FARM BILL - A SOUTHERN SPECIALTY CROP PERSPECTIVE

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It is with great pleasure that I am here today, and I especially appreciate the opportunity to participate in this Outlook Conference. I am Carl Loop, Jr., President of the Florida Farm Bureau Federation. In my real life I am a nurseryman. I am President of Loop's Nursery in Jacksonville which I founded in 1949. Loop's Nursery is a family business that specializes in providing flowering plants to the wholesale market. However, in my talk with you today I am representing Florida Farm Bureau, and more importantly, Florida's diverse agricultural industry. I have also served as the Vice-President for American Farm Bureau and currently serve on the Executive Committee and the Board of Directors.

As a nurseryman I have had little to no personal experiences with the Farm Bill. About two years ago I served as the chair for the American Farm Bureau Farm Bill Study Committee. At that point I began to see the complexity of the Farm Bill and both the intended and unintended consequences of its provisions. Our American Farm Bureau study committee looked at a variety of options, and in fact looked outside the box in developing the report. The report was then sent to the State Farm Bureaus and on down to the county farm bureau level for discussion by farmers.

We kept the discussions broad to determine what the agricultural community wants in the next Farm Bill. Opinions ranged from the need to develop a Farm Bill that was more social in nature to one that emphasizes the pure free market. We asked if there should be a guaranteed income component such as 175 percent of the poverty level, or whether farmers should compete in the world market with no safety net. Let me tell you that this process generated some interesting discussions and debates. My presentation will reflect those discussions that have been held in Florida as well as the ultimate policies of Florida Farm Bureau.

Before we get into the Farm Bill discussion, I would like to review with you some of the facts about Florida agriculture. We are a state with a population of 16 million, and host an additional 40 million visitors annually. Most people think of Florida as a tourist mecca with theme parks and tropical beaches. It has been reported to our Legislature that 75 percent of our population lives within 30 miles of the coasts. We have approximately 16 million acres that are privately owned and are either in agriculture or forestry. The economy of Florida has been characterized as a three legged stool. Those legs are tourism, agriculture and construction. Tourism is our major industry closely followed by agriculture. We are a very strong agricultural state with a growing agricultural economy. We produce over 240 commodities with new ones coming on line every year. In the last three Censuses of Agriculture our number of farms have been stable. We have a large number of small acreage, high value, specialty crop farms. The latest calculations of agricultural receipts puts us as number five nationally with just over seven billion dollars in receipts. If you include the forestry component that is not calculated as a part of the total ag receipts, you would more than double that to roughly 15 billion dollars generated by agriculture and forestry. Quite an economic impact on the State of Florida and our citizens! This doesn't speak to the economic impact of our green industry that services our homes, theme parks, golf courses, recreational areas, public green spaces and parks. Our equine industry has a significant economic impact, whether it be through pari-mutual wagering, international polo matches, or simply hobbyists. Florida agriculture

serves as a multi-faceted driver for the benefit of the citizens of our state. Whether considered in economic or quality terms, our industry is important to Florida. Our agriculture is a mixture of program and non-program crops that all play an integral role in our agricultural economy.

I mentioned that we produce over 240 commodities. Many are truly small in scale and may only account for a few hundred acres of total U.S. production. It's important to understand that these crops develop because there is a market for them. We are a major producer of crops for several ethnic groups – for example, oriental vegetables and tropical fruits and vegetables for the Cuban, Haitian and other Caribbean islanders.

Our major sectors are citrus with over three billion dollars in revenue, followed by our nursery sector at almost two billion dollars, and then our vegetable sector at about a billion and a half dollars. We also have a significant beef, dairy and poultry sector that accounts for just over a billion dollars. One of our most recognized crops is our citrus production. We produce almost 3 times the amount of citrus produced by California, Arizona and Texas combined. Florida has just over 800 thousand acres operating in a global market. In excess of 90 percent of our orange crop goes to processing with a significant amount in the export channels to Europe and Japan. Our grapefruit crop is fairly evenly split between the domestic and export market.

