West Mathison

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Board President, Washington State Horticultural Association
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Testimony on
"At Risk: American Jobs, Agriculture, Health and Species – the Costs of Federal Regulatory Dysfunction"

before the
House Committee on Agriculture
and
House Committee on Natural Resources
Tuesday, May 3, 2011

Good morning Chairman Hastings, Ranking Member Markey, Chairman Lucas, Ranking Member Peterson and distinguished members of both Committees.

My name is West Mathison and I am President of Stemilt Growers, in Wenatchee, Washington. I am also Board President of the Washington State Horticultural Association. In partnership with our independent growers, Stemilt is the nation's largest supplier of sweet cherries and organic tree fruits, as well as a key supplier of Washington-grown apples, pears and stone fruit.

The Stemilt company roots trace back to 1893, when my great-great grandfather Thomas Cyle Mathison, homesteaded 160 acres on Stemilt Hill overlooking the Columbia River and the town of Wenatchee. I represent the fifth generation of our family owned and operated business. My family has long understood the strong connection between the success of our business and stewardship of the land and respect for our environment.

In 1989, my grandfather, Tom Mathison launched the *Responsible Choice* program, stating that "the truth of the matter is we are just caretakers of the land for a very short time. It's important that we leave it as good as we possibly can, or better if we can." Through this program we became an early adopter of sustainable agriculture, reducing chemical use as well as utilizing integrated pest management programs and beneficial predators such as falcons to ward-off fruit damaging birds. (See attachment 1: "*Responsible Choice*").

I strongly believe that our commitment to the environment will play an integral role in ensuring the success of our business for generations to come. That being said, our future also depends on continued access to critical crop protection tools needed for pest and disease control.

Agriculture in the State of Washington

Washington State may be well known for Boeing and Microsoft but perhaps less well known is its diverse agricultural output of apples, pears, cherries, wheat, grapes, hay, milk, potatoes, forest products, hops, berries and more. We provide nearly 2/3 of the fresh apples consumed in the US and export nearly a third of our crop. Overall agricultural production is valued at $9.5 billion creating 82,000 permanent jobs with $1.5 billion in wages, $2.2 billion in proprietor income, $219 million in taxes and $16 billion in total economic impact….annually. Tree fruits alone exceed ¼ of this total. Seasonal workers add another 100,000 jobs for pears, apples and cherries alone. With only 2% of the apples we grow being consumed in Washington State it is not surprising that we depend on both domestic and export markets. Fruit and vegetable products account for 51% of the traffic moving to export markets through the Ports of Seattle and Tacoma.

Endangered Species Act and Pesticides

Thank you for the opportunity to speak today about the impact of federal regulatory activities on the Endangered Species Act (ESA) and pesticide use. Under current pesticide law, EPA must evaluate the risk of harm to human health and the environment (including fish, wildlife and "non-target" plants) before approving a pesticide.

Under the ESA, EPA is required to consult with the Interior Department's U.S. Fish and Wildlife Service and the Commerce Department's National Marine Fisheries Service (the "Services") when EPA determines its actions may affect a listed species under ESA.

Over the last decade, EPA has been repeatedly sued to require consultations with the Services for hundreds of pesticides across the nation and has agreed to do so. In the Pacific Northwest, which is affected by the first series of biological opinions (BiOps), we face losing our ability to manage large sections of our orchards, farms and ranches due to questionable use restrictions proposed by the Services for certain key crop protection tools. These products have *already met* EPA safety standards as required under federal law. If not remedied, this precedent will endanger the future use of all pesticides which EPA believes may affect endangered or threatened species, both for conventional and organic agricultural production.

I want to affirm the motivation to have reasonable regulations. But, I strongly urge your support to remedy the dysfunctional process underway between the Services and EPA regarding ESA consultation and development of BiOps for protection of listed salmon. The approach is seriously flawed. I am deeply concerned that it will put my business and others in agriculture – in Washington State and beyond – into great jeopardy if implemented.

Both the Services and EPA claim they use appropriate science to conduct pesticide evaluations and develop mitigation measures. However, the lack of collaboration between the Services and EPA has resulted in contradictory risk assessments for the pesticides subject to completed BiOps. For example, the Services failed to consider pertinent data and instead relied on outdated and irrelevant studies. EPA did not consider the Services'

recommendations sound enough to require their adoption by pesticide registrants. This has led to yet another lawsuit to force EPA to implement unnecessary pesticide restrictions.

