

REVIEW OF THE SPECIALTY CROP INDUSTRY

HEARING BEFORE THE SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDRED NINTH CONGRESS FIRST SESSION

AUGUST 26, 2005, LODI, CA

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REVIEW OF THE SPECIALTY CROP INDUSTRY

FRIDAY, AUGUST 26, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Lodi, CA.

The subcommittee met, pursuant to call, at 9:00 a.m., at Crete Hall, Hutchins Street Square, 125 South Hutchins Street, Lodi, CA, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Present: Representatives Pombo, Case, Costa, and Cardoza.

Also present: Representatives Radanovich and Nunes.

Staff present: Pamilyn Miller, Elizabeth Parker, Chandler Goule, and Shelly H. Abajian.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. The subcommittee will come to order.

I am Congressman Robin Hayes from the south central part of North Carolina. We grow a lot of corn, soybeans, cotton, peanuts, deer, quail, and poultry, and it is a real honor and a treat to be here with you all, and my good friend, Richard Pombo, Dennis, and Jim, and others that are native to the area, Devin. Ed Case came from about as far away as I did in Hawaii.

But, again, thank you all for coming. We want you all to feel at home, since you are at home. We will conduct this meeting.

The California secretary of agriculture is here with us, and we are mighty glad to be with him.

But we want you all to enjoy this hearing. We want you all to have the time to tell us the things that we need to do and need to know in order to represent you back in Washington. All of us here I think follow the same pecking order. We live in our district and commute to Washington, so we don't claim to be from there.

Again, thanks all of you all for coming, particularly our witnesses and the audience today. We are going to cover a gamut of domestic policies that affect U.S. fruit, nut, vegetable, wine, and nursery industries, such as trade, market access, conservation, research, pest, and disease issues.

We would like to remind the witnesses—and for those in the audience—the focus of today's hearing is not concern for the next farm bill. I am well aware of the efforts underway by the specialty crop industry to prepare and plan for the next farm bill, and I am pleased to see the industry and various organizations working together on farm bill proposals.

I am sure that later this fall there will be an opportunity to hear your ideas. The House Agriculture Committee Chairman, Bob Goodlatte, and Ranking Member Colin Peterson, will be conducting a farm bill specific hearing. Therefore, the purpose of today's hearing is to review other issues affecting specialty crop producers.

I believe today's hearing will lay important groundwork for future hearings by assessing current industry needs and determining what policies and programs are working and what improvements can be made.

After reading the testimony, I noticed that several of the witnesses echoed each other in regard to trade, pest, and disease pressures, and need for increased research among a few topics. Trade and market access is vital to the survival of the U.S. specialty crop industry, and I agree that in this global marketplace we must make sure our producers have access to foreign markets and that non-tariff trade barriers be eliminated.

We cannot give away the store when it comes to agriculture, and our producers must have equity in order to compete. Protecting our domestic agriculture industries from foreign pests and diseases is of utmost concern to the subcommittee. I agree that more resources are needed by both the USDA and the Department of Homeland Security to prevent the introduction, establishment, and spread of foreign pests and diseases.

I understand that research to improve technology, environmental management, and combat pests and diseases has not been adequately funded. I commend the industry for leveraging private dollars with public dollars to get the biggest bang for the buck in order to address some of the funding shortfalls while producing quality research.

Another value of the specialty crop industry to the U.S. economy—and having driven here last night from San Francisco—it is an absolutely eye-opening experience. The length, the breadth, the quality, and the nature of agriculture is just way beyond impressive. And I salute you for what you do.

The secretary of agriculture is especially important to California. We are glad to be here in the Central Valley having this hearing.

While I am here, I look forward to joining some of my colleagues and touring specialty crop operations. Robbie and I are going to check on preventing the degradation of crops here in November, see firsthand how the industry is being affected by current domestic issues.

Before we get started with testimony, I would like to explain some of the procedures for the hearing. The hearing is structured like any of our subcommittee hearings in Washington. All witnesses will have 5 minutes to present their oral testimony and then answer questions.

We have lights and timers. When your time has expired, the red light will come on, and please keep in mind, because of scheduling, we must conclude by noon. As always, I would note that anyone who wishes to submit a written statement as part of the record may do so up to 10 calendar days after the hearing, which would be Tuesday, September 6. Please see the staff if you wish to submit a statement.

Additionally, all testimony and comments made today will be a part of the official record. Again, I thank the witnesses for participating, and I look forward to today's testimony, and would now like to recognize my friend and ranking member Mr. Ed Case.

**OPENING STATEMENT OF HON. ED CASE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF HAWAII**

Mr. CASE. Thank you very much Chairman Hayes.

Good morning, and aloha to everybody. It is great to be with you here. I am Ed Case. I represent the great Second Congressional District of Hawaii. The easiest way to remember which district that is is that I represent the entire State of Hawaii, except for that middle part of Hawaii that is the city of Honolulu. So for those of you that have been to Hawaii, you know that I have got the best part of the State of Hawaii.

And I also have all of the agriculture in Hawaii, except for a watercress farm that held out in the face of development pressure and is underneath and is surrounded by one of our principal shopping centers—quite an attraction in and of itself.

It is good to be back with you. It is good to be back in California where I spent 3 great years of my own life. And it is good to be back with my colleagues up here for what I think is really a crucial and long overdue hearing on the other forgotten part of American agriculture, and that is our specialty crops industry.

I am so appreciative to Chair Hayes for scheduling this hearing. It is something that we need to be doing. I want to thank Rich Pombo for hosting us right here in the 11th, as well as my other congressional colleagues here who have been such leaders in terms of trying to advocate not only for your own agriculture but for all of American agriculture.

Agriculture is a specialty crop oriented throughout a lot of our country. I was just comparing, for example, Rich's district in terms of agriculture with my own. We see that we have about the same number of farmers, about the same size of farm, about the same balance of crops, highly diversified, except that his farmgate value is over double mine, so obviously I have got something to learn from circulating around here a little bit.

I also feel right at home with my colleagues right here, not only from an agricultural perspective, but, as many of you know, California's Central Valley and Hawaii share an incredible ethnic diversity. And we have three great centers of Portuguese heritage of in our country. One would be the fishing towns of New England, one would be the Central Valley, and one would be Hawaii.

So, certainly, I am feeling at home with the entire Portuguese Caucus up here. [Laughter.]

I don't claim to be Portuguese, but my children are part Portuguese. [Laughter.]

I have it by injection, and I have—the population is about 10 percent. So I am very fond of talking to that part of my constituency about my own indirect heritage.

This is a perfect place to really bore in on what we need to do to help our specialty crops throughout our country. Frankly, I think we all know that our Federal Government's efforts have been targeted to non-specialty crops for a long, long time, and specialty

crops have kind of been left to the side and left to get on with things themselves, and yet they face the same kinds of pressures, the same kinds of challenges, as all of American agriculture does, whether it be environmental issues, whether it be transportation and cost issues, whether it be development encroachment and conservation programs, which we saw in spades just on the drive up from San Francisco.

There is a desire to access export industries. I just got back from an incredible congressional delegation to China with 12 of our colleagues led by Don Manzullo, the chairman of our Small Business Committee, talking about export market waiting to happen, and hurdles, frankly, to the access to that market, which I think we need to work on from a specialty crop perspective.

Your congressional delegation here led the way last year in passing the Specialty Crop Competitiveness Act, which is a Federal statute that was signed into law, one of the last bills of the last Congress, to try to direct the U.S. Department of Agriculture and your Federal Government towards the specialty crop side of things.

And one of the chief things that I want to do, and I think we are trying to do here, is to not only drill down on specialty crops overall, but ask the question: how can we use this new law, all of us use this new law, to try to advance the interests of specialty crops across the way, as we start to implement the Specialty Crops Competitiveness Act, which was co-introduced and steered through Congress by the people that are on this podium today.

So I am looking for today—and I think we are all looking for—not only highlighting specialty crops per se in California and elsewhere, but what can we do when we go back to Washington? That is the basic question. What do we need to be doing to help this part of American agriculture, the forgotten part of American agriculture, from a Washington, DC perspective, to survive and prosper in a world that provides great opportunities but also great challenges for specialty crops.

Mahalo.

Mr. HAYES. Thank you, Ed.

And next, your own home boy Richard Pombo.

OPENING STATEMENT OF HON. RICHARD W. POMBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. POMBO. Well, thank you, Mr. Chairman. And I know that you do want to get the hearing started because of time constraints, and I will be very brief.

I want to welcome you to the 11th Congressional District, to Lodi, California. Thank you for bringing the subcommittee out here. This is a very special part of the world for a lot of different reasons, one of those being our agriculture. When I was the chairman of this subcommittee, and my subcommittee at that time held all of the dairy and specialty crop parts of the Agriculture Committee, at that point we represented 80 percent of American agriculture in that subcommittee.

And when it came to the farm bill, we were a blip in terms of what they actually paid attention to, and I think that is represented in Ranking Member Case's statements concerning his dis-

trict and specialty crops across the country. We do produce more in terms of dollar value than just about any place else in the world out of the Central Valley in California. We produce about 50 percent of the world's fruits and vegetables coming out of this area. That is a huge impact on the economy of California, and there is no question that it is important.

But I will remind you and my colleagues that, because of that, we are probably more affected and dependent upon the international market in agriculture than probably anywhere else in the world. Whether it is imports coming in and the impacts that those have on prices and our ability to move our product, or whether it is exports and what we are able to send around the world, a lot of it is realizing that we are dealing in an international economy today, and the new farm bill is going to have to reflect that.

And what we are able to do from the Federal level in making it possible for you to compete on a level playing field with a regulatory environment that you can operate in, that mirrors the kind of competition that you have around the world, is going to be extremely important. We were able in the last farm bill to make some headway. There were some things that we put in, and the specialty crop bill that Mr. Case talked about was also added on to that, was part of it.

But in order for us to remain competitive in an international economy, there is things that we need to do, and the Federal Government needs to be helpful on that.

So I thank Chairman Hayes for bringing the committee here, Ranking Member Case for coming from Hawaii, and making this part of his August recess, August work period, to come to California and be part of this.

I also want to thank my California colleagues for making the effort to be here. Mr. Radanovich represents a district south and east of here, Mr. Cardoza south of here. In fact, Mr. Cardoza represents a big part of San Joaquin County as well.

Mr. Costa represents the more southern part of the valley, as does Mr. Nunes, and this is the Portuguese Caucus. There are four of us in the House of Representatives, and all four of us are from the Central Valley of California.

And all four of us come from farm families, and we all had to find off-farm jobs. So it may be a little indication of our preferences.

So, again, Mr. Chairman, thank you.

Mr. HAYES. Dennis?

OPENING STATEMENT OF HON. DENNIS CARDOZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CARDOZA. Thank you, Mr. Chairman. I really appreciate you holding this hearing in our part of the world today. Thank you for your leadership on the committee. I also want to thank my good friend, the ranking member, Mr. Case, for flying all the way from Hawaii here and learning more about California agriculture.

Just so you know, as was just stated, my district starts about 15 minutes from here and goes all the way down to Fresno County.

There is a little tale that goes down to Mr. Costa's ranch. Sometime I will tell you a story about that.

But the Central Valley is the heartland of agriculture in this country, as far as I am concerned. I want to thank the committee for holding this hearing to review California's specialty crop industry. I am sure you are going to hear a number of statistics throughout the day demonstrating California's agricultural strength.

But one that struck me the most comes from the California Agricultural Statistics Service, citing that over 75 crop and livestock commodities—where California leads the Nation in production—75 out of the 250 or 350 crops or commodities that can be grown.

But the future has become less rosy for California's specialty crop industry. Market competition, labor costs, water shortages, environmental concerns, endangered species, along with a number of other factors are severely impacting the nature of farming in California. And the silence from Washington is almost deafening when it comes to a Federal commitment to supporting our State's specialty crop farmers.

I want to give much of the deserved credit to my colleagues, Doug Ose and Cal Dooley, for pushing the Specialty Crop Competitive Act through Congress last year. But in the wake of celebrating its passage comes the harsh reality of budget pressures that preserve the status quo of the agricultural policy of the United States.

We now find ourselves fighting tooth and nail for scraps to fund the specialty crop bill. With the help of California's appropriators, we managed to secure only a paltry \$7 million for over half of the agricultural production in the United States. In my opinion, it doesn't make any sense at all. The bias and inequality is not limited to funding specialty crops, but instead permeates most of the Federal farm policy.

Many current conservation programs have rental rates that are way below California's land value and essentially render them unusable to the average specialty crop farmer. And many of the more popular programs, like the EQIP Program, are so oversubscribed in the Central Valley that most farmers choose not to apply rather than be denied once again this year.

Furthermore, I found it demoralizing to read in not one but three testimonies from the panelists today that the administration's Office of Management and Budget is outright blocking funding for important pest control activities. There is nothing more important to the farmers of the Central Valley than making sure that their crops aren't devastated by pests.

California's population is expected to grow exponentially over the next 20 years. Along with that growth will be an intense battle over our limited natural resources. I want to applaud organizations like the California Winegrape Growers, who have taken it upon themselves to address conservation issues directly, and through self-funded measures.

But as we move towards the next farm bill we need a commitment to bring Federal investment back to our State's farming economy. I look at it as not only an investment in our farms and farmers, but as an investment in our national security and the continued economic vitality of the Central Valley.

Again, Mr. Chairman and Mr. Case, thank you for coming to California. Thank you for taking time out of your busy schedule in August to take the time to see our fields and processing facilities, talking to our growers, and really getting the feel of our Valley lifestyle. And after you come away from today, you will also have a better understanding of the Portuguese Caucus.

Mr. HAYES. Thank you, Dennis.
Devin.

OPENING STATEMENT OF HON. DEVIN NUNES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. NUNES. Good morning, and thank you. Mr. Chairman, Robin, thank you so much for being here. We have got assembled I think some of the best leaders in a huge specialty crop State, and we appreciate your interest in knowing more about that, so that we can be very well educated in the farm bill.

And Ranking Member Case, we appreciate you, too, coming all the way out from Hawaii, and, Richard, it is great to be in your district. Thank you for coming to the valley and holding this hearing.

I do want to mention one thing briefly, and that is something that may not necessarily be covered in today's hearing, but it is regarding crop insurance. I believe it is necessary for the review and a review of the rating structure for certain specialty crops to be conducted particularly for cling peaches.

Second, we must develop an improved process for appraising weather-damaged crops that cannot be sold. In addition, there should be a recognition of varietal premiums and price calculations under the crop insurance system. And I hope that we can pursue a resolution of this in the upcoming farm bill. It is a desire of mine to see that happen.

I am very happy to be here with my Valley colleagues. I know the Portuguese Caucus very well. I am completely surrounded by them.

But there is one Croatian against four Portuguese-Americans.

We try to make that work.

But, again, thanks for being here. The panelists, again, it is good to see you all, and I am glad that you are here. This is valuable testimony, and we have got the best here to present it.

So, again, Mr. Chairman, I appreciate being here. Thank you very much.

Mr. HAYES. Jim?

STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. COSTA. Thank you very much, Chairman Hayes, and, Ranking Member Case, the long distance you flew. Those of us on the west coast are familiar with those distances as we do them on a regular weekly basis to Washington.

Chairman Pombo, and Mr. Radanovich, and my colleagues Devin and Dennis, it is indeed my pleasure to be kind of the new kid on the block, to be joining with you in our efforts to try to make sure that—Richard is smiling, reminded me of a comment—a time earlier this year when I made that same comment and somebody

looked at me and said, "Yes, Costa, but you have been on a lot of blocks."

The fact is is that I am honored to be here with my colleagues, and, Chairman Hayes, we do appreciate you coming to what we believe is the heartland of California in terms of the tremendous cornucopia of agriculture production that takes place here.

The fact of the matter is is that it is fitting and appropriate that here in Lodi we had a discussion this morning with regard to specialty crops, and the important role they play, not just in California agriculture but in our U.S. agricultural industry.

And I want to follow on Chairman Pombo's comments as it relates to the impact, not just with the farm bill, but taking into consideration those efforts over the next 2 years. I think, more importantly, it has to be done in the context of the impacts on global markets.

Frankly, California agriculture and its specialty crops have been on the cutting edge for decades in terms of not just technological developments, also dealing with all of the cost of production factors that were mentioned here a moment ago. There are challenges because those costs of production go into the bottom line as to whether or not farmers and processors, the associations, the trade associations, the co-ops, at the end of the day can make a profit.

But more importantly, the new challenge that all of these specialty crops face, as does the rest of U.S. agriculture, is how we compete in the global market, and the impacts that the World Trade Organization has with regard to its newest rounds of discussions. And I think that the testimony that we listen to here this morning, that it will be very important that we glean the difficulty that our growers have in attempting to compete on a level playing field, because we know that free trade is different than fair trade.

And at the end of the day, our ability to compete on these markets ultimately depends upon not just the bilateral negotiations that would take place, but that can affect whether or not our partners, our trading partners, keep up their agreements.

And we can just look in the last 6 months at the challenges with Japan with regard to the ban on U.S. beef, the situation in China with hidden subsidies, the circumstances facing Brazil with attacks on various of our farm programs that we thought were in compliance with the WTO, only to find that some were not, and the challenges that we have right now with the EU.

So I am going to listen anxiously to the testimony that will take place this morning, and, once again, I want to thank the chairman and my other colleagues that are here. And I just want to rest assured, for some of you who have heard that we are starting to put together a Portuguese law firm, that that is not true.

We really like our jobs in the Congress. Thank you very much.

Mr. HAYES. Thank you.

George?

STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. RADANOVICH. Well, thank you. Thank you, Robin. I just want to thank all of you for being here. I think these hearings are important, and, really, Chairman Pombo has been the one to I think

bring this policy to Washington, and that is to get us out of the big white building on Capitol Hill and get us out to see things. And I think that what Robin and Ed, I know you are spending a couple of days here. I think it is real valuable for you to see another part of the country, and to see the agriculture that is here.

So with that, I don't want to prolong the hearing any more. I think we basically concur with the rest of my colleagues. When you go last, there is nothing left to say.

But I do want to welcome Secretary Kawamura. I joked with him last week that I see him every week, but it is really not a joke. I mean, the secretary is always around, so I know those of you in agriculture, you have to be really pleased with the work that he is doing, because he is really getting around the State. And so not bad for a guy with a ponytail.

Anyway, thank you again, Mr. Chairman. I look forward to the testimony.

Mr. HAYES. Well, thanks to all my colleagues. I am here, the chairman of the Redneck Caucus. I noticed when I drove into town you had Dale Jr.'s picture up there on the billboard. You all are really making good progress out here.

It is so valuable to be here in the field. And I will tell you a political joke, but you see that every night on CNN when you watch Washington. And I mention that only because the Washington that relates to your Agriculture Committee is not the Washington you see on the nightly news.

You have got bipartisan folks who are working, because of the importance of agriculture, and because of the contribution that you in the farm community make, to fashion sound policy, to come up with trade that is reciprocal. Reciprocal trade is far different from the dumping that many of you have experienced.

So you are very well represented by your Representatives in Congress. You are represented well by your trade organizations and others who are in Washington on a daily basis. But I say that to emphasize how important those of you who may be sitting in the back row today are to the process, because the things that we learned that really make a difference that are important in Washington are the things that we learn from the folks who every day are growing the artichokes, dairy cows, whatever the case may be.

So please don't underestimate how important your participation on a daily basis, not just today, is.

So without further ado, again, thank you for being here today, and I would like to welcome our first panel. I don't know if we couldn't get anybody to come with you, Mr. Secretary, but very distinguished secretary of agriculture, Secretary A.G. Kawamura.

**STATEMENT OF A.G. KAWAMURA, SECRETARY, CALIFORNIA
DEPARTMENT OF FOOD AND AGRICULTURE, SACRAMENTO,
CA**

Mr. KAWAMURA. Thank you, and welcome, Chairman Hayes, Ranking Member Case, Members Costa, Cardoza, Pombo, Radanovich, and Nunes. It is a pleasure to have you here. It is a pleasure to be here, to be able to talk about the very important future of agriculture, not only for the State of California but clearly for the country as well.

Before I start, I would like to especially congratulate Chairman Hayes on having in the State of North Carolina one of the finest infrastructures for pest exclusion and for emergency preparedness. You have done tremendous work in your State to be prepared for not only a homeland security type of disaster, but all of the different kinds of disasters that could affect agriculture as well. And I have tremendous respect for the work you have done there, and it gives all of us things to shoot for. So congratulations on that.

Again, I would love to say that this is a first opportunity for me to lay down at least a brief foundation. This is a discussion and a dialog that we will have for many, many months into the future, but to lay down a brief foundation for a discussion and a dialog on what the future of agriculture will be for California and for the Nation.

And in saying that, USDA Secretary Johanns was here just several weeks ago, and we are very successfully able to have a farm bill listening session, a forum here, and we are pleased that he was able to catch a 1-day glimpse. We hope to get him back soon, but a 1-day glimpse of the enormous bounty produced in the State.

So for all of your efforts and the continuing efforts that we look forward to in the future, thank you again for being here, and welcome.

As Governor Schwarzenegger's representative, I would like to say a few words briefly about his appreciation and commitment to agriculture. As you know, the Governor grew up in post-World War II Austria, where he learned firsthand the critical role that agriculture plays in a stable society. He was milking cows regularly as a young man, similar to many of you congressmen here at the table.

This real-life experience left him with a deep appreciation for agriculture, and, more importantly, and the men and women that play that role of dedication to our food supply, food and fiber supply. And we are also very fortunate to have here in California both the Governor and the First Lady, Maria Shriver, actively understanding that access to nutritious California-grown products and the essential component that they play in a healthy lifestyle is a focus of theirs.

In fact, a healthy lifestyle for all Californians is the goal of this administration, and you will see that in an upcoming summit on health, obesity, and nutrition here in September. It will be a major focus of our State to get our Nation's attention on the crisis. And I say that the epidemic, if you believe—and we certainly do believe the Center for Disease Control, the epidemic in nutrition and obesity, and the diabetes-related diseases there.

And I am sure today many will testify that California is clearly in a position to enjoy a booming demand for the wide range of nutritious products that we produce here, that we supply not only to the Nation but to the world. As you know, California is the No. 1 production State in the Nation, and according to the recent 2004 numbers we are at just under \$32 billion in farmgate prices.

That does not include the multipliers that many people use to try and create a value assessment of what their agriculture sectors produce. But we are clearly, in many accounts, the fifth largest agricultural economy as a region in the world, behind the United

States is one, the European Union is two, Brazil is three, possibly, and China four. We are the fifth largest economy in the world, if you believe those numbers.

And California certainly is the No. 1 dairy State in the Nation, accounting for 20 percent of the Nation's milk supply. We are also the No. 2 producer—and I think it is important to look at these other commodities—the No. 2 producers in cotton, in poultry, in rice, in cheese, in our Nation.

And we also the sole producer of 12 other commodities, and some of the new numbers do state that we are not the national leader in 75 but 81 different other commodities. And yet in our Nation, in our State, 92 percent of all the products produced in California are specialty crops.

And so when it comes to truck crops, it is no wonder that California is often referred to as the salad bowl of the Nation, since our farmers here grow half of the domestically-produced supply of fruits, vegetables, and nuts in the Nation. So one out of two citizens receive their entire supply of domestically-produced products from California in those categories.

And as for the global markets, we export as much as almost 25 percent. A fourth of our product is exported. California accounts for 10 percent of the U.S. export numbers, total U.S. agricultural exports. And so, in fact, if the Midwestern States are the farm belt of the Nation, then we certainly must be the pants.

Agriculture is clearly a resource for all societies, and I want to make that a very important point at the onset. Agriculture is a resource, and as a resource our Nation seems to forget this at times because of the accessible abundance that farmers and ranchers have created. But as a resource, then, agriculture needs to be protected and supported.

More specifically, we believe that the 21st century farm policy, American farm policy, must be more visionary. American agriculture must be moving forward together, and I mean this absolutely together, not State by State but in unity and strength of purpose. Now is not the time for our Nation to shrink back from funding of our critical agricultural infrastructure.

Let us not believe that we are here giving testimony about the food supply. We are talking about our food supply, their food supply. This is the food supply for our Nation here.

Specifically, as it relates to the questions posed by the subcommittee—and the first question you had asked, “How do the current Federal programs affect California's specialty crop industry?” And, again, these are brief statements about—that will lay open, again, some of the further dialog that will follow me.

My light is on. May I continue to talk for a little while here? Thank you.

Although specialty crop production accounts for more than half of the Nation's crop value, the specialty crop industries receive no direct title I program dollars. Specialty crops are, again, 90 percent of California's total production.

Technical assistance and market promotion in trade are examples of programs that benefit certain commodity groups. However, most of the support from Federal programs comes from the indirect

purchases of raw and processed foods through the food stamp, WIC, school lunch, and other food relief programs.

California's potential share of these program dollars could be enhanced through modifications and streamlining of the guidelines and regulatory oversight, both at the State and National levels. Specialty crop block grants managed through the State Departments of Agriculture have been shown to be extremely effective in dealing with the wide range of products and regionally distinct distribution channels for specialty crop product producers.

A nationwide commitment to the viability and enhancement of specialty crop industries can be accomplished through increased investment in these State-driven grants. Coordination with National and State nutrition policy can also create excellent partnerships with farmers in rural and urban communities.

The second question you had asked, "What are some of the export-related challenges for California growers, particularly in light of State and Federal regulations that impact our ability to compete?" Certainly, harmonization and standardization of phytosanitary requirements, tariffs, and other trade barriers that limit the export of many specialty crops need to be a focus.

Trade promotion and technical assistance are WTO-approved activities that governments may support. The current and future farm bill must recognize the tremendous return on investment that dollars allocated to aggressive export assistance can bring back to the Nation. However, trade promotion must be linked to a stronger commitment to both food safety and protection against invasive species from imports and tourism.

All agricultural trade can suffer from food-borne diseases and pest outbreaks. All nations must be alert to the enormous challenges caused by the introductions of unwanted species and pests and diseases.

The third point, "What efforts are working to address pest and disease challenges, and what additional authorities are needed?" All together California's farmers and ranchers comprise one of the largest food and fiber and horticulture and nutrition delivery systems in the world, yet this important National infrastructure does face and continues to face increasing pressures and burdens from invasive pests, diseases, and noxious weeds.

There has never been a greater threat to the sustainability of our food systems and our environment than today. The potential for both intentional and unintentional introductions of diseases and pests has dramatically increased with the globalization of the world.

The pest exclusion infrastructure of every State in the Nation should be enhanced and invested in, since we know that prevention is well documented to be far more efficient than the cost of eradication. Federal and State authorities must be given the tools and expertise to safeguard this critical infrastructure, and we cannot be negligent of our obligation, then, to protect the living systems of the Nation. And we look to the Federal farm bill and other Federal and State appropriations to help us address these challenges.

Other areas of interest, such as research, conservation, nutrition, etcetera, we should all recognize that agriculture is the solution to many of our Nation's greatest challenges. No other human endeavor

or uses as many disciplines of science to achieve advances in the standards of living that we have learned to expect and have learned to know.

The continued funding of agricultural research, then, and applied sciences is critical to meet these needs and these expectations. It can be the domestic source of renewable fuels, sparking an enormous economic boom of investment and jobs where dollars will stay within our community.

With this record price of barrel price of oil these days, again, leaving these dollars for our own domestic fuel production, renewable fuel from agriculture, there is an enormous future for us. It is our cornucopia of locally-produced specialty crops that will help us turn around the human and economic crisis in health and nutrition, replacing health care dollars.

And all of the pharmaceutical dollars that go into fixing people after they are broke and after they are sick, when we turn that around with a nutrition change in our diet, you will keep more jobs and more dollars here in our communities and in our country as well.

And agricultural solutions to air and water pollution and other concerns in the environment can be enhanced through the creation of carbon management districts and other kinds of multiple objective collaborations that can yield jobs, income, energy, conservation projects, habitat environmental protection. These are some of the wonderful things that can come through those titles of conservation and rural titles, working together with our special crop farmers and other farmers as well.

In fact, rural America will see a rebirth of activity in agri-tourism and country living as urban residents recognize these urban residents need a rural experience. And you are finding that with the advent of farmer's markets bringing the rural environment to the urban sectors. And these have great potential as well.

School lunch programs and all the feeding programs that blend nutritious foods and educational goals, exercise, and garden-based learning opportunities, these are all great things that we can work on as well within this farm bill, upcoming farm bill. And it becomes obvious, then, that agriculture provides so many of these benefits to society, and we need to remind them.

So in closing, for those citizens who never experienced the Great Depression, World War II, the Cold War, they may have difficulty understanding the benefits that come from a dependable, safe, and secure supply of farm products. We cannot forget the hard lessons learned from the past, but we must be thinking about forward-thinking about addressing our own sustainability in agriculture.

And, further, globalization is not a threat. It is an opportunity. The global challenge of providing 7 billion world citizens with an abundant supply of food, fiber, and energy at an affordable price is the most ambitious, and yet achievable, goal of our generation.

The current farm bill and future farm policy legislation represents—this is probably as important a point as I can make. The current farm bill and future farm policy legislation represents the Nation's investment in our food, fiber, shelter, and, quite possibly, our future energy security. It is not a cost to this society; it is an investment we need to make at this time.

And this commitment of resources provides a network of safeguards necessary to maintain the quality of life we so enjoy. And so California agriculture is leading the world in achieving a safe and reliable supply of farm products produced through responsible stewardship of our resources, under the watchful eye of caring farm families.

And the 21st century will bring us many challenges, but none greater than achieving a renewed commitment to agriculture and its fundamental role in all societies. We are all stakeholders in this future.

Thank you for this hearing. Thank you for your attention.

[The prepared statement of Mr. Kawamura appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Secretary. Do any of the members of the panel here have questions for the secretary? Mr. Case?

Mr. CASE. Thank you very much, Mr. Secretary. This is a simplistic way of looking at it, but it works for me, and that is to contrast our Federal Government's focus on program crops versus all other crops.

When you look at the disparity—what I believe is a disparity in treatment, a disparity in focus, and when we recognize that our challenge here today for the Central Valley, as well as many other parts of our country, is to assure that we are focusing on all of American agriculture, especially specialty crops.

We have kind of nibbled around the edges of some of the areas where there is a disparity. Congressman Radanovich, for example, talked about crop insurance, which I want to ask you about specifically. What are some of the biggest areas of disparity? I mean, we all know about title I, so that is a clear one. I mean, we can argue that one or not argue that one, but that is a known one.

What else is out there? I mean, do you perceive in doing your job that in terms, for example, of trade promotion there is disparate treatment of a category of crops versus the specialty crops coming out of Washington? I am just kind of running down my list of various things.

Dennis talked about conservation programs. I mean, do we have any sense that conservation programs are going more to the non-specialty crops? I believe so. But, I mean, can that be demonstrated empirically in California?

We have talked about invasive species and the protection of invasive species, or the focus on invasives. Are there any big areas that stand out? And perhaps that could be, with your permission, Mr. Chairman, somewhat of a rhetorical question that you come back to later on, submit some additional testimony.

I mean, I would love to just see a matrix. Let us take every one of the areas where our Federal Government has something to do with American agriculture and compare it, because I think that the difference would be quite stark, and it would provide us a pretty good guideline of where to go with our specialty crop industry, not just California and Hawaii, but most of the States where agriculture is not program crop-driven.

Mr. KAWAMURA. And for those questions, I think we almost go back to a fundamental problem, and I like to call it chronic amnesia. I think the Nation sometimes forgets its basic obligations to its

infrastructure, and sometimes other things seem to take precedence. But I think it has been very clear to those of us here in California, especially struggling through a deficit situation in our State, that the infrastructure is what allows us to continue to proceed not only in agriculture but through all of our different businesses.

And so as you look at what a farm bill represents, I go back to the statement, it is one of the areas in our economy as a Nation, as a State, that when you put money into it, it gives you money back. Many other areas of our society, you put monies in, it never comes back in the form of revenue return, and that revenue return then becomes the basis for our tax base and our ability to take our Nation to whatever level, whatever places we want it to go.

And so as we recognize that the investment—and it could be the investment, whether it is in North Dakota or the investment here in California—those dollars that are such a small percentage of the total national output of dollars given to different parts of Government is such—it is so hard to recognize how the dollars that we put into a farm bill, we are struggling in the national dialog to think of it as a shrinking part of an expanding pie.

