recent study by USDA's Economic Research Service new entrants to the specialty crop business have been relatively few in number. The reason does not appear to be because of planting restrictions, but rather for reasons related to the specialty crop business, itself –

- the need for specialized equipment,
- the need for specialized expertise to be successful in producing and marketing specialty crops,
- higher production costs for fruit and vegetables,
- the need for labor to harvest for the fresh market,
- the need to be near a processing plant and have a contract for processing of produce, and
- a limited, seasonal production window in most States other than California, Florida, Arizona, and Texas.

Organic Agriculture

Congress passed the Organic Foods Production Act (OFPA) in 1990. The OFPA required USDA to develop national standards for organically produced agricultural products to assure consumers that agricultural products marketed as organic meet consistent, uniform standards. The OFPA and the National Organic Program (NOP) regulation require that agricultural products labeled as organic originate from farms or handling operations certified by a State or private entity that has been accredited by USDA.

The national organic standards and organic certification program are based on recommendations of the 15-member National Organic Standards Board (NOSB). The NOSB is appointed by the Secretary of Agriculture and is comprised of representatives from the following categories: farmer/grower; handler/processor; retailer; consumer/public interest; environmentalist; scientist; and certifying agent.

The National List of Allowed Synthetic and Prohibited Non-Synthetic Substances, a section in the regulation, contains specific guidance on substances allowed and prohibited in organic

production. Organic crops are raised without using most conventional pesticides, petroleum-based fertilizers, or sewage sludge-based fertilizers. Animals raised on an organic operation must be fed organic feed and given access to the outdoors. Animals fed or treated with antibiotics or growth hormones may not be used in organic food production. Labeling standards are based on the percentage of organic ingredients in a product.

Certification standards establish the requirements that organic production and handling operations must meet to become accredited by USDA-accredited organic certifying agents. The standards are designed to ensure that all organic certifying agents act consistently and impartially.

Imported organic agricultural products may be sold in the United States if they are certified by USDA-accredited organic certifying agents. USDA has accredited certifying agents in several countries.

U.S. sales of organic food and beverages have grown rapidly – from $1 billion in 1990 to an estimated $14.5 billion in 2005.

USDA Farm Bill Proposals for Organic Farming

Demand for organic products is increasing and thus more farmers are interested in transitioning from traditional farming to organic farming. However, the requirements to be certified organic are lengthy and can be quite costly, especially for small farmers. In addition, a key to expanded opportunity in organic production is adequate market data to inform farmers, processors, wholesalers and retailers. And, organic farmers, just like traditional farmers, are looking for opportunities in the global market place.

The Department's Farm Bill proposal recognizes the needs of the organic agricultural industry and identifies several initiatives to assist it. These organic farming initiatives represent $61 million in additional funding over 10 years.

We propose to expand and increase the cost-share certification reimbursement program for all States and for all producers and processors. Reimbursement would be increased from the current $500 annually to $750 annually or 75 percent of certification costs, whichever is lowest. This program has been very helpful to producers transitioning to organic farming, and expanding this program will help the organic sector continue to grow.

We propose that $1 million be available until expended to fund the collection and publication of organic production and market data. Conventional farmers have access to USDA data that they can use to plan crop plantings and make marketing decisions. Organic farmers and those wishing to transition into organic farming currently lack solid data on the supply of key organic commodities as well as pricing for these commodities.

We propose to invest an additional $10 million until expended in organic research. This new funding would focus on conservation and environmental outcomes and new and improved seed varieties especially suited for organic agriculture.

We propose that eligibility for enhanced Environmental Quality Incentives Program (EQIP)

cost-share assistance include a broad range of land uses, including organically farmed land. And obviously, organic farmers are fully eligible for participation in the expanded Conservation Security Program.

We propose that funding for the Market Access Program (MAP) be increased by $250 million over 10 years with the additional funds being focused on non-program commodities, including organically grown non-program commodities. As is now the case, organic agriculture would be allowed to compete for Market Access Program funding to help develop and increase the organic export market.

Conclusion

Thank you again for the opportunity to appear before you today. We look forward to working with the Subcommittee and the specialty crops and organic industries to continue to assist and promote these very important components of U.S. agriculture. I will be happy to answer any questions that members might have for me.