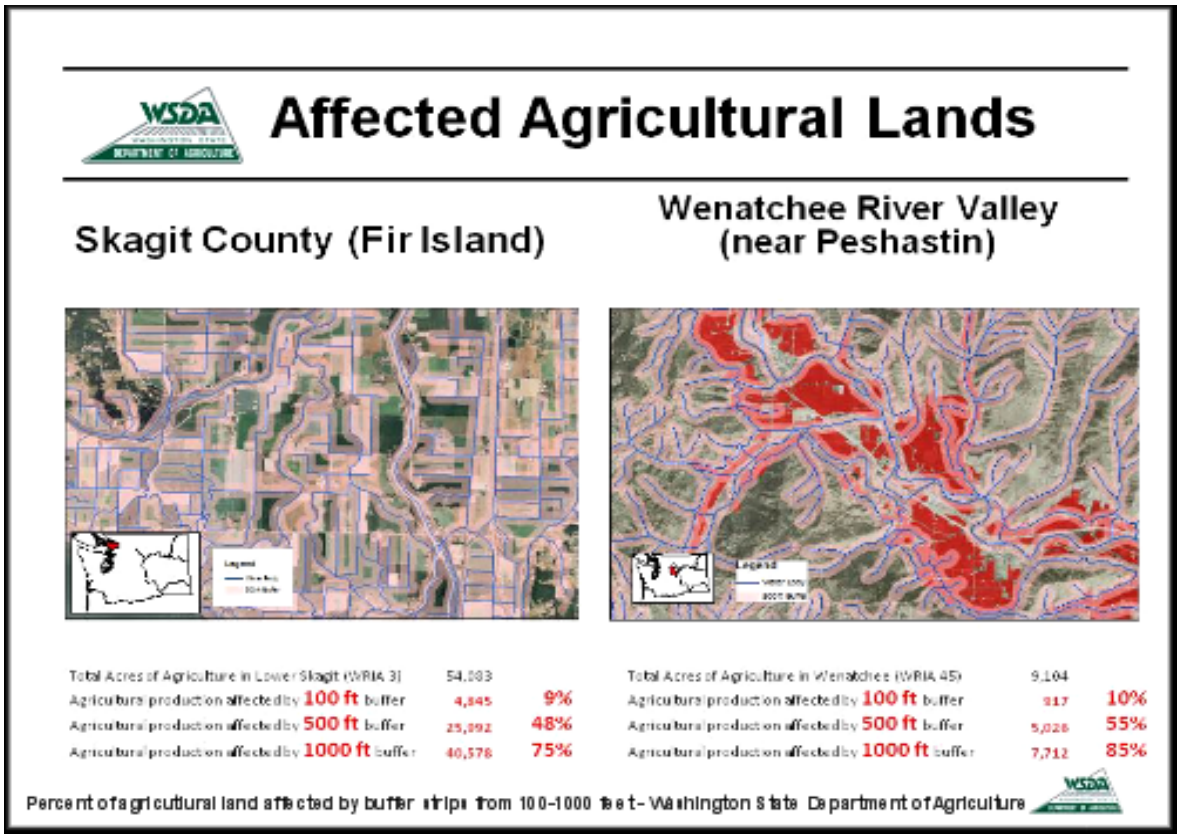
Washington Stream Sampling Results Ignored

Serious questions remain about the approach used by the Services in the development of these three BiOps that suggest they are fatally flawed.

One is particularly close to home. Six years worth of in-stream testing conducted by Washington State Department of Agriculture and Department of Energy showed ***no readings above the minimum EPA established level*** which presents a risk to salmon. On the contrary, the salmon population is actually increasing and last August the Oregonian newspaper reported that that the Columbia River experienced a sockeye salmon run that was "the highest since the Bonneville Dam started operating in 1938." Yet, the BiOps use modeling data from Mid-West studies dealing with standing bodies of water, not the swift moving rivers in the Pacific Northwest.