We like to think of it here as an expanding pie opportunity, because the dollars you put into a farm bill return more revenue to the country, more revenue to the State. And when I said earlier that this is the Nation's food supply here in California, I believe that to be true.

When we supply as much of the Nation's actual food supply, the Nation should be very concerned and very alarmed in the areas of infrastructure, for example, what is happening in California, what is happening with our water systems, what is happening with our pest exclusion, because, again, a shutdown of the Nation's food supply here in California due to a quarantine, due to an intentional outbreak of some sort, is something we don't want to talk about, but we need to be alarmed and prepared about it, and respect the kind of vulnerabilities that we have here.

In terms of having a farm bill, it becomes then the way that you look towards the future to develop some kinds of things, for example, in renewable fuel energy security, energy independence away from our imports of fuels. It is a booming, booming opportunity for us with today's technologies.

We couldn't have this discussion 20 years ago. We started to talk about it 10 years ago, but the technology is available throughout the world, where other nations are fully ahead of us in looking at how to deal with their long-term energy needs. These are opportunities in the farm bill.

This nutrition turnaround we talked about, the Canadians evidently eat seven servings of fruits and vegetables a day. We, in the United States, eat three servings of fruits and vegetables a day. If we were to get to the seven servings of fruits and vegetables a day, that is a 130 percent increase in consumption. Where does that come from? It comes from those States within their—not only California, but all of the States that have the specialty crops that they can produce. in season of course, in some areas that have heavy winters.

But even then, the technologies to produce specialty crops throughout the year is increasing. And, again, new technologies

that come through the investment of a farm bill, specialty crop title, for example, are things that we haven't thought about, partly because in the face of global competition, just years ago I don't think any of us worried so much about global competition.

In my lifetime we certainly weren't that concerned about a garlic industry suddenly facing enormous imports from China, an orange industry suddenly facing enormous pressures from Brazil or other countries.

These are big changes, and this is why we have to relook at the farm bill, because the past farm bill, the last time it was significantly changed was during a time of crisis. It would be foolish for us to wait for a time of crisis to change the farm bill and to change the agricultural policy.

Mr. CASE. Thank you. My time is up. Let me just make a couple of comments. Again, I think we need a better articulation of the relative treatment by our Federal Government of some crops versus others, with a focus on specialty crops, of what is not being allocated to the specialty crop side of things and is being allocated to other crops.

I think that that is a major thing we need to deal with. I certainly would like to kind of walk through that.

I would just mention a recent crop insurance issue. That is a perfect one right there, because I have had some problems with just basic crop insurance coverage with some of my crops, and it is not malicious or anything like that on Washington's part. It is just that they don't understand how that some crops have a 2-year growing cycle versus a 1-year growing cycle. They don't know what a lychee is sometimes. How does that differ?

That is all right. I mean, we have got some different crops out there that are not familiar to the big building that is not on the Hill, but it is the lower one down by the Smithsonian.

I would very much agree with your comments in terms of financial compensation, and that is referenced by both Rich Pombo and Jim Costa specifically, again, with reference to China. And the specialty crop industry has relied upon high value, value added, to market itself.

When we take a look at the cost of labor, which is a major issue that we have obviously right here, and compare it to China, China is busy. It is not just sitting around saying, "Well, we are going to do the low-cost method. We can do labor." They are trying to basically reverse engineer all of this stuff and come back and compete with American agriculture on high value added specialty crops, which goes right to the center of this particular district.

So we had better be focusing on how we can compete and how we can access that market, and how we can equalize that. So I think both Congressman Pombo and Congressman Costa are exactly right to focus on that as the coming challenge for the specialty crop industry.

Thank you.

Mr. HAYES. George, you had a question?

Mr. RADANOVICH. I do.

Mr. HAYES. OK. We will have to get everybody tightened down on time here.

Mr. NUNES. Thank you, Mr. Chairman. Mr. Secretary, I appreciate yours and Governor Schwarzenegger's commitment to the administration to alternative fuels. Because you as secretary recognize the recent opening of two ethanol plants I think in California now first, and the issue of alternate fuels is a very good one.

The only issue that I see with that right now is that they are producing ethanol and they are buying the corn from Iowa. If it is the State's commitment to alternative fuels, it would be nice to see some technology and some research dollars going into how we can make these types of fuels from specialty crops and the crops we grow here in the San Joaquin Valley.

And I would be interested to know whether you would support something like that in the upcoming farm bill, but also get a sense of whether that is a priority in the Schwarzenegger administration as well.

Mr. KAWAMURA. And the quick answer to that is yes. We think specialty crop would be a good word for renewable agricultural fuels. And whether it is in the realm of biodiesel, or whether it is different kinds of oil-based products, whether it is in the realm of ethanol production or cellulosic ethanol, whether it is working with a solution to a methane digestion systems that are now springing up all over the country, I think we have a wonderful portfolio of energy products that can come out of agriculture.

It would be wonderful to have some dollars from the Federal Government. It helps us to make it a springboard for the investment community to come out and look at our energy future in these areas. And so in that farm bill, whether it is a specialty crop title called specifically in specialty energy crops, that would be a wonderful area of support that this Governor is in support of, absolutely.

Mr. HAYES. Any questions from the panel? Dennis?

Mr. CARDOZA. Thank you, Mr. Chairman. Again, welcome, Mr. Secretary. Thank you for your leadership on this and many other issues. I want to say at the outset that one of my concerns—and I would like to hear your comments on it—as you heard in my opening statement, I was very critical of specialty crops not getting their fair share, and the Federal Government simply not meeting what I believe is the needs in this area. Actually, the majority of production in our country is not getting, in my opinion, adequate attention.

There are two areas I wanted to mention with regard to that. The first one is that I don't see this as a competition between specialty crops and program crops, because, frankly, I am an advocate for program crops as well. And oftentimes we get in this parochial fight between the two major areas, and they do battle internally against each other versus doing battle on behalf of the industry as a whole.

And I think that that has got to be a change of focus for us. And while I have been very critical about specialty crops not getting their fair share, that doesn't mean that I want to take it away from everyone else. We have got to figure out a strategy that does not simply mean diminishing returns for all of agriculture, but really means that we focus our resources where they need to be focused.

The second thing that I wanted to highlight, again, give me an opportunity to reiterate, and that is what Mr. Radanovich and Mr. Case brought up. Mr. Radanovich and I have looked at insurance, because in my opinion the insurance program is badly flawed and simply does not meet the needs of its constituents, who are the farmers that are purchasing the product.

Mr. Radanovich and I worked on a particular case together where there was hail damage done to peaches in our districts. And the hailstorm that went through was the same hailstorm hit peach areas in his district and my district in one swath. It was pretty amazing that the storm was so selective. It is sort of like tornadoes at trailer parks.

It went right after our peaches. But it was truly amazing. I think we had three or four meetings with the insurers and the Department of Agriculture. We finally got some relief after we talked to Secretary Veneman, who was very helpful to us.

But it was at least my opinion as we went through the process—and George can speak to it, I think it was his opinion as well—that those folks in the USDA and the Department were almost more concerned about protecting the insurer than protecting and making sure that the farmer was getting what he was due in the process.

And I was very concerned about that, and I would be interested in seeing how the rest of the industry has experienced those issues with crop insurance.

Mr. KAWAMURA. To address the latter on insurance, there are quite a few efforts currently to reconstruct how insurance can work for all the different crops, including the specialty crops, and those efforts—you might hear some testimony today about that. But there are clearly needs within that arena that people see as deficient and need to be fixed.

In terms of the shrinking pie, the disparity concept, two things. A shrinking pie concept for the investment that the Nation makes in this agricultural resource of the country, who said it has to be a shrinking pie, and why are we so committed to thinking that it has to be a shrinking pie?

If all of us work together, and I mean that urban and rural areas, recognizing that the dollars you put into this arena have a greater yield to the greater benefit of society, that is a focus that we have to do. It is more of an educational thing through those urbanites that don't necessarily recognize that they are stakeholders.

And so as we look at disparity, disparity might be just an added investment into those arenas that can yield more revenues for this country.

And, lastly, as an credible landscaper from Orange County growing specialty crops, I think many of us realize that our efforts to create value added crops can be greatly enhanced when you invest in these lines. And suddenly the multiplier effect—just look at agritours in this region.

As we sit here today, Lodi is doing a tremendous job of creating an international appeal for some of the finest wines on the planet, and they have done that through investments in these arenas, bringing in tourism dollars and upping the values of their wines. So these are the kinds of things that every nation, every State is trying to do with their agricultural product lines.

And so let us not look at disparity as where we have been. We can understand there are big differences. Let us look to the future, then, of where we can invest.

Mr. HAYES. One quick comment. I want to remind everybody that the Federal Government has no money it didn't get from you. And there is one thing that everybody agrees on: the Federal Government is spending too much money. So as we look at budget reconciliation, we have got to figure out exactly—and that is not to say what we are talking about today is not vitally important. It is. Just remember the competitive atmosphere and how many times the pencil gets sharpened by the time it goes to Washington and comes back here. So that is why you all have done such a good job within the State leveraging your own resources.

And my last question for you is this. California exports wonderful things to this country and abroad. There is another kind of questionable commodity called the environmental community. Talk for a minute about what the radical environmental community does to your cost of production, and also how we can help you on this committee to come up with a reasonable solution, because 100 fishermen or farmers are—there are no more groups that are more committed to clean air and water than those folks. Let us talk about the environmental challenges that we face and how we can overcome those together.

Mr. KAWAMURA. The Governor, when he came into this office—and in my interview with him when I interviewed for this job, we talked about just that—the economic burden from the regulatory system to those people in the business community, including the agricultural community. And in that dialog I had with him, he was very committed, because he had watched his own industry, the movie industry, be pushed right out of the State of California. And he recognizes that this agricultural industry can be pushed out of the State as well.

In fact, we have dairies leaving the State currently, because we haven't been able to address, in a timely fashion I suppose, those solutions for water and air pollution that are high on our radar screen. But the Governor, then, has made a commitment to believe that we can have economic progress and environmental progress through a regulatory system that we hope will be much more incentive-driven than punitive.

We can certainly beat people on the head like we have for several decades, or try and get to where we are today. And, in 2005, we are far, far away from 1965 when agriculture had a lot of challenges ahead of it environmentally in labor and other areas. But it is 2005. We have the most sustainable, most safe, and well produced under good stewardship products here in the country.

And so where we have to go from here, and to answer your question, we have recognized that looking for solutions, maybe through the conservation title, maybe through the rural title, these are the areas where we can invest and achieve economic viability and environmental sustainability at the same time.

This idea that we use a stick to beat up the agricultural community has got to come to an end. And environmentalists and agriculturalists, those that are willing to look at that future and

want to see a future, that agriculture belongs here, are starting to work together.

You might hear quite a bit of comment today about that partnership, especially in the areas of conservation.

Mr. HAYES. Thank you very much, Mr. Secretary. If there are no further questions, we appreciate you being here, it is a wonderful State, and I think having listened to what I listened to maybe we ought to rename it to essential high-end nutritional crops instead of specialty crops.

Mr. KAWAMURA. Thank you very much.

Mr. HAYES. But, again, thank you.

There is a tremendous wealth of knowledge in the next panel that can't wait to get up here and start. We will excuse you, sir, and invite the next panel. And while they are making their way forward to the witness table, I will identify them.

Panel No. 2, Mr. Paul Wenger, second vice president, California Farm Bureau Federation, from Modesto; Mr. Barry Bedwell, president of the California Grape and Tree Fruit League in Fresno; Robert Woolley, co-owner and president of Dave Wilson Nursery.

Matt McLnerney, executive vice president, Western Growers of Newport Beach; Rodney Schatz, winegrape grower, duck hunter, from Lodi; Neil Cracknell, Neil is a garlic guy; Nicholas Hill, citrus producer from Dinuba, CA, accompanied by Joel Nelsen, president, California Citrus Mutual of Exeter; Nick Tompkins, president and CEO of Apio, Incorporated, of Guadalupe, CA, and chairman of the board of directors, United Fresh Fruit and Vegetable, avid fly fisherman.

We are ready. Mr. Wenger? And those of you who would like to get a cup of coffee, please do so and make yourself at home. I need to warn you folks in California that North Carolina has a very great history of the spirits industry. But since Federal and State Governments have gotten tough on moonshine, we have had to go into the wine business now.

**STATEMENT OF PAUL WENGER, SECOND VICE PRESIDENT,
CALIFORNIA FARM BUREAU FEDERATION, MODESTO, CA**

Mr. WENGER. Thank you, Chairman Hayes, Ranking Member Case, and members of the panel, our Valley neighbors and friends. We are glad you were able to make it here today.

My name is Paul Wenger. I am a walnut and almond grower from Modesto, just south of here. In fact, my boys are home harvesting almonds as we speak. But I am also the second vice president, California Farm Bureau Federation, and am pleased to be able to talk to you today a little bit about our specialty crops. And I know my comments are going to be focused more on the nut industry. That is what I was asked to do.

I think, Chairman Hayes, today you will be impressed with the pride of California growers, from Secretary Kawamura, the others you will hear on these panels, and those you will meet on your trip, the pride that we in California have of our agricultural industry. The strength of California agriculture is its diversity, topography, and climates and micro-climates.

You will certainly hear a lot about that as it relates to the wine industry and what they have been able to do with topography and

micro-climates. That also goes for the rest of our crops. One of the success stories that I am more intricately involved with is the almond industry. The Central Valley and the North Valley has become home to a very commodity for California, the almond industry.

We are the world's largest producers of almonds in the world. Of those almonds that we produce, we market about 75 percent of the almonds that we produce. So the world markets are very important to us. And so we are very interested in trade and maintaining good relations with our trading partners.

I might mention that in 1997 we were producing around 750 million pounds of almonds, and we are forecasting that in the next couple of years we will be up to a billion and a half pounds. As an almond grower up until about 2000, 2001, we saw our field prices always stay low, because everybody was worried about that one billion pound crop. We know how marketing is very psychological.

But all of the buyers and processors, we don't know what we are going to do with a billion pounds. Well, heaven forbid, we got to a billion pound almond crop. And what happened? The prices went up, and they kept going up, and today we are worried that if we don't have a billion pounds, which this year we are going to be somewhere around 850 million pounds, we are looking at prices in the range of \$4 a pounds, which are unheard of, and really aren't good for marketing because we start to lose market share when they get that high.

But it just shows you that so much of what we do is psychology and that we shouldn't be afraid. The crops we can grow, we have just got to make sure and market them. The one thing that the almond industry has done is they have utilized an awful lot of research funding to push the nutritional aspect of the nut industry—almonds, walnuts, and pistachios. They talk about a lot of the health benefits, the Omega-3s, and so it has helped not only domestically but internationally to market our product.

A lot of Federal funds have been utilized, through the MAP Program and the technical assistance for specialty crops in that area. So those are some programs that we think need to be continued to be pushed in the future.

Now, as far as the specialty crop area and the nut industry, There are three things I really want to focus on quickly, because we have our written comments. So I am going to diverge from those quite a bit.

Number 1, as we have heard already this morning, I cannot reiterate enough, we need to protect our borders. As we see some of the things that have come in with the different fruit flies and the different pests and plant diseases and insect species, a dollar spent at the border to keep them out will save hundreds of dollars to try to control them later on, not only to what it does to our agricultural industry but what it also does to the general public.

And so we need to make sure that the Department of Homeland Security realizes, and through APHIS, that we have the funding to make sure that we have the border protections, the inspections, and to keep the pests and unwanted and exotic pests out. And so we cannot iterate enough that it is very important for California, especially the diversity of crops that we have here.

Also, we need to expand our markets. I mentioned on the MAP Program, the Market Access Program, the nut industry has utilized these funds. But when you think there is about \$200 million a year in matching funds, a lot of our trade organizations and marketing organizations may have to give matching funds, but a lot of times they are giving 60, 70, 80 percent of their funding to a few dollars from the Federal Government to help expand markets overseas. Very beneficial, and it is one of those things where a dollar spent gets a lot more dollars in return.

In the technical assistance—and, again, very handy program, but only about \$2 million a year. The almond industry did utilize this recently when India all of a sudden drew up a non-tariff barrier over phosphine that we utilize to fumigate the almonds to actually keep them safe from pests and insects that would maybe invade them in storage.

And India said that phosphine is not a safe product, that we utilize the task funds in the almond industry to do the studies and to get the research to India, and to take down that trade barrier and to open up that very important market to our almonds. So we need to encourage that.

And, lastly, conservation funding. And when I talk about conservation funding, I am talking about air and water. Part of our strength in California is the diversity, that we are trying to operate under a regulatory environment that is one regulatory burden placed on a diversity of topography, a diversity of climates, and a diversity of crops. And it has to be flexible enough that our farmers can stay in production and not go out of business because of regulatory burdens placed upon them.

So I will take any questions if anybody has any, or do you want to go through the group first?

[The prepared statement of Mr. Wenger appears at the conclusion of the hearing.]

Mr. HAYES. Either way. If somebody has got a question now, we can go to it or wait until the end.

Next, we have got Mr. Bedwell from the California Grape and Tree Fruit League.

STATEMENT OF BARRY J. BEDWELL, PRESIDENT, CALIFORNIA GRAPE AND TREE FRUIT LEAGUE, FRESNO, CA

Mr. BEDWELL. Good morning, Mr. Chairman, and members of the committee. My name is Barry Bedwell, and I am president of the California Grape and Tree Fruit League.

We are a voluntary public policy organization that represents approximately 85 percent of the volume of table grapes and deciduous tree fruit. We very much appreciate you taking the time and making the effort to conduct this hearing today in central California—an area, that is arguably the most productive agricultural region in the world. We look forward to the continuing dialog as it relates to the future of specialty crops in the United States.

As we recognize that this hearing is being conducted in the most productive agricultural State in the Nation, and the home to approximately 350 different kinds of crops, we would first like to emphasize that we do indeed realize, as do most individuals associated with agriculture in this country, that the times are indeed

changing. We realize that the fiscal dynamics of our Nation as well as the international impacts of worldwide agricultural trade require dynamic new thinking when it comes to how we can best produce food, not only for our Nation but for the world as well.

We also recognize the growing importance of fruits and vegetables and their role in providing nutrition and fighting obesity. The economic impact of specialty crops cannot be ignored as well. This sector comprises a majority of the total value of crops grown in the United States as well as employing almost three-quarters of the Nation's agricultural workforce. In California, the importance of specialty crops is well documented, in that they represent an estimated 92 percent of the State's agricultural crop production and a like number of the agricultural workforce.

Specialty crops have been known as that sector of American agriculture that are non-program, self-sufficient, or non-subsidized. And while specialty crop producers look at such descriptions with varying degrees of pride, the reality of global competition requires a reevaluation of the role that the United States agricultural policy plays in supporting this vital component of not only our economic but literal health.

Specialty crop production in the United States cannot be expected to continuously supply those affordable, nutritious, and safe food products without recognition of an increasingly competitive global scenario, and the need to craft programs to assure that the efficiencies of this portion of agriculture will be maintained.

The United States Government has taken a very high profile position, and rightfully so, in promoting healthy eating habits by the release of the USDA's food pyramid and nutritional guidelines. The goal of eating healthier foods and fighting obesity is certainly worthy and needed.

However, when we look at these guidelines and how U.S. farm policy is formulated and how funds are allocated, there is clearly a disconnect between what is recommended for consumer consumption and how we fund agriculture in this country. Wouldn't it make more sense to look toward the food pyramid as a guideline for support and promotion of United States agricultural production rather than a Depression era model out of the 1930's? We certainly think so, and would hope that such a path would lead to an improved quality of life for all of our citizens.

As we move forward in these farm policy discussions, there are clearly benefits to increase consumer education and awareness in consuming fruits and vegetables. We also need to recognize, from many viewpoints, but particularly that of national security, how the production of a domestic food supply is so important to our future.

The very real risk of outsourcing our food production is graphically illustrated by the Commerce Department's own statistics that detail an approximate doubling, to over \$8 billion, of imports into the United States of fruits, vegetables, and nuts, while our exports have remained fairly consistent at around \$6 billion.

The balance for trade for the United States in fruits, vegetables, and nuts has gone from a one-half billion dollar surplus to a deficit exceeding \$2 billion. In addition, what was once a significant surplus for all agricultural trade has now totally evaporated.

This is a trend that simply cannot be ignored. We must have farm policy that will help our competitiveness, strengthen our research efforts, enhance our conservation programs, and encourage investment in all agricultural production sectors. To do otherwise would leave our Nation vulnerable and comparable to an unfortunate situation we now face with petroleum products. And not to mention the fact that cutting back on driving is much easier than cutting back on food.

Specialty crop producers understand that with 95 percent of the world's consumers living outside the United States the opportunities for success lie not just with our own citizens but with expanding exports. Increasing exports to new markets is of extreme importance to the producers of specialty crops. In that regard, the market access program, MAP funds, has been of critical importance in assisting U.S. competitiveness and our country's ability to compete. This program has proven to be efficient and is deserving of continued support and expansion.

In regard to the practical application of trade, the association for which I work administers the export of tree fruit to Mexico. This program, which has been in existence for approximately 9 years, has grown significantly from a few thousand boxes to over 2.3 million boxes in the year 2003.

However, in 2004, given restrictions on how we were able to ship fruit to Mexico, the number fell to 1.3 million boxes. That fruit that is sold to Mexico is in demand by their consumers, and most observers feel that the market could double or triple in the near future. However, our ability to increase exports is hindered by the reality of non-tariff trade barriers evidenced by quarantine pests lists and unreasonably high oversight costs.

The issue of pests and whether they exist in both the exporting and importing country is not new, but we do need a mechanism to address this in a timely fashion.

In addition, California's agricultural industry must have protection against the invasion of unwanted pests and diseases. We understand that Congressman Pombo and Congressman Costa are working on introducing authorizing legislation that would set up a cooperative program between USDA and the States, and provide the method to help fund these important activities. We are supportive of these efforts, as well as the potential creation of a division for specialty crops within the USDA Pest Management Office.

In regard to the problem of increasing and unreasonable costs, we would like to endorse, again, support for the TASC funds, Technical Assistance to Specialty Crops. This is a program that has been successful and should be expanded.

Finally, any discussion dealing with specialty crops must address the issue of labor. A secure and documented workforce is essential if this sector is to realize its full potential. While we are pleased to see immigration reform being discussed and debated on the national scene, the time for just words is rapidly passing us by.

We need action now that will protect our borders as well as recognize the reality of those that tend and harvest our crops. We have supported the AgJOBS legislation in the past, and given the current alternative proposals we still feel that AgJOBS offers the fairest and most logical solution to agriculture's labor challenge.

In closing, we are certainly bullish on the future of specialty crops in the United States. The trends are clearly beneficial for producers of fruits and vegetables, as we all strive toward a healthier lifestyle. However, there is no guarantee that such success will automatically accrue to the American grower.

In the ever-increasing complexity of a competitive global market, we unfortunately cannot leave specialty crops to fend for themselves alone and expect domestic production to always be there when we not only want it but need it. Your assistance in assuring that U.S. specialty crops remain competitive, through the proper support of research, promotion, and conservation efforts, is of paramount importance to our future.

Thank you again for conducting this hearing and being here today.

[The prepared statement of Mr. Bedwell appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Next, we will have Mr. Robert Woolley of the American Nursery and Landscape Association. Down our way, we are the biggest consumers of your crops.

STATEMENT OF ROBERT WOOLLEY, CO-OWNER AND PRESIDENT, DAVE WILSON NURSERY, INC., HICKMAN, CA, ON BEHALF OF THE AMERICAN NURSERY AND LANDSCAPE ASSOCIATION

Mr. WOOLLEY. Thank you, Chairman Hayes, and Ranking Member Case, and the members of the subcommittee, for this opportunity to address you about our specialty crop—nursery stock.

I am Robert Woolley, co-owner with my wife of Dave Wilson Nursery, a deciduous grower nursery located in Hickman California, which is near Modesto.

As shown in my written testimony, I have been active on various nursery industry committees over the years. Today, I formally represent the American Nursery and Landscape Association, but I should mention that issues I will cover today are shared priorities with the California Association of Nurseries and Garden Centers.

The U.S. nursery industry is a bright spot in specialty crop agriculture. The nursery industry is extremely diverse, consisting of many segments of different specialty crops. In aggregate farmgate value nationally, nursery and greenhouse production ranks behind the major crops—corn and soybeans—but ahead of wheat, cotton, and tobacco. In California, nursery stock is No. 2 in farmgate value, behind dairy but ahead of grapes and almonds.

Although the nursery industry overall is a success story, we still face major challenges. One of the most daunting challenges is the urgent need for reform in policy as it pertains to agriculture.

The latest U.S. Department of Labor statistic estimates the percentage of undocumented agricultural workers in the United States at 50 percent. Common estimates these days are more like 70 percent. Since this high percentage of undocumented workers in agriculture has persisted for decades, it is reasonable to assume that many of our highly-trained, skilled workers, and even supervisory and middle management staff, are undocumented.

Although many sectors of agriculture rely on seasonal workers for peak harvest periods, many of them return to their native coun-

tries every year, the nursery industry employs a high percentage of year-round skilled workers.

One of the reasons we support Senate bill 359 and H.R. 884, also known as AgJOBS, is the provision or current adjustment to permanent resident status. If we indeed have a higher percentage of undocumented, skilled, career workers in nurseries, stepped-up enforcement without a reasonable provision for residency will devastate the nursery industry as well as the fruit, nut, and grape growers we serve.

AgJOBS has a very broad base of support, including agricultural worker organizations. Alternative legislation may be OK, but only if it incorporates the fundamental elements contained in AgJOBS.

To wrap up my comments on this issue, I would like to take this opportunity to thank Congressmen Radanovich, Nunes, and Costa for their ongoing support of AgJOBS.

I will now address the need for Federal support of agricultural research. Due to the attrition of researchers and in some instances the loss of entire departments and programs in our land grant university system, the nursery industry and other groups are increasingly looking to the Agricultural Research Service of USDA for help in solving practical problems in farming.

The Nursery and Floriculture Research Initiative represents a unique partnership of Government, industry, and land grant universities, along with ARS, and, therefore, serves as a good model for the future. The bottom line is simply this: our specialty crop needs and ongoing base funding for ARS and programs such as the Nursery and Floriculture Research Initiative—I have been told it would be OK to pitch for a pet project in California.

So I will mention the proposed Center for Advanced Viticulture and Crop Research. The major initial cost of the center will be the construction of a new building on the University of California-Davis campus, estimated at about \$30 million. I believe \$3.4 million has already been allocated. Please support additional funding for the center, as it will accomplish precisely what we need to foster—increased collaboration of ARS and UC scientists in shared facilities.

All sectors of specialty crop agriculture in the U.S. environment are at risk from severe damage resulting from the introduction, establishment, and spread of foreign pests and disease. The nursery industry is particularly vulnerable because of the high level of international trade plants. Federal programs to combat major pest and disease problems have recently been undermined—what appears to be a disconnect between Congress and Office of Management and Budget.

My written comments contain specifics of funding problems caused by OMB's unilateral cutting of funding, as well as its reluctance to release monies approved by Congress. We urge the subcommittee to do what it can to influence the situation.

Attached to my written testimony is an addendum describing the proposed national clean plant network. The idea for this network arose from the crisis in funding of existing federally-funded programs. Much of the work in clean stock programs is routine.

Although a research component is absolutely necessary to keep clean stock programs robust, the powers that be—that is, the over-

sight committees—have now adopted a more critical view. What used to be OK to fund with money earmarked for research support is now deemed to be service, and not appropriately funded by research dollars.

Instead of a stop gap or bandaid approach, the concept of a national network with regional facilities located near places of production was developed in a cooperative effort of industry and scientists. Existing programs, such as foundation plant services at UC-Davis, and the national research support project at Washington State University, will serve as starting points.

Additional facilities and staff will be added later to locations east of the Rockies to complete the network. We ask this committee to help with Federal funding to establish and maintain a national clean stock network.

On a related front, existing U.S. prohibitions on the importation of plant materials could be deemed non-tariff trade barriers under the new standards set by international trade treaties to which the U.S. is a party. The Animal and Plant Health Inspection Service—APHIS—which is now under the Department of Homeland Security, has embarked on a revision of Quarantine 37, the Federal regulation that governs the importation of plants and plant materials.

Although we ultimately must comply with national standards, existing quarantines should be kept in place while our regulatory system adjusts to new world trade realities.

Another area of concern to the nursery industry is the virtual gutting of our plant patent system by a series of recent court decisions and changes in policy by the U.S. Patent and Trademark Office. This profound disruption of the plant patent system will limit American access to new varieties from abroad.

Representative Darrell Issa introduced a bill, H.R. 121, known as the Plant Breeders Equity Act. It will restore the plant patent system to a workable status and help serve the industry in the future. We urge your support through co-sponsorship to enact this bill.

Members of the committee, sorry for going overtime. I would like to take this opportunity to thank you for the hearing and the time you are taking to look at California agriculture.

[The prepared statement of Mr. Woolley appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Woolley. Let me take just a moment. I failed to recognize Darryl Clare, the mayor of Galt, who would have welcomed us all had I recognized him in time. I think he had to go to work. But anyway, thanks to him for his hospitality.

And next, we have Matt McInerney, executive vice president of Western Growers.

**STATEMENT OF MATT McINERNEY, EXECUTIVE VICE
PRESIDENT, WESTERN GROWERS, NEWPORT BEACH, CA**

Mr. McINERNEY. Thank you. Again, good morning. My name is Matt McInerney. I am executive Vice president of Western Growers, representing a number of growers of fresh fruits, vegetables, and nuts in the States of California and Arizona. Welcome to California.

Mr. Chairman, and distinguished members of the subcommittee, again, thank you for the opportunity to discuss Federal agriculture

policy for our Nation's growers of fruits, vegetables, nuts, and other specialty crops today. First, I want to thank and commend you for traveling to California to discuss what we consider the very many important challenges facing our industry today.

Currently, growers of specialty crops face a crisis of competitiveness that must be addressed by Congress. As markets become more globalized, as Federal and State regulation of our industry increases, and as trade barriers continue to block access to foreign markets, it is increasingly difficult for growers to compete against foreign producers who are either heavily subsidized and/or minimally regulated.

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops. In addition, with the increased focus on food safety and bioterrorism, a secure domestic food supply must be a national security imperative.

My message today is that Federal agriculture policy must be improved if we are to sustain an efficient and productive domestic specialty crop industry. It is, first, important to note that the specialty crop growers produce over \$52 billion in crops at the farmgate value as assessed in 2003, or roughly 50 percent of the value of total plant agricultural production in the United States.

However, only a very small portion of the resources of the Federal agricultural budget are allocated to policies and programs that address specialty crop grower needs.

In the future, the allocation of Federal resources aimed at addressing the issues of concerns to specialty crop growers must reflect the value of the production to our economy, and, as well, their importance to the dietary needs of all Americans.

It is also important to stress that growers of specialty crops have very different characteristics and needs compared with the Federal program crops. As a result, many current Federal agricultural policies do not adequately address the needs of our growers at this current time.

Western Growers strongly supported the enactment of the Specialty Crop Competitiveness Act in the previous Congress in order to fully address the needs of our specialty crop growers. The enactment of an amended version of this legislation last year was a small first step towards addressing the issues of concern to our industry. We thank you and greatly appreciate the support of the members of this subcommittee for enacting that legislation last year.

Despite its enactment of H.R. 3242, much work remains to be done. Currently, Western Growers is working with other specialty crop organizations to explore a new version of the Specialty Crop Competitiveness Act, which we hope to introduce into Congress soon. We urge that this legislation be fully considered by Congress at its earliest opportunity upon its introduction.

As you will note in my written statement, Mr. Chairman, I have detailed information which demonstrates that the specialty crop growers make a large contribution to our Nation's economy. However, this economic activity is in jeopardy due to a number of challenging trends facing our industry today.

Some of those trends include stagnant export growth due to a lack of access to foreign markets, heavily subsidized foreign competition, the loss of cost-effective crop protection tools due to Federal and State laws, increasing import competition from growers in nations with minimal regulations, increasing pest and disease problems due to the growth of international trade. And I would emphasize that we need a comprehensive Federal-State approach to attack these in the face of pest and disease issues.

