Responding to Market Forces To Build A Sustainable U.S. Fruit and Vegetable Industry

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Good morning. It is a pleasure to be with you today.

As you know, the fruit and vegetable industry is historically a market-driven sector, responding to market signals in supply and demand with little to no support nor interference from government. So, it's a natural that I would be invited today to address the topic of "Responding to Market Forces."

Yet last week, some 100 members of House and the Senate wrote to the Agriculture Committee chairmen urging major investment in the fruit and vegetable industry – specialty crops – as a priority in passing this year's Farm Bill. So how does an

industry that is generally removed from farm programs become a major part of the Farm Bill debate?

Let me share our thinking today about a new vision in agricultural policy.

The fruit and vegetable industry does not want direct support for our growers; we don't want price protection; I'm not even sure we want a safety net. The ability to fail in our business protects the opportunity of those who are driven to succeed.

What we do want is investment that allows us to build a sustainable U.S. fruit and vegetable industry that can be successful in a free market economy, and find value for those who "get it right."

Today, there is an historic coalition of rural and urban legislators, Republicans and Democrats, supporters of traditional farm programs and those who oppose them, who have all come together to support targeted, meaningful investment in the competitiveness of this sector. That alone is a breakthrough, if but a start.

Our industry is engaged in agricultural policy today because we're having to respond to a different set of market forces than we've seen before.

- Our growers operate in the most highly regulated and costly environment of any of our major competitors.
- Finding an adequate and legal workforce for this most labor-intensive sector of agriculture has become next to impossible.
- The fight over land and water use between agriculture and development is growing, and is most severe in our most productive growing areas.
- And, while we support free and fair trade in fruits and vegetables, it seems that trade agreements have too often permitted access to the U.S. market only to see continuing phytosanitary barriers erected to block exports.

In the 2002 Farm Bill debate, our industry took baby steps to raise these issues. We shined a light on the fact that specialty crops represent almost 50% of farm crop value. Members of Congress listened to our woes, and sympathized. But they didn't know what to do with our policy agenda based on targeted

investment in research, infrastructure, and increasing consumption of fruits and vegetables for public health. Couldn't we just be happy with a direct payment program for our farmers? Wouldn't a safety net be the way to help people stay in business?

But we didn't just want to cling a little longer to businesses whose fundamentals were unchanged. We needed investment in the future, giving our industry a better chance to compete on a worldwide stage, even with the hand we're dealt. We're not going back to less regulation in the U.S., or bigger labor pools, or less housing developments, or more protectionist trade barriers. Given that environment, what did we need to survive?

The 2002 Farm Bill marked our loss of innocence. We had a good case, we presented it pretty well, and we were generally ignored. Maybe that proved to be a good thing, because with 2002 as a catalyst, our industry changed.

Traditionally, as a national umbrella association representing all sectors of produce, we've seen local political needs often overtake national industry priorities. Funding for a state university or research on one commodity took precedence for that

constituency. One commodity group vied against another for disaster payments or pest eradication. As members of Congress responded to local pressures, it was easier to ignore the national good.

After 2002, we finally realized we had to work together on a uniform national agenda if we were to be successful.

I won't belabor you with our internal fights, but coming together wasn't easy. Fortunately, we had the Specialty Crop Competitiveness Act of 2005 as a warm-up event. We developed an ag policy bill outside of the normal Farm Bill sequence. This gave us a chance to explain our issues and build our case in Congress when not much else was going on. And while in the end, we passed only an authorization bill without funding, we had established some of our key policy principles for the future and many observers were surprised that we passed anything at all.

Fast forward to this Farm Bill. Continuing to work together, we formed the Specialty Crop Farm Bill Alliance two years ago with 22 separate organizations pledging unity and serving on the steering committee. While United Fresh Produce Association

coordinates the overall group, we elected co-chairs from Florida Fruit and Vegetable, Western Growers and the National Potato Council to provide balanced leadership and most importantly ownership. Today, more than 120 specialty crop organizations are part of the coalition, and even here in the final days of the Farm Bill debate we are all still hanging together.

I know I'm not the only individual in this room surprised by that!

There's a lot in this Farm Bill that matters greatly to building a strong specialty crop industry – new research, plant pest and disease prevention, technical and marketing support in international trade and more. But I want to talk about two key policy priorities in the Farm Bill that demonstrate the unique way our sector is approaching farm policy.

First, specialty crop competitiveness block grants. Some of you will remember this concept was born in a 2001 disaster bill, when the House Ag Committee developed proportional block grants to support specialty crop projects in the states. Funds were allocated according to the percentage of specialty crop production in each state, and all moneys had to be invested in helping their

industries become more competitive. No direct subsidies or cash to growers, but funds that would help growers improve their businesses.

Let me digress with a story about competitiveness. How many of you remember when Spanish clementines first came to the states a few years ago? $5.99 in a little wooden crate, and they took off in the marketplace. Why did that happen? Clementines had been growing in Spain for a long time. Spanish growers had been getting subsidy payments for a long time. But not until state-of-the-art packing houses with electronic sorters and sizers and the ability to maintain the quality of a great piece of fruit all the way to the U.S. did Clementines take off. For our industry, a $100,000 investment in new packaging technology may be more important to success than millions in subsidies to growers.

This year's Farm Bill builds on that concept with a specialty crop competitiveness grant program. It's a modest program in Farm Bill terms – less than $100 million per year – but a targeted investment that will begin to change the landscape our industry is facing.

