

Fruits/Vegetables: Vital Agricultural Segment

*Remarks by Bruce I. Knight, Under Secretary for
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Fruit and Vegetable Industry Advisory Committee
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Thank you, Lloyd (Day). And thanks to each of you for taking time from your busy schedules to share your experience and expertise with us. Over the next two days as you give your advice, I encourage you to be bold, be innovative, look to the future.

I understand that over the past two years, this advisory committee has come forward with more than 50 statements and recommendations for USDA's consideration. Some of you have produced even more—serving four years under two charters. That represents a lot of hard work.

Special thanks to Chair Todd Michael and Vice Chair Mike Stuart. We deeply appreciate all that you've done. Your real world perspective continues to be invaluable to us—and to your peers in the industry.

In light of that, I'm sure you'll be pleased to know that although this committee's charter expires on Wednesday, Secretary Johanns has approved a new charter. You should see the *Federal Register* notice announcing the new charter and requesting member nominations—probably next week. I expect the new committee will build upon your success, beginning where you leave off tomorrow on food safety and other issues.

This morning, I want to take a few minutes to review the highlights of USDA's farm bill proposal—particularly the provisions related to specialty crops. Then we'll look at a few other specific issues of interest to the fruit and vegetable industry.

2007 Farm Bill Overview

First, I want to provide just a little context for the 2007 farm bill. Before we look forward, I think we need to look back.

We've seen incredible changes in American agriculture in recent years. Yet some of our farm programs date back to the 1930's, making them older than most of us in this room. But agriculture—at least in this country—has come a long way since then.

During the Depression days, farming was one man, one mule and one plow. Today, it's a man—or a woman—running a tractor that costs more than a farm house. Or a long row of greenhouses sheltering emerging seedlings.

Over the past 7 decades, we've downshifted from 6 million to 2 million farms—all the while upshifting production to feed an ever-growing population—here and abroad. Even more amazing, today the bulk of our food and fiber comes from about 150,000 farms and ranches. Efficiency, productivity and yields have increased exponentially.

As a third-generation farmer and rancher with roots—and farm and ranchland—in South Dakota, I've observed many of these changes firsthand. I know the importance of adapting and innovating to not only survive, but prosper.

It's time to adapt our farm programs to the new realities of agriculture in America in 2007. The farm bill proposal that Secretary Johanns has offered does that.

We developed the proposal based on what we heard from farmers and ranchers in more than 50 farm bill forums. Since we presented it four months ago, there's also been tremendous interest from the Hill. Secretary Johanns has testified 3 times; other USDA top staff 6 times, and we've provided more than 2 dozen informal briefings to Members and staff.

The Secretary's proposal offers a far-reaching, integrated, balanced approach to agricultural policies. It would improve current farm programs and reduce price and production distortions while maintaining a safety net for America's farmers and ranchers.

This proposal also fulfills Secretary Johann's commitment to develop a farm policy that is "equitable, predictable and beyond challenge by our trading partners." The proposal would achieve equity in a number of ways.

It seeks to strike a fair balance among a wide variety of interests:

- beginning and socially disadvantaged farmers,
- traditional program crops,
- conservation,
- animal agriculture and
- specialty crops, to name a few.

It considers the needs of landowners and producers of all sizes. We can't help one sector at the expense of another.

There's also an emphasis on energy independence by increasing reliance on alternative fuels, including ethanol, biodiesel and methane. In his State of the Union address, President Bush pledged to support research to find new methods of producing ethanol—"using everything from wood chips to grasses to agricultural wastes." The farm bill proposal includes \$1.6 billion in new research funding focusing specifically on cellulosic energy research.

But here's what I think really sets the USDA 2007 farm bill proposal apart: It offers the most market-oriented approach I've ever seen. It will meet U.S. WTO obligations today—and tomorrow.

Planting Restrictions Removed

Part of meeting those WTO commitments involves removing planting restrictions for specialty crops. I want to be upfront about this. Here's the deal.

Right now, producers who receive commodity payments for wheat, rice, grain sorghum, barley, oats, peanuts, corn, cotton and oilseeds must abide by planting restrictions that prevent them from using their acreage for specialty crops.

Coupled with planting restrictions, U.S. direct payments could be considered amber—instead of green—and put the U.S. over the limit for subsidies—and out of compliance with current trade agreements. Eliminating planting restrictions keeps us in compliance with WTO today—and prepares us to meet future possible requirements if the Doha round is completed.

On the face of it, this change might concern specialty crop producers. BUT planting restrictions are not as critical for the specialty crop industry as they might initially appear.

Most farmers who want to produce specialty crops in addition to program crops are already doing so, and the current planting restrictions don't inhibit them. New entrants to the specialty crop business are few and far between. Why? Because of a series of formidable barriers that have nothing to do with planting restrictions. I'm sure that's no surprise to any of you.