Increased Federal and State regulations, such as clean air and clean water restrictions, and a proliferation of free trade agreements that do not offer broad opportunities to all fruit and vegetable growers to expand export markets—these trends represent extremely difficult challenges, because they are putting enormous downward pressure on the economic returns to specialty crop growers.

We believe that the Federal Government has an important role to play in making sure its specialty crop growers have the tools needed to combat these forces and ultimately remain competitive in today's global market.

WGA has partnered with other organizations to develop a comprehensive approach to a Federal agricultural policy that will meet the needs of specialty crop growers. Some of those major areas of program enhancement would be grant and loan programs, marketing, foreign access, nutrition, research, pest and disease exclusion, and conservation and environmental concerns.

My written statement details the various programs within these general policy areas Western Growers believes are necessary to meet the needs of our specialty crop growers.

In closing, Western Growers would greatly appreciate the opportunity to work with members of the Livestock and Horticulture Subcommittee in crafting and enacting specialty crop legislation that recognizes the unique needs of our growers and allocates a level of resources sufficient to sustain our growers in today's market.

Again, I want to thank you for the opportunity to be here today and look forward to the question and answer period. Thank you.

[The prepared statement of Mr. McInerney appears at the conclusion of the hearing.]

Mr. HAYES. Next, we have got Mr. Rodney Schatz, California Association of Winegrape Growers and the Wine Institute.

STATEMENT OF RODNEY R. SCHATZ, WINEGRAPE GROWERS, LODI, CA, ON BEHALF OF CALIFORNIA ASSOCIATION OF WINEGRAPE GROWERS AND THE WINE INSTITUTE

Mr. SCHATZ. Welcome to Lodi, and thank you for holding this hearing here to the specialty crop industry. I am a second-generation Lodi grape grower and owner of a crush facility. I am also former chairman of the Lodi Woodbridge Winegrape Commission, where we had breakfast this morning. And, additionally, I am vice chair of the California Association of Winegrape Growers. And today I am here on behalf of CAWG, and also the Wine Institute.

Lodi is a perfect example of the exciting growth of the wine industry in America's rural communities searching for alternative agricultural crops and rural economic development. By reinventing

ourself into California's most productive premium varietal winegrape producer, we have grown from eight wineries to over 50.

Our first annual Zinfandel festival earlier this year drew 5,000 visitors in one day. This kind of response to Wine Country events is happening in States all across the Nation, and my written testimony provides some information on the growth of the national winegrape and wine industry.

Wine is a signature product for our State, and a driving force for California's economy. According to a 2004 study sponsored by CAWG and Wine Institute, the full economic impact of wine on California's economy is \$45.4 billion. It is the No. 1 finished agriculture product from California.

In recent years, we have experienced a significant production/consumption imbalance that resulted in nearly 80,000 acres of vineyard being removed. However, this looks like wine pull-outs, combined with new products being developed, and expanding wine exports, and improving economy are correcting the imbalance for most varietals.

California winegrape growers face an increasingly competitive environment. I would like to share with you some of the key trends in our industry and the proposed solutions of the relap on cooperation of the industry along with State and Federal Governments.

Imports now represent more than 23 percent of the wine consumed in the United States. Since 1984, the value of imported wine has increased from \$954 million to \$3.49 billion in 2000. This dramatic rise represents a structural shift from Old World European style wines to New World wine. And the emphasis there is on Australian wines.

Australia surpassed France 2 years ago and is poised to overtake Italy as the No. 1 importer to the U.S. Australia's success reflects field marketing and a focused export-driven campaign strongly supported by Government and a well-organized industry.

The current shift between the industry and the Government also creates one of the best research programs for viticulture and enology in the world. Their research program is seen as a key driver to improving quality and marketability of their wine into the export market.

In addition to significant competition from imports, we are experiencing consolidation at all tiers of the industry. The number of wine wholesalers and distributors in the United States has declined by more than 50 percent from 1990 to 2000. This makes it very difficult for a small winery to gain access into the market, and highlights the importance of direct sales strategy, i.e. the Internet.

Consolidation in the distribution sector is paralleled by the retailer consolidation, and also by merger and acquisition activities at the winery level. And if you know anything about California wine, you have seen a lot of large wineries in the last year being consolidated.

California is home to the most productive agriculture in the world. It is also the most urbanized and fastest-growing State. The competition for natural resources is intense, as rural areas change dramatically with urban encroachment. Growers and vendors in California face unique challenges due to population pressures and more stringent State and local environmental regulations.

Our filing practices and the cost of doing business are directly impacted by new air quality rules and emerging water quality regulations. Wineries are facing additional compliance costs for treatment of winery processed water and stringent rules to reduce ethanol emissions created in the fermentation process.

CAWG and Wine Institute have partnered on a progress response with the Sustainable Winegrowing Program. This program helps demonstrate that we are forming and making winegrowing practices that are environmentally sound, economically feasible, and socially responsible. We believe this statewide effort will help us maintain a positive business and public policy atmosphere and differentiate our product and help us remain competitive in the global market.

The California wine industry has enjoyed a dramatic expansion of exports in the last decade, from \$196 million in 1994 to over \$800 million in 2000. Wine Institute manages the California Wine Export Program using resources from USDA's Market Access Program. And the Market Access Program is essential the continued growth of California wine sales overseas.

We urge Congress and the administration to work with the industry to overcome trade barriers and unfair trade practices throughout the world. We must redouble efforts to eliminate subsidies and protectionist policies of the EU, and reduce foreign wine tariffs.

On behalf of the industry, I want to take the opportunity to express our appreciation to Congress and the administration for helping to create and support the Pierce's Disease/Glassy-winged Sharpshooter Program. The containment program is resource-intensive, and we appreciate the ongoing appropriations to fund it.

You need to know the industry is also doing their part. Last month, almost 90 percent of the growers and vendors voted to extend an assessment on winegrapes for another 5 years to fund research to find long-term solutions. To date, we have raised more than \$21 million and our funding over 100 projects.

The critical importance of adequately funding pest exclusion and detection activities is illustrated with another serious pest infestation confronting the industry called vine mealy bug.

Everything we have touched on this morning points to the importance of research and extension. Our success is maintaining a competitive edge, indirectly tied to investment by industry, Government, and research, and extension of research results to stimulate innovation by the industry and adopt best practices.

Earlier I cited the Australian program as a model of matching industry funds with Government investment to create a \$25 million annual budget. This is largely responsible for Australia's success. I think it is something we need to look at.

The raisin juice and winegrape and wine-making industries nationwide have partnered with academia and Government to create the National Grape and Wine Initiative to promote sustainable growth through increased spending on research and extension. Our goal is to triple the industry's economic impact of \$150 billion by the year 2020, by strongly increasing market share and becoming the world leader in value and sustainability, as well as contributing to the quality of life in rural communities.

The National Grape and Wine Initiative offers the opportunity to enhance American leadership in the global wine industry. If we miss this chance, our competitors from around the world will use their own investment programs to seize market share at our expense.

Thank you for coming to Lodi.

[The prepared statement of Mr. Schatz appears at the conclusion of the hearing.]

Mr. HAYES. Thanks, Robbie.

Next, Neil Cracknell. He is a garlic man.

STATEMENT OF NEIL CRACKNELL, PRESIDENT, SENSIENT DEHYDRATED FLAVORS, TURLOCK, CA, ON BEHALF OF THE AMERICAN DEHYDRATED ONION AND GARLIC ASSOCIATION

Mr. CRACKNELL. Mr. Chairman, Ranking Member Case, congressmen, I thank you for the opportunity to testify here today.

My name is Neil Cracknell. I am the president of Sensient Dehydrated Flavors. I am also the president of the American Dehydrated Onion and Garlic Association. For those of you that are not aware, dehydrated onion and garlic is probably the most widely used flavor in the food industry. If you read the food labels of any food products, apart from sweet products you will find it within. So it is spread throughout the industry, used in very low levels, but within most products.

The dehydrated onion and garlic industry has been recognized by the Federal Government to be import-sensitive for many years, since 1930. Despite that, we have seen our market attacked by low-cost imports, which has had a devastating effect. And I am here, really, today to tell you the story of how this trade has affected our industry, and to tell you how we, then, are being squeezed by regulation. And if that wasn't bad enough, how we are also being impacted by disease pressures.

The dehydrated onion and garlic industry operates throughout the length and breadth of California. We run from Imperial Valley through to Tule Lake. We operate in Oregon, Nevada, Arizona, so we are pretty widespread in the Western region.

We employ some 4,000 people, and we contribute somewhere in the range of \$400 million to the economy of California. Ten years ago, through careful investment in varietal development, processing equipment, handling equipment, we really became the global leaders in our industry. And it is quite remarkable how in 10 years we have seen that position erode, particularly on the garlic, with the prevalence of low-cost imports from China.

China is the biggest grower of garlic in the world. They produce some 90 percent. So to a certain degree this is somewhat opportunistic. However, in our travels and research in China—I think it is a cautionary tale for all of my colleagues at this table—we have certainly seen evidence that China is specifically targeting specialty crops for future development. And there is very strong activity, and it is part of the social policy to prevent the migration of people from the rural areas into the urban areas.

The Chinese industry operates with a variety of subsidies. These are completely variable, and they can range from cheap energy through to tax subsidies, tax holidays. There is a variety of sub-

sidies. There is no one specific subsidy, but, clearly, there are a lot of subsidies present.

This has a devastating impact on our industry. Another impact that we see is the involvement of the States. China being a non-market economy, production is often to a plan rather than to market demand. And this allows product to be produced to non-market pricing, and essentially what would generally be regarded as dumping.

Another unfair trade practice that we see is undervaluation. We have evidence of product leaving China that has a higher value than when it arrives in the United States—somehow miraculously between leaving China and arriving in the United States—it has lost quite a chunk of its value.

If I tell you that our products have a 29 percent duty, that may explain why they are losing value on the way. Obviously, if the value goes down, the cost of the duty is somewhat reduced.

Another practice that we see quite commonly is trans-shipment. There are substantial imports into the U.S. of garlic from Canada, Israel, Puerto Rico. Well, in my knowledge, garlic is not produced in any of those countries, so I really have to question what the origin of it is.

So as an industry, obviously, we are very concerned about these practices, and we are looking to Government to support and really to implement the existing legislation that is in place. It is a question of enforcement. We are not looking for anything new. We are just looking for the existing policies to be firmly put in place.

If we then come to the regulation, with these tremendous pressures from low-cost countries, we find ourselves also having our domestic costs pushed up dramatically by regulation, whether it be health, safety, or environmental factors. And this is pushing up our costs to make us even more uncompetitive.

One particular pertinent point at the moment would be having a new policy towards dehydrators, and it is trying to implement low-NOx burners. If we take my company on its own, potentially this would cost us \$20 million, and would simply make us uneconomic. So we really have to find a way to have regulation that is fair and appropriate.

We want to do our bit. We clearly recognize the need to be responsible to the environment, but we can't have onerous legislation. It will just wipe out our industry.

We also have disease pressures. We have a new disease coming into California called white rot. This is a nasty little fungus that lives in the soil. It can sit there for 20 years, and you plant either onion or garlic, and when it comes to life it can devastate a field.

So far, some 13,000 acres of the west side of California have been affected by this disease. Once affected, they can no longer be used for production. If we do not find an appropriate treatment for this disease, we will potentially be wiped out in California.

We formed, as an industry, a research marketing order to collect funds for research, and we will be looking to Government for support to find a solution to this problem.

My written testimony goes into quite some more detail of all these points, and I would encourage you to look at it in detail. We as a specialty crop, and as all specialty industries, have been very

profitable for growers, for processors, for communities in California, and we really believe that we have done so at little cost to the Federal Government.

In the current climate, we believe that now is the time when we need a little more support from the Government to help us sustain our businesses and develop for the future.

So I thank you for this opportunity.

[The prepared statement of Mr. Cracknell is on file with the committee.]

Mr. HAYES. Thank you very much.

I am going to take just a momentary pause to recognize some folks. You all have been listening to us on the panel all morning, and you realize that we are brilliant.

But just so that you understand, we are brilliant because of the help we get from our wonderful staff members.

Using that as an intro, two folks that you may not know are here, if I didn't pay attention and introduce them, with Senator Diane Feinstein's office is Shelly Abajian. Shelly, would you raise your hand? So anyone that needs to talk with Shelly, please do that.

Alec Orago, with Sam Farr's office.

With our staff, the Livestock Subcommittee, Pam Miller. Other staff folks—Elizabeth, introduce yourself.

Dr. PARKER. Elizabeth Parker with the House Agriculture Committee.

Mr. HAYES. And our hero, Chandler. Where are you, Chandler?

Mr. GOULE. Chandler Goule, House Agriculture Committee, Congressman Collin Peterson.

Mr. HAYES. Anybody else we are missing?

Ms. BIRDSONG. I am Christy Birdsong with House Agriculture Committee.

Mr. HAYES. Christy helped us navigate over here from San Francisco yesterday.

And, again, let you be mistaken or fooled, our brilliance comes from these folks who have worked so hard to put this together.

Again, Darryl, I announced you, and thank you for welcoming us. Darryl Clare from the city of Galt. I missed you. You were out of the room when I did that, so thank you again.

Now, Mr. Hill.

STATEMENT OF NICHOLAS HILL, CITRUS PRODUCER, DINUBA, CA, ON BEHALF OF CALIFORNIA CITRUS MUTUAL; ACCOMPANIED BY JOEL NELSEN, PRESIDENT, CALIFORNIA CITRUS MUTUAL, EXETER, CA

Mr. HILL. Good morning, Mr. Chairman. My name is Nick Hill, and I am here today representing California Citrus Mutual, the citrus producers' trade association with a membership that exceeds 2,000 growers, which I am the chairman.

Our industry annually produces a commodity with a \$2 billion farmgate, another billion dollars worth of economic activity, and employs over 14,000 people and exports approximately 35 percent of our production.

I am one of those growers that try and attempt to produce and make money on citrus and other commodities, such as almonds,

nectarines, walnuts, grapes, and plus. I also tore myself away from my almond harvest to be here to talk to you guys today.

My one message today is that we make the next farm bill an equal opportunity farm bill for all producers. California Citrus Mutual will be working together with a coalition of specialty crop organizations, and together we will put forth a comprehensive list of suggestions that must be incorporated into the next farm bill.

At Citrus Mutual, our mantra has become, "Our costs are fixed locally, while our prices are determined globally." Previous farm bills, while not intentional, have had unintended consequences for specialty crop producers. This bill must offer solutions to problems identified. I will first speak to the area that has long been a priority of our organization and the foundation, in that the subject that we have been asked to captain as an industry, an effort to develop language regarding invasive species and APHIS activities and OMB interference.

We believe that language must be developed that would authorize APHIS to engage in an eradication program with CCC dollars without OMB authorization or fund approval. The Department's flexibility to engage in emergency activities has been severely curtailed because of our industry's ability to market—has severely been curtailed, and because of that our industry's ability to market domestically and export overseas has been put under great threat.

We believe that language should be adopted that requires more interface with the Department of Homeland Security, as it relates to the invasive pest protection at the ports of entry. We know that the effect—that the efficacy of the agricultural pest inspection programs at the ports of entry have suffered since the transition to DHS. This was best publicized by the May 2004 GAO report on this subject.

We also believe that your committee is an ideal forum for connecting the dots between the exclusions, threats, and mitigations, as it relates to the pest disease in both the urban and rural settings. A dialog of specifics to the subjects could be led to the appropriate corrective measures.

There is no other bottom line. Our industry must have protection against invasive, unwanted pests and diseases. Our California delegation, via efforts by Congressmen Pombo, Costa, Nunes, Cardoza, and Radanovich, are working together on the introduction of language that would step up the cooperation of the program between USDA and the States, thus providing methods to help fund these important activities.

We believe that this farm bill should be supported by the committee and adopted into the farm bill.

Our focus on APHIS is not limited to invasive pests. We believe that more resources are necessary for the Department, so that they may focus on phytosanitary trade barriers. The people employed in this area are doing an excellent job, but they are stretched so thin that they are unable to accomplish all of the tasks presented to them in a timely fashion.

With additional resources, a program we have nicknamed TAP can be developed. Our definition of TAP is transparency, accountability, and peer review. Mind you, we are aware that the last third of this program is being implemented via the specialty crop

bill and the committee's leadership. The TAP would also require a continuous listing of export petitions and a quarterly report of a simple statement as to the progress of those petitions. That would be the accountability.

The adoption of TAP would ensure that these resources are being used as envisioned by Congress and the stakeholders. Specifically, they would be used to enhance the export programs for specialty crop producers.

Mr. Chairman, I remember last year when Congress authorized a dozen technical experts to assist sub-Saharan countries in the efforts to overcome technical barriers for the export to the United States. Basically, in farmer's terms, we were sending experts to South America to assist the specialty crop industry, such as oranges, to export into our domestic markets. There is something wrong with that.

Mr. Chairman, members of this committee must start at a level playing field, and, by that, I don't mean by robbing other specialty crops to multiply our own concerns.

Earlier in my testimony I referred to our mantra as a global market determining price. We cannot ignore how farm bill activities influence trade discussions. Presently, there are many green box activities that our competitors use for access at other countries. Specialty crop producers cannot access many of these comparative programs as they are not offered.

We will be joining colleagues in suggesting language that allows our producers to participate in NRCS programs at a much greater degree, and are presently allowed. EQIP and conservation security programs are two areas that require enhancement in terms of their language and funds if the specialty crop producer is going to compete on a level playing field.

Well, I see that my time is up. There is more comments in my written statements. I just want to thank you for the time that I am allowed to speak to you today.

Thank you.

[The prepared statement of Mr. Hill appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. Nick Tompkins assures me we saved the best for last. Nick Tompkins, United Fresh Fruit and Vegetable Association.

STATEMENT OF NICK TOMPKINS, PRESIDENT AND CEO, APIO, INC., GUADALUPE, CA, AND CHAIRMAN, BOARD OF DIRECTORS, ON BEHALF OF UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION

Mr. TOMPKINS. Thank you very much. Good morning, Mr. Chairman, and members of the committee. My name is Nick Tompkins, and I am the president and CEO of Apio, Incorporated.

Apio, which is located in Guadalupe, California, is a manufacturer and marketer of pre-cut, value-added vegetables to the club, retail, and food service sectors, as well as an exporter of fruits and vegetables throughout the world. As a current member and chairman of the board of the United Fresh Fruit and Vegetable Association, I appreciate the opportunity on behalf of United to speak re-

garding the future and direction of farm policy and its impact on the fresh fruit and vegetable industry.

I also come before the committee today as the owner of Tompkins Farming Company. Since 1977, we have farmed in the Santa Maria, California area, and have integrated our farm into a vegetable, packing, and farming operation. As a family businessman and member of the produce industry, I am extremely focused what role Congress and the administration will play in shaping policy for the fresh fruit and vegetable industry across the United States.

You have heard from many of my friends and colleagues in the fruit and vegetable industry today, so I am not going to review with you the specific policy and regulatory issues that they have already discussed and are included in my written testimony. What I would like to talk about today is that the produce industry across the country faces the most strident economic conditions and regulatory challenges they have seen in decades.

Meanwhile, the consumption of our commodities seem to be stagnating, especially in the export market. Something has to change, Mr. Chairman, and we are committed to working together to make real policy changes that help the fruit and vegetable industry.

And while the produce industry does not grow fruits and vegetables in every congressional district, our industry is important to the good health of Americans and important in their efforts to prevent disease, reduce obesity, and improve the well-being of our citizenry. We are also working hard to fulfill consumer needs for great-tasting, high-quality fresh fruits and vegetables, and affordable healthy food choices, but we need agricultural policy priorities to assist us in that effort.

It is in this context that we raise the importance of fruits and vegetables today, not as simply one more sector of the agriculture economy, but as a vital national priority in every congressional district and to the health of our Nation overall. United strongly believes that governmental policy should provide incentives for private investment, tools to increase profitability, and to help those producers who are committed to constant improvement to better serve our consumers' needs.

We do not want policies that sustain yesterday's business. We really look to investment in the future.

Overall, United's members strongly support the development of farm policies that will sustain financial stability and viability of our Nation's agriculture industry, while maintaining the appropriate flexibility for our producers. Ultimately, the goal of any fruit and vegetable agriculture policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our products, and not distort that production of those products with respect to domestic and international markets.

The 2002 farm bill began to make progress toward those objectives and was enhanced by the new policy tools included in the 2004 Child Nutrition and WIC Reauthorization Act, and the passage of the 2004 Specialty Crop Competitiveness Act. Each of these policies have helped shape Federal agricultural policies to strengthen the competitiveness of our industry and grow consumption of fruits and vegetables, and we strongly encourage the full imple-

mentation of these Acts, and the provisions contained in them that strengthen our industry.

However, because we are not considered program crops, fruit and vegetables are often ignored when it comes to the development of the U.S. farm policy. Yet, like producers of program crops, the fruit and vegetable industry faces significant challenges in the production and marketing of their products that must be addressed if we are expected to remain competitive.

As Congress, and in particular this committee, continues to examine our present agriculture policy, it should be reviewed and modified in this area. And in this new era of global markets, it is critical that the long- and short-term solutions should be considered that will help this industry remain a world leader in food production and competitiveness.

For the produce industry, issues surrounding nutrition policy, test exclusion, conservation programs, food safety, technology, and research, international market access and promotion, Federal labor policy, and the current prohibition on flex acres, are all critical to the future viability of the fruit and vegetable industry.

In May, produce industry leaders met in Washington to discuss developing policy positions for the 2007 farm bill debate. These leaders agreed that it is extremely important that the issues affecting the produce industry be considered and industry play a major role in the development of the Nation's farm policy.

As a result, the farm bill working group was created, with 18 produce organizations from every fruit and vegetable producing region of the United States participating in this effort. Currently, the farm bill working group is working through a set of teams to develop comprehensive recommendations for the next farm bill, and during the next several months will finalize their recommendations.

Some of these recommendations have been touched on today. These initiatives will focus on a number of key policy areas and will look to provide policy solutions to the economic concerns expressed over the last several years by industry.

To be clear, the farm bill working group will complete its work this fall, and present what we believe will be the most comprehensive effort to date by the produce industry to help develop a Federal farm policy which elevates the Federal Government's financial investment into program priorities for the produce industry.

United urges the committee to carefully consider the testimony you have heard today, and the many other challenges facing the fruit and vegetable industry fully into consideration as you move forward in this development of the agricultural policy.

Thank you, and I would be happy to answer any questions.

[The prepared statement of Mr. Tompkins appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Nick.

Thanks, again, to all of our panel members. You have done a wonderful job. We are going to move to questions now. As you all answer questions, I think, again, in the essence of time, all of you were possibly cut a little bit short. So think of one or two things that you may have missed, you want to make sure that our panel

here takes away as we focus on the purpose of being here—but, again, thank you very much.

Alec, be sure and tell Sam hello. That might have sounded like a disparaging remark to those of you who don't know how well I know Sam. But Sam is a great guy, even though he lives down there with the beach crowd.

Questions from the panel. Who has got the first question? Ed?

Mr. CASE. Thank you. That was great testimony. Like a lot of congressional hearings, you read the testimony in advance and then listen and you look for themes. And I looked for general approaches and general challenges and things that we can be doing when we go back to those two big white buildings. Three maybe.

First of all, Mr. Wenger, when you talk about the specialty crop industry in California, among this panel I am just asking you because you are with the Farm Bureau, is there anybody missing? I mean, are there any components of the industry that are not represented here today?

Mr. WENGER. Gosh, where do you want to start? You have forestry—

Mr. CASE. Did you say fish?

Mr. WENGER. Fish.

Mr. CASE. Had a great conversation with the secretary about aquaculture, which is a big missing piece here that I think we can compete with anybody in the world on the coastal beach States.

Mr. WENGER. We have growers that are involved in aquaculture. But you go across from the nursery industry, to more the specialty floriculture industry, the aquaculture industry, the bee industry. You name it; there is a lot of specialty crops. When we say we have over 250 crops, we have 250 crops, and all of them have their individual problems.

And especially when my comments were focused on the regulatory environment, that blanket regulations come down, and you have all those individuals trying to operate under one blanket regulation. It makes it very difficult.

Mr. CASE. I heard a couple of themes, I guess. The first theme obviously was access to Federal programs and access to the help that the Federal Government is providing to other segments of U.S. agriculture. I heard a major theme, obviously, on export-import, which is I think a concern of all of us.

I heard something that I guess surprised me a little bit, pleasantly surprised me I suppose, and that was that you have the same major challenges on invasives across the board as certainly we do in Hawaii. I guess I had thought that somehow because we are this island in the middle of the Pacific and more exposed from an environmental perspective, that maybe we had more acutely.

But I heard it from every single person I think, one way or the other, so I would just make a comment that I would greatly love to work on Mr. Costa's initiative, which I think everybody endorsed that I heard.

I guess as a general matter I don't think I have a fix yet on why the exports turned into imports. Where did that come from? It switched around so fast on the specialty crop industry in the last 10 or 15 years from the figure of half a billion, \$2 billion trade deficit or something like that, somebody testified.

Did that just come because consumer demand in our country was not being met by supply in our country? That is a hard one for me to buy. Was it because the rest of the world just did it so much cheaper, and we lost ground, just as we have in manufacturing shoes and the rest of it? Or was it because the barriers to exporting our products were maintained whereas the barriers to importing products were dealt with—free trade versus fair trade?

I am looking at you. But I just wanted some comments, because I am not to the bottom of it in my own mind, and it seems to me to be a lot of segments. And one of you testified to—I forget which one, I think it was Mr. McInerney or somebody in the middle here, to three or four steps that we could take to deal with it that, frankly, seem to me to be good steps, but it won't get you anywhere close to truly providing the specialty crop industry with the ability to access foreign markets, which is where we are going to have to compete over time to see this other stuff.

I don't think we are going to go backwards on import restrictions, or anything like that, but we are certainly not being treated fairly when we get to the rest of the country in terms of phytosanitary artificial barriers, or indirect subsidies, or the whole range of things.

So it is an open question. I mean, what happened to that export-import balance? Why? And really in the big picture, big, big picture, what should we do about it?

Mr. WENGER. Why don't I take the first shot, just to say that being a developed country and a more mature country, as Europe is and the United States, I guess we have always been viewed, and maybe those in the halls of Congress that don't know agriculture, view us as we have to support the world.

And sometimes we think we make our markets available for the world, for developing countries of the world to bring their products in. And a few years ago, yes, we could still compete with that through efficiencies. When you think about what our producers have been able today to do through efficiencies, but overlaying that the fact that we don't have equal access in the other markets of the world, which maybe aren't as great as our own markets here in Europe, Canada, and Japan. But we don't have the access to those markets that we grant for them to come into our market.

But overlay that with the fact in the last 15 or 20 years, since I have been farming, in the last 20 years, the regulatory climate has been so onerous. When we talk about wages, we will battle wages, we will battle prices due to fluctuations in the market, as the market deems. But when you put a regulatory blanket over this industry, and then other countries are not under that same regulatory blanket, it makes it very difficult.

So when our producers are faced with the fact that they have got to try to make a profit, competing with those foreign imports, when they look at those costs that are there and the added costs of their production, when the developer comes down the road and says, "We have got something else to do with your ground," but there is another program, some new environmental program says, "We want your land to take it back to an environmental use," and they can sell out. It becomes very, very attractive for them to do that.

And so that is why we are seeing concentration in our industry. Because of the cost, you try to spread those costs and become more efficient. But I think it is a very dangerous road to go down as we see more and more concentration even in our agriculture production, and we start losing our family orientation to our farms. But that would be my first shot at it.

Mr. CASE. I don't want to go right down the list, but if I could just have one or two more, just comment on this trade imbalance. What is the big picture cause? What is the big picture solution?

Mr. BEDWELL. Well, I think that technology has changed the last few decades. And as the United States has the highest per capita income, and everybody targets us as the market, so as other countries develop their infrastructures and their ability to produce, certainly we are the No. 1 market.

You combine that with increased transportation availability and the availability of year-round product, that is one of the issues. It wasn't too long ago, of course, when U.S. consumers thought of the seasonality of fruits and vegetables, and you knew when things were in season. Now they are in season 12 months out of the year.

But I just want to make the point that I think as we look at this unfair situation, it goes beyond just the Free Trade Agreement. The free trade agreements are just the start of the process. And even though we knock down those outwardly tariff barriers, clearly there is the non-tariff situations and dealing with the pest situation or these oversight levels that are really being played to our disadvantage.

And I really think it is much more difficult for us to go that direction as we are allowing people to come this direction.

Mr. MCINERNEY. And just quickly, if I could make an observation, you looked at the numbers in 1995. We had a surplus of over \$600 million; in 2004, a deficit of \$2.5 billion. Look at the start time of when the proliferation of free trade agreements began. Trade is extremely important.

We are very supportive of free trade, but there seems to be a disproportionate attention to bilateral trade that for us at the table for specialty crops with a relatively high value don't immediately provide benefit for us to have export opportunities back to those countries.

Conversely, those countries have great opportunity coming into this country. The specialty crop industry is probably the freest traders of any industry in the United States, and we continue to ardently support that. But our question is: when is the resources and the endeavor to support those countries that can afford our products, that we can look at SPS issues, we can look to Europe to minimize subsidies both domestic and export subsidies.

The last figure I saw, specialty crop industry in EU, \$12 billion. The U.S., zero. How do you compete against that? But where is the attention in Government to help us with those endeavors? MAP is an excellent point. TASC that you heard about earlier, SPS issues, those sorts of projects—and I continue to hearken the comments started by Secretary Kawamura. Those resources are an investment to make us competitive, so we can expand our global markets. But that is just an observation from my point of view.

Thank you.

Mr. HAYES. Interesting. Richard?

Mr. POMBO. Yes, a quick comment. As we look at the world and how hungry the world is, how governments can prevent our farm industry, through absolutely ridiculous trade barriers such as no GM corn to starving Africa, no Roundup—I mean, it is just absolutely nuts. There is some encouragement—all of you all are free to agree or disagree.

The new U.S. Trade Representative is one of us. He comes from a steel State, so I think he understands the issues that we are talking about here very, very well. And, interestingly, your comment, Mr. Wenger, the “Blame America First crowd” is the same crowd that wants us to support the rest of the world. So, again, I have some encouragement because of Rob Portman’s position as U.S. Trade Representative.

Mr. RADANOVICH. If you didn’t hear the chairman, he wanted me to—he thought I was going to start crying if I didn’t get to speak first this time.

I have two very specific questions, and I would like for you guys to answer as short as possible, because I would like to hear from all of you. But we are going back to cut \$3 billion out of the farm bill when we get back in September.

And so I would like to know specifically, because there is always a shortage of funds, but if we were successful in getting money for specialty crops, for example, for the bill that was authorized last Congress, so let us say that California was to receive somewhere between \$10 million to \$50 million.

I would like to know specifically what you think the first project is that should be funded with that money, because I would like to see if you have different answers or if you are all the same.

And, second, if you had your wish to make one major policy change to the farm bill, I think it would be good for us to know what that is. And I guess we can start with the Farm Bureau and go down.

Mr. WENGER. Well, I think if you start looking at what you can do for all the specialty crops, sanitary, phytosanitary, protecting our borders works for all of them. I can’t think of any of them that aren’t interested in that. And also, market access—having something that is available to all of them, without trying to be very selective, because one thing with the Farm Bureau, we represent a lot of different commodity groups.

So you try to stay as broad—what can work for all of those in the specialty crop field?

Mr. RADANOVICH. So are you advocating the money—if we receive that money, is that money that you feel should go to the ports, go to the border? I mean, where would that money go?

Mr. WENGER. Ports and border.

Mr. RADANOVICH. For the purpose of export, or both?

Mr. WENGER. The ones that are coming in, the imports that are coming in to make sure that we don’t introduce new species of pests and problems, because we are not doing an adequate job. We are kind of playing Russian roulette.

With the amount of shipments that are coming in, the increased shipments, we have the potential for some devastating introduced

species, introduced pathogens, coming into this country. We just have to do a better job.