Pesticide applicators are already careful to follow the EPA label, as shown by the in-stream testing. The BiOps assume all pesticides within the group under review will be present and/or used at the same time and at their maximum label rate. Neither is accurate. It would be like assuming that when I have a headache I take the maximum dosage of Tylenol, Advil and Aspirin. This exaggeration of risk by the Services led to their conclusion that there is substantial risk which requires mitigation while real-world scientific data that indicates otherwise.

The proposed mitigation includes 100, 500 and 1,000 foot no-spray buffers around all conveyances of water, including ditches of any size and seasonal streams. This would have a devastating impact on existing farms and orchards in Washington. Studies by the Washington State Department of Agriculture of existing farms and orchards show upwards of 10 percent would be within the 100 foot buffer, 50 percent would be within the 500 foot zone and nearly 80 percent would be within 1,000 feet. A map developed by the Washington State Department of Agriculture for two counties in the state shows that the NMFS mitigation measures would prevent the use of affected pesticides on up to 75 to 85 percent of the farmland (See illustration below).



For a quick horticultural lesson; the two most pervasive pests for pear and apple growers are psylla and codling moth. Both are prolific flyers and can travel large distance spreading the next generation as they go. If we are to achieve our goal of fewer pesticide applications – remember, pesticides are expensive to use and apply – then maximum efficacy must be obtained from every application. To leave 10% or more of your orchard untreated is to leave a nursery for these pests to continue their devastation of our crops. Buffers may sound reasonable but from a horticultural perspective they would stimulate the need for more pesticides because of infestations of pest that would harbor in these buffers. Simply speaking, buffers make the problem worse.

Damaged fruit cannot be sold into the fresh markets; neither do processors want pest riddled fruit. Growers cannot stay in business producing anything but the most marketable fruit per acre. Warehouses that package and market the grower's fruit can only sell high quality, pest free fruits. In short, the entire system depends upon highly effective means of pest control whether that fruit is grown organically – which does not mean pesticide free – or conventionally.

Despite the impact these mitigation measures could have on farm practices, the Services failed to assess their economic effects. This should be considered as decisions are made.

Congress recognized the serious impacts that ESA could have upon the nation's agricultural community. As a result, the ESA Amendments of 1988 were passed which included Section 1010 mandating that ESA compliance for EPA's pesticide program be

designed to minimize the impact on agricultural producers and other affected pesticide users and applicators. This provision should be adhered to.

Growers need to know that pesticides will be available to protect their crops, whether apples, pears and cherries in Washington or other crops across the country. The Services now face a lengthy backlog of litigation-driven BiOps. If this continues, additional pesticides will face this dysfunctional consultation process between EPA and the Services. Consequently, the use of more products will be thrown into jeopardy if pesticides scheduled to go through reregistration are also subject to this process.

While some may say that alternative products are available to replace those in the completed BiOps, these too could face the same future unless the failed process is fixed. Growers need clarity and confidence about the crop protection tools we need and use.

Growers Seek Involvement in Process

Now I want to affirm the EPA. They have been effectively monitoring the plant protection materials used by farmers, ranchers and orchardists. The EPA has achieved this by having a level playing field where all can be heard. As key stakeholders, growers seek an opportunity to provide input into the BiOps and mitigation measures identified by the Services. This is the process that has worked so well at the EPA for registering pesticides. In this process, the EPA sets a level of acceptable risk and growers participate in determining permissible usage and application rates to remain within these risk parameters.

But in the consultation between the Agencies and EPA we have been largely left out. The court-managed process has resulted in growers, who have a very legitimate interest in the outcome, being bound to a single recommended practice into which they had no input. There is no "comment period" as is required by law when EPA makes its pesticide decisions. For example, growers provide information to EPA about production practices, recommendations on the impacts of various mitigation options, and other issues. Our future will be affected by the BiOps, yet we do not have a bona fide seat at the table.

The National Marine Fisheries Services (NMFS) has started talking informally with producer representatives, after encouragement by Congress. However, this is at the agency's discretion and does not address the flawed process that has already been concluded with the first three completed BiOps. With additional lawsuits filed, NMFS is unlikely to have the staff capacity to go back and fix the earlier BiOps. This informal consultation may be discontinued if the agency faces court-ordered consultation on hundreds of additional products across the country.

