

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

July 30, 2009

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

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

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

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

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

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

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

### **Community-Supported Agriculture and Farmers Markets**

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

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

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

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

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

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

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

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

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

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

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

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

### **Promoting Specialty Crops**

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

#### *Nutrition Programs*

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

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

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

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

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

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

### *Ready to Eat Nutrition*

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

### *The Specialty Crop Block Grant Program (SCBGP)*

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

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

### *Crop Insurance, Commodity Programs and Disaster Payments*

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

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

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

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

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

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

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

*Farm Ownership and Operating Loans*

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

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

### *Conservation Programs*

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

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

### *Trade Assistance, Inspection and Protection*

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Research*

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

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

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

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

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

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

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

### **USDA Support for Business Development**

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

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

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

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

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

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

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

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

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

### **Conclusion**

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

I am happy to answer any questions you might have.