Mr. BEDWELL. I would tend to agree with those comments. I think it is very important on the pest issues and basic pests, but I think our future success really depends on our ability to export, and that 95 percent of the consumers live outside the United States.

So I would like to see those dollars first go to breaking down those barriers, those non-tariff trade barriers that would allow us to sell more of our product.

Mr. WOOLLEY. Well, I will make a pitch for my pet project, the Center for Advanced Viticulture and Crop Research at UC-Davis. And I think I would support the effort to beef up invasive species and reports. That is very important for nursery crops.

But I think just in general we would like to see better support of the Agricultural Research Service of the USDA to argument what we see as diminishing help from our land grant universities.

Mr. MCINERNEY. To support the prior comments and emphasize pest exclusion, I would make a pitch for the broad term of research. The specialty crop industry has always been cutting edge on innovation. And to maintain that status dollars for research are going to be critically important.

I might emphasize that research on such things, though, as mechanization may be a very more longer term investment in our industry that may be a component part of relieving some of our labor issues that we currently have. So those dollars for those projects would be critical.

On your question of what one thing in the farm bill that could be changed—I would echo Mr. Bedwell's comments that on nutrition, if we put our money where our mouth is, that if our science is telling us that we should be directing—the best medicine in the world which we grow should be directed towards more fruits and vegetables, then Government spending should follow that path.

Mr. SCHATZ. Yes. I agree with the expansion for research. I think your hard dollars at UC-Davis is smart money. Additionally, the pest exclusion, which we all have brought up, we need to continue those projects. And then, also Market Access Program, we need to continue that.

I mentioned this national grape and wine initiative at the end of my talk. And, you one, of the things that this can do is help expand the specialty crop throughout the country. And so I think that is smart money spent.

The wine industry is maybe a catalyst to bringing the city dweller out in the country on the weekend, and to experience that we have to understand what agriculture is doing in a positive direction. So I would encourage dollars spent in that direction.

Mr. CRACKNELL. I think I would reiterate those points. We are looking for support in research. One of the problems we have in the specialty crops is our cost of registrations. Our pesticide registrations are the same as the program crops, but obviously our crops are much smaller. And assistance in getting new registrations and getting new treatments for the disease pressures we face is vital to the protection of our industry.

And I agree with the policing of the imports. We have got to prevent new diseases and new pressures coming in. Otherwise, that just exacerbates the problem.

Mr. HILL. I agree with most of the panel members that invasive species is probably the thing we need to focus on the most. A few of these fruit flies, a few of these diseases are—can go to several different crops, some of them hundreds of crops. And since we have turned over the support inspection to the DHS, and since this report has come out by the GAO, I think we should go one step further and you guys have a hearing figuring out why the program is failing, why we are not stopping some of these pests, why L.A. Airport and Miami all have pest problems, and where these pests are coming in, and why the inspection programs aren't working the way they should be. I think that's important.

One of these pests gets loose in California or the Central Valley, and we are going to be quarantined, and agriculture, as we know it, will come to an end. So this is probably the biggest issue that we have today on our plate.

As far as the farm bill goes, some of the NRCS programs, some of the language could be changed, it could be liberalized a little bit so the average grower can have more access to these programs. The way they are so tightly written now, it is almost impossible for us to access some of them. I would like to see some of that language loosened up a little bit.

Thank you.

Mr. TOMPKINS. I think for me the best dollars, at least from maybe my narrow perspective on this thing, is really any investment that drives consumption. We are fortunate enough to be producing something that has been recommended by every medical group around it. It will help reduce obesity, lower long-term health care costs, which the Government ends up picking up the tab on a lot of that for people.

And I think this is an investment to—long term actually becomes a profitable venture for the Government is to go in and get people to eat more, change their dietary habits, and lower the long-term health costs for the Government and for the people as well.

I think, as far as the legislative look in terms of one thing that would maybe make a real difference—and I don't envy your job in this at all, given the budgetary constraints that you are facing. But as part of crafting this 2007 farm bill, is to have an absolute dedicated funding, even for the specialty crops, even if it isn't specified exactly where that is going to be spent.

So that it doesn't kind of get picked apart one piece at a time when everybody realizes there is not really enough money to go around on this project. I think that that would at least, then, allow the group and people in industry to have some input on maybe how we could work to proactively grow our business and build it and not support kind of old habits.

Mr. RADANOVICH. Thank you.

Mr. Chairman, I just want to make one comment. I think one theme that you heard throughout there is we need bodies and people at the ports. We are concerned about the pest inclusion and also pest exclusion, and then, of course, exporting our products.

And I don't know how we do it, but I think the committee really needs to begin to look at how do we get people out of the buildings that they are in now, the USDA people, and get them to where I think they need to be. I think we have a changing market. A lot of our Government employees are stuck in buildings somewhere, and can we refocus some of those folks to do some of the things I think that are really a concern to all of agriculture, not just here in California.

So with that, I will yield back, since I think my time has expired long ago.

Thank you, Mr. Pombo, for letting me go first.

Mr. HAYES. Mr. Costa?

Mr. COSTA. Thank you. A couple of quick questions. Mr. Tompkins, you indicated in your testimony that you have a farm bill working group that is going to provide some recommendations here. What is your timeframe for that?

Mr. TOMPKINS. The steering group is meeting at the United Washington Public Policy Conference, which I think is the 15th, 16th, and 17th of September. The intent of the timeline for that group is to have the recommendations ready to present in the late fall.

Mr. COSTA. All right. I think a number of us would like to see those recommendations come together and draw a consensus, so that we are updated in terms of where the consensus lies with at least that group that is participating.

OK. Thank you.

Mr. Cracknell, I understand that you related the conversation that you and I had previously with regard to your experience in China, which I found fascinating. I am wondering whether or not you have come to any conclusions as to what members of the House Agriculture Committee, what the Members of Congress can best do.

I made my opening comments about this whole issue of trade. And I think all of us share that concern. Have you come up with any solutions at this point in time where we get tough, where we make a difference?

Mr. CRACKNELL. I think it is fair to say that I haven't come to any conclusions. I think, in part, I will address the question of Congressman Case earlier on. The question was as to what has changed, and part of the issue that has changed in the last 10 years is the focus on price.

We are seeing agricultural customers focusing increasingly on price and being less sensitive to quality parameters. Many of us at this table have spent many years focusing on quality and developing the quality of our products, and operating to the standards that apply.

And that, then, leads me on to addressing your question, is that what we see clearly between China and ourselves is we are operating to completely different standards, whether it be regulatory, something environment, health, safety, or whether it would be for food standards. And certainly better policing of those standards and greater awareness of those issues would be greatly helpful to our crops.

It may be free trade, but it is not fair trade. We need to look at how we level that playing field.

Mr. COSTA. Well, your input and your colleagues' input is critical, because, frankly, now that China is a member of the WTO, we should be in a position to begin to make them try to play by the same rules that the rest of us have to play by.

I think if folks are concerned about India, about outsourcing and the challenges there, look at China and look at Brazil. They are to other segments of U.S. industry as—China and Brazil are to what agriculture is in terms of the impacts of trying to establish this fair playing field that we have to compete in. That concerns us all.

Mr. Bedwell, you and I were in a conversation a couple of days ago, and there were several conversations, and I don't know if you recollect the issue. There are some parts of the farm program that really don't fit well, some of our costs, and we were talking about EQIP and we were talking about providing a greater timeline for farmers to participate in.

Do you have some suggestions on how we could make some changes so that we can allow for greater participation?

Mr. BEDWELL. Well, there are two issues there. One, education—I still think there is a limited amount of knowledge out there about the availability of the programs. And, secondarily, those who wish to participate in the program—it has been discussed more than once here in terms of the difficulty in accessing those programs in a way that fits the growers out there.

Keep in mind, these are people that are working to produce product day by day, and they really aren't thinking first in terms of some of the benefits that already exist. I think it falls on us that some of the associations do a better job of education, but the programs must be simpler and more accessible.

And when we really look at the benefits, and you talk about air and water quality, and so forth, I think we have to move toward promotion of what that means to their bottom line as well as the environment.

I think the devil is in the detail in some of these things, and we really need to look at how can we make these programs simpler.

Mr. COSTA. Well, we ought to have a discussion on that. I mean, I think that is something that the committee would share in wanting to try to address, and it ought to make it—if you can't put it to the farmers in ways in which it makes sense, then the program doesn't do anybody any good.

Mr. BEDWELL. Exactly.

Mr. COSTA. I yield the balance of my time. Thank you very much, Mr. Chairman.

Mr. HAYES. Thank you.

Since we are going from the end back to the middle, George, do you want to go next?

Mr. RADANOVICH. The only question I had, and I am not directing it to anybody in particular, and, Devin, I appreciate your question, because it does kind of help focus on where money out of this specialty crop legislation might be better focused.

I did hear, I think, more of a response for agriculture research than on phytosanitary issues and pest exclusion. Can I have some sense about how MAP funding might rate if the—and we would like to have it all and have everything. But just to get a sense of what the priorities are, if agriculture research was well funded,

and we really focused on our phytosanitary stuff, what kind of a priority would MAP funding—would there be less of a press for it? Not that I am interested in getting rid of it.

Does a real focus on these two issues make MAP less important? I just want to get a sense of where the priorities would be on something like that, if anybody cares to respond. Paul?

Mr. WENGER. Yes. I thought I would take the first shot and just say that I don't see them being that intricately related, but more with the market access to hopefully open up some new marketing opportunities, wherever they may be. We recently had a delegation go to Japan, and we think that is a mature market for our California products. But we haven't even tipped the iceberg yet.

So what do we have to do to introduce more of our products over there? How do they have to be packaged and marketed? So I think sometimes we may need to look beyond our most obvious, and so I think MAP funding can still be utilized for that.

But more importantly than that would be the task funding, because I don't think that is nearly as much—those would be the non-tariff barriers, have money for something that can—for a non-tariff barrier, is there money there, our specialty crops, industry to get to to counter those.

And so I think within those we definitely need more money within the task funding area, because that could be used up very quickly. And then, you could say that would be some research dollars possibly, too, but the research dollars could maybe end up going someplace else. We want money that would be specifically as it relates to trade barriers and have that money available for our different commodities.

Mr. WOOLLEY. Congressman, we had this conversation a few years ago about MAP, and at the time I was probably less enthusiastic about it than I am now. I think particularly because I have seen the success of what has happened with opening up additional markets for table grapes specifically, where a few years ago I may have said, "Well, it may not be that important," now I would say, "Yes, it is."

I think that success, and particularly where now we are exporting over a third of California table grape production, and a lot of that has been due to this Market Access Program. So it is something I certainly wouldn't want to diminish the importance of.

Mr. MCINERNEY. I would almost argue that MAP is even more important than ever as you hear about some of these global pressures from countries, including China, that are going to be very aggressive in markets that we want to retain and expand.

We talked a little bit about Japan. Take for example the Monterey Peninsula. A head of lettuce known as iceberg lettuce, we are still trying to penetrate that market after 10 years on an SPS issue. But the estimates from the agricultural trade officer in that country, it could be a \$50 million market if we open that. So I am certain that around the globe there is specific examples where public-private investment of funds can really exponentially grow a market.

So I know your challenge. We can't have it all, but I would at no time diminish the marketing potential, particularly, as Barry said, 95 percent of the consumers live outside of the United States.

It is going to be ongoing—ever and ever so critical to expand our promotion, education, and introduction of new varieties, new technologies, that are bringing better tasting and better quality product to the global market.

Mr. RADANOVICH. Thank you.

Mr. NUNES. Maybe if I could ask one more brief question of Mr. Schatz. I know in the California wine industry, and I think it is facing, like all specialty crops, more international competition. And there is a lot of investment. I think Australia is probably the best example of their investment in their own industry in Australia to make Australian wines competitive worldwide.

And the wine industry in the United States very interested in matching kind of the effort that is going on in Australia. Is that more R&D there, or is it kind of a culmination of everything? Or can you give me an indication of, of those three areas, where would our effort want to be in helping to make wines more competitive internationally?

Mr. SCHATZ. Well, there are a lot of directions that could go. Australia being the model and actually having a model that they developed, by industry and Government getting together and putting a plan together to infiltrate the United States, that just really hit us hard. They did a good job, but you have to understand their business. Agriculture is one of their largest businesses in their country.

The direction they need to go is to export. And so they did a great job of coming here. We need to be on the cutting edge through research and promotion and marketing. So, yes, we do need to get together—industry and Government—and put our heads together and stay on top of the business.

We have issues like the Europeans where at the end of the season, if there is excess wine it is turned into alcohol, therefore, the tanks are empty, they start a new season. The playing field is level again. They don't have to carry over the excess.

And we have the issue last year of so much overproduction and excess wine that new products had to be developed, and we had to work through it. And so those are some of the issues we have—I am not sure if I have really answered your question.

Mr. NUNES. Well, it would be a culmination of all three of the things that we have been talking about—MAP funding or at least funding for—to increase markets internationally, agriculture research, and pest exclusion. A Government and industry plan would likely include all three of those things.

Mr. SCHATZ. I wouldn't put as much emphasis on the market. I mean, if anything, if we have the research and we can produce the crop, we certainly need to be able to sell it and promote it, so, yes.

Mr. NUNES. All right. Thank you.

Thank you, Mr. Chairman.

Mr. HAYES. Dennis?

Mr. CARDOZA. Thank you, Mr. Chairman. I want to talk a little bit about trade, and I want to thank Mr. Bedwell and Mr. McInerney and Mr. Cracknell in particular for highlighting concerns that I have been talking about on the trade front for some time. I will admit to you that I have been frustrated that agriculture has not been more strongly voicing the challenges that it is facing with regard to unfair trade practices.

And I am a free trader in concept as well. But the realities that I see is that we don't have free trade, but we have free trade going one direction. And but we don't get reciprocal free trade, and this is really the first time at a public hearing that I have heard agriculture speak as forcefully on this issue.

My daddy used to be a farmer, and he used to abide by the first rule of holes, that when you find yourself in a hole you quit digging.

Well, we have gotten ourselves in quite a hole, and I don't think we should be surprised that we have gone from surplus to deficit on trade. I recently was in Brazil with Mr. Pombo and Mr. Nunes, and I had to fly back a little early I did that through Sao Paulo, Brazil. I had a day to lay over there until I could get my connection out, and I spent some time in our consulate there.

And they were very eager to show me what a great job they were doing trying to help us export to Brazil. So the export officer there comes and he brings me this list, and he says, "Congressman Cardoza, I am sure that we are doing a great job for your area on exports." And I said, "I don't think so."

And he said, "Oh, yes. We are really doing a good job for you exporting your products." I said, "Well, can you show me a list?" And he said, "Yes. Which congressional district are you?" And I told him 18th, and he said, "There is nothing on the list."

So I said, "Well, look around to the other districts around." And I started listing all of the other congressional districts in the valley. There were three items totally \$300,000. The balance of trade deficit with Brazil is \$3 billion exporting from them to us, \$300 million from us to them, and it was about a couple hundred thousand from the Central Valley the other direction.

And so I said, "Why don't you look at that list a little more carefully?" And what they were sending to us were products—food, fiber, manufactured goods. What we were sending to them, when I looked at the list of what we were exporting back were the tools of production, so that they could send us more. What they were importing was our technology, they were importing our machinery and our ability to compete with us. That is what they were buying from us.

And we don't think that we are going to be an even greater challenge in the future if we don't abide by my daddy's rule of holes and quit digging ourselves into a deeper position. You are going to be here, and we are going to be talking about how we are going to develop your landing the houses, because we are not going to compete with 60 cents an hour labor down there.

We are not going to be able to compete with the lack of workman's compensation that they have down there. We are not going to be able to compete with the endangered species policies they have down there, because they don't think about it the same way we do. And until we wake up and realize that, we have got a real challenge on our hands.

And the comments that I heard today—I just want to reiterate—two of them were when Mr. Bedwell talked about non-tariff barriers, we can eliminate the tariffs and our products still don't go that direction, because they are cheating on us. And they are going to find reasons to keep our products out of their countries, because

they want to be able to send it the other way. But they are not letting us in.

And the second thing, I thought when Mr. Cracknell mentioned China and Canada and Israel, Puerto Rico that don't produce garlic, but they are sure as heck exporting it to us, that garlic is coming from someplace. I would like to hear your comments about this, and I will shut up.

But I just recall that there was this button on the floor during the recent CAFTA vote, it is comical, it is sort of irreverent, but I think it sort of summed it up pretty well. It says, "NAFTA plus CAFTA equals SHAFTA."

That is not to disparage—and I understand why my colleagues would vote the other way, and I respect their positions on these things. But I just wanted to make these statements, because I think agriculture is continuously getting the shaft end of the stick. And I would love to hear your comments.

Mr. CRACKNELL. Maybe if I start, my company, Sensient Dehydrated Flavors, we have taken the decision to build a small plant in China, and one thing you have to congratulate the Chinese on is their ability to get things done. When we said we wanted to build the plant, we were up and running within 12 months. And I challenge us to achieve that time scale in California.

I think that makes it pretty scary, because they can move fast with the system they have, and that makes them a very frightening competitor.

I think the other aspect is the point that you raise, we do have many things in place. And if you take the example of my fresh market garlic colleagues where they have an anti-dumping duty, yet it is being circumvented, we have a duty which is being circumvented by undervaluation and by trans-shipment.

We really do need to crack down on the policing of the existing policies we have in place. And I know that Customs has an important duty, and Homeland Security, but yet they mustn't forget their trade obligations as well. And they are a very important part of leveling that playing field.

And, clearly, that is what we would like to see happen and see a greater focus on implementing what we have in place already.

Mr. BEDWELL. I think I can expand a little bit on the example of our experience with Mexico and to give you a day-to-day example of what happens. We have, of course, a responsibility to administer tree fruit going to Mexico. And our problem is, of course, that we talk about simply wanting the harmonization of the same kind of inspection procedures for the fruit coming from Mexico to the United States and us going the other direction. Treat us the same way.

Well, the problem is that you always have these unofficial linkages involved with other products. And so we have an oversight level that seems excessive for tree fruit, but the unwritten word is, "Well, it is because the United States does it to us on this other commodity," or whatever. It may be mangoes is treated in one particular way, and so forth.

What we really need to do is get these games out on the table, and if we are going to have effective trade there has to be a harmo-

nization procedure. And there has to be mutual respect between the countries.

Right now, it is not there, but the oversight levels alone—to give you an example, the amount of supervisors and inspectors becomes so cost prohibitive, all of a sudden an exporter is paying over the equivalent of 50 cents a box, he is going to look at that and say, “Why do I want to go through those headaches to do this?”

And what happens is that all of a sudden that fruit is not exported. It is a drag on the domestic market, and everybody suffers.

Mr. COSTA. Who is paying for it?

Mr. BEDWELL. Well, in terms of the inspections, it is a system obviously where a financial plan is developed, and so forth, and really it is the grower who is paying for the inspection, it is the exporter who is paying for it.

Mr. COSTA. We are paying for it.

Mr. BEDWELL. Absolutely.

Mr. WENGER. I might mention real quickly, too, when you comment on both Brazil and China, as we going through in December the next round of WTO talks, when China and Brazil can self-designate as being developing countries, and what you saw there—and for folks that have been overseeing their production capabilities, these are not developing countries.

Until you can call a spade a spade and deal with it fairly, not to mention the currency issues we have with China—and when you mention the free trade agreements, and it is interesting all of the free trade agreements we have done. But when you look at California agriculture, you have to say on balance what they have gotten is maybe not a whole lot.

But how come we are not looking at free trade agreements with Japan and the European Union? Because that is where our markets are, and that is where a lot of the people are. Ninety-five percent of the population is outside our borders, but an awful lot of them are in Japan and the EU.

And so we need to be working trade agreements with those, and so why do we keep getting the answers from our trade people, “Well, we are just not going to do that.” Why? Those are our markets. Those are the people we ought to be trying to work some free trade agreements with, not some of these smaller countries that don’t have the currency capabilities and economic capability to buy our products.

Mr. MCINERNEY. There is no mistake that we called it the Specialty Crop Competitiveness Act, because we are in a crisis and we need resources and policies. Barry’s example to me is a great example, though, of a free trade agreement negotiated, and then industry is left to its own devices to work its way through it.

Ten years later, he is still talking today in 2005 from a free trade agreement that went into effect in 1994 of resolving an SPS issue. It is shameful. There are no resources dedicated to the level that we need to resolve those issues, and it is global trade that is going to be our ongoing success, policy, resources.

APHIS readily admits that two-thirds of their time is spent on import petitions, while a third is spent on our issues trying to get out of the country. Where did that come through a committee? Was that a device that was an administrative decision? Those sorts of

things that are what we are waiting for—resources, policies, let us play on a level playing field.

But free trade agreements that then let the specialty crop industry to figure out the road map without partnership with Government is not going to get the job done, and I think we have seen it with the demise of our surplus in exports, and our stagnant export opportunity that we have had since 1995.

Mr. POMBO. Well, thank you, and I want to again thank the chairman and ranking member for bringing the committee out here, and thank the panel for their testimony. In listening to the testimony and the answers to the question, we truly are at somewhat of a crossroads in terms of specialty crops, in particular California agriculture.

We have choices to make. Those choices are: Do we operate in a way like Old Europe where we try to keep our farmers alive by heavily subsidizing them and subsidizing every move they make? Or do we act more like Brazil and China and aggressively go out and go after the world market?

You talk about Australia. It was a calculated move, and it was a plan that they put in place to come after our market. And it was not just wine; it was on a number of different commodities. And they came in and they effectively did it. And we sat back and did not respond to that, and tried to hold on to a system, a Government system in terms of subsidies, direct subsidies to agriculture, that I believe is the wrong direction to go.

And, as Robin knows, and others that were on the committee the last time we did the farm bill, I believe that most of our money ought to be spent on research and development and on opening foreign markets. That is our future if we want to survive as a commodity in this country, and compete in the international marketplace.

And we are just not doing enough in terms of opening up those markets and figuring out what it is you can produce and sell into those markets. And we need to be much more aggressive on that front than what we have been.

When I look at something like the Australian example, most of the wines that they are producing were not consumed and are not consumed in Australia. There are varieties that they did not drink. They were produced for our market.

Why would we talk about going into China and trying to get them to eat more hamburgers? They don't eat hamburgers. Figure out what they eat and ship it to them. Then, that is the way others have played the game, and we need to be much more aggressive in doing that.

One thing that is interesting about the testimony is the regulatory environment that we operate in, and Dennis talked about our ability to go to Brazil and other countries in South America. and I have had a chance to see a number of countries around the world and how their agriculture operates.

It is in a completely different regulatory environment than anything that you have to deal with. And they played the game by different rules than we do, and we need to figure out what it is we are going to do. And as a Congress, as a committee, if the decision is made that we are going to emulate Old Europe and try to sub-

sidize our farmers and try to keep them alive through a system of subsidies that somehow fit within WTO, and fit in all the different boxes and all that other stuff, that is a decision we make.

But, quite frankly, I think we would be much better off as an industry if we tried to emulate some of the other countries that are more aggressively going after those world markets.

When you talk about garlic and your ability to compete internationally, the chairman knows a little bit about competing internationally and with some of the commodities that are produced in his district. And when they can ship things like peanuts into this market, if they were produced in China for less, they finished value added product into his district for less than his guys could produce peanuts for, there is a problem.

And garlic is a very similar situation where they are shipping stuff into this market at a cost that is less than the cost of production here. And in a lot of California crops that is what we are faced with.

Finally, I would just say that when it comes to the infrastructure that is necessary for us to produce and compete, when we went down to Brazil we looked at the largest dam built in the world. And from the planning stages to filling the dam took—was it less than 13 years, Devin? It was less than 13 years that they had that dam online producing electricity and water.

The dams—the water storage projects that we are looking at in California right now, most of those were planned in the 1950's, and they are still not built. And when you talk about the infrastructure that is necessary for you guys to be able to produce your crops, we are falling further and further behind every single day.

The transportation bill moves us somewhat forward in terms of the kind of commerce and being able to move stuff in that respect, but when it comes to the needed infrastructure we need for agriculture, which I believe also includes the research and development side of it, and that part as well we are falling further behind every day. And I do think that all of that has to be part of our future in terms of where we go in policy on the side of the Federal Government.

I appreciate all of you being here and your testimony, and I know that my colleagues that are from out here will take a great deal away from this. And they are going to have the opportunity to see a little bit more about California and the valley in the next day or so, and see some of the crops that were produced.

I remember the last time that we had the committee out here we took a great deal of effort to show the members of the committee that were from outside the area just the variety of crops that are produced in this area and how we do things. And they were all somewhat surprised at just what we were able to do in this area.

I would also caution those that are from outside the area that if they take away specialty crops from us, and we are not able to produce fruits and vegetables, we will drown the world in corn and wheat and soy beans and if you want us to produce something else, we will produce it. Wherever the profit is, we will do it. But right now, because of our unique situation, our weather and what we have here, we are able to produce a lot of different crops, and we

want to continue doing that. But we can produce just about anything if there is a profit motive in doing it.

So, again, I want to thank the chairman and ranking member for being here, my colleagues on the committee for coming in, and especially I want to thank all of you for being here to testify.

Thank you.

Mr. HAYES. Thank you. Those are great comments, and I, too, want to thank—we have a very extensive and experienced panel here, on both sides of the table. But being the chairman, you get the last word. That is kind of neat.

What I want to do is change it around a little bit. I want you all to have basically the last word. I want to go in this order, start with Nick and end up with Paul, just a 1-minute summary of what you want us to be sure and take away. And as you do it, I want you to address the idea of tariff/non-tariff barriers, inspection of APHIS going to the Department of Homeland Security, suggestions for conservation programs, both access and improvement, Federal Nutrition Program, how you think we might want to do that.

Ed has suggested, and I agree, there are some hearings that we need to have on the idea of pest control, talking about the fruit fly facility being closed. I plan on doing that at you all's direction.

Also, I have a hearing on tariff/non-tariff and artificial barriers to our products. The public does not have any idea what is being done to them and us by some of these ridiculous barriers that are being set up. So those are a couple of things I would like you all to introduce as we—not introduce, but speak on as we kind of wind things up.

And, again, thank you for being here. You have given us a renewed, reinvigorated sense of how critically important what you do is.

Nick, we will start with you.

Mr. TOMPKINS. Thank you. I guess as a takeaway, it is incumbent upon us as producers to be able to operate in a global market competitively. And what is important for us also, though, is that we can look to the Government as a partner in making sure that when we do everything we can on our end to compete competitively and produce efficiently with products that are safe and healthy and nutritious, that we do that in a manner where the Government helps carry the intent of the original—because I think the intent of the most of the things we have out there today are—they are not bad.

It is the execution and the followthrough on those that trip us up in terms of non-tariff trade barriers that are out there. We have several within our own specific company that always seem to hit us every time the importing company is in production of the same crops, and we will run into some pest problem or something and it always seems to go away when they are through with their production. It is disruptive to our process and not a good thing for our business.

Second, is I think that I don't want to just overlook the domestic market consumption and what we can do here to take our products which are healthy and focus on looking at whether it is the Snack Program, School Lunch Program, and looking at the Government commitment to take young kids and change their eating habits

today that will help drive our business for the future, because I think there is a big opportunity in that, and I think that the California Governor has some ideas here in terms of taking some of the snacks out of the schools and replacing them with fresh fruits and vegetables. And I think that, on a nationwide basis, is a tremendous opportunity for our entire industry.

I would like to comment on Congressman Pombo—I would say, clearly, we don't want supports, and I think you are in complete agreement. But we do need investment in technology, most of us are small, independent operators, and the investment in technology sometimes is difficult because of the very nature of our business being small things.

And where Government can come in and augment that, that is an opportunity for us, and by our very nature probably being fiercely independent we may be our own worst enemies in doing it collaboratively together. But with Government support, I think that that we can overcome that and maybe help all of us.

Mr. HILL. Yes, I agree with everything that he just said. Part of the problem that I have had over the past 4 or 5 years is the administration ability to sell agricultural down the tube as far as security matters goes. And I will bring one issue up—the Spanish clementine issue that they—since Spain wanted to be on board, or we wanted Spain to be on board for us as far as the Gulf situation goes, APHIS was commanded by the White House to move clementines back into the country after live Mediterranean fruit flies were found.

A process that should have taken years to do, protocols that would have been taken years to accomplish, were done in less than 3 months. That is just one story out of many that I am wondering who APHIS is working for, and some of these Members on this committee have talked about earlier.

So the message needs to be sent to the administration that, yes, maybe we are 1, 2, and 3 percent of the population, and that we are not necessarily—we have an economic foundation that we contribute to to the economics of the country.

Also, the DHS—I have harped on this before—they are more concerned about security, and that is a very important thing. But they are not putting proper inspectors in place. They have taken that power away from USDA; they are training their own people.

For example, they had a tests on the dog team just recently and found that 60 percent of the dog teams failed in what they were doing. So they are not keeping these dog teams up and trained, and using them the way they were supposed to be used.

Second, getting back to the EQIP programs and things like that, I think that the proper funding should be made there so that growers could modernize some of their operations, could bring some old technologies up to new technologies, either in irrigation, equipment improvements. Some of these NRCS or EQIP programs could be improved and modernized, so that we could utilize them so we can compete, and we can put more product out for a cheaper labor cost.

Thank you.

Mr. CRACKNELL. I think our association has traditionally taken a very low profile. We have quietly got on with our business and stayed out of the limelight. But we have taken a conscious decision

to change that, because the climate has changed and we wouldn't survive if we carried on in that way.

And I am struck, as I look down the table, at the commonality of interests between all the groups here. We are all facing the trade issues, the regulation issues, pest, and research issues. I think the time has come for all of us in the specialty crops industry to work much more closely together to ensure we get our voice heard, and address some of these issues.

And so I thank the committee for the opportunity to talk to them, and I hope that we will have more opportunities in the future.

Mr. SCHATZ. First off, I just want to say thanks for coming to Lodi. Since I sit here and I am a winegrape grower, you are going to have a great afternoon in this area, and I think you should throw off the ties and get the full picture of what we do here, because there is going to be some fascinating things.

Second, thank you for the PD and Glassy-winged support, and then I also want to ram it home. The growers are behind it. They have stepped up to the plate and they are willing to show you that they are responding to this, not only just asking for money all the time.

And, lastly, I want to tie in this—some of the regulations that are out there with trade deficits and these kind of things that exist, and we are having trouble trying to regulate them or control them. And just an example, and not to harp too much on the Australian, but since they have done such a great job of commanding a position in this country with their wine, one of the issues that a lot of the growers are bringing up is labeling issues.

And wines that come into this country need to respect our labels. And what I mean by that is if a label says it is a 2004 vintage, then 95 percent of that wine should be 2004 vintage. And if it comes from France, it says 2004, it should be 2004.

That issue is just left up to the integrity of the people shipping the wine in here, and it is one thing that we think could be addressed and looked at that might have an impact on how we compete with them in our own country. So I just wanted to bring that up.

And, again, thanks for being here in Lodi.

Mr. HAYES. Jim?

Mr. COSTA. Thank you, Mr. Chairman. Mr. Schatz, you touched on it, so I couldn't help but go back to it, because I want to recommend this to all of my colleagues. And I suspect that a number of the trade groups have maybe done something like this. But if you haven't, I would really urge you to do it for Members of Congress.

The Wine Institute put this together. International trade barriers to U.S. wines, and they break it down from Asia to Europe to Australia, where the non-tariff and tariff barriers are, and our percentage of the markets, and the various countries and their percentage of the markets, and it is a very interesting read. It is easy to go through and it is very illuminating.

And so your mentioning of the Australian situation for about the third or fourth time, I just couldn't help it. This is good. For those

of you who haven't done something like this, I urge you to do it and get it to us.

Mr. MCINERNEY. A couple of closing comments would be—the takeaway would be don't let the specialty crop industry go the way of our energy policy. Don't cede our industry to foreign producers. And in doing so, as the Specialty Crop Competitiveness Act comes before you, your full consideration would be very critical.

Thank you for today. The programs and policies that would be embodied in that, they are all intended to be investment in industry. And like any business, a return on that investment is expected. We don't want subsidies. We don't want other programs. Separately those are going to be researched—international trade, pest exclusion, marketing and promotion initiatives, all of those things that were talked about today.