Our fresh perishable vegetables move up the eastern seaboard and through mid-America and into the Canadian market. Ninety-five percent of the U.S. tropical fish production occurs in Florida with shipments throughout the western hemisphere. We are the major producer of foliage plants, and the odds are that if you have plants in your home, they were in Florida at some stage of their production. If you gave flowers for Valentines day, while those roses weren't from Florida, the cut greens in the arrangement were. I could continue with example after example of Florida agricultural products that have a direct impact on you. The bottom line is that a Florida farmer produced and marketed that product. While the domestic market is the only market for many specialty crops, we are active in the export market. We export just over a billion dollars of agricultural products annually, which is about two percent of the U.S. total agricultural exports. We rank 17th as an export state.

To put that into a more proper perspective for this conference, I should ask how the Farm Bill has impacted those producers. The answer to that is--very little. Those crops that are under the Farm Bill such as cotton, peanuts, sugar, feed grains, dairy and honey are under terrible market pressure with little chance for profit, just like those same commodities in other states and areas of the country. While we rank fifth in agricultural receipts, we only receive about three tenths of one percent of federal farm payments. That accounts for about one percent of our total agricultural receipts. Our specialty crop producers are proud that they produce outside of governmental programs, although they do enjoy some other benefits under the Farm Bill.

Currently, we also see many specialty crop producers under market distress. The difference in specialty crops is that when I produce an Easter Lily, it has no value the day after Easter. I must build a market before I can produce for it. In marketing and shipping perishable crops, distant markets or export markets are not feasible or realistic because of time and transportation. My risk management strategy, or safety net, consists of managing in such a way that I am profitable enough to save for the poor market times and not over produce or speculate with my production. Profitability, for producers of specialty crops, is defined in the long-term, not just year-to-year. One of our vegetable producers told me, "I used to plan on a profit one out of three years, now it's one out of five, and I'm not sure that I can stay in business with that." We understand the economic axiom "where there is no risk, there is no profit." The true sustainability of agriculture lies in its profitability.

As we discussed the Farm Bill in our policy development process, and with other commodity groups, several things began to take shape. The amount of government payments that it takes to shore up farm income in other parts of the country causes great concern. There is a growing recognition that something is drastically wrong if the national agricultural economy is suffering at a time of unprecedented growth and strength in the other economic sectors. Our members are concerned about the future of those farmers. Many feel that if the promises of the 1996 Farm Bill had been kept regarding regulatory reduction and market development, many of these problems may not have occurred. We are experiencing the same type of structural change and consolidation in agriculture with which other parts of the country are struggling. The Farm Bill can't solve all of our wide ranging problems, but there are some things that it can do to help agriculture. Our members support a national agricultural policy that insures a strong, economically viable agricultural industry. We support the continued use of the Commodity Credit Corporation in providing program support. We also support the re-enactment of programs for peanuts, sugar, cotton, dairy, honey, and other traditional crops.

Our members feel that the basic budget for the Farm Bill should be increased. This will be a necessity if program and non-program crops are to be served by this piece of legislation. We are not sure at what level that budget should be set, but considering history, the budget should be expanded to benefit all producers. Our specialty crop producers have told us that they don't want a loan program, they want a market that works. There is discussion about market loss payments or some other mechanism to supplement the specialty crop producer's income. Those producers that support an income supplement are in a minority, and no consensus has been reached. On the whole our producers feel they would be better off financially if they stayed away from governmental payments and the market was not manipulated through governmental actions such as trade agreements [P*roviding access to imported products in our domestic markets has disrupted these markets. These domestic markets were built by the domestic industry through the use of grower dollars and check-off funds. In many ways tariffs have served as specialty crop "programs" that benefited growers in the domestic market place. A domestic market was built around that tariff structure, and as these tariffs were negotiated away, growers received no consideration for the loss and market loss occurred*], currency exchange rates [*the peso devaluation that came along with NAFTA, as well as the current Canadian currency valuation and the relative strength of the U.S. dollar, give added financial incentives for foreign products to move into the U.S. market*], costly regulations that build inefficiency into our production costs [*it's not just the federal regulations such as the field sanitation, wage and hour, and the Worker Protection Standard, but also state and regional requirements for 1) land set-asides for water retention, which may idle 20-30% of potential grove land or vegetable fields, 2) state labor regulations that are duplicative of the Federal, 3) and even to the county level regarding paving of parking areas*], or programs that send false market signals [1) *poorly thought out crop insurance programs like the watermelon pilot, 2) replant provisions in crop insurance that moves the production harvest into another harvest market window or 3) CRP requirements for thinning trees at a specific time in the future that coincides with a depressed pulpwood market*].