Look at some of the projects states have been able to support with past appropriations:

- Florida developed educational tools to assist growers in following Good Agricultural Practices. Many other states helped growers in complying with food safety practices, including Maine, Pennsylvania, Arkansas, Oregon and North Carolina.
- Wisconsin built a potato and vegetable storage facility specifically for research projects on preserving quality.
- California worked with that state's School Nutrition Association to place salad bars in 40 schools to increase access to fruits and vegetables.
- Tennessee developed a digital imaging system across 21 counties for specialty crop producers to transmit pictures and get expert help in combating plant pests and diseases.
- Missouri placed wireless EBT machines in 17 farmers markets to assist food stamp recipients in purchasing fresh produce.
- Michigan funded research and development on fresh-cut apple slices, working with growers to create a major new business opportunity.

And on and on…

With the investment promised in this new Farm Bill, we can begin a longer-term effort to tackle new challenges facing our industry:

- We can develop greater mechanization and labor-saving methods in production and packing.
- We can help growers adopt technologies such as drip irrigation to reduce water use, and implement new food safety procedures.
- We can help growers invest in new convenience products such as baby carrots and apple slices, that have revolutionized those commodities and grown significant demand.

The second Farm Bill priority I want to discuss is even more "outside-the-box" for many who are used to traditional farm programs. Here, our goal is to better align agricultural policy with public health policy to increase demand for our growers through increased consumption of fresh fruits and vegetables. That's a win-win.

Did you know that the 2005 Dietary Guidelines call for the average American to literally double their consumption of fruits

and vegetables to achieve a healthy diet? That's a lot of fruits and vegetables for us to grow!

But for most in this room, our eating habits are already formed. The real opportunity – and real need – is to focus on the next generation. Our nation, and increasingly the world, is facing a childhood obesity crisis leading to a future of chronic disease, diabetes and cancer. The human cost to our children is unacceptable, and the health care cost to our country will be unbearable. Some experts even predict that this may be the first generation of Americans that does not outlive their parents.

Does farm policy have anything to offer in this fight?
You bet it does!

I remember the day in September 2001 when Senate Ag Committee Chairman Tom Harkin was speaking at our Washington Public Policy Conference. He asked the audience a simple question.

"What would happen if we gave school kids a free fruit or vegetable for a snack at school?"

Senator Harkin wanted to find the answer to his question, so he included a tiny little pilot program in the 2002 Farm Bill, known as the Fresh Fruit and Vegetable School Snack Program. Only 25 schools in 4 states.

In elementary schools, a different fruit or vegetable snack is delivered to the classroom each day. Teachers talk about nutrition while the kids try a healthy snack they may have never tasted. Many teachers have incorporated lessons into snack time, teaching fractions by cutting apples into quarters, and geography looking at where food comes from.

In middle and high schools, the snacks are often displayed in kiosks where hungry kids can grab a fruit or veggie snack when changing classes. Snacks are even used in afternoon activities, so hungry kids can choose apple slices or select from a raw veggie tray instead of candy bars from the vending machine on the way to football or drama or debate team practice.

The rest, as they say, is history – the school snack program was an overnight success with teachers, principals, foodservice staffs,

parents, and most importantly, the kids themselves. Kids everywhere loved the produce, tried new items, and asked their parents to buy more fruits and veggies at home. They even chose more fruits and vegetables in the regular school lunch line, once they became more accustomed to the snacks.

From its humble beginnings, this program has built momentum and caught fire like no other public health nutrition initiative.

The snack program was permanently authorized in the 2004 Childhood Nutrition Reauthorization, with appropriations expanding the program each year. And, you should know that similar snack programs have taken hold in the U.K., New Zealand, Denmark and other countries worldwide, with endorsement from the World Health Organization. European Union Ag ministers are now considering a $100 million Euro investment in a pan-European program.

Today, with our Farm Bill, leaders of U.S. agricultural policy have the opportunity to do our part. The Senate has taken the boldest step forward, proposing to expand the program to serve 4.5

million low-income elementary school kids in 5,000 schools across all 50 states.

We strongly urge the conferees and the Administration to support the Senate's funding level as one of the most important steps you can take to make sure this Farm Bill doesn't just help farmers, but helps all of America by providing needy schoolchildren with greater access to the bounty of our nation's fruit and vegetable production. That is truly a win-win for both agriculture and the public.

Soon, we will move beyond this Farm Bill, and face other challenges in sustaining our fruit and vegetable and specialty crop industry. The market challenges we face won't go away, and many are likely to become even greater.

Worldwide attention on food safety is placing significant demands on growers, and we will rise to that challenge better than anyone. But we do need more government research into ways to minimize the potential of field contamination, reduction in harmful E Coli in the natural environmental, quicker testing methods and

traceability systems for recall situations, and more effective kill steps for pathogens in processing.

Without a breakthrough on immigration reform, our labor shortage won't go away either. There's probably no greater threat to our industry today than the shortage of workers and disregard for the future of specialty crop agriculture in America that is currently being shown by zealots on immigration. That too will be a market force we must respond to, with mechanization where we can, but more and more with offshore production if something doesn't change.

And finally, back to nutrition and health. As great as the school snack program is, it is only a start on what we need to do change the way America eats. We can no longer afford an agricultural policy disconnected from public health policy. The fruit and vegetable industry can no longer be a step-child in the farm debate.

With specialty crops already contributing almost 50% of farm crop value, and fruits and vegetables representing 50% of all

foods Americans should consume every day for better health, it is time for parity in the investments we make in agriculture.

Every dollar spent to increase the competitiveness of U.S. fruit and vegetable producers serves all Americans who desperately need our products for their health.

And, every dollar spent in helping our children choose a healthier diet based on fruits and vegetables will come back to our country in lower health care costs.

When we talk about responding to market signals, those are the new kinds of market signals that the Congress and Administrations to come will need to think about in the future.

Thank you.