Further, as we look forward to a 2007 farm bill, I want to reiterate a comment of one of the members that we look forward to working with our partners in all of agriculture to make it a collaborative process to make certain that all of agriculture's needs are addressed. We understand ours, we understand other sectors of agriculture have unique and specific needs that need programs and assistance as well.

On a closing note, I would just highlight comments of a couple of panels about immigration. In the specialty crop industry, immigration and a resolution to it for our sector is extremely important, and I know there is a number of competing pieces of legislation. But an immediate to short-term solution specifically for agriculture is very critical.

We are beyond a crisis in availability of farm workers and work—and industry looking for a legal, stable, and economical way to harvest our crops. And unless we find a solution, that is going to be the immediate train wreck that you will see not in the far future but very immediately.

So when you hear agriculture looking for solutions, it is a bipartisan approach to try to reach a resolution. I know that there is very competing bills and issues related to many bills, but your attention to that would be desperately needed by our industry.

We thank you.

Mr. WOOLLEY. As you get down to the end of the line, people take your subject matter.

I was going to close with the immigration reform issue. I couldn't do this as eloquently as the prior speaker, but it is extremely important to us. And I don't think his comments were overstated.

Increased support, Federal support of agriculture research and service programs, such as the National Clean Plant Network, would be a very high program in the nursery industry. And increased attention to protecting U.S. agriculture from invasive pests and disease—and, specifically, let us see if we can't loosen up the purse strings at OMB.

So beyond that, say no more.

Well, we will help you if we can. Thanks very much for the opportunity to speak to you.

Mr. BEDWELL. I guess on the subject of that last comment, what I would like to leave you with is I know Congressman Nunes' comment about the \$3 billion, I would hope before we have to answer

that question about how to cut the \$3 billion we all ask ourselves the question: Is agricultural production in the United States adequately funded?

Are we talking about an appropriate level when we have less than 1 percent of the national budget? And this shouldn't be an issue of putting program crops against specialty crops, but I hope we can look at the process it is going to be developing in regard the farm bill and say, "What is the appropriate level for the best interests of all the citizens of the United States."

And I think the answer may be just not simply in cutting an amount, but really saying what is a more appropriate level of investment in all of our agriculture and production, including program crops as well as specialty crops.

Mr. WENGER. I would just like to thank you for being here, especially Chairman Hayes and Ranking Member Case. On both sides of you are good friends of agriculture. These gentlemen are involved in agriculture or their families are. Sometimes I think we are preaching to the choir, because when you think about both of your districts, you are experiencing the same things we are experiencing here in California, because you have specialty crops in your districts.

When you look at who is on your committee, I wish more of the members out of the heartland of America were here to hear some of the problems, but I know that you will take those back and let them know what you heard out here as our congressmen do very well to keep beating those battle drums about what California's specialty crops are.

When Congressman Cardoza says it is great to hear agriculture finally speak up, that is one of the problems with California agriculture. We are very diverse. And so it is our strength, but it is also our greatest challenge, because along the ways as we fight for different things through Congress, they can start peeling us off one at a time, and that voice gets quieter and quieter and quieter.

When you have two or three commodities, it is pretty easy to sit there and be pretty loud. But a lot of those folks that are involved in where funds go at the Federal level, and even at the State level, they just keep breaking you off little by little. So you have got to remember to focus on the things that help all of the specialty crops.

And I think you have heard here resoundingly, we have got to protect our borders from incoming pests, and to help through APHIS for those of our products that are going out to meet whatever barriers they may put up that are non-tariff.

We need to make sure and continue to fund for MAP and TASC programs that help—I mean, those are dollars invested to create more dollars. They are not direct payments. It is a dollar put in, there is matching funds, and it brings in more economic activity. And, second, to help overcome the burdensome regulatory environment that we have, because not only do we as farmers prosper from a cleaner environment, but so does the general public.

And, lastly, I would just like to go off what Mr. Pombo—he hit the nail on the head. We can pay farmers to survive or we can invest in agriculture to prosper. And if agriculture prospers, not only do the farmers prosper, the farm workers prosper, but the general economy and our country and our States will prosper.

And I think he is right. We need to invest in agriculture. We don't need to go back to the ways of Europe and just pay people to be park rangers.

So thank you for being here, and anything that we can do to get the message out to the rest of your committee, but, more importantly, your urban neighbors or your urban counterparts in Congress, let us know. We will be happy to do it.

Mr. HAYES. Thank you. Mr. Secretary, can you come up and address the crowd? After all, it is about them, not about us.

Mr. KAWAMURA. Thank you, Chairman Hayes, Ranking Member Case. Thank you members of the committee. If we can just remember a few things.

Fundamentally, this is a cross-roads for agriculture, not only in our State but for the country. And if we remember that a farm bill and the farm investment—we have two things we have to talk about that are very important. This current farm bill that we are operating in, which will be reauthorized next year, and then, of course, the rewrite of another farm bill following that, there are two different things but they are very closely related. And we do not want to lose those dollars currently.

In fact, again, going back to the idea of is this an investment or a cost, this is an investment in our agricultural future. And expanding that concept of what the broader definition of agriculture will be to our society in the upcoming rewrite of the farm bill is something that we are very excited about.

Let us just remember one thing on those fundamentals. We take water, we take minerals out of the soil, and we take sunlight, and we turn that into a revenue-creating product. It is not unlike oil, except for it takes a little bit shorter time. And that is the resource that we have the ability to create in this country, in this State, and sell.

And that is a resource, then, that we have protect. Are we replaceable suppliers of that resource? And that is the question that we have to put in front of the public, in front of the legislators, more importantly in front of those urban legislators that don't understand that this is our greatest gift actually in this country.

In two areas of tremendous economic growth that can bring jobs and dollars both in the nutrition sector, which is being driven by a need to cut our health care costs, increase the productivity of our citizens, eliminate the amount of—enormous amounts of dollars going out of the country, pharmaceutical products, and raise the ability to consume our California-grown or U.S.-grown products, that is a huge marketplace for us.

The conversion of renewable fuels—every dollar that we spend for a gallon of gas or diesel, that would stay in our country if we produced it here. Easy math to do. Great investment opportunity using agriculture, then, as yet another fuel source, not only for food but also for fuel.

And the third area where we have the greatest opportunities, and I see some great elaboration starting to happen is bringing that environmental community that has worked to get us to where we are today, together with the agricultural community, to start creating not a regulatory system but a stewardship system that is working with each other, bringing those nonprofit dollars, Federal

dollars, State dollars, and private dollars together to achieve these kind of balanced conservation programs that are not punitive but are incentive-driven so that we can achieve a sustainable supply of food that is second to none in the world, but, more importantly, is not driving our producers out of the country, out of the State.

And, lastly, the most important thing I think was mentioned by everybody here. Our Department of Agriculture has a main mission. We have two missions—to promote and protect the food systems of this State, similar to USDA. How can you possibly promote something you can't protect?

And so our greatest fear, my greatest burden right now, is in the area of protection, keeping invasive species, making sure that we pay attention to those infrastructures of pest exclusion that would allow us not to fall into some tragedy.

And, again, the worst problem we can do is wait for a crisis to change agricultural policy in this Nation. We have had to do that in the past; let us not do it this time. Let us be forward-thinking. Let us go ahead and use your fine leadership to get us there.

Thank you very much.

Mr. HAYES. Thank you, Mr. Secretary. I have at least two statements in my hand from folks who were not able to be on the panel. We just didn't have enough time. Mark Marchini of the Asparagus Commission, and Richard Hudgins, also, of California Peach Canning.

[The statements appear at the conclusion of the hearing.]

Mr. HAYES. So anyone that has a statement that would like to have at least 10 days to do that, and I want you to go away from here optimistic and hopeful. This is a great country. We are absolutely faced with opportunities that are limitless, and I know that our farm community is best equipped and best motivated to take advantage of these opportunities. It is a bright future for us, but also other folks around the world.

There is legislation that has passed the House to force the Chinese to float their currency. That is a reason to be optimistic. As I have researched some of these trade issues, you will look and see that one of the reasons that we don't have better Customs enforcement is because there is virtually no penalty for getting caught.

So a lot of the Customs guys go out here and kill themselves to find illegal trans-shipments when the fine does not even pay the bill for them to do an inspection. So we have got legislation out there to make it a felony, not a misdemeanor, and also to raise the penalty from \$5,000 to a minimum of \$150,000, regardless of whether you are on this end, that end, or in the middle. And I think these are the kind of tools that the folks were telling us that they need.

My only complaint—you all keep talking about obesity right before lunch. I think that was unfortunate timing.

Particularly in this part of the world. How many Biblical scholars do we have in the room? Don't raise your hand. But if you go back and read the Book of Daniel, the reason that Daniel thrived was because he ate specialty crops; he didn't eat the stuff that the king's soldiers ate. So keep that in mind as you go forward.

Thanks for what you do. And without further comments, our meeting is officially adjourned. Thank you.

[Whereupon, at 12:13 p.m., the subcommittee was adjourned.]

[Material submitted for the record follows:]

STATEMENT OF A.G. KAWAMURA

Thank you for conducting this hearing in California's great Central Valley to learn more about this State's diverse agricultural economy. USDA Secretary Johanns was just here for a very successful farm bill forum, and we were pleased that he was able to catch a one-day glimpse of the enormous bounty produced in this State. We greatly appreciate all of these efforts and look forward to working with you on Federal legislation that truly benefits all.

GOVERNOR SCHWARZENEGGER'S COMMITMENT TO AGRICULTURE

I'm here today as Governor Schwarzenegger's representative, and I'd like to say a few words about his commitment to agriculture. The governor grew up on a farm in post WW II Austria where he learned firsthand the critical role that agriculture plays in a stable society. This real life experience left him with a deep appreciation for agriculture and the men and women dedicated to our food supply. We are also fortunate here in California that Governor Schwarzenegger and First Lady Maria Shriver share our understanding that access to nutritious California grown foods is an essential component of a healthy lifestyle.

In fact, a healthy lifestyle for all Californians is the goal of this administration and you will see that in the upcoming Governor's Summit on Health, Nutrition and Obesity. I'm sure many will testify today that California is clearly in a position to enjoy a booming demand for its wide range of nutritious products—products that we supply to the Nation and the world.

California Feeds the WorldAs you know, California's agricultural production—almost \$32 billion—is nearly twice that of the next closest agricultural State. If ranked separately, California's agricultural economy is the fifth largest in the world, behind only the U.S., E.U., China and Brazil.

California is the No. 1 dairy State in the nation, accounting for 20 percent of the milk consumed by Americans. California is also the No. 2 cotton, poultry, rice and cheese State in the Nation. We are the sole producer of 12 commodities and the national leader in 81 other commodities.

When it comes to truck crops, it's no wonder that California is often referred to as the "salad bowl" of the nation, since our farmers grow half of all fresh fruits, vegetables and nuts produced in America. And as for global markets, California accounts for 10 percent of U.S. agricultural exports. In fact, if the mid-western States are the "Farm Belt" of the nation, then we must be the "pants!"

Agriculture is clearly a resource for all societies. Our nation seems to forget this at times because of the accessible abundance that farmers and ranchers have created. But as a resource, agriculture needs to be protected and supported. More specifically, we believe that 21st century American farm policy must be more visionary. American agriculture must be moving forward together, not State by State, but in unity and strength of purpose. Now is not the time for our nation to shrink back from funding of our critical agricultural infrastructure. Let us not believe that we are here giving testimony about "The food supply" we are here speaking about the future of "Our" food supply.

Specifically, as it relates to the questions posed by the subcommittee:

How do current Federal programs affect California's specialty crop industry?

Although specialty crop production accounts for more than half of the Nation's crop value, the specialty crop industries receive no direct Title 1 program dollars. Specialty crops represent more than 90 percent of California's total farmgate agricultural production. There are several Federal programs that indirectly assist different segments of the specialty crop industry. Technical assistance and market promotions in trade are examples of programs that benefit certain commodity groups. However, most of the support from Federal programs comes from the indirect purchases of raw and processed foods through the food stamp, WIC, school lunch and other food relief programs. California's potential share of these program dollars could be enhanced through modifications and streamlining of the guidelines and regulatory oversight both at the State and national levels.

Specialty crop block grants managed through state departments of agriculture have been shown to be extremely effective in dealing with the wide range of products and regionally distinct distribution channels for specialty crop producers. A nationwide commitment to the viability and enhancement of specialty crop industries can be accomplished through increased investment in these State driven grants. Co-

ordination with national and State nutrition policy can create excellent partnerships with farmers in rural and urban communities.

What are some of the export-related challenges for California growers, particularly in light of State and Federal regulations that impact our ability to compete? Harmonization and standardization of phytosanitary requirements, tariffs and other trade barriers restrict and limit the export of many specialty crops. Trade promotion and technical assistance are WTO approved activities that governments may support. The current and future farm bill must recognize the tremendous return on investment for dollars allocated to aggressive export assistance. However, trade promotion must be linked to a stronger commitment to both food safety and protection against invasive species from imports and tourism.

All agricultural trade can suffer from food borne disease and pest outbreaks. All nations must be alert to the enormous challenges caused by the introduction of unwanted species of pests and diseases.

What efforts are working to address pest and disease challenges and what additional authorities are needed?

All together, California's farmers and ranchers comprise one of the largest food, fiber, horticulture and nutrition delivery systems in the world. Yet, this important national infrastructure faces considerable pressures and burdens from invasive pests, diseases and noxious weeds. There has never been a greater threat to the sustainability of our food systems and our environment than today. The potential for both intentional and unintentional introductions of diseases and pests has dramatically increased with the globalization of the world. The pest exclusion infrastructure of every State and nation should be enhanced and invested in since we know that prevention is well documented to be a far less expensive alternative to eradication.

Federal and State authorities must be given the tools and expertise to safeguard this critical infrastructure. We cannot be negligent of our obligation to protect the living systems of this Nation. We look to the Federal farm bill and other Federal and State appropriations to help us address these challenges.

Other areas of interest? Such as research, conservation, nutrition, et cetera.

Agriculture is part of the solution to many of our Nation's greatest challenges! No other human endeavor uses as many disciplines of science to achieve advances in the standards of living that we have come to know and expect. The continued funding of agricultural research and applied sciences is critical to meet those needs and expectations. It can be the domestic source of renewable fuels sparking an enormous economic boom of investment and jobs, where dollars stay within our communities.

It is a cornucopia of locally produced specialty crops that will help us turn around the human and economic crisis in health and malnutrition, replacing health care dollars with more jobs and dollars that stay in the community.

Agricultural solutions to air and water pollution through carbon management districts represent one of the most exciting areas of multiple objective collaboration that can yield jobs, income, energy, habitat and environmental protection.

Rural America will see a rebirth of activity in agritourism and country living as urban residents recognize their need for a rural experience. School lunch programs, and all feeding programs will blend nutritious foods with educational goals, exercise and garden-based learning opportunities. It becomes obvious that agriculture provides our society with so many benefits.

In closing, for those citizens who never experienced the Great Depression, WWII and the Cold War, they may have difficulty understanding the benefits that come from a dependable, safe and secure supply of farm products. We cannot forget the hard learned lessons from the past. We must be forward thinking in addressing our own sustainability.

Further, globalization is not a threat but an opportunity. The global challenge of providing 7 billion world citizens with an abundant supply of food, fiber and energy at an affordable price is the most ambitious and yet achievable goal of our generation.

The current farm bill and future farm policy legislation represents the Nation's investment in our food, fiber, shelter and quite possibly, future energy security. This commitment of resources provides a network of safeguards necessary to maintain the quality of life we so enjoy in the U.S.

California agriculture is leading the world in achieving a safe and reliable supply of farm products produced through responsible stewardship of our resources under the watchful eye of caring farm families. The 21st century will bring many challenges, but none greater than achieving a renewed commitment to agriculture and its fundamental role in all societies. We are all stakeholders in this future. Thank you for taking testimony today and for your support.

STATEMENT OF MARC MARCHINI

Thank you, Mr. Chairman, and other distinguished members of the House Livestock and Horticulture Subcommittee, for coming to California in order to learn about the specialty crop industry. On behalf of the California Asparagus Commission (CAC), I want to welcome you to California's San Joaquin County, one of the State's many counties where specialty crops dominate the top-ten crop list. In this particular county, 18,000 acres is dedicated to the production of asparagus which ranks 8th among the county's leading crops. I greatly appreciate the opportunity to submit comments concerning Federal agriculture policy as it impacts California asparagus growers.

California asparagus growers face an extremely difficult situation at this time and the future of our industry is highly uncertain. The statewide acreage of asparagus has declined from a high of 36,000 in 1999 to the current acreage of 22,000 today. Put simply, it is extremely difficult for our growers to remain competitive in today's increasingly globalized market. We face a whole host of rising input costs, including those for labor, workers compensation insurance, energy and crop protection tools, while we simultaneously see market prices for fresh asparagus remain stagnant or even decline. Today, we must compete directly against foreign growers who have substantially lower input costs, receive duty-free or preferential access to our market, and many of whom receive government subsidies or are not as heavily regulated in many aspects as are U.S. growers. Competing against subsidized and less-regulated foreign growers without being able to control input costs or raise prices is threatening the economic viability of California asparagus growers. It is also important to keep in mind that asparagus is a perennial crop, and thus growers are committed to producing the crop for about a dozen years. This makes it very difficult to make quick changes in production, which makes the current issues even more difficult to manage.

The CAC believes it is imperative that Federal agriculture and trade policy be modified to address the challenges that asparagus growers now face. The CAC strongly supported the Specialty Crop Competitiveness Act (H.R. 3242 and S. 2902) as originally introduced in the 108th Congress. We were pleased that Congress was able to enact an amended version of this legislation in 2004, and we urge that USDA fully implement the new law. However, much more remains to be done to address the issues of importance to California asparagus growers, and we look forward to working with the Livestock and Horticulture Subcommittee and others in Congress in this regard.

One of the major problems now confronting California asparagus growers is a lack of access to foreign markets due to trade barriers, while we face rapidly increasing imports in the U.S. domestic market. Attached to my testimony are several charts that illustrate this situation. The first chart shows that imports of fresh asparagus into the U.S. have increased nearly 300 percent in terms of volume, and by nearly 400 percent in terms of dollar value, from 1994 through 2004. Meanwhile, the second chart illustrates that U.S. exports of fresh asparagus have declined by roughly 50 percent in volume and value during the same period. As you can see, these figures are rather alarming!

Over the past decade, U.S. fresh asparagus exports have declined dramatically because we have had major problems exporting to the largest foreign markets, including the European Union, Japan, and Taiwan. These and other countries have employed phytosanitary trade barriers that are of highly questionable scientific validity to block U.S. fresh asparagus exports. For example, Japan requires fumigation procedures for many U.S. fruit and vegetable products, and asparagus received the highest losses from these fumigation techniques compared with other crops.

It is imperative that Federal agriculture and trade policies address the problem of phytosanitary trade barriers for California asparagus growers. We believe that an expansion of the Technical Assistance for Specialty Crops (TASC) program would be very beneficial in this regard. The TASC program currently is funded at \$2 million per year in mandatory spending, as provided by the 2002 farm bill. However, estimated demand for the program is about \$7 million per year. As you know, the Specialty Crop Competitiveness Act (H.R. 3242), as enacted by Congress in 2004, authorized an additional \$2 million in funding for the TASC program. We are very disappointed that the House and Senate Fiscal Year 2006 Agriculture Appropriations bills do not provide additional funding for TASC. We appreciate the support of the members of this subcommittee for the TASC program, and we need your support for increased funding of this important initiative in the future.

Another concern of the California asparagus industry is the need for a higher percentage of imported product to be inspected at our borders in order to ensure that domestic growers are protected from imported pest and disease problems. The U.S.

Department of Homeland Security has promised there would be more inspectors at the border since that agency has taken over jurisdiction of this matter, but it appears that there is even less inspection today. We believe that Federal spending on import inspection must keep up with the huge increase in the volume of imported product in order to fully protect U.S. agriculture from potentially devastating pests and diseases.

Another important Federal program is the Market Access Program (MAP). The California fresh asparagus industry has been very successful in utilizing MAP funding to help promote our exports in those foreign markets in which we do have access. We urge Congress to continue funding the MAP at the highest authorized level. We greatly appreciate the strong support of members of this subcommittee for an effective MAP.

We are greatly disappointed with Federal trade policy. The Free Trade Agreements (FTAs) that have been negotiated and approved by Congress in recent years have provided virtually no market access for our exports. If the Federal Government is going to open our market to virtually unlimited imports, it also has an obligation to truly open foreign markets so that our growers can expand exports, and we urge Federal officials to negotiate FTA's that truly provide access to foreign markets for our products.

Another major issue for California fresh asparagus growers is the high cost of labor, which is a major input - approximately 75 percent or more of our input costs. Asparagus growers would greatly benefit from the introduction of mechanized technology that would substantially reduce our cost of labor. This would greatly improve our competitive position within the global marketplace. We believe that one of the major areas where Federal policy could be improved to help sustain California asparagus growers is to expand and accelerate research into mechanized technologies that could help us reduce labor costs. We would greatly appreciate the opportunity to work with Congress on new research related to mechanized technology and other labor saving initiatives.

Another major concern of the California asparagus industry is the loss of effective crop protection tools due to the enactment of the Food Quality Protection Act nearly a decade ago. This Federal law has also resulted in increased production costs for our growers. In order to help mitigate the adverse impact on asparagus growers from this law, which presumably benefits all Americans, USDA should focus more research on identifying and developing alternative crop protection tools that are economical and environmentally sustainable. We believe that increased or more targeted Federal research in this area is critical to the long-term competitive success of our industry.

To conclude, the CAC urges Federal policy makers to take a proactive approach to enacting policies and allocating Federal resources that will assist asparagus growers, along with many other specialty crop producers across the Nation who face similar challenges, in remaining competitive in global markets. The CAC looks forward to working with members of this subcommittee, other members of Congress and the Bush Administration, towards this goal.

Thank, Mr. Chairman, for this opportunity to submit a statement for this hearing.

STATEMENT OF PAUL WENGER

My name is Paul Wenger, a walnut and almond producer and Second Vice President of the California Farm Bureau Federation. Chairman Hayes and members of the committee, we're pleased that the committee has chosen to visit California. I'm sure our California representatives, have impressed upon you the pride we have in our State's agriculture. What better place to come than the Central Valley where one in five jobs is dependent on agriculture, and every dollar in agricultural revenue generates \$3.50 in economic activity. Many of our specialty crops are processed into value-added products, which create additional jobs and revenue, beyond the farmgate value.

One of California's Success Stories. Tree nuts have become one of the great success stories in California agriculture. Our climate and topography create the perfect conditions for growing almonds, walnuts and pistachios. California is the only pistachio producer in the US, and we are the world's second largest pistachio producer. Forty percent of our pistachios are exported into the international marketplace.

The almond industry has proven its success by growing larger crops, while creating greater demand and receiving a fair price for the crop. California produces 85 percent of the world's supply of almonds. For many of our counties, almonds are their top agricultural commodity. California exports 75 percent of its almonds mak-

ing it our largest food export. The health of the almond industry is dependent on its ability to market to the rest of the world.

The industry has made remarkable strides, producing a 756 million pound crop in 1997 and the forecast of producing 1.5 billion pounds annually in the next five years. The almond industry's \$10 million investments in nutrition research and promoting the health benefits of almonds have been the reason for its recent success in increasing consumer demand domestically and abroad. California's almond acreage is expected to increase one-third by 2010.

The almond industry has been active in utilizing Federal programs, such as the Technical Assistance for Specialty Crops and Market Access Programs in overcoming trade barriers and to develop new markets.

The almond industry is an excellent example of using Federal and industry resources to build strong domestic and global markets that can be emulated by other commodities.

World markets. We recognize that the US is an open marketplace in which we want to give our consumers choices, but we cannot afford to take the risk of losing our agricultural production to low-priced imports, limited market access and the threat of the introduction of pests or diseases.

Specialty Crops. California agriculture produces over 250 different commodities. Many of these crops are fruits, nuts, vegetables and nursery products. The public fails to make a distinction between specialty crop commodities and program crops that receive subsidies, creating negative press on agriculture as a whole. The European Union subsidizes its horticultural and wine sector by approximately \$11.5 billion dollars annually, versus the US that appropriates almost nothing for these same commodities. Highly subsidized and low-priced products are displacing many of our California commodities both domestically and overseas. California's apricot and canning peach production are being displaced by world overproduction, declining consumption, and the importation of low-priced foreign products. The US government needs to recognize these competing dynamics and develop programs that will assist US agriculture in assuring a fair marketplace both domestically and abroad. Whether it is through the harmonization of trade-distorting supports and removing foreign barriers at the World Trade Organization negotiations; or finding ways to help our producers through rural development and conservation programs, progress cannot wait.

International Competition. Like many of the commodity organizations in California, we are concerned about the growing competition from China and other countries. According to USDA reports, China is fast building its walnut production to a level of over 40 percent of the world's estimated walnut production. Though quality is an issue currently, this may not always be the case with a country that is focused on planting more trees and improved tree management and grafting techniques. We must acknowledge these growing competitors and make the diligent investments in farm policies that will allow our growers to compete on a level playing field.

Market Access. Unjustified trade barriers have replaced many of the traditional tariff barriers. Recently, Malaysia reported salmonella in our almond exports, halting California exports. India imposed methyl bromide fumigation requirements on almonds, threatening the US's largest agricultural export to India. The almond industry utilizes phosphine for the control of storage pests. The industry used Technical Assistance for Specialty Crops (TASC) funds to study the efficacy of fumigating almonds with phosphine and presented this data to Indian officials for approval of its continued use. Though the problem has been temporarily resolved, it is programs like the TASC that need additional funding to assist many of our specialty commodities in addressing unjustified trade barriers.

According to the USDA, sixty percent of imported agricultural products to the US are subject to tariffs less than 5 percent. The global average for fruit and vegetables is over 50 percent. Gaining more market access is critical to agriculture's success. We have been supportive of Free Trade Agreements and the WTO talks and feel this is where real gains can be made. We are becoming increasingly disappointed with a trade agenda that does not focus on creating comparable gains for specialty crops. We have little to lose with a free trade agreement with Morocco, or Bahrain, however, agriculture has few gains with these agreements. We need to negotiate more free trade agreements with our largest potential export markets.

Some of our best consumers are where we face some of the toughest hurdles. California's top three export destinations are the European Union, Canada and Japan. NAFTA has created more opportunities for us with Canada, but we still face barriers with Japan, Korea, India and the European Union.

Market Access Program (MAP). The Market Access Program has been very successful for both the minor as well as the major commodities in funding market de-

velopment. Utilization of this program has been an important contributor to the nut industry's success in world markets. With these funds, the nut industry has been able to focus on market research and development in Asia, Europe and the Middle East. Increased funding of this program must be a component of future farm policies.

Pest Exclusion. California's Department of Food and Agriculture spends \$79 million, annually, in general fund support for plant and animal pests and diseases. With the constant pest and disease pressures and State budgetary constraints, we are concerned that funds will continue to be strained, but the threat of combating newly introduced pests and diseases will continue. The introduction of a pest or disease to the State of California not only becomes a costly burden to the State's budget but also to the impacted industry. Our agricultural producers are dealing with the impacts of Pierce's disease, Medfly and Sudden Oak Death, all pests and diseases that have cost our industry millions to eradicate. Through increased funding for APHIS and the Department of Homeland Security, an emphasis should be made on timely pest and disease detection, exclusion and eradication programs prior to entry to the US and at our points of entry. We need to plan for the event of future infestations and outbreaks and have funding available for such occurrences.

Transportation. Our ports and trucking industry play a vital role in the transportation of our agricultural products and overall economy. An increased focus on building an efficient infrastructure that is prepared for the long-term transportation needs of our State and Nation is of vital importance. Mexico and other countries have begun making substantial investments in ports and other transportation infrastructure to handle the increase in ocean transport to and from the Pacific Rim. California needs to plan for the future through continued support of dredging funding for our ports to accommodate larger ships carrying heavier loads. Our highways, airports and railways need to be able to handle the increased congestion of both passenger and cargo transport throughout California and the rest of the nation.

Reliable Workforce. At the peak of our harvest season we employ over 450,000 temporary workers in California agriculture. That level compares to roughly 250,000 year-round employees. The outcome of immigration reform by Congress is critical to our industry. It is essential, both for the industry and the safety of our workers, that we come up with a workable, legal and practical guest worker program.

We cannot ignore the challenging position agriculture faces, regarding the labor standards in other countries. We are competing with Mexico, whose farm employees earn as little as \$1 per hour, or China where workers typically earn as little as a few dollars a day. In California, for every dollar that is spent on wages an additional 30 to 40 percent cost is incurred to pay for workers compensation insurance, social security and other costs. In order to minimize the labor costs, growers are relying more and more on mechanization, especially in the nursery and field crop industries. If we are to compete, we must rely on research, ingenuity and reduce the impact of regulatory burdens on the industry.

Water Resources. In California we are dependent on water storage systems to support our irrigated agriculture. Through investment in new irrigation systems, we're growing more tonnage with the same amount of water, but there is a limit to how much more water we can conserve. Agriculture has been successful because of investments made in facilities forty and fifty years ago, but we've made few advances since then. This is worrisome when our population is expected to be 46 million in 2020, which is a 54 percent increase in population growth from 1990. We need to put our political differences aside and plan for our future water needs with increased water storage facilities.

Conservation Programs. Our biggest challenge is operating in a climate in which we must meet Federal and State standards at a time when California is on the leading edge in dealing with higher air and water quality standards. The Environmental Quality Incentives Program (EQIP) has been the most beneficial to California's producers. It has assisted in offsetting the costs of replacing diesel engines to comply with new air quality regulations. Building on this success, we would like to see it expanded with more funding and flexibility to allow for more types of equipment to qualify for the program.

Future. On behalf of California's 87,000 member farmers and ranchers, we want to thank you for coming to our great State. We hope the time spent here has shown you California's contribution to agriculture and the nation. As Congress begins its debates on the future of farm policy, we hope that you will build for tomorrow's agriculture that makes accommodations for population growth, limited resources, environmental impacts and world competition.

STATEMENT OF RODNEY SCHATZ

Thank you for holding your hearing in Lodi to review the specialty crop industry. My name is Rodney Schatz. As a second generation Lodi grape grower, I farm 500 acres of winegrapes. I've been growing winegrapes my entire farming career of twenty years and my wife and I started a custom crush facility three years ago. I am the former chairman of the Lodi Woodbridge Winegrape Commission. It is a pleasure for me to be here today representing the California Association of Winegrape Growers and the Wine Institute.

Currently, I am Vice Chairman of the California Association of Winegrape Growers (CAWG). CAWG is an advocate for farmers on public policy, industry affairs and research and education programs to enhance the business of growing California winegrapes. CAWG represents the growers of more than 60 percent of the State's annual tonnage of grapes crushed for wine and concentrate.

Wine Institute is the public policy advocacy association of California wineries. Wine Institute brings together the resources of 845 wineries and affiliated businesses to support legislative and regulatory advocacy, international market development, media relations, scientific research, and education programs that benefit the entire California wine industry.

What's happening here in Lodi in the wine industry is exciting and similar to what is happening in many other rural communities across America. Our growth comes from a combination of factors. In your home State of North Carolina, Chairman Hayes, grapes and wine are an alternative crop for tobacco farmers who are trying hard to keep the family farm in business. Here in Lodi, we've reinvented our industry from a Tokay-grape based bulk wine producer to California's most productive premium varietal wine producer. We've grown from 8 wineries to over 50 wineries in the past ten years. Winegrowing is keeping ag land in production and staving off rapid urban development in our rural areas. We are contributing to our community with fast growing agritourism which has stimulated economic growth in the local hospitality industry. Our first annual Zinfandel Festival earlier this year drew 5,000 visitors. This kind of response to wine country events is happening in States all across America.

Grapes and winegrape crops are produced in more than 40 States. Grapes are the sixth largest agricultural crop in the U.S. producing more than \$3 billion worth of fruit. Grapes are the highest value fruit crop per acre in the nation, significantly ahead of apples and oranges.

As vineyards continue to expand, so do the number of producing wineries. There are over 3,000 wineries in all 50 States. Wine production from grapes consumes about half of the average annual grape crop. The Nation's top wine producing States are: California, Washington, New York, Oregon, Pennsylvania, and Michigan. California produces about 92 percent of the volume.