Our members are also very concerned about the threat of invasive pests. We are currently in an eighty million dollar state/federal funded eradication program for citrus canker. Growers are investing an additional multi-million dollar effort to keep the disease out of their groves. Homeowners are having trees forcibly removed from their backyards for the protection of agriculture, and are they not happy about that. Florida is not alone in this. Both Pennsylvania and California are fielding major eradication programs for invasive pests. With increased trade and travel, Florida and several other states serve as sentinel states for the introduction of invasive pests. An Invasive Pest Title could be included in the Farm Bill. That would be helpful not only for our state, but for other sentinel states as well. This title

should address the establishment of a working fund to send immediate financial aid to states to mount an immediate and effective eradication program. There needs to be a stronger detection and exclusion effort in the sentinel states. We have realized that these pests don't just show up on farms. They initially escape from ports of entry into the urban and suburban back yards and public parks which serve as a source of infestation for farms. Invasive pests don't become an issue for producers until they leave the area adjacent to the port of entry. Up to that point it is everyone's problem. USDA/Animal Plant Health Inspection Service should be given the single mission of protecting our borders from invasive pest introduction. Currently, APHIS has the mixed mission of facilitating trade and protecting our borders. We think the trade issue is better handled through USDA/Foreign Agricultural Service because it better fits their mission. Phytosanitary concerns are legitimate concerns in trade discussions. We believe that APHIS has been forced into a position that creates a major conflict of interest. There is also conflict between USDA and other Federal agencies. As an example, U.S. Fish and Wildlife Service has responsibility for imports of non-domesticated animals. These animals share the same vectors that carry diseases, such as heartwater disease, that could affect our domestic livestock. USDA should have the authority to consult and review with US/FWS regarding risk based guidelines for importation of non-domesticated animals.

Another conflict is with US/Environmental Protection Agency and the process of getting label approval for the use of pesticides in an eradication program. Such eradication programs should have precedence for label approval and new product development. It is to everyone's best interest to respond quickly and have an eradication area as small as possible.

Earlier I mentioned our members' concerns about markets. We are supportive of programs that develop markets at both the domestic and international levels. These programs should enhance U.S. producers' market access and maintain their market share. It is my understanding that the Market Assistance Program (MAP) was instituted to meet competitors in foreign market places after U.S. producers had established themselves in those markets. This was to counter direct and indirect subsidies paid by foreign governments. We think that all markets should be guarded in this way. The current dispute resolution process is not agriculture friendly. The process is designed for industries that have a limited number of manufacturers, but not for the hundreds of producers with very limited market windows and differing production systems. Our members agree that if a dispute resolution process is in place, then it should be made usable so that individuals can have their day in court. The cost to file a section 301 or 201 for trade relief by individual farmers who may have only a three week market window makes such a filing a practical impossibility. It would be appropriate for USDA to monitor imports, and if certain volume or price triggers are met, to then bring an investigation to bear with United States Trade Representative.

Perhaps this is the appropriate time to bring up Country of Origin Labeling. I realize that many of you may agree with the trade red herring that holds such labeling would create a massive rejection of our products in foreign markets and lead to WTO challenges. That's just not so! Let's look at reality. Most of our trading partners already require such labeling. In the U.S., fresh produce and meat are about the only consumer products that don't have this requirement. After all, if I can see that my shirt was made in the Philippines, my shoes in Brazil, and my television in Japan, why shouldn't I be able to see if my tomatoes are from Holland or Mexico? Now, before anyone raises objections about cost of implementing or the need to label individual bananas and grapes, let me tell you that Florida has had such a consumer labeling regulation for twenty years. We can have workable solutions to all of the concerns with minimal costs. If all grocery vendors had to comply with the same requirements, then none would have an economic advantage.

