FRUIT & VEGETABLE (FAV) PLANTING PROHIBITION COMPENSATION PROGAM

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USDA Fruit and Vegetable Industry Advisory Committee

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Setting the Farm Bill Stage

- The FAV industry has not in the past been a significant part of the overall Farm Bill debate
- This is not the only Farm Bill issue under consideration by the FAV industry
- The FAV industry has generally <u>not</u> wanted farm program type payments
- Other Farm Bill change could occur
- Farm Bureau is in a unique position representing both program and non-program commodities

Planting Flexibility/Prohibition

- Section 1106 of 2002 Farm Bill
- Restricts planting of FAV on ***program acres*** unless under certain conditions (i.e. history and double-cropping)
- Designed to prevent planting of FAV on ***program acres*** while at the same time collecting decoupled program payments

Why the Issue?

- FAV prohibition challenged in WTO as part of the Brazil Cotton Case -- U.S. lost
- Prohibition may (will) be eliminated to comply with WTO
- Farm Bureau would prefer to maintain the prohibition, as does ***most*** of the FAV industry

Impact of Eliminating the Prohibition

- FAV could be grown on **program acres** while still collecting DP's and CCP's
  - "Farming the Program" will occur
- Traditional FAV growers do not receive these payments
- Small shift in program crop acres (263 mil. acres) to FAV crops (10 mil. acres) could have a dramatic impact on FAV production & prices
- Actual impact would take considerable analysis (UFFVA has study underway)

Factors Influencing a Shift to FAV

- Soil, water & climate
- Management needs
- Technical assistance
- Labor & housing
- Specialized equipment
- Risk management
- Credit & capital
- Marketing complexity
- Amount of program acres in area
- Interaction between program and non program producers
- Fresh vs. processed
- Perennial vs. annual
- Regional/seasonal

2006 AFBF Policy (#29)

- National Farm Policy states that farm program policy:

  "Be implemented in a way that minimizes the negative effects on nonprogram crops and livestock production"

- Recognizing that elimination of the FAV planting prohibition is under consideration, policy also states:

  "Provide a "green box" compliant compensation program for fruit and vegetable growers. If this is not accomplished, we oppose elimination of the planting prohibition"

Direct vs. Indirect Compensation

- Indirect compensation benefits all growers in the "industry" rather than compensating ***only*** the "traditional FAV grower" who will suffer if the prohibition is removed
- In fact, some forms of indirect compensation will encourage program crop growers to plant FAV, thus magnifying the negative impact to traditional FAV growers.

Michigan Farm Bureau Option

- Create a historic FAV base and make a ***decoupled*** per acre payment equal to the average DP and CCP for all program crops
  - Similar to addition of soybeans in 2002
  - Uniform across all FAV crops
  - Base period begins with 2002 Farm Bill
  - Continue FAV payments as long as DP's and CCP's continue for program crops

Analysis of MFB Option

- Combined DP's and CCP's for all program crops under the 2002 Farm Bill have averaged $36.72 per acre annually
- 10 mil. acres of FAV @ $36.72 per acre equal an annual expenditure of $367 mil.
- Relative to the value of many FAV this is not a large sum of money, but it would give traditional FAV growers equity with the average DP and CCP received by program crop growers who would be allowed to plant FAV on program acres

Questions

- Impact of payment limits
- Is payment to farm or operator
- Equity across commodity/geographic areas
- Availability of documentation history
- Political strategies and funding
- Other Farm Bill issues and changes
- Outcome of WTO Doha