Winegrapes are the ultimate value-added agricultural crop. Wine production adds value of at least \$2 for each \$1 of farmgate value. It is a signature product for our State and a driving force of the California economy. The overall economic impact of the wine industry on the economy of California grew by nearly 40 percent between 1998 and 2002. According to a 2004 study sponsored by CAWG and Wine Institute, Economic Impact of California Wine, the full economic impact of wine on the California economy is \$45.4 billion. Wine is the number one finished agricultural product from California. According to the authors of the study, this growth is particularly impressive in view of the Nation's weak economy during the same period and the increasingly competitive environment confronted by the California wine industry.

WINEGRAPES IN CALIFORNIA

Winegrape growers are deeply rooted in their communities. Winegrapes are grown in more than 45 of California's 58 counties by 4,805 growers covering 513,000 acres. There are 1,049 wineries in California. The industry generates 207,550 full-time equivalent jobs with \$7.6 billion in wages paid. The retail value of California wine is \$15.2 billion. The State's wineries attract 14.8 million visitors annually. Annual taxes paid by the California industry to the State are about \$1.9 billion and \$5.6 billion total, including other States and the Federal Government.

The industry has grown by expanding its market and creating new products as it continues to improve product quality. American consumers are buying more wine and they are also buying more expensive wine. The most rapidly growing segment of the wine market is "premium;" wine—wine over \$15 per 750 ml bottle, a trend that strongly benefits growers and vintners. Representing 92 percent of the Nation's wine production, California is at the center of America's quality wine production,

making California the fourth largest wine producer in the world, after France, Italy and Spain.

Statistics alone do not adequately measure the intangible value the wine industry brings in terms of overall health benefits, enhanced quality of life, limitation of urban sprawl and greater visibility for the State of California worldwide. Working to keep the California wine industry in its premier position in the global wine market and ensure its long-term success will protect the significant benefits it provides to the State of California.

GRAPE JUICE CONCENTRATE

An important part of the winegrape industry is grape juice concentrate, especially in the San Joaquin Valley. The 2004 California Department of Food and Agriculture (CDFA) Crush Report, indicates an estimated 658,048 tons of California grapes were marketed for grape juice concentrate; this is over 18 percent of the total statewide crush. Thompson Seedless represents almost 80 percent of the California grape concentrate market.

Grape juice concentrates are mainly sold as food ingredients. Generally white grape concentrates are used as natural sweeteners and as juice stock and concentrates from red grape are used as food coloring agents, sweeteners, and juice stock. The grape juice concentrate market is linked directly to the overall market for grapes in California. Typically the proportion of any grape type finding a home in the concentrate industry is in large part a function of the prices for its alternative uses. While some grapes are contracted directly for concentrate production, as prices for alternative grape uses increase, less product is diverted to concentrate use. The market for grape juice concentrate is worth nearly \$150 million a year and is an important contributor to the economy of the southern part of California's San Joaquin Valley.

California produces about 52 percent of the country's grape concentrate. The remaining 48 percent of domestic production is from Concord grapes grown in New York, Pennsylvania, Ohio, Michigan and Washington. The industry faces stiff competition from South American countries, especially from Argentina, and from other fruits, primarily apple juice concentrate, which enters the U.S. market at a zero tariff. The top suppliers of grape concentrate are Argentina, Chile, Brazil, Mexico, Spain and Italy.

In 2004, the United States imported over \$69 million worth of grape juice and concentrate, an increase of about 77 percent from the previous year. Argentina is the major exporter of grape juice to the U.S. with a market share of over 76 percent. Last year's sales were almost \$53 million—more than double the previous year. Chile is the next largest exporter with a market share of around 8 percent and sales of around \$5 million. Four countries—Argentina, Chile, Brazil and Mexico—accounted for around 91 percent of the U.S. imports of grape juice in 2004.

The United States exported over \$54 million worth of grape juice to the world market in 2004. This is about a 5 percent decline from the previous year. Over 53 percent of the U.S. grape juice export was absorbed by Canada, followed by Japan at about 23 percent. Declines in U.S. grape juice exports are linked to reduced demand in Japan and in South Korea.

KEY INDUSTRY TRENDS

Production/Consumption Imbalance: In recent years, we have experienced a significant production/consumption imbalance. As a result, nearly 80,000 acres of winegrape vineyards have been removed. Some industry experts estimate that as many as 20,000 acres of vineyards have been abandoned. The slowing economy earlier this decade came at a time when new plantings of the late nineties were just coming into production. The aggressive, but painful removal of so many acres of vines, the success of the relatively new "super value" wine category (wines under \$3 per 750 ml.), expanding exports and an improving economy appear to have corrected the supply/demand imbalance for most varieties.

Imports: U.S. imports of wine have risen consistently for the last decade, as the rising U.S. dollar improved the competitiveness of imports and new importers targeted the key middle market wine segment—wines in the \$5–8 or \$5–10 segment.

Imports now represent more than 23 percent of the wine consumed in the U.S. Since 1984, the value of imported wine has increased from \$954 million to \$3.49 billion in 2000. While the dollar's weakening has increased pressure on importers, many are absorbing the adjustments to avoid increasing prices and potentially undermining their hard-won market shares.

A significant structural change has occurred in the U.S. market for imports, with "New World" wines, particularly Australian, claiming an accelerating market share.

Concurrently, sales of “Old World”—European—wines have been rising at a much slower rate and, in volume terms, sales of French wines have been flat or declining.

Australia surpassed France in volume of imports to the U.S. in 2002 and is poised to overtake Italy as the number one importer to the U.S. Australia’s success reflects skilled marketing in a focused, export driven campaign, strongly supported by government and a well-organized industry. A strong partnership between the Australian industry and the government has also created one of the best research programs for viticulture and enology in the world. In fact, its annual \$25 million investment in research over the past fifteen years can be seen as the key driver to improving quality and marketability of Australian wines into the export market.

Consolidation: Consolidation at all tiers of the industry is having a profound effect on our business. The number of wine wholesalers and distributors in the U.S. declined by more than 50 percent from 1990 to 2000. The top ten distributors increased their dominance of the wine market from 33 percent in 1993 to 52 percent in 2003.

The continuing consolidation in the distribution sector makes it increasingly difficult for smaller wineries to gain access to the market, especially the national market, and requires them to increase their own sales and marketing expenses even as they face increasing pressure on margins—all of which has highlighted the importance of direct sales strategies for wineries.

Distribution consolidation has been paralleled by retail consolidation, as discount and “big box” stores take growing shares of wine retail sales, reducing margins for distributors, as retailers press for price and promotion concessions. The market power of the major retail chains is most marked in the mid-price segment but they have also become major outlets for some of the highest priced branded wines.

There has been significant merger and acquisition activity at the winery level which creates concern for growers, because there are fewer buyers for grapes, particularly in the Central Valley. That underscores the importance of regional programs, like those of the Lodi Woodbridge Winegrape Commission, to support efforts to create new wineries and wine labels to enhance the market for grapes and the investment in local communities.

At the same time, there has been a concentration of wine production by the State’s five to 10 largest wineries. We also have witnessed the number of wineries increase to 1,049 in California. Product lines and labels are also expanding, with over 350 new brands introduced in 2003 for a total of over 60,000 wine labels registered. The proliferation of wine brands demands increased sales and marketing expertise and expense in this increasingly competitive distribution and retail environment.

Sustainable Winegrowing Practices: Even though California is one of the most productive agricultural regions of the world and by far the most productive in the U.S., we farm in the country’s most populated State. About 12.5 percent of the U.S. population resides in California. Our current population is 36 million and we are growing at about 550,000–600,000 people a year. By 2050 we will have 55 million Californians—and we will need 7 million homes for them; 10 million jobs for them; and roads for 12 million more motor vehicles. The competition for natural resources is intense to say the least!

California’s rural areas are changing dramatically as a result of our population explosion and urban encroachment. The wine community has tried to respond proactively. That’s why CAWG and Wine Institute partnered over four years ago to create the Sustainable Winegrowing Program. We knew that if we wanted to maintain a positive business and public policy atmosphere we needed to demonstrate that we produce wine with practices that are environmentally sound; economically feasible; and socially responsible. That means being able to maintain market share in a fiercely competitive global market while keeping good neighbor and community relations. In addition to the decrease in available farm land and water for agriculture, we were also witnessing international sustainable winegrowing trends.

Food and wine companies—like autos and electronics—are viewing their value chains in a broader and more holistic way as they take moves to manage risk at every step. Brand identity and company/industry reputation have increasing importance in today’s global marketplace. Documented sustainable practices increase our value to the consuming public and the market’s gatekeepers, like retailers and others in the distribution chain.

Growers and vintners see sustainability as a way to differentiate their product in a very competitive world market. But, it’s more than that. Being good stewards of the land and good neighbors are important business and personal values in the wine community. Most owners and employees live at or near their vineyards and strive to maintain a healthy and beautiful environment for themselves, their neighbors

and wine country visitors. They work to produce high quality grapes and wine and they want to pass the legacy of these family-owned businesses to future generations.

A 50-member joint committee embarked on the development and implementation of a program that will help us achieve our vision to be a world leader in sustainable practices. An evaluation of what we needed to do showed that we had a rich foundation of programs at the regional level and a number of innovative individuals and companies. Our committee quickly came to a consensus that a voluntary self-assessment tool based on the success of the Lodi Winegrowers Workbook and the Central Coast Positive Points System would best serve the industry and appeal to the broadest array of growers and vintners.

The publication of the Code of Sustainable Winegrowing Practices includes 6 chapters licensed from the Lodi Woodbridge Winegrape Commission and all new materials for winery practices and neighbors and communities. The workbook allows us to benchmark our practices and their impact on the environment in 221 criteria addressed in 13 chapters: Viticulture; soil management; vineyard water management; pest management; wine quality; ecosystem management; energy efficiency; winery water conservation and quality; material handling; solid waste reduction and management; environmentally preferred purchasing; human resources; neighbors and communities.

Since November, 2002, we have had 112 workshops with more than 1,200 enterprises participating. Last October, we released the 2004 California Wine Community Sustainability Report based on the submission of self-assessments to help us establish baselines and identify targets for improvement. We are now in the process of facilitating action plan workshops to help participants identify their goals for improving practices in their vineyards and wineries.

Our work on sustainable winegrowing benefits California's social, environmental and economic needs and has received recognition as a model by:

- Governor Schwarzenegger (Governor's Environmental and Economic Leadership Award, 2004)
- California Council for Environmental and Economic Balance (Governor Edmund G. "Pat" Brown Aware, 2005)
- California Department of Pesticide Regulation/Environmental Protection Agency (Integrated Pest Management Innovator Award, 2003)

The program will also be featured in a case study on conservation by the California winegrowing community at the White House Conference on Cooperative Conservation later this month.

California farmers and processors face unique environmental challenges because of our more stringent State and local environmental regulations. Viticultural practices and the cost of doing business are directly impacted by new air quality rules and emerging water quality regulations. Wineries are facing additional compliance costs for the treatment of winery process water and stringent rules to reduce ethanol emissions created in the fermentation of red wine.

This new era of intense regulation requires producers to demonstrate success in solving environmental problems and to reduce current and future environmental liabilities. The Sustainable Winegrowing Program provides practical best practices designed to generate tangible results that benefit our industry and the general public.

Export Expertise: The expansion of exports of California wine over the last decade has been dramatic: from \$196 million in 1994 to \$808 million in 2004. Sustaining these exports while the U.S. dollar was rising earlier this decade made this growth particularly notable. New markets have been penetrated, new products introduced in all price segments and market share has increased.

Wine Institute manages the California Wine Export Program, using resources from USDA's Market Access Program (MAP). This program provides up-to-date information on export market dynamics, marketing opportunities and promotion in over 20 countries. The MAP is essential to the continued growth of California wine sales overseas.

U.S. wines continue to face substantial competition on the international market and cannot afford to be saddled with restrictive trade barriers. U.S. producers must contend with a heavily subsidized and protected EU wine industry. The popularity of wines from Australia, New Zealand, Chile, South Africa and Argentina combined with relatively weak currencies in those countries makes them formidable competitors.

Previous multi-lateral and bi-lateral trade negotiations have created situations for the wine industries of the U.S. trading partners that are much more advantageous for them than they are for the U.S. wine industry itself. Only a concentrated effort by the wine industry, the Administration and Congress will overcome trade barriers

and unfair trade practices throughout the world. Subsidies, protectionist policies and tariffs all inhibit the competitiveness of the U.S. wines.

California has the water, the soils and the climate to produce a broad range of wine styles to please any preference. We can compete but we need continued Congressional support for the matching funds provided through MAP and for the reduction of foreign wine tariffs to help us break into heavily subsidized markets.

Pests and Disease Issues: On behalf of the industry, I want to take this opportunity to once again express our appreciation to Congress and the Administration for helping to create and support the Pierce's disease/Glassy-winged Sharpshooter Program. Pierce's disease (PD), a fatal infection of grape vines by the bacterium *Xyella fastidiosa* (Xf), is being spread throughout California by the Glassy winged Sharpshooter (GWSS). GWSS was first detected in California in 1989. It has invaded much of Southern California and is established in the southern San Joaquin Valley.

This vigorous and difficult-to-control insect vector, indigenous to the southeastern United States and northern Mexico, threatens California's entire grape and wine-producing community. Commercial grape varieties grown in California cannot tolerate infection by the Xf bacterium and are quickly killed or rendered uneconomical. There is no cure for Pierce's disease. The onslaught of the GWSS and its spread of Pierce's disease triggered a massive and expensive cooperative response by Federal and State agencies, California nurseries, citrus and winegrape growers to contain, control and eradicate new infestations of the GWSS in California. There are many crops and commodities threatened by the agents that cause Pierce's disease, including almonds, citrus, stone fruits, alfalfa and oleander. The risks to California agriculture presented by the GWSS and PD were recognized by a USDA declaration of emergency on June 23, 2000, and a subsequent allocation of CCC funds to conduct research, manage and fight the disease.

The immediate response of State and Federal Government working with industry to stop the movement of the pest and implement a research program to find long-term management solutions for the disease is truly appreciated by growers and vintners. In fact, just last month, almost ninety percent of the growers and vintners voted to extend an assessment on winegrapes for another five years to fund research for the control of Pierce's Disease and the Glassy-winged Sharpshooter. Since the program was created, the industry assessment has raised more than \$21 million to help fund over 100 research projects and to partner with the State and Federal Government to implement an effective program. The total State, county, university and commodity contributions in the form of in-kind services, budget allocations and compliance to prevent pest movement are estimated to be about \$24 million a year.

The control and containment program, which is a function of State and Federal Government, is resource intensive. Congress has appropriated money for the program beginning in FY 2001 and every year thereafter. However, the program has not been fully funded on an annual basis forcing ongoing reliance upon emergency CCC funding for containment and control activities. We have just learned that the Office of Management and Budget has denied the release of \$5.2 million in emergency funding despite a FY 2005 Agricultural Appropriations conference report request. While progress is being made, events this spring have shown the need to fully fund this vital program. Multiple GWSS egg masses were found on nursery plants shipped to Napa, Sonoma and San Joaquin counties, underscoring the importance of an aggressive containment and control program with a strong nursery shipping inspection program.

We cannot afford anything less than a fully funded program to prevent the movement of the pest and the potential for infestations that spread the disease. Full funding of the program, approximately \$28 million, is being sought for the next fiscal year.

Currently, the industry is fighting an infestation by Vine Mealy bug. The Vine Mealy bug, is an exotic pest first found in the Coachella Valley, Riverside County in 1994. Since then, it has spread to an additional 15 counties. The pest feeds on grapes, fig, pomegranate, avocado, date palm, apple, quince, and certain ornamental plants. Not only does the pest feed on sap, it also excretes large amounts of honeydew as it feeds, fouling the plant. The pest's activities provide a food source for sooty mold, attracts ants, and reduces the quality of harvested grapes.

Vine Mealy bug threatens over 900,000 acres of grapes and over \$3 billion in derivative annual income in California. To meet this threat, a cooperative work group has been formed, including representatives of the grape industry, the Animal and Plant Health Inspection Service (APHIS), the University of California, the California Department of Food and Agriculture and California County Agricultural Commissioners. This group has developed a program that includes public education; detection, monitoring and mapping surveys; research; and a control program imple-

mentation plan. The industry has invested more than \$1 million for research and is seeking \$1.2 million from APHIS for a biocontrol program to eliminate this pest.

The constant introduction of new pests and diseases with the free and easy movement of people and products underscores the critical importance of an adequately funded exotic pest/disease exclusion and detection program at the State and Federal levels. APHIS must have all the resources it needs to assure the highest possible level of pest exclusion activities to protect agriculture, natural resources and public health from exotic pest and diseases.

Research. California winegrape growers and vintners are innovative, adaptive and willing to meet new challenges. Success in maintaining a competitive edge is directly tied to investment by industry and government in research and extension of research results to stimulate innovation by industry and early adoption of best practices. Countries such as Australia have taken the investment model and are now outpacing the United States in product development and improvements. The Australian government has a matching dollar program for grape and wine research that is part of a \$25 million (U.S. \$) annual investment program for the grape and wine sector—significantly higher than the United States. The U.S. needs to expand its investment in grape product research and development if we hope to continue our record of growth and economic success.

In 1996, the industry created the Viticulture Consortium, administered by Cornell University, Pennsylvania State University and the University of California (Davis). The Consortium funds grants for State researchers in about 20 States through a competitive process. The Consortium requires matching funds from both the industry and State sources to leverage Federal support. As an active partnership of Federal, State and industry resources, it is a keystone of grape related research in the United States.

To expedite the investment to enhance research efforts in viticulture and enology, last year the industry created the National Grape & Wine Initiative, an alliance of wine and grape producers to promote sustained growth through increased spending on research and extension activities. Members include national representatives for wine, juice and raisins grapes and wine and juice producers, as well as academics and government officials.

The initiative's goal is to triple the industry's economic impact to \$150 billion by the year 2020, by strongly increasing market share and becoming the world leader in value and sustainability, as well as contributing to the quality of life in rural communities. We have created a strategic research plan with four key objectives: Understanding and Improving Quality; Consumer Insights, Nutrition and Community Issues; Processing and Production Efficiencies; and Sustainability.

The Initiative is collaborating with ARS and CSREES at USDA to incorporate industry priorities into their programs. We are also seeking an increase in appropriations from \$1.8 million to \$2.5 million for the Viticulture Consortium and \$5 million for ARS viticulture research. At the same time, we are pursuing aggressive fundraising within the winegrape and wine community to provide matching funds. We recognize that meeting the competitive challenges we've outlined here today will require an unprecedented commitment and cooperation by the industry and its supporters.

The opportunity to foster hundreds of billions of dollars of economic growth is within reach. If we miss this opportunity, competitors around the world will use their own investment programs to seize market share at the expense of the United States. The National Wine & Grape Initiative offers the promise of enhancing American leadership in the global wine industry.

Your support for our industry is much appreciated and I thank you for this opportunity to comment.

STATEMENT OF BARRY J. BEDWELL

Good morning, Mr. Chairman and members of the committee. My name is Barry Bedwell and I am president of the California Grape and Tree Fruit League. We are a voluntary public policy organization that represents approximately 85 percent of the volume of California's table grapes and deciduous tree fruit. We very much appreciate you taking the time and making the effort to conduct this hearing today in Central California; an area, as you know, that is arguably the most productive agricultural region in the world. We look forward to the continuing dialogue as it relates to the future of specialty crops in the United States.

As we recognize that this hearing is being conducted in the most productive agriculture State in the Nation and the home of approximately 350 different kinds of crops, we would first like to emphasize that we indeed realize, as do most individ-

uals associated with agriculture in this country, that times are indeed changing. We realize that the fiscal dynamics of our Nation as well as the international impacts of worldwide agricultural trade require dynamic new thinking when it comes to how we can best produce food, for not only our nation, but for the world as well.

We also recognize the growing importance of fruits and vegetables and their role in providing nutrition and fighting obesity. The economic impact of specialty crops cannot be ignored as well. This sector comprises a majority of the total value of crops grown in the United States as well as employing almost three-quarters of the Nation's agricultural workforce. In California, the importance of specialty crops is well documented in that they represent an estimated 92 percent of the State's agricultural crop production value and a like number of the agricultural workforce.

Specialty crops have been known as that sector of American agriculture that are "non-program", "self-sufficient" or "non-subsidized" and while specialty crop producers look at such descriptions with varying degrees of pride, the reality of global competition requires a re-evaluation of the role that the United States agricultural policy plays in supporting this vital component of not only our economic, but literal, health. Specialty crop production in the United States cannot be expected to continuously supply those affordable, nutritious and safe food products without recognition of an increasingly competitive global scenario and the need to craft programs to assure that the efficiencies of this portion of agriculture will be maintained.

The United States government has taken a very high profile position, and rightfully so, in promoting healthy eating habits by the release of the USDA's Food Pyramid and nutritional guidelines. The goal of eating more healthy foods and fighting the obesity epidemic is certainly worthy and needed. However, when we look at these guidelines and how U.S. farm policy is formulated and how funds are allocated, there is clearly a disconnect between what is recommended for consumer consumption and how we fund agriculture in this country. Wouldn't it make more sense to look toward the Food Pyramid as a guideline for support and promotion of United States agricultural production rather than a depression era model out of the 1930's? We certainly think so and would hope that such a path would lead to an improved quality of life for all of our citizens.

As we move forward in farm policy discussions, there are clearly benefits to increase consumer education and awareness in consuming fruits and vegetables. We also need to recognize, from many viewpoints but particularly that of national security, how important the production of a domestic food supply is to our future. The very real risk of outsourcing our food production is graphically illustrated by the Commerce Department's own statistics that detail an approximate doubling, to over \$8 billion, of imports into the United States of fruits, vegetables and nuts while our exports have remained fairly consistent at around \$6 billion. The balance of trade for the United States in fruits, vegetables and nuts has gone from a one-half billion surplus to a deficit exceeding \$2 billion. In addition, what was once a significant surplus for all agricultural trade has now totally evaporated. This is a trend that simply cannot be ignored. We must have farm policy that will help our competitiveness, strengthen our research efforts, enhance our conservation programs and encourage investment and efficiency in all agricultural production sectors. To do otherwise would leave our Nation vulnerable and comparable to the unfortunate situation we now face with petroleum products. And not to mention the fact that cutting back on driving is much easier than cutting back on food.

Specialty crop producers understand that with 95 percent of the world's consumers living outside the United States, the opportunities for success lie not just with our own citizens but with expanding exports. Increasing access to new markets is of extreme importance to the producers of specialty crops. In this regard, the Market Access Program (MAP) has been of critical importance in assisting U.S. competitiveness and our country's ability to compete in global markets. This program has proven to be efficient in achieving its goals and is deserving of continued support and expansion.

In regard to the practical application of trade, the association for which I work administers the export of tree fruit to Mexico. This program, which has been in existence for approximately 9 years, has grown significantly from a few thousand boxes to over 2.3 million boxes in the year 2003. However in 2004, given restrictions on how we were able to ship fruit to Mexico, the number fell to 1.3 million boxes. The fruit that is sold to Mexico is in demand by their consumers and most observers feel that the market could double or triple the near future. However, our ability to increase exports is hindered by the reality of non-tariff trade barriers evidenced by quarantine pests lists and unreasonably high oversight costs. The issue of pests and whether they exist in both the exporting and importing country is not new but we do need a mechanism that will address in a timely fashion these disputes.

In addition, California's agricultural industry must have protection against the invasion of unwanted pests and diseases. We understand that Congressman Pombo and Congressman Costa are working on introducing authorizing legislation that would set up a cooperative program between USDA and the States, and provide the method to help fund these important activities. We are supportive of these efforts as well as the potential creation of a division for specialty crops within the USDA Pest Management office.

In regard to the problem of increasing and unreasonable oversight costs, which in essence amount to a restriction on trade by making participation by U.S. producers too expensive, progress on harmonization on oversight levels on like commodities is of prime concern. On the positive side, our efforts to grow exports have been greatly assisted by the existence of TASC (Technical Assistance to Specialty Crops) funds and this is an area that should be expanded.

Finally, any discussion dealing with specialty crops must address the issue of labor. A secure and documented workforce is essential if this sector is to realize its full potential. While we are pleased to see that immigration reform is being discussed and debated on the national scene, the time for just words is rapidly passing us by. We need action now that will protect our borders as well recognize the reality of those that tend and harvest our crops. We have supported the AgJOBS legislation in the past and given the current alternative proposals, we still feel that Ag JOBS offers the fairest and most logical solution to agriculture's labor challenge.

In closing, we are certainly bullish on the future of specialty crops in the United States. The trends are clearly beneficial for the producers of fruits and vegetables as we all strive toward a healthier lifestyle. However, there is no guarantee that such success will automatically accrue to the American grower. In the ever increasing complexity of a competitive global market, we unfortunately cannot leave specialty crops to fend for themselves alone and expect domestic production to always be there when we not only want it, but need it. Your assistance in assuring that U.S. specialty crops remain competitive, through proper support of research, promotion and conservation efforts is of paramount importance to our future.

Thank you again for conducting this hearing today and for allowing us the opportunity to participate.

STATEMENT OF MATT MCINERNEY

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to discuss Federal agriculture policy for our Nation's growers of fruits, vegetables and other specialty crops. I commend you for coming to California to discuss the many important challenges facing the specialty crop industry.

Growers of specialty crops face a crisis of competitiveness that must be addressed by Congress as soon as possible. As markets become globalized, as Federal and State regulation of our industry increases, and as trade barriers continue to block access to foreign markets, it is increasingly difficult for our growers to compete against foreign producers who are heavily subsidized and/or minimally regulated.

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops. In addition, with all the concerns about food safety and bio-terrorism today, a secure domestic food supply is a national security imperative. My message today is that Federal agriculture policy must be improved dramatically if we are to sustain an efficient and productive domestic specialty crop industry.

Specialty crop growers produce approximately 50 percent of the farmgate value of total plant agricultural production in the United States, but only receive a very small percentage of Federal resources aimed at promoting and sustaining efficient agricultural production. The allocation of Federal resources aimed at addressing issues of concern to specialty crop growers in the future must reflect the value of their production to our economy, as well as the dietary needs of all Americans.

Western Growers strongly supported the enactment of the Specialty Crop Competitiveness Act of 2004 (H.R. 3242 and S. 2902 in the 108th Congress), in order to fully address the needs of specialty crop growers. The enactment of an amended version of this legislation last year was a small, first step towards addressing the issues of concern to our industry. We appreciate the support of the members of the Livestock and Horticulture Subcommittee for the legislation enacted last year.

Despite the enactment of H.R. 3242, much work remains to be done. Many of the provisions of the bill as originally introduced have not been addressed by Congress to date. Currently, Western Growers is working with other organizations to develop a new version of this legislation, which we hope to have introduced in Congress

soon. We urge that this legislation be fully considered by Congress at the earliest opportunity upon its introduction.

Western Growers would greatly appreciate the opportunity to work with the members of the Livestock and Horticulture Subcommittee in crafting and enacting specialty crop legislation that recognizes the unique needs of specialty crop growers and allocates a level of resources sufficient to sustain our growers in today's global markets.

PROFILE OF THE U.S. SPECIALTY CROP INDUSTRY

The U.S. specialty crop industry consists of hundreds of different types of crops, including fruits, vegetables, nuts, nursery, forage crops, flowers and winegrapes. This diverse array of crops was valued at approximately \$52.3 billion at the farmgate level in 2003 (see Attachment A). The value of specialty crops is further magnified because of the critical role that growers, shippers and processors play in sustaining the economic vitality of rural areas throughout the nation. Specialty crops are grown in all 50 States and U.S. insular possessions, from Maine to Hawaii, from Alaska to Florida, and all States in between.

In addition to being a very large segment of the U.S. agricultural sector by value, specialty crop growers are large exporters. In 2003, exports of U.S. specialty crops were valued at approximately \$16 billion. Thus, specialty crop growers further contribute to the U.S. economy by strengthening our balance of trade with our trading partners. Also, it is important to note that specialty crops face the highest level of import competition among all agricultural crops in the U.S. domestic market, with imports valued at roughly \$31.2 billion in 2003 (see Attachment B).

As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at \$28.4 billion at the farmgate in 2003, with \$6.0 billion being exported. There are at least 224 different types of fruit and vegetable crops being grown today throughout the United States. Although the topics discussed below are applicable to most types of specialty crops, the rest of my statement will focus specifically on fruit and vegetable growers, shippers and processors that comprise the membership of Western Growers.

CHALLENGES FACING FRUIT AND VEGETABLE GROWERS

As indicated above, fruit and vegetable growers, shippers and processors make a large contribution to our Nation's economy. However, this economic activity is in jeopardy due to a number of challenging trends facing our industry today. With the increasing globalization of agricultural markets due to the growth in international trade, and dramatically increased Federal and State regulation of our industry, it is becoming virtually impossible for many U.S. growers to compete against heavily subsidized and minimally-regulated foreign producers in both the domestic and international markets. Most importantly, U.S. growers continue to face tariff and non-tariff trade barriers in foreign markets, including phytosanitary barriers that are of highly questionable scientific validity.

In essence, fruit and vegetable growers face a "crisis of competitiveness" due to the confluence of a number of trends:

- stagnant export growth due to a lack of access to foreign markets;
- heavily subsidized foreign competition;
- rapidly increasing production costs;
- the loss of cost-effective crop protection tools due to the Food Quality Protection Act and other Federal and State laws;
- increasing import competition from growers in nations with minimal regulation;
- increasing pest and disease problems resulting primarily from the growth of international trade;
- increasing Federal and State regulation, such as clean air and clean water restrictions;
- a proliferation of Free Trade Agreements that do not offer any real opportunities for fruit and vegetable growers to expand exports.

As you can see from this list, our growers face many extremely difficult challenges today. The trends described above are putting enormous downward pressure on the economic returns of fruit and vegetable growers.

It is also important to stress that growers of fruits and vegetables have very different characteristics and needs compared with the Federal program crops. As a result, many current Federal agricultural policies do not adequately address the needs of our growers in meeting the challenges outlined above. Given the current problems that threaten the economic viability of fruit and vegetable growers and the rural communities which they sustain, a targeted Federal policy response is essential.

Western Growers believes that Federal agriculture policies should fully recognize the needs of fruit and vegetable growers, shippers and processors. The Federal Government has an important role to play in making sure that U.S. specialty crop growers have the tools needed to remain competitive in global markets.

WG has partnered with other organizations to develop a comprehensive approach to Federal agriculture policies that will meet the needs of specialty crop growers, as well as consumers in rural, urban, and suburban America. The major areas of this program are as follows:

- grant and loan programs;
- marketing;
- foreign market access;
- nutrition;
- research and extension;
- pest and disease exclusion;
- conservation/environment.

Western Growers strongly believes that Congress must establish policies and programs in these areas that are specifically tailored to meet the needs of specialty crop growers.

THE SPECIALTY CROP COMPETITIVENESS ACT

In the 108th Congress, we began the process of addressing the many issues of concern to specialty crop growers. Similar versions of the Specialty Crop Competitiveness Act, which was specifically designed to meet the competitive needs of specialty crop growers, were introduced in the House (H.R. 3242 by Reps. Doug Ose and Cal Dooley) and the Senate (S. 2902 by Sen. Larry Craig and Debbie Stabenow). As you know, in 2004, Congress approved an amended version of H.R. 3242 developed by Rep. Ose, and the President signed the bill into law in December. Western Growers views this as a small, first step towards addressing the needs of specialty crop growers, and believes much more needs to be done to accomplish our policy objectives.

I would now like to discuss the rationales behind the Federal policy changes made by the Specialty Crop Competitiveness Act of 2004, discuss new provisions that may be included in a new specialty crop bill, and why these provisions address the needs of specialty crop growers.