Traditionally agriculture has relied on research through land grant institutions to stay on the cutting edge of technology. This public research has produced an industry that incorporates and relies on technology to maintain its high level of productivity. We are asking for increased funding for agricultural research that will focus on specialty crops and increased labor productivity. We have seen a decline in funding for public based research and a corresponding decline in technology development and transfer to the specialty crop sector. With the increase in the private sector research and the proprietary nature of the results, we are very concerned that, because of the relatively small size and scope of the specialty crop industry, we will see a further decline in research and the development of technology that is affordable for farmers.

Earlier I mentioned my and many other specialty crop growers' risk management plan. Farmers need additional risk management tools. While there was an effort to address this last summer with the crop insurance legislation, it just doesn't go far enough. Specialty crop farmers cannot rely solely on crop insurance that fits the Mid-western pattern. Risk management programs should not distort the marketplace; many of the crop insurance policies do in fact stimulate production. We support a broad approach that may place the responsibility on the grower rather than the government. We are looking at a wide variety of possibilities that could include income assurance, tax credits, self funded programs, government matching programs or other voluntary programs. We also think that there should be some changes that reduce the politics in the disaster program, yet truly address disasters. We are supportive of modeling a disaster program after the Federal Emergency Management Administration (FEMA) program. In this way the funding would already be established. Authority should be given for this ag emergency fund to go to Commodity Credit Corporation (CCC) if major disasters deplete the trust fund. These funds would go not only to crop losses but also to replace farm buildings, roads, erosion control structures, environmental structures such as lagoons and other features of this infrastructure. This ag emergency fund could be used to partner with FEMA and USDA/Rural Development Agency to aid rural communities and infrastructures. We see this as being utilized only for major catastrophic occurrences such as floods, hurricanes, or other devastating events.

Finally, I would like to address the Conservation Title of the Farm Bill. We support voluntary conservation programs that are made available to all farmers. These programs should supply increased funding to those states with demonstrated environmental needs. We are supportive of payments going to growers for implementing and maintaining Best Management Practices (BMPs) if those programs are voluntary. We are supportive of the existing conservation programs; however, we would like to see some changes that are more reflective of specialty crops. The criteria should be broadened and funding increased to include more farmers. We think that the programs should not operate exclusively of each other. These programs should be able to partner with an individual so that more incentive funds (value) can be brought to bear to solve environmental problems. Many of the programs do not consider the value of land that specialty crop producers farm. In Florida our top three counties for agricultural receipts are Palm Beach, Miami-Dade and Hillsborough. All three of these are metropolitan counties with high land prices. If we are to have viable incentive programs and maintain agricultural lands, we must move past an artificial limit such as the $10,000 annual and $50,000 over five years that the Environmental Quality Incentive Program (EQIP) requires. Our members have expressed some interest in a program that may provide benefits (payments) for maintaining BMPs over a five year period. Many of our members have expressed interest in such a program being developed. I have had people ask what a $50,000 payment would mean to a tomato farmer. It would probably mean the same thing as a similar payment to a grain farmer. At the end of any given year, sustainability is the chance for that farmer to have that one-year-in-five that makes for profitability. If such a program were included in the Farm Bill, we think that it should be tried as a pilot or made available in both program states and non-program states. We also would hold our hand up in volunteering to be a pilot state if that opportunity occurs.

I have covered a wide range of topics and subjects. As I close I would like to remind you that these points have been raised through a discussion process with our producer members. What we have found is that many of our growers don't fully understand the letter or role of the Farm Bill. Many of our specialty crop producers see it simply as the direct payment mechanism for grains; others recognize the conservation element. However they see it, I can assure you that specialty crop producers are interested in the Farm Bill. With the NFACT (New Mexico, Florida, Arizona, California and Texas) Coalition of state Departments of Agriculture conducting listening sessions in their respective states on the Farm Bill, I think it is a safe bet to say that specialty crop producers will have a higher profile in the negotiations on the Farm Bill.