These barriers include:

- Need for specialized equipment
- Need a contract for produce headed for processing—not easy to come by when markets are stagnant
- Need to be near processing plant
- Expertise to be successful, meet market demands
- Higher production costs for specialty crops
- Need labor for harvest for fresh market
- Limited, seasonal production time, except for a few states like California

Proposals Benefiting Specialty Crops

In truth, giving up planting restrictions represents little if any loss for most specialty crop producers—especially in exchange for significant benefits.

The proposal presented by Secretary Johanns would:

- Phase-in \$68 million in enhanced mandatory funding for the Technical Assistance to Specialty Crops (TASC) program.
- Increase funding for the Market Access Program to \$225 million annually.
- Devote \$3.25 billion over the next 10 years to purchasing fruits and vegetables for distribution to schools and other groups.
- Encourage nutrition education and consistency with the Dietary Guidelines that promote more fruit and vegetable consumption.
- Establish a number of initiatives to help fight sanitary and phytosanitary trade barriers.
- Prioritize consideration of specialty crop applications in the Rural Development value-added grants awards process.

- Expand funding for research for the specialty crop industry, including a \$100 million annual competitive grant program for producers to improve efficiency and competitiveness, and
- Make specialty crop biomass used to produce cellulosic ethanol eligible for a new bioenergy program.

This is a proposal that offers new benefits to fruit and vegetable growers and increased recognition of the value the specialty crop industry brings to agriculture in America. I am excited about the new possibilities it puts on the table.

Immigration

Let me turn now briefly to immigration. I'm not an expert on this, but I want to note a few highlights. As you know, the Congress will be continuing the debate on immigration reform this week.

In his radio address two weeks ago, President Bush told the Nation that the bill under discussion includes all the elements required for comprehensive immigration reform. It will:

- Put border security and enforcement first
- Give employers new tools to verify the eligibility of workers they hire
- Create a temporary worker program
- Provide probationary status—not amnesty—for illegal immigrants who come out of the shadows
- Strengthen assimilation of new arrivals into American society
- Establish a merit system for future immigration that includes education, technical skills and the ability to speak English
- End chain migration—better balancing the importance of family connections with the economic needs of the U.S.
- Clear the family backlog in about 8 years.

The bill also recognizes the unique needs of agriculture by establishing a separate seasonal agriculture component under the temporary worker program. This program would not include a path to citizenship.

Temporary agricultural workers would come to the U.S. for a specified period, then return to their own countries. One possibility is that they might work here for 10 months, then return for two months before being eligible to come back.

On the other hand, current agricultural workers who are without proper documentation could apply for one of the new visas that could eventually lead to citizenship. To come out of the shadows, they would have to pay a fine and undergo criminal background checks. Once they had the new visa, they would eventually be able to get a green card and then ultimately be eligible for citizenship. But they would have to get in line to wait for a green card until the current backlog of requests for legal entry to the U.S. is eliminated—perhaps eight years from now.

Like other new visa holders, to get a green card, these agricultural workers would have to pay an additional fine, learn English and return to their home country to apply. However, they would have several advantages over other undocumented workers, provided they continue to work in agriculture for 3 to 5 years.

First, they would receive the maximum number of points under the new merit-based system that determines who is admitted to the U.S. Second, their fines would be significantly lower. As currently written in the bill, the initial fine to get the visa for agricultural workers would be \$100 instead of \$1,000 and their second fine to get the green card would be \$400 rather than \$4,000.

Audit Programs

Turning to other issues, we at USDA are very proud of our progress in developing audit programs to meet the needs of produce buyers and sellers. We value the partnerships we have with state agencies and trade groups to ensure that our audit programs are based on current scientific knowledge.

We are continuing to expand on our traditional service by adding audit-based programs based on internationally-recognized quality management system protocols. Some of our newer audit programs—like the *Good Agricultural Practices and Good Handling Practices Audit Verification Program* and the *Qualified Through Verification Program* incorporate food safety-related elements. These reflect market demand for greater food safety assurance as a quality attribute for products in the marketplace.

Our goal—whether our audit service covers the fresh, fresh-cut, processed or wholesale segments of the industry—is to administer credible audit services with highly trained personnel—both federal and state. Over the past year, we've been working with agriculture officials in California. We've also conducted training for auditors in Florida, Idaho, Oregon, Pennsylvania and Washington.

Conclusion

I know you've got a busy meeting ahead of you. I'm glad to have a few minutes here at the beginning to touch base with you.

Again, we appreciate your spending two days in Washington to share your insight and expertise. As I said at the beginning, I want you to be bold, visionary and forward-leaning. Thank you for helping us serve producers and others in the fruit and vegetable industry as they face the challenges and opportunities that lie ahead.

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