SPECIALTY CROP BLOCK GRANT PROGRAM

In 2001, Congress enacted a Specialty Crop Block Grant program as part of a Market Loss Assistance legislation. This program has proven to be very successful in providing funding for investment in research and strategies aimed enabling specialty crop growers to remain competitive in global market. One component of this is the need to increase the consumption of fruits, vegetables and other specialty crops in the United States. For example, grants authorized by the block grant program have gone to activities like the Produce for Better Health (PBH) Foundation's national "5 A Day" nutrition campaign. So far, the \$2.5 million grant received from the 2001 block grant by PBH has allowed the foundation to leverage an additional \$16 million in cash and in-kind promotion dollars to promote fruit and vegetable consumption. This is just one of many success stories that are documented in a report by the National Association of State Departments of Agriculture entitled "Improving the Competitiveness of Specialty Crop Agriculture: A Progress Report on State Agricultural Block Grants."

While the 2001 block grant program was a good start, there is still a great amount of work to be done to increase consumption of nutritious fruits and vegetables in order to promote healthy eating habits among all Americans, especially children. In fact, the average American is still not consuming the recommended daily servings of fruits and vegetables, as suggested by the "5 A Day" for Better Health program sponsored by the Produce for Better Health Foundation and the National Cancer Institute. Increasing the health of all Americans through greater consumption of fruits and vegetables is critical to improving our quality of life through reduced illness, and also reducing our economic expenditures on health care.

H.R. 3242 was aimed at building on the success of the 2001 legislation by establishing a similar program through which the Secretary shall use Federal funds for block grants to the agriculture departments of the 50 States. These grants must be used to support production-related research, commodity promotion, food safety and inspection, environmental and other programs that enhance the competitiveness of specialty crop producers. Each State receives a minimum level of funding, and the grant allocations are made in an amount that represents the proportion of the value of specialty crop production in the State in relation to the national value of specialty

crop production for the previous calendar year. The funds shall not be used to provide direct payments to producers, and would be characterized under the WTO's "green box" category.

By promoting the consumption of fruits and vegetables and investment into programs that enable growers to develop the tools necessary to remain competitive in global markets, the Specialty Crop Block Grant program will boost economic productivity in the U.S. and reduce long-term health care costs related to obesity and other problems arising from poor diets.

The National Association of State Departments of Agriculture estimates that the unmet demand for block grants from the States in 2001 was approximately \$1.36 billion. H.R. 3242 as originally introduced provided for \$470 million in mandatory spending annually over five years for this program. Given the severe budget constraints under which Congress is now working, the version of H.R. 3242 enacted into law provided for an authorization of \$44.5 million per year for five years (section 101). The FY 2006 Agriculture Appropriations bill would appropriate \$7 million for this program. Western Growers strongly believes that more funding for this successful program is urgently needed.

WG looks forward to working with Congress to provide a level of mandatory funding sufficient to address the needs of specialty crop growers in the future. Additionally, WG stands ready to work with Congress to improve the Specialty Crop Block Grant program to ensure that funding is used for the intended purposes.

MARKETING ISSUES

FOOD SAFETY PROGRAMS UNDER MARKETING ORDERS

Because of the highly perishable nature of many fruits and vegetables, growers face unique and challenging marketing problems. There are many areas of Federal agricultural policy which can assist U.S. growers in the effective marketing of the crops. More effective marketing will also benefit consumers by increasing the availability of nutritious fruits and vegetables at affordable prices.

Congress should work to enhance the functioning of marketing orders and promotion programs as tools for the fruit and vegetable industry to increase consumption and to facilitate marketing opportunities. As you know, marketing orders are industry self-help programs, in existence since 1938, which are used for collective research, promotion and quality programs. Marketing orders and promotion programs stabilize the agricultural economy, promote agricultural products, protect consumer health, and provide funding for vital research and new product initiatives. These programs benefit both growers and consumers, and are important to growers if they are to remain competitive in today's markets.

However, marketing order promotion programs have come under legal and Constitutional challenges in recent years, and thus the benefits they provide to growers and consumers are in jeopardy. An elimination of marketing order promotion programs would deprive fruit and vegetable growers of the tools they need to remain competitive in today's markets. Congress should work with the industry to research and identify new concepts and marketing tools that can assist growers in remaining competitive.

In order to improve the ability of marketing orders to benefit growers and consumers, Federal law should be changed to permit marketing order committees to implement food safety programs. This would allow growers to implement good agricultural practices, good manufacturing practices, and other food safety programs that can assist in ensuring that fruits and vegetables are safe for consumption and free from adulteration or microbial contamination. This change would help meet the public's demand for greater levels of food safety beyond the existing programs implemented by the government in recent years. Unfortunately, the current law does not allow growers to adopt food safety programs under a marketing order.

Western Growers believes that Federal law should be amended to give marketing order participants the authority to adopt new food safety programs that would improve on those measures already in existence. H.R. 3242 and S. 2902 as introduced contained language to accomplish this important policy goal. However, this provision was deleted from the version of H.R. 3242 that was ultimately enacted. WG believes urges Congress to enact this proposal as part of a new Specialty Crop Competitive-ness Act.

FRUIT AND VEGETABLE INSPECTION

In order to improve the accuracy and reliability of USDA's inspection and fair trading programs, the Agricultural Marketing Service has established a National Training and Development Center (TDC) of the Fresh Products Branch, located in

Fredericksburg, Virginia. This facility is designed specifically to train Federal and State government inspectors of fresh produce. It is critical that this inspection facility have the resources necessary to properly train inspectors that provide a vital service to growers and consumers alike. Improved training of inspectors is critical to preventing future scandals like that experienced at Hunts Point Terminal Market, and also critical for the expansion of U.S. fruit and vegetable exports. In addition to their training duties, we understand that the TDC staff is also highly trained support personnel for the purpose of administering AMS's Continuity of Operations (COOP) emergency support program.

Section 403 of H.R. 3242, as enacted, authorizes \$1.5 million annually for the proper operation and maintenance of the AMS TDC facility. We are disappointed that this program did not receive an appropriation in the FY 2006 Agriculture Appropriations bill. WG will continue working with Congress and the Bush Administration to secure funding for this important facility.

FRUIT AND VEGETABLE MARKET NEWS

To be competitive, fruit and vegetable growers need timely price information. Without this price information, growers are at a severe disadvantage in domestic and international markets. In addition, there is a need to assure U.S. entities that price information will be available to resolve international trade disputes governed by international trade agreements. Unfortunately, the current Agricultural Marketing Service Market News funding allocation for fruit and vegetable price information is not sufficient to provide market prices to U.S. fruit and vegetable growers, nor is it sufficient to resolve trade disputes.

The Specialty Crop Competitiveness Act of 2004 did not address this issue. At this time, Western Growers proposes that \$9 million be allocated from the Commodity Credit Corporation for fiscal year 2007 for fruit and vegetable Market News activities at AMS, and that future funding be indexed for inflation on an annual basis thereafter. WG urges consideration of this proposal as part of a new Specialty Crop Competitiveness Act.

FOREIGN MARKET ACCESS

A full examination of the state of the domestic fruit and vegetable industry would not be complete without a discussion of international trade issues, which are of increasing importance to our industry.

With a fruit and vegetable farmgate benefit to the U.S. economy of \$28.4 billion (FY 2003), \$6.0 billion is exported. However, unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance with our trading partners. Over the last ten years, U.S. imports of fruits and vegetables have increased by almost 103 percent (to \$9.2 billion in 2004), while U.S. exports have increased only 28.7 percent (\$6.6 billion). As a result, the fruit and vegetable trade surplus in 1995 of over \$600 million is now a \$2.6 billion trade deficit (see Attachment C). There are a number of reasons for this, one being the tremendous subsidies which the European Union provides to its industry, which exceeded \$12.5 billion in 2002. In addition, Japan subsidizes its fruit and vegetable growers, thereby creating incentives to deny U.S. exports entry into its market.

While the U.S. market welcomes imports of fruits and vegetables from some of our trading partners who heavily subsidize their industries, U.S. growers have unfortunately not received significant market access to foreign markets. The recently completed free trade agreements (FTAs), and those currently in the process of being negotiated, are with countries which offer U.S. fruit and vegetable growers very limited export opportunities. Many of the countries are not economically developed enough to be able to afford high value products, and therefore the market for our exports is negligible. The fruit and vegetable industry would like to see FTAs with Asian Pacific Rim countries. While there is some ongoing trade with many of these countries, a significant number have high tariff rates and significant phytosanitary barriers which greatly limit U.S. exports.

Since the impact of multilateral and regional trade agreements has not materialized into a favorable balance of trade for fresh and processed fruits and vegetables (HTS Chapters 7, 8 and 20), Western Growers has a number of recommendations that are designed to address this problem and increase U.S. specialty crop exports.

TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM

Many of the trade barriers that restrict the expansion of U.S. specialty crop exports are phytosanitary problems, many of highly questionable scientific validity, used by foreign governments to block access to their market. The Technical Assist-

ance for Specialty Crops (TASC) program was established in the 2002 farm bill to provide assistance to U.S. growers to engage in research and other activities needed to remove such trade barriers. This program has proven to be very successful in removing phytosanitary trade barriers, but funding is not sufficient to keep up with demand. The 2002 farm bill provided \$2 million in mandatory funding annually for TASC.

Western Growers believes that we should immediately accelerate efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding to meet demand. Section 201 of H.R. 3242, as enacted, provided an authorization for an additional \$2 million annually for five years in funding for TASC. Further, we urge Congress to approve at least \$7 million (the current estimate of demand) in mandatory funding per year for TASC as part of a new Specialty Crop Competitiveness Act. Legislation to expand the TASC program to meet the needs of our industry must also ensure that the Foreign Agriculture Service has the personnel available to implement an expanded program.

USDA PHYTOSANITARY BARRIERS REPORT

In order to enable the industry and the Federal Government to better address the problem of phytosanitary trade barriers that limit our exports, section 203 of H.R. 3242, as enacted, directed USDA to submit to Congress, within 180 days of enactment, a report on significant phytosanitary issues that affect the export of specialty crops. Unfortunately, this report has not yet been delivered to Congress. We urge you, Mr. Chairman, to contact Secretary Johanns and request that this report authorized by H.R. 3242 is completed and sent to Congress as soon as possible.

APHIS PHYTOSANITARY EXPORT PETITIONS

It is true that the World Trade Organization Sanitary and Phytosanitary (SPS) agreement is being used to open markets. Unfortunately, this appears to be a one-way street. After nearly a decade, the WTO SPS agreement is opening the U.S. market without the promise of foreign markets being opened for our exports. The problem is that appears to be a much greater emphasis at the Animal and Plant Health Inspection Service (APHIS) in the processing of phytosanitary import petitions vs. export petitions. We are not faulting APHIS for the imbalance between the agency's efforts on SPS import petitions versus export petitions, as the agency is merely responding to outside demands.

To address this problem, section 202 of H.R. 3242, as enacted, directs APHIS to reduce the backlog of phytosanitary export petitions that are now pending at the agency and report to Congress annually on this problem. WG hopes that APHIS will implement this provision of H.R. 3242 as expeditiously as possible. In addition, WG still believes that a separate division should be established within APHIS for the sole purpose of processing the hundreds of petitions for removing SPS trade barriers in export markets which are now pending before the agency. We believe that a concentrated effort to expedite specialty crop phytosanitary export petitions could have a major impact in expanding our exports. WG expects that this issue will again be addressed in a new Specialty Crop Competitiveness Act.

INTELLECTUAL PROPERTY RIGHTS IN INTERNATIONAL TRADE

Another important component of a comprehensive strategy to increase exports of U.S. fruits and vegetables is to establish a new USDA office that will focus solely on representing U.S. grower interests in international matters concerning intellectual property rights (IPR). We recommend that USDA establish an office for encouraging the development and protection of intellectual property rights for plants. This office will be directed to work closely with the Office of Patents, Trademarks and Copyrights at the Department of Commerce in implementing these goals. Such a provision was included in the original version of H.R. 3242, but was deleted in the final version of the bill. Again, this issue remains important to your industry, and we expect that the new Specialty Crops Competitiveness Act will address the concern.

MARKET ACCESS PROGRAM

Finally, Western Growers would like to thank you the members of this subcommittee for your strong support for the Market Access Program (MAP). This program has proven to be very successful in assisting U.S. fruit and vegetable exports to be more competitive in world markets, and it is critical that Congress fund MAP at the maximum authorized level. The increase in appropriations for MAP in the

FY 2006 Agriculture Appropriations bill now pending before Congress will help fruit and vegetable growers in their efforts to expand exports.

SPECIALTY CROP RESEARCH

As U.S. specialty crop growers strive to remain competitive in global markets, being able to economically produce crops and avoid environmental damage is critical. In the face of increasing scrutiny over the impact of agricultural practices on air, water and soil quality and endangered species, production costs for growers have been increasing rapidly. The loss of effective crop protection tools due to the enactment of the Food Quality Protection Act has also resulted in increased production costs. Thus, focusing USDA research and resources on identifying and developing economical and environmentally sustainable solutions to the challenges facing today's growers is vital for this sector of the industry to remain competitive.

A prime example of this is the need to develop safe and cost effective alternatives to methyl bromide as its use is phased out under international agreements. Section 301 of H.R. 3242, as enacted, directed USDA to elevate the priority of current methyl bromide alternative research and extension activities and reexamine the risks and benefits of extending the methyl bromide phase-out deadline. The new law authorized \$5 million per year in fiscal years 2005 through 2009 to carry out this provision, but funding has not yet been appropriated.

Other research and extension areas identified by Western Growers as important investments to improve competitiveness of the fruit and vegetable industry include:

- Funding for the Economic Research Service to quantify the benefits for clean air and the environment of the fruit and vegetable industry in relation to urban sprawl.
- Additional funding for the Agricultural Research Service to improve the quality of fresh fruits and vegetables and to complement the ongoing food safety work of the agency. This quality research is the foundation for continued gains in "value-added" produce products, which have received a very positive response from consumers. For example ARS research in plastics that help to maintain the freshness of fresh produce has greatly expanded our markets. Similarly, a better understanding of the sources of microbiological contamination has benefited the industry.
- The formalization of regional integrated pest management centers within the Cooperative State Research Education, and Extension Service. These regional centers should be authorized to receive appropriations to:
 - conduct research to develop cost effective and efficacious new crop protection tools and integrated pest management systems to address the loss of key pesticides due to environmental regulation;
 - interact with growers and other stakeholders to establish regional priorities for research and extension activities;
 - promote extension activities, including on-farm demonstrations, to identify and demonstrate applications of economic and effective pest control methods. This function is particularly critical given the impact of declining State budgets on the ability of State extension agents to provide support to growers;
 - provide data on pest control methods and usage to USDA agencies and EPA;
- and,
 - award competitive grants to eligible degree-granting colleges and universities for integrated agricultural research, education, and extension projects. Peer review panels would be established within each region to review competitive grant applications and would include peers with knowledge of fruits and vegetables.
 - Additional funding for APHIS to identify and prioritize the harmful economic and health impacts of foreign invasive pests and diseases and to develop appropriate eradication and control programs.

SPECIALTY CROPS COMMITTEE

In order to advance the above research initiatives that are important to the specialty crop industry, section 303 of H.R. 3242 as enacted provided for the establishment of a Specialty Crops Committee of the National Agricultural Research, Extension, and Economics Advisory Board. The new law states that the Specialty Crops Committee "will be responsible for studying the scope and effectiveness of research, extension, and economics programs affecting the specialty crop industry." WG again appreciates the support of members of this subcommittee for this provision of H.R. 3242, as enacted. However, we are very concerned that the first public input session of the committee, originally scheduled for earlier this month in Michigan, was postponed. We hope that USDA will move forward with implementing this provision by

ensuring that the research activities of the Specialty Crops Committee move forward in an expeditious manner.

NATIONAL SPECIALTY CROP DEVELOPMENT INITIATIVE

Finally, Western Growers recommends the creation of a National Specialty Crop Development Initiative, an integrated, competitive grant program supported with \$30 million in mandatory funding annually. This program is a long-term investment to improve efficiency and competitiveness of specialty crop growers in the world marketplace, and all colleges and universities as well as private organizations would be eligible to compete for the grants. This proposal was included the original versions of H.R. 3242 and S. 2902, but was not enacted. WG would encourage Congress to again consider this proposal as part of a new Specialty Crop Competitiveness Act.

PEST AND DISEASE EXCLUSION

As you know, Mr. Secretary, an increase in international trade inevitably brings an increase in threats to U.S. fruit and vegetable crops from invasive pests and diseases from abroad. In order to protect the U.S. specialty crop industry from these increased threats, greater levels of assistance and resources are necessary for APHIS. This agency is not only responsible for ensuring that imports will not add to the pests already in the U.S., but also is instrumental in helping U.S. producers find solutions to phytosanitary concerns of importing countries so that U.S. growers can export.

APHIS PEER REVIEW

Western Growers believes that APHIS must work to become a model of how petitions for importing fruits and vegetables into the U.S. are evaluated. In our experience, the phytosanitary trade barriers of other countries which block U.S. exports are often not based on valid scientific evidence, but are merely thinly disguised protectionist measures. Unfortunately, APHIS is in a similar position when decisions on import petitions are subject to political and other pressures. Any effort to strengthen and increase the transparency of APHIS's process for evaluating import petitions will ultimately help the U.S. to increase exports by providing other nations with a model on how to evaluate phytosanitary matters.

Western Growers worked with Congress to enact legislation, as section 402 of H.R. 3242, that requires APHIS to develop a process whereby critical pest and disease decisions are subjected to scientific peer review. We believe this is essential in order to ensure that the best science available is being used to make regulatory decisions regarding pests and diseases that can devastate our industry. WG understand that USDA is moving forward with implementation of the peer review provision of H.R. 3242, and looks forward to monitoring the effectiveness of this program.

PEST AND DISEASE RESPONSE FUND

Western Growers also believes that expanded authority and funding is needed for APHIS to develop an adequate emergency eradication/research program that could be accessed to address economic and health threats posed by invasive pests and disease. The original versions of H.R. 3242 and S. 2902 would establish such a fund as a revolving account, capped at \$75 million, and the fund would be replenished based on fiscal year utilization. Section 401 of H.R. 3242, as enacted, established a Pest and Disease Response fund for this purpose and authorized \$1 million annually for fiscal years 2005 through 2009 to carry out this program. WG believes that greater levels of funding are necessary for this critical program, which is needed to prevent millions of dollars in potential losses to growers, as well as a diminished supply of healthy specialty crops for consumers, from invasive pests and diseases. WG urges the Administration to work with us to further develop the work started in H.R. 3242 as part of a new Specialty Crop Competitiveness Act.

PLANTING FRUITS AND VEGETABLES ON SUBSIDIZED ACREAGE

Western Growers strongly supports the current policy of prohibiting fruits and vegetables from being harvested on subsidized acreage enrolled in the USDA farm programs, as contained in the 2002 farm bill. This is essential to ensure that growers of fruits and vegetables who do not

receive subsidies are not put at a competitive disadvantage or subject to the disruption of produce markets due to artificially imposed signals arising from changes in government policy.

Along with other specialty crop organizations, WG worked to ensure that Congress abided by this policy in developing the 1990, 1996 and 2002 farm bills. The 2002 farm bill prohibits the harvesting of fruits and vegetables on all USDA contract acres, with certain narrow exceptions specified in the law. Western Growers remains committed to ensuring that the fundamentally fair policy of prohibiting subsidized growers from competing against growers who do not participate in Federal farm programs in the production of fruits and vegetables remains the law of the land in the next farm bill, and that the law is effectively enforced. Our growers face enough challenges competing against subsidized producers in foreign countries without having to deal with the same problem among U.S. growers. Program crop growers already have maximum flexibility to grow fruits and vegetables as long as they are willing to forgo Federal program subsidies and participate in the marketplace on a level playing field.

Again, Mr. Chairman and other members of the subcommittee, thank you for the opportunity to express the views of Western Growers with respect to Federal agriculture policy as it relates to specialty crop growers. Western Growers looks forward to working with you and other members of Congress to improve Federal agriculture policy and resources for specialty crop growers.

ATTACHMENT A

U.S. SPECIALTY CROP ECONOMIC VALUES - 2003

(FIGURES IN BILLIONS OF DOLLARS)

Type of Specialty Crop/Farmgate Value

Fruits, Vegetables and Nuts: \$28.4

Forage (hay, pasture, seeds, and minor field crops, hops): \$7.2

Nursery: \$10.0

Floral Industry: \$5.1

Winegrapes: \$1.5

Total: \$52.3

NOTE: Adjusted for rounding. Prepared by the Agricultural Coalition On Trade using data from the Economic Research Service, USDA.

ATTACHMENT B

COMPARISON OF ECONOMIC VALUES

Specialty Crops and Program Crops

Category/Specialty Crops/Program Crops (in billions U.S. \$ for fiscal year 2003)

Farmgate Value: \$52.3/\$53.9

Annual Subsidies (FY): \$0/\$12.4

Farmgate Export Value: \$16.0/\$30.0

Value of Imports: \$31.2/\$5.1

Prepared by the Agricultural Coalition On Trade using data from the Economic Research Service, USDA and the U.S. Department of Commerce.

TESTIMONY OF ROBERT WOOLLEY

Thank you, Chairman Hayes, and thank you, Congressman Pombo, for this opportunity to present testimony on behalf of the U.S. nursery and greenhouse industry on matters relating to the State and future success of the specialty crop industry. My remarks reflect my own view as a grower of deciduous fruit and nut tree nursery stock, as well as the views of our national trade organization, the American Nursery & Landscape Association, which I am representing here today. The issues I am covering today are also shared priorities of the California Association of Nurseries and Garden Centers. Over the years I have been involved personally in a number of leadership posts and committees tasked with solving challenges facing the industry. I will touch on some of those challenges—and opportunities—in my testimony.

As you may know, the U.S. nursery industry is a bright spot in specialty crop agriculture. It is one of the few sectors that has shown positive growth over the past decade. As a commodity group, U.S. nursery and greenhouse crop production ranks in farmgate value behind corn and soybeans, but ahead of wheat, cotton, and tobacco. Annual production is in the range of \$14 billion at farmgate; the economic

value of the entire green industry was recently estimated to reach \$147 billion. This translates to a lot of small and family farms adding up to big business!

Immigration policy and the agricultural labor situation in the nursery industry According to the last available estimate by the U.S. Dept. of Labor (DOL), at least one half of agricultural workers in our country are “undocumented.” Although the percentage of undocumented workers in California’s is not known, it is reasonable to assume that the percentage in California nurseries and other labor-intensive farms and ranches mirrors or even exceeds the national situation. Common estimates today run to 70 percent or higher.

The nursery industry, however, employs a high percentage of skilled workers who work year-round. In fact, many nursery field workers have achieved supervisory or middle management status even though they started as entry-level laborers. Since U.S. farms have depended on undocumented workers for at least several decades it’s also reasonable to assume that many California nursery supervisors and managers are undocumented. Let me clarify—employers have met their legal obligations, yet workers are commonly presenting identification documents that are not valid. The present situation has resulted from years of bad laws and failed policies.

The California nursery industry is unique in its role as supplier of planting stock to the State’s orchard and vineyard growers. Nurserymen and growers are co-dependant—a crippling blow to one segment will cripple the other. Certainly, a future guest worker program that allows agricultural workers to enter safely and legally, work, and return home will be part of the answer. Yet it cannot be the entire answer. Stepped up enforcement of current immigration laws without a provision for an earned adjustment to permanent resident status for much of the trained and trusted workforce would devastate the nursery industry and the growers they supply, especially if many supervisory employees are indeed undocumented. To be truly successful, agricultural labor reform must recognize the interdependence of various segments of agriculture, and that labor issues and needs are not the same in all segments.

For various reasons, the guest worker program (H-2A) has failed to reduce the dependence on undocumented workers in agriculture and other industries. Senate Bill 359 and H.R. 884, also known as AgJOBS, would provide critically needed reform of H-2A and immigration laws in general as they pertain to labor-intensive agriculture. While we support AgJOBS, we recognize that alternative legislation may provide the path to achieve needed reform, but it will only work if it incorporates the fundamental elements contained in AgJOBS. The bottom line is simply this: the present situation is untenable. California and American agriculture are in a position of deep peril. Problems have existed for decades and are consequently complex. Reform legislation must address this complexity if widespread disruption—or even destruction—of our agricultural economy is to be avoided.

SUPPORT OF AGRICULTURAL RESEARCH & RELATED PROGRAMS

In my experience as a member of various research committees in the nursery industry I have observed over the past two decades a dramatic reduction in personnel and facilities devoted to agricultural research and extension programs in land grant universities throughout the U.S. In response, the nursery industry and other commodity groups increasingly are turning to the Agricultural Research Service (ARS) of U.S.D.A. to conduct organized research to solve practical problems and to assist in developing the new products and technologies that are needed to remain competitive and economically viable.

While the nursery industry has a good track record of raising research money through industry assessments and voluntary efforts, it is difficult for industry to completely fund basic, longer-term, or more speculative research that must be funded if our industry is to remain world class and competitive. Federal funding through programs such as the Floriculture and Nursery Research Initiative (FNRI) provides important augmentation of industry monies. FNRI is a unique partnership of government, industry, and land grant university researchers. Funding goes to ARS scientists and to universities that are “centers of excellence” for horticultural research. Major projects include work on mechanization, environmental management, and coping with emerging pests and diseases. As the nursery industry is a leading producer of specialty crops in many regions of the country, support of nursery industry research should be made a substantial part of ARS base funding on an ongoing basis.

Even though the nursery industry ranks #2 in California in farmgate value of crops, it is still a specialty crop. Support programs for specialty crops such as the I-R4 program that enables registration of pesticides for minor crops must be maintained through ongoing Federal funding.

FUNDING FOR PEST DETECTION AND RESPONSE

All sectors of specialty crop agriculture and the U.S. environment are at risk of severe damage resulting from the introduction, establishment, and spread of foreign pests and diseases. Unfortunately, a game of financial "chicken" is being played between the Congress and the Administration's Office of Management and Budget (OMB). Hanging in the balance is the funding needed to properly execute effective pest detection and emergency response programs.

Three cases in point illustrate the threat. Federal programs to contain or eradicate *Phytophthora ramorum* (the cause of so-called "sudden oak death"), glassy winged sharpshooter and the emerald ash borer all face severe funding limitations in the year ahead. In the case of *P. ramorum*, a funding shortfall would threaten the orderly national marketing of nursery crops produced in California, Oregon and Washington. In the case of emerald ash borer, which is both a nursery and forest pest, the reluctance of OMB to release adequate funds from the Commodity Credit Corporation has stalled the containment program underway in northwest Ohio and northeast Indiana. Similarly, the glassy-winged sharpshooter program has seen the Office of Management and Budget cut funding that Congress approved. If the effort is not resumed right away, the entire Nation will face billions in losses. We urge the Subcommittee to do what it can to influence the situation.

A PROPOSED NATIONAL CLEAN PLANT NETWORK

Funding of existing clean plant programs will be dramatically reduced in the near future. These programs assist with the safe importation and distribution of propagating stock to the industry. They are critical to the fruit, nut, small fruit, wine, and ornamental horticulture industries. In the past these programs were supported by funds earmarked for research, but now clean plant programs are considered to be service activities that should not receive research monies.

Effective clean plant programs are essential to preventing catastrophic pest and disease problems and to maintaining U.S. agricultural competitiveness. In California, wine and table grape growers in particular depend on the introduction of foreign cultivars, to an extent that demand for new varieties outstrips the capacity of existing clean plant programs. When demand for new foreign cultivars is high but legal channels are not able to accommodate demand, some growers resort to illegal importation of plant materials. Grapevine mealy bug, a new pest problem that is approaching epidemic status in California, is suspected to have been introduced in illegally imported grapevine planting stock that was smuggled into the U.S. from Australia, most likely due to the impatience of the importer.

Now that the U.S. is a signatory to various trade treaties, to be in compliance with international standards existing precautionary prohibitions to the importation of plants are likely to be modified or eliminated. As trade barriers are eliminated, pest and disease introductions inevitably will occur more often. The proposed National Clean Plant Network will provide scientists and facilities to help prevent pest and disease outbreaks. We consider Federal funding for the establishment and maintenance of a National Clean Plant Network one of our highest priorities. I have attached to my written testimony a statement developed collaboratively by scientists and the nursery industry to provide background and justification for the proposed program.

INTERNATIONAL TRADE ISSUES

USDA's Animal & Plant Health Inspection Service has initiated the process of revising Quarantine 37, the Federal regulation that governs the importation of virtually all types of "plants for planting". So far, we are encouraged by the Agency's demonstrated commitment to working closely with its stakeholders. It is essential that this close working relationship continue.

Existing U.S. prohibitions on the importation of certain plant materials could be deemed non-tariff trade barriers under the standards imposed by international trade treaties to which the U.S. is a signatory. Although the U.S. nursery industry recognizes the validity of science-based international standards, a strong quarantine system must be maintained as the first line of defense against devastating pests and diseases, as we work to develop internationally-recognized programs such as national, mandatory certification and the revision of importation regulations based on properly conducted risk analyses.

Modernized intellectual property protection needed to spur innovation and competitiveness

In 1931, the U.S. Congress enacted the Plant Patent Act, allowing plant breeders similar incentives and protections for their inventions as enjoyed by other inventors.

The Act has served American horticulture and the public well by encouraging the development of thousands of improved varieties.

However, a series of recent court decisions have had the practical effect of gutting the Plant Patent system. In essence, the U.S. has now joined the ranks of third world and developing nations in terms of the quality of protection available. The situation threatens to disrupt American access to the best new varieties from abroad. How will our tree fruit industry, for example, stay competitive if we are not constantly innovating and bringing the best inventions from around the world to our growers?

Rep. Darrell Issa has introduced a bill, H.R.121, known as the Plant Breeders Equity Act. It would restore the plant patent system into a workable system that can serve the industry well in the years ahead. We urge your support through co-sponsorship and enactment of this bill.

Members of the committee, I would like to take this opportunity to thank you for this hearing and for considering these important issues and how Congress should address them.

Not too far from here in 2000, Congressman Pombo chaired the very first hearing held on the glassy-winged sharpshooter that brought together Federal, State, and local regulators and resulted in the successful program we now have. It is this emphasis on practical solutions that we look for in the next farm bill.

I thank you for the opportunity to speak to these issues and I look forward to answering your questions.

PROPOSAL FOR A NATIONAL CLEAN PLANT NETWORK

Problem. United States programs for the production of clean planting stock for several key horticultural crops are in jeopardy due to the lack of public funding. The U.S. grape, fruit tree, and nut tree industries depend upon the continuation of these programs. Existing programs need to be expanded to provide growers of these important specialty crops with the plant materials they need.

Benefits of clean plant programs. Healthy planting stock is key to the cost-effective production of horticultural crops such as fruit trees, nut trees, and grapevines because healthy planting stock is easier to propagate, requires fewer chemical inputs, produces higher crop yields and better crop quality than common planting stock. Healthy planting stock is necessary for U.S. agriculture to remain internationally competitive and economically viable. The most efficient approach to producing healthy planting stock is through programs which screen valuable plant selections for viruses and other diseases which can be spread by contaminated plant stock. In addition, quarantine services provided by clean stock programs reduce the chance of introduction of exotic pests that can be difficult and costly to control.

Background. Clean planting stock programs use disease detection, pathogen elimination techniques, and isolation strategies to produce, maintain, and propagate healthy planting stock. The technology used to create healthy planting stock is becoming faster, more accurate, and more expensive. U.S. programs must use state-of-the-art technology to stay competitive in the global market. It takes many years to establish healthy live plant collections that are the core of clean stock programs. Program continuity is critical because these collections must be continually protected from infection, monitored for disease, farmed, and documented. It could take decades of work to recover from disruptions in funding for a single year because of the risk to these collections.

Solution. Create a National Clean Plant Network (NCPN). Develop sustained national funding for clean planting stock programs for key horticultural crops. Provide funding to established centers that have the expertise, facilities, and climate necessary to efficiently produce, maintain, and distribute healthy planting stock for fruit trees, nut trees, and grapevines. Form an advisory committee that includes industry representatives and researchers from throughout the country to communicate priorities to the NCPN.

Impact. The NCPN will increase the availability of quality plants for planting for grapevine, fruit tree, and nut tree growers. Access to new varieties, rootstocks, and clones from both domestic and international producers will be improved. The risks associated with the introduction of exotic pests will be reduced. The productivity and competitiveness of these valuable specialty crops will be enhanced. Healthy planting stock helps assure the security of the country's food supply and maintain a supply of high quality, low cost products for consumers.

STATEMENT OF NICK HILL

Good morning Mr. Chairman, my name is Nick Hill and I am here today representing California Citrus Mutual, a citrus producers' trade association with a membership in excess of 2000 growers. Our industry annually produces commodity with a two billion dollar farmgate value, another billion dollars in economic activity, employs over 14,000 people and exports approximately 35 percent of our production.

I myself am a diversified farmer attempting to produce and make money on citrus and other commodities. My one message today is that the next farm bill has to be an equal opportunity farm bill for all producers. Citrus Mutual will be working with a coalition of specialty crop organizations and together we will put forth a comprehensive list of suggestions that must be incorporated into the next farm bill.

At Citrus Mutual our mantra has become: "our costs are fixed locally while our prices are determined globally." Previous farm bills, while not intentional, have had unintended consequences for specialty crop producers. This bill must offer solutions to the problems identified.

I'll first speak to an area that has long been a priority for our organization and because of our foundation in that subject we have been asked to "captain" an industry effort to develop language regarding invasive species, APHIS activities and OMB interference.

We believe language must be developed that would authorize APHIS to engage in eradication programs with CCC dollars without OMB authorization or fund approval. The department's flexibility to engage in emergency activities has been severely curtailed and because of that our industry's ability to market domestically and export overseas is under greater threat.

Next we believe USDA via APHIS or ARS should develop a list of invasive pest and disease threats accompanied by mitigation proposals. We believe the list and prioritization of threats should lead to research that can determine environmentally sensitive methodology for eradication.

We believe language should be adopted that requires more interface with the Department of Homeland Security as it relates to invasive pest protection at ports of entry. We know, we don't believe, we know, that the efficacy of agricultural pest inspection programs at ports of entry has suffered since the transition to DHS. This was best publicized in a May 2004 GAO report on the subject and has been subsequently crystallized in other reports by a variety of government agencies.

We believe your committee is an ideal forum for connecting the dots between exclusion, threats and mitigation as it relates to pests and diseases in both urban and rural settings. A dialogue specific to that subject could then lead to the appropriate corrective measures. There is no other bottom line. Our industry must have protection against the invasion of unwanted pests and diseases. Our California delegation, via efforts by Congressmen, Pombo, Costa, Nunes and Cardoza are working on the introduction of language that would set up a cooperative program between USDA and the States thus providing the method to help fund these important activities.

We believe this effort should be supported by the Committee and adopted as a farm bill program.

We will "flesh out" these programs as the dialogue on the farm bill continues. But our focus on APHIS is not limited to invasive pests. We believe more resources are necessary for this Department so that they may focus on phyto-sanitary trade barriers. The people employed in this area do an excellent job but they are stretched so thin they are unable to accomplish all the tasks presented in a timely fashion.

And with these additional resources a program we have nicknamed "TAP" can be developed. Our definition of TAP is transparency, accountability and peer review. Mind you we are aware the last third of that program is being implemented via the Specialty Crop bill and this committee's leadership. But TAP would require a continuous listing of export petitions and a quarterly report with a simply statement as to the progress being made on the petition. Then you would have accountability.

The adoption of TAP would insure that these resources are being used as envisioned by Congress and stakeholders. Specifically they would be used to enhance the export program for specialty crop producers. Mr. Chairman I remember last year when Congress authorized a dozen technical experts to assist sub-Saharan countries in their efforts to overcome technical barriers for export to the United States.

In laymen's terms that was sending our expertise to South Africa to assist their specialty crop industry in their efforts to export to our domestic market. Mr. Chairman, members of this committee we must start leveling this playing field and by that I don't mean robbing another specialty crop program to mollify our concern.

To guarantee a timely implementation of these and other concepts or programs that we will be presenting we will urge Congress to authorize an APHIS Specialty Crop Stakeholder group to "assist" the Department. A model for this is the very im-

portant and very successful ATAC groups for trade. Your fellow Congressmen may respond that we already have an advisory group for the Secretary and while that is true the expertise on that policy advisory group is totally unrelated to what I am proposing today.

Earlier in my testimony I referred to our mantra and the global market determining price. We cannot ignore how farm bill activities influence trade discussions. Presently there are many green box activities that our competitors access for assistance. Specialty Crop producers cannot access many comparative programs or they are not offered. We will be joining colleagues in suggesting language that allows our producers to participate in NRCS programs to a much greater degree than presently allowed. EQUIP and Conservation Security Programs are two areas that require enhancement in terms of language and funds if the specialty crop producer is going to compete on a level playing field.

CCM believes that Congress should authorize the Division of Air Quality within NRCS. It is ironic that our city friends are moving to the country because of the environment and lifestyle. Once here they question a producer's ability to farm in an environmentally friendly manner. As such more demands, which cost money, are being imposed upon production agriculture to satisfy those that left cities for the rural life.

And as we learn more about efficiencies producers are willing to make changes, but these transitions, where warranted, are slow because of cost. A division of air quality could address farming practices, equipment and other transitions in a much more rapid fashion.

Finally allow me to focus on one more program and that is crop insurance. I could talk for hours about the problems associated with the Risk Management Agency but suffice to say through the tenacity of our organization we have accomplished several objectives. One remains illusive however. Quarantine Insurance must be incorporated into the menu of options offered by the Crop Insurance program. As more trade occurs from pest infested areas, as the efficiencies of our pest protection program deteriorate and as the ability to eradicate, and prevent introductions lessens the impacts of quarantines are more real. A crop insurance program for invasive pests or diseases has been long talked about but results do not exist.

Mr. Chairman, committee members, these are priorities but by no means is this an exhaustive list. You'll see Citrus Mutual and our colleagues across the Nation work together to assist your committee in developing a farm bill that is good for all of agriculture. Thank you for the opportunity to participate.

STATEMENT OF RICHARD HUDGINS

My name is Richard Hudgins. I serve as President & CEO of the California Canning Peach Association. The Association is a bargaining and marketing cooperative with nearly 600 grower members representing in excess of 80 percent of California's cling peach production. My comments today concern the current Federal Crop Insurance Program available for cling peaches in California and what is needed to make the program more attractive to cling peach growers.

Simply put, only a small percentage of cling peach growers in California currently purchase crop insurance coverage above the CAT program levels. The reason for this is the program's indemnity payments and premium levels do not accurately reflect the industry's true loss risk ratios.

In reviewing our industry's extensive delivery information (which tracks yields by acre and by variety for each orchard), it is clear that we have achieved relatively stable production levels with only 4 years since 1940 where our annual crop yields have dropped more than 10 percent below the industry's 10 year average yield. We ask that USDA Risk Management Agency (RMA) actuaries re-examine the current cling peach rating structure in detail based on our actual yield history to develop a rating structure which more accurately reflects current industry conditions and our recent production history. The Association would be happy to meet with RMA's Kansas City underwriting staff to begin this process and will supply all requested industry yield information.

As you know, growers understand very well the importance of reducing the underlying risks in business. Why is it that most growers will insure their homes, autos, buildings, equipment, life, and health but elect not to purchase crop insurance? The answer is that most growers recognize that their chances of recouping crop losses don't justify the premiums currently being charged. Maintaining the status quo will result in continued limited grower participation consisting largely of growers at the lower end of the yield range, or growers producing in marginal areas, who are more likely to collect an indemnity payment. In addition to the need for a review of the

rating structure for cling peaches, the program should also be modified to accommodate the following administrative shortfalls:

Need to develop an improved process for appraising hail damaged (non-saleable) fruit.

Recognize varietal premiums for certain Extra Early variety peaches in the price calculations. (\$38/ton and \$28/ton in 2005).

Correct the current flaw in calculating quality adjustments. (Market value includes harvest costs while price election does not).

My final point is that a grower will evaluate the benefits of purchasing crop insurance based on the costs—both in time and in dollars. We must work harder to make the system more user friendly by reducing the lead time necessary to make claims adjustments, program changes, or to settle administrative issues. An independent appeals process should be established to give producers a means of reviewing adverse determinations by RMA in a timely manner.

In closing, we believe that adopting the changes I have outlined today to the canning cling peach crop insurance program would result in more participation by mainstream producers which would benefit both RMA and the industry.

Thank you for the opportunity to share my views regarding the need to improve our current crop insurance program for cling peaches.

STATEMENT OF NICK TOMPKINS

Good morning Mr. Chairman and Members of the Committee, my name is Nick Tompkins and I am the President and CEO of Apio, Incorporated. Apio, which is located in Guadalupe, California, is a manufacturer and marketer of pre-cut value-added vegetables to the club, retail and foodservice sectors, as well as an exporter of fruits and vegetables throughout the world. As a current member and Chairman of the Board for United Fresh Fruit and Vegetable Association, I appreciate the opportunity to testify on behalf of United regarding the future direction of farm policy and its impact on the fruit and vegetable industry. As you are well aware, United is the national trade organization that represents the interests of growers, shippers, processors, brokers, wholesalers and distributors of produce, working together with their customers at the retail and foodservice level and every step in the distribution chain.

I also come before the Committee today as the owner of Tompkins Farming Company. Since 1977, we have farmed in the Santa Maria, California area and have integrated our farm into a vegetable farming and packing operation. As a family businessman and a member of the produce industry, I am extremely focused what role Congress and the Administration will play in shaping policy for fruit and vegetable industry across the United States.

INDUSTRY OVERVIEW

Over the years, the produce industry has gone through tremendous changes in an effort to remain profitable, satisfy consumer demands, adapt to new technology, and compete in an increasingly global market place. Today, growers are facing the most strident economic conditions and regulatory challenges they've seen in decades. Meanwhile, the consumption of our commodities seems to be stagnating. While the perishable nature of our products present unique challenges and highly volatile markets, our industry has not relied on traditional farm programs to sustain our business. We're proud of our commitment to free markets, and don't want that to change.

The fruit and vegetable industry also produces crops that are vital to the health of Americans and represent a significant segment of American agriculture. However, because they are not considered "program crops", fruits and vegetables are often ignored when it comes to the development and implementation of U.S. farm policy. Yet, like producers of program crops, the fruit and vegetable industry faces significant challenges in the production and marketing of their commodities that must be addressed if they are to remain competitive. Mainly, these challenges are concentrated within three significant areas:

- Increased trade competition and a strong U.S. dollar;
- Increased cost of production in large part tied to government regulations and mandates; and
- Adverse consequences of consolidation in U.S. retail trade and other markets reducing the number of supplier customers and reducing access to consumers.

Today, you will hear from produce industry representatives that will focus on specific issues confronting our industry, especially in California. What I would like to discuss today is a look at the produce industry across the country and discuss the challenges and opportunities that confront our industry.

As you are well aware, our products are highly perishable. However, our industry continues to invest significant resources of working capital into the ground with every crop that we plant, never knowing for sure that weather, retail channels, the market place, or any other number of issues will or will not stand in the way and cause us to lose or gain from the investment that we have made. Although our markets continue to be highly volatile, we have not sought traditional farm programs to mitigate the price uncertainties. Instead, we look to the market-place as an opportunity to promote efficiency and reward the entrepreneurial risk-taking that marks the produce industry.

However, the market place in which we operate is becoming less neutral and even-handed. A myriad of regulations, driven by food-safety concerns, responses to the attacks of September 11, and other very legitimate consumer and customer needs, are placing more and more burdens on farmers and their partners who pack and ship perishable agricultural commodities. In our effort to respond to these needs, we are obliged to introduce costly measures and undertake expensive actions. These shift back to the farmer the responsibility of supplying high-quality food that is safe and nutritious while not being too expensive for the consumer. We work hard at this, helping to continue to ensure the miracle of abundant fresh food production in the United States at prices to the American people that are very low by world standards.

KEY POLICY ISSUES FACING THE PRODUCE INDUSTRY

While the produce industry does not grow fruits and vegetables in every Congressional district, our industry is important to the good health of Americans and to the efforts in our country to prevent disease, reduce obesity, and improve the well-being of our citizenry. We are also working hard to fulfill consumer needs for great-tasting, high-quality fresh vegetables, and affordable healthy food choices, but we need agricultural policy priorities to assist us in that effort. It is in this context that we raise the importance of fruits and vegetables today—not as simply one more sector of the agricultural economy, but as a vital national priority in every Congressional district and to the health of our Nation overall. United strongly believes government policy should provide incentives for private investment, tools to increase profitability, and help to those producers who are committed to constant improvement to better serve consumer needs. We do not want policies that sustain yesterday's business; we want investment in the future.

Ultimately, the goal of any fruit and vegetable Federal agriculture policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our products and not distort the production of those products with respect to domestic and international markets. The 2002 farm bill began to make progress toward those objectives, enhanced by new policy tools included in the 2004 Child Nutrition and WIC Reauthorization Act, and the passage of the 2004 Specialty Crop Competitiveness Act. Each of these policy efforts have helped shape Federal agriculture policies to strengthen the competitiveness of our industry and grow consumption of fruits and vegetables and we strongly encourage full implementation of these Acts and the provisions contained in them that strengthen our industry. But so much more is required to bring fruit and vegetable producers the tools they need to meet national public policy objectives. Let me touch on a few today.

Nutrition—The role of increasing the investment in Federal nutrition funding cannot be overstated. In turn, this investment in nutrition priorities can be utilized to increase the consumption of fresh fruits and vegetables and help Americans reach national health goals. The 2005 U.S. Dietary Guidelines issued jointly by the U.S. Department of Agriculture (USDA) and U.S. Department of Health and Human Services (HHS) call for Americans to consume from 5-to-13 servings a day of fruits and vegetables. These Guidelines issued in January by USDA and HHS are the strongest statement ever about the need to increase consumption of fruits and vegetables asking Americans to essentially double their consumption of our products. We have a unique opportunity to make sure that policies under the purview of the House Agriculture Committees are carefully considered so that the new Guidelines are fully implemented. To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans. Therefore, agriculture policies and related domestic and international nutrition assistance programs should support incentives and key strategies that help Americans reach national health goals and ultimately reduce health care costs.

In particular, we strongly support the expansion of the USDA Fruit and Vegetable Snack Program, which was first adopted in the 2002 farm bill, to all 50 States.

Domestic Agriculture Policy—We continue to stress that the Federal Government should elevate its financial investment into program priorities for the produce industry and work cooperatively to ensure U.S. fruit and vegetable producers are competitive in domestic and international markets. In turn, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of fruits and vegetables, and not distort the production and marketing these commodities in the United States. First and foremost, by retaining language included in the 2002 farm bill prohibiting production of fruits and vegetables on subsidized or contract acreage, we believe a vital step has been taken to ensure the future economic stability within the specialty crop sector. The ability to maintain market conditions and potential for disruption of marketing and pricing if the planting flexibility law is changed continues to be an industry concern.

Agriculture Labor—One area outside of domestic agriculture policy that must be addressed is our current labor situation. The produce industry relies on agricultural labor to harvest fruits and vegetables across the United States. Immigrants have historically provided much of that labor. In time, those immigrants and their children move up the economic ladder, following the American Dream, and being replaced by new entrants behind them. For this reason, we support programs that are designed to facilitate lawful entry of farm workers into the United States. We also continue to support legal enforcement and border protection actions but not ones that create unfair and uneven consequences to business sectors, especially in agriculture. With stepped up documentation enforcement by the Social Security Administration and the Bureau of Immigration, persons working here without legal documentation are not leaving the country, but just being scattered. The work force is being constantly and increasingly disrupted. Agriculture employers want a legal work force and must have a stable work force to survive but Federal law punishes “too much diligence” in checking worker documentation. Some in our industry have already gone out of business, lacking workers to work their crops at critical times. We urge Congress and the Administration over the next several months to aggressively pursue legislative action on immigration reform and provide the U.S. agriculture industry with a legal and stable workforce.

Food Safety—Federal Law provides ample authority to the Food and Drug Administration to assure the safety of fresh fruits and vegetables. Specifically, FDA is granted wide latitude to refuse food shipments into interstate commerce if it appears from an examination, or otherwise, that such food is adulterated, misbranded, or has been manufactured, processed or packed under unsanitary conditions. Today, grocery retailers and restaurant operators routinely ask their produce suppliers to guarantee the quality of the food products that such suppliers are selling. Likewise, insurance carriers ask their grower, packer and shipper clients to take appropriate steps to minimize food safety related risks. We believe that the produce industry has made great strides domestically and internationally in identifying potential sources of microbial hazards in fresh fruits and vegetables, and will continue to implement prudent measures to prevent the outbreak of problems in the future.

We and other members of the fresh produce industry are committed to reducing the risk of foodborne illness that can affect public perceptions of the health benefits of increased produce consumption and support continued voluntary measures to identify and reduce potential sources of microbial hazards in fresh fruits and vegetables. In addition, we would support the creation of a public/private food safety education initiative to educate consumers and growers, shippers and handlers of fresh produce about scientifically proven practices for reducing microbial pathogens, as well as consumer/handler messages for reducing the threat of cross contamination through unsanitary handling practices. In our opinion, these initiatives are growing in importance, given the increasing role of fresh fruits and vegetables in healthy diets.

Agriculture Research—Research serves as a foundation for the advancement of any industry. Unfortunately, over the years, investment in Federal agricultural research specifically targeted to meet the needs of the fresh produce industry has been directed to limited priorities and areas. Investments in Federal research should be re-examined to meet the unique research and development needs of the fresh fruit and vegetable industry, including competitive prominence in both the domestic and international marketplace. In particular, we would support a competitive research grant program that focuses on fruit and vegetable industry priorities to improve the efficiency and competitiveness of the produce industry in the world marketplace.

Conservation—Today, consumers have affordable access to the most abundant and diverse food supply in the world. However, aside from market diversity and competitive prices, consumers demand that food be held to a very high quality standard.

Likewise, consumers want an agricultural production system that not only produces abundant, affordable and safe food and fiber, but also conserves and enhances the natural resource base and protects the environment. Unfortunately for producers, investments in natural resource management and conservation are rarely recouped. The short-term economic value for the farmer does not always compare to the ecological and fiscal benefits for the public and to the land for future generations. The benefits increase for the public in the form of a more stable and productive farm economy and an improved environment. Reaching the goal of protecting the environment and maintaining productivity while reducing the cost for producing products in the future and will therefore assist in ensuring sustainability in the years ahead.

Ultimately, the goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. For the produce industry, there continues to be mounting pressures of decreased availability of crop protection tools that can be used to provide the abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry supports expanding cost share and incentive programs that encourage producers to invest in natural resource protection measures they might not have been able to afford without such assistance.

International Market Access—The economic well-being of the produce industry and other agricultural commodity sectors depends heavily on exports which account for one-third or more of domestic production, provides jobs for millions of Americans, and makes a positive contribution to our Nation's overall trade balance. U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products. Without further commitment to export market development by the Federal Government and commitment to reducing tariff and non-tariff barriers to trade, the U.S. produce industry will continue to lose market share to global market competitors.

To eliminate the trade inequities created by the combination of world subsidies, tariffs, and domestic supports as measured against the current U.S. tariff structure and trade policy, aggressive policy measures should be enacted to maintain and expand U.S. agricultural exports, counter subsidized foreign competition, maintain and enhance U.S. agriculture's favorable trade balance, improve agricultural income, protect and increase export-related jobs, and strengthen U.S. trade negotiating positions under the WTO.

Pest and Disease Exclusion—The liberalization of international trade in agricultural commodities and commerce coupled with global travel has greatly increased the number of pathways for the movement and introduction of foreign, invasive agricultural pests and diseases. Economic damages from invasive pests and disease now exceeds \$120 billion annually. The fresh produce industry supports expedited and aggressive actions by the Federal Government, in cooperation with the industry and stake holders at the State and local levels, to eradicate and protect the domestic market from the increasing threat of exotic pests and diseases entering the U.S. through international commercial shipments of products, as well as the importation of agricultural contraband by vacationing travelers and commercial smugglers.

FARM BILL STEERING COMMITTEE

In May, produce industry leaders met in Washington to discuss developing policy positions for the 2007 farm bill debate. These leaders agreed that as a significant contributor to our Nation's agricultural production and positive trade balance it is extremely important that the issues affecting the produce industry be considered and the industry play a major role in the development of the Nation's farm policy. As a result, the farm bill Working Group was created with 18 produce organizations from every fruit and vegetable producing region in the United States participating in this effort.

Currently, the farm bill Working Group is working through a set of teams to develop comprehensive recommendations for the next farm bill and during the next several months will finalize their recommendations. Some of these recommendations have been touched on today. These initiatives will focus on a number of key policy areas and will look to provide policy solutions to the economic concerns expressed over the last several years by our industry. In addition, we will be looking to build upon our past successful policy efforts including the 2002 farm bill, the Child Nutrition Reauthorization, and the passage of the Specialty Crop Competitiveness Act of 2004. All of these policy efforts have helped shape Federal agriculture policies to strengthen the competitiveness of our industry and grow consumption of fruits and vegetables. To be clear, the farm bill working group will complete its work this Fall

and present what we believe will be the most comprehensive effort to date by the produce industry to develop Federal farm policy which elevates the Federal Government's financial investment into program priorities for the produce industry.

Fruit and vegetable growers represent a vitally important segment of American agriculture and bring to market crops that are equally vital to the health of all Americans. As Congress and in particular this Committee continues to examine how our present agriculture policy should be reviewed and modified in this new era of global markets, it is critical that long and short-term solutions be considered that will help the U.S. agriculture industry to remain world leaders in food production and competitiveness. For the produce industry, issues surrounding nutrition policy, pest exclusion, conservation programs, food safety, technology and research, international market access and promotion, Federal labor policy and the current prohibition on flex acres are all critical to the future viability of the fruit and vegetable industry.

The people in our industry are an "endangered species." Very few young people are looking to come into production agriculture, not because of the long hours or the financial risks associated with unpredictable weather, but because of the lack of proactive support by our government and consumer. We urge the committee to take these issues, and the many other challenges facing the fruit and vegetable industry fully into consideration as you move forward in the development of agriculture policy. Thank you and I would be happy to answer any questions the Committee may have at this time.

STATEMENT OF BRISE TENCER

I, Brise Tencer, am submitting this testimony on behalf of the Board of Directors of the Organic Farming Research Foundation (OFRF) to detail our analysis of programs of the United States Department of Agriculture serving the specialty crop industry.

The Organic Farming Research Foundation (OFRF) is a non-profit, charitable organization dedicated to the improvement and widespread adoption of organic farming practices. Specifically, we sponsor research related to organic farming practices, disseminate research results to organic farmers and to growers interested in adopting organic production systems, and educate the public and decision-makers about organic farming issues.

Organic agriculture has seen nearly 20 percent annual growth over the last decade. Various estimates place organic retail sales as being between 1.5 percent–2.5 percent of total U.S. food sales. The organic industry is particularly important to California, which supplies 50 percent of organic fruits and vegetables grown in the U.S.

As you are probably aware, organic products are a significant component of the specialty crops sector. Organic certification brings an added value to any specialty crop. Because organic products tend to bring a price premium, it is a desirable alternative for many producers. Organic specialty crops represent an important opportunity for growth in the specialty crop sector.— According to the Produce Marketing Association, organic now makes up 5 percent of fruit and vegetable sales nationally. In 2004, 31 percent of total organic retail food sales were produce (Natural Defenses, Progressive Grocer, March 5, 2005). The organic specialty crop sector is extremely diverse in scale, technology, and market chains.— Both ends of the scale spectrum are experiencing vibrant growth.

The typical small-scale organic producer brings a variety of high-quality fresh fruits and vegetables to a certified farmers market, where the consumer is assured that they are buying directly from the producer. The number of farmers markets in the U.S. more than doubled between 1994 and 2004, from 1,755 markets to 3,706 (USDA Ag Marketing Service). These markets offer consumers low-cost alternatives to high mark-ups on organic foods sold at the retail level. Additionally, these markets are a unique source of organic specialty crops such as Asian vegetables.

At the larger end of the scale, national packer-shippers of fresh produce are also increasing their commitments to organic product lines for supermarket clientele. The presence of these suppliers enables the continued expansion of organic market share in conventional supermarkets and warehouse stores, as well as natural foods supermarkets. A USDA Economic Research Service study quotes industry statistics showing—until 2000, the largest retail outlet for organic food was natural foods stores. In 2000, 49 percent of all organic products was sold in conventional supermarkets (Dimitri and Greene 2002). This was a significant development in the history of organic marketing.

According to “More Consumers Buy Organic” (Produce Merchandizing, September 2003), 63 percent of shoppers who buy organic say they buy it because it has fewer chemicals and 51 percent say they buy organic because they believe it is better for them and/or their family. Though much more research must be conducted to validate these health claims, any initiative that increases the overall consumption of fruit and vegetables should be supported.

As stated earlier, organic certification brings a significant added value to any specialty crop. USDA’s Economic Research Service reported in May 2005 that price premiums for organic produce continue to hold. In addition, the USDA organic seal is proving to be a significant asset for product and brand differentiation.

Organic farming and ranching provide multiple benefits that contribute to all U.S. strategic goals for agriculture: a safe and secure food system; environmental protection; increased trade opportunities; improved human health and nutrition; and prosperous rural communities. USDA programs supporting organic agriculture should likewise be present in all agencies and mission areas. Despite gains made in the Farm Security and Rural Investment Act of 2002, producers of organic specialty crops still receive a disproportionately small share of USDA resources. It is important for Congress and the USDA to work together to strengthen public investment in organic research, extension, education and economics. These programs should receive a share of USDA resources that reflects the growth and opportunities of the organic sector. Programs and policies in other mission areas (natural resources, risk management, etc.) should be established that provide strategic support for the balanced growth of organic production. Specific recommendations are detailed below.

Research: Many producers of organic specialty crops find few information resources available to them to address production or marketing issues specific to organic. Development of organic production effectively serves USDA strategic objectives for environmental quality, human health and nutrition, and agricultural trade. Federal agricultural research dollars dedicated to organic food and farming are disproportionately low in relation to the size of the organic industry. Only since 1998 has organic research been funded at all, and it currently receives far less than a proportionate share of Federal agriculture research dollars. Some resources such as Sustainable Agriculture Research and Education (SARE) and the National Center of Appropriate Technology (NCAT) have successfully supported organic research and extension (although neither focuses primarily on specialty crops), yet organic is still underserved by the USDA Research Education and Extension (USDA REE). In 2004, 3.1 percent of the USDA gross outlays (\$2.5 B) were used to fund research and education. Of this \$2.5 B, only about \$10 M (0.4 percent) went to organic-specific research.

- USDA Agricultural Research Service (ARS)- We are pleased to see a growing level of commitment at ARS to organic agriculture, as demonstrated by the first ARS “National Organic Agriculture Research Workshop” held January 2005 in Austin, TX. We believe it is important that the momentum gained at this meeting be continued. Organic research priorities developed at this meeting should be used as the basis for the development of an organic program within the USDA ARS with the oversight of a National Program Leader (NPL) for Organic Agriculture. As with other National Programs at ARS, the NPL would develop national priorities with input from a diverse team of NPLs and stakeholders.

Additionally, we believe a stronger fiscal commitment is essential to better serving the organic community. In 2004, USDA- ARS spent about \$3.5 million on organic-specific projects, or about 0.35 percent of ARS annual expenditures. A framework of “fair share” funding of organic agricultural research, based on the organic share of U.S. retail food sales, calls for at least a 5-fold increase in USDA-ARS resources explicitly allocated to organic. Additionally, we would like to see a requirement for on-going reporting of organic activities.

We also believe that ARS needs to strengthen efforts to disseminate organic research results through the National Agriculture Library’s Alternative Farming Systems Information Center (AFSIC). For example, funding should be provided to the USDA National Agriculture Library’s Alternative Farming Systems Information Center (AFSIC) to manage the www.OrganicAgInfo.org website as a publicly available online database of research and extension information specific to organic production and marketing.

USDA CSREES

- Integrated Organic Program (IOP)- The Integrated Organic Program, comprised of the Organic Research and Extension Initiative and the Organic Transitions Program, has been extremely successful. Because of the high level of interest in this program, only about 10 percent of qualified applicants have been able to receive

funding (compared to 19 percent–29 percent of qualified applicants that receive funding in comparable grants programs at the USDA CSREES). We expect interest in this program to continue to grow. Accordingly, funding for the IOP should be increased. Expansion of this program should focus on a higher number of smaller grants. Also, it is important that this program keeps its own identity and not be incorporated into the National Research Initiative.

Marketing, policy, and economic research is very important to the organic specialty crops community but is severely under-developed within the USDA. A new grants program within the USDA CSREES Marketing and Economic Systems section is needed. This should be a competitive grant program designed to fund marketing, economic and policy-related research pertinent to the organic industry. Such a grants program would be part of the USDA CSREES Integrated Organic Program and fall under the oversight of the National Program Leader for Organic Agriculture.

Lastly, the current National Program Leader for Organic Agriculture is serving in a one-year interim position. This position needs to be a permanent one that provides leadership, oversight, and integration to organic activities, such as the competitive grants programs, within the different divisions of USDA CSREES.

- IPM Centers- The USDA CSREES Integrated Pest Management Centers should better serve the organic specialty crop industry by developing “Strategic Plans for Organic Best Management Practices.”
- National Research Initiative (NRI)- Organic plant and animal breeding should become a priority area within existing NRI germplasm programs.

EXTENSION

- USDA CSREES Integrated Organic Program: Refine and strengthen the extension component of this program.
- USDA Current Research Information System (CRIS): Create an “organic” activity code within the USDA CRIS system. This will allow increased access and searchability of organic research resources.

Data Collection: Expanded data on the organic sector is essential to better understanding the organic industry’s growth and trends. The Organic Production and Marketing Data Initiative provided for in the Farm Security and Rural Investment Act of 2002 farm bill reads: “Secretary shall ensure that segregated data on the production and marketing of organic agricultural products is included in the ongoing baseline of data collection regarding agricultural production and marketing.” This requirement needs to be fully implemented.

Specifically, within the USDA Agricultural Marketing Service (AMS) we would like to see Fruit and Vegetable Market News provide regular nationwide reporting of organic prices. Currently, such information is only gathered regularly at the San Francisco and Boston wholesale markets. Specific surveys and data sets for the organic sector, including census (or census-type) data and farmgate price reporting are needed from the USDA National Agriculture Statistics Service. The USDA Economic Research Service (ERS) has done an impressive job of collecting data on the organic sector (including farm financial indicators and market trends among handlers and processors of organic products,) and we hope these efforts are continued and expanded.

Conservation: In 2004, 10 percent (\$8.1 Billion) of USDA gross outlays were used for natural resource and conservation programs. It is still unclear how much went to organic growers (OFRF is currently researching organic growers’ use of CSP and EQIP programs). Stronger leadership and oversight of how conservation programs serve organic specialty crop producers by the USDA Natural Resource Conservation Service is needed.

Specific improvements to conservation programs are needed to ensure these programs serve organic producers. For example, basic organic practices such as cover cropping and crop rotations should be prioritized within the Conservation Security Program. Also, organic farm plans submitted to accredited organic certifiers should be accepted as proof of compliance with the highest tier (III) of conservation. Incentive payments for transition to organic production should be added to the list of national priorities of the Environmental Quality Incentives Program. Funding and programmatic direction is needed for technical assistance providers specific to organic.

INCENTIVE PROGRAMS

- Certification cost share (Sec. 10606 from 2002 farm bill) - This program should receive a mandatory \$2 M per year. In order to improve the effectiveness of this program, management should be either moved to the AMS Federal State Marketing Improvement Program (FSMIP), Farm Service Agency, or managed through organic

certification agencies. Additionally, standardized reporting should be required for both allocations to States and actual disbursement to producers and handlers.

- Beginning Organic Farmer/Rancher Program- Such a program would offer training to those wanting to begin farming or ranching organically.

RISK MANAGEMENT AGENCY/CROP INSURANCE PROGRAM

- Organic farmers should not have to pay the 5 percent additional fee surcharge they currently must pay to be covered by a crop insurance program.
- When an organic producer incurs a loss they should be reimbursed at the price their organic product would have received.
- The Adjusted Gross Revenue program should be offered nationally.

Supporting the specialty crop industry by providing needed support to the organic sector provides critical, cost-effective benefits for U.S. producers and consumers. Thank you the opportunity to provide testimony and for your consideration of these comments.