A clear and open official process is needed to involve stakeholders. It could be patterned after the deliberative process adopted after passage of the 1996 Food Quality Protection Act that enabled EPA to develop its science policies and practices to implement the new law. In that case, USDA and EPA worked closely with stakeholders and their advisory committees to solicit recommendations, gather real-world data and explain decisions.

A National Crisis

With the recent filing of a *nationwide* lawsuit against EPA, this ESA pesticide issue is now a national crisis affecting growers and imperiling their crops across the country. The suit involves more than 380 pesticides and 214 threatened or endangered species.

In March, EPA and the U.S. Departments of the Interior, Commerce and Agriculture *acknowledged that this consultative/BiOp process is broken* when they sent a joint letter to the National Academy of Sciences (NAS) requesting an independent review of key science issues. It is critical that the conflict be resolved between the Service and EPA on scientific risk assessment and evaluation for pesticides subject to ESA consultation.

Since the government itself recognizes that the process is flawed, implementation of the three BiOps and further work should be suspended until the NAS completes its work and a process is established based on the best available peer-reviewed science.

I am proud to grow apples, pears, and cherries -- all healthy fruits which the new *Dietary Guidelines*, the medical community and health officials say we should eat more of to fight obesity and improve health. It is ironic that at the same time the dysfunctional BioOp process threatens to disrupt production of these very same specialty crops. If our production declines, American consumers will simply increase enjoy more imported fruit produced by foreign competitors.

Farmers want to be part of crafting a solution that protects listed species while still enabling them to produce safe and affordable food. I urge you to encourage the Administration to achieve this goal for the benefit of America's consumers and American agriculture.

Attachment 1

Responsible Choice

A commitment to sustainability and social responsibility

About Stemilt

How Stemilt Started

- The Mathison family settled on Stemilt Hill near Wenatchee, WA in 1893
- In 1964, Tom Mathison founded Stemilt
- Today Stemilt is a leading grower and marketer of apples, pears, cherries, summer fruit, and organics

Our Mission

- To maximize long-term return to the land by building consumer demand

Core Values

- To be ethical and obey the law
- To treat workers, growers and customers fairly
- To be environmentally conscious
- To grow, pack and deliver World Famous Fruit

About Responsible Choice

Responsible Choice - Developed in 1989

•Responsible Choice stemmed from Stemilt founder Tom Mathison's passion to protect the people and natural resources so valuable to Stemilt

•In the program's early years, Stemilt encouraged growers to conserve water, protect orchard soils and use fewer chemical applications in orchards.

•The Responsible Choice program established a system where environmental safety, consumer safety and worker safety could be continually monitored.

Responsible Choice Today

4

Planet Profit

People

Organic Leadership

A History of Organics

- Stemilt was an early adopter in organics in 1989
- Stemilt became nation's largest supplier of organic tree fruits in 2010 after acquiring Dovex Fruit Company
- Our entire crop of peaches and nectarines was certified organic in 2009
- In 2010-2011, Stemilt expects to take 6 million boxes of organic fruit to market

Centralized Footprint

- The proximity of Stemilt facilities has led to a better carbon footprint
- 95% of storage sites located within 10 miles of packing facilities

•Newly opened Stemilt Organic Recycling Center is a drop-off site for landscape businesses and community members to dispose of their green waste. Everything collected here is eventually composted into fertilizer for our orchards.

Stemilt Organic Recycling Center

•Twenty-three acre site dedicated to composting Stemilt's 'green'

waste, including: leaves, culled fruit, wood chips and lime

•The impact of composting is substantial—preventing more than 160 truckloads of waste from filling up area landfills each year.

•Waste is regenerated into a nutrient-rich fertilizer that feeds over 1,000 acres of orchards

•Compost boosts the nutritional balance of the soil and reduces the need for synthetic fertilizers

Composting Natural Waste

•Use of micro sprinklers increase irrigation efficiency up to 85% versus

50% efficiency of a typical overhead irrigation system

•Soil nutrient testing done prior to applying fertilizer

•Water retention ponds located on several large orchards store water for the driest points of the season

Water Conservation – Orchards

- Changing and turning off water nozzles on packing lines saves a combined 60,156,000 gallons of water per year

Water Flow Regulators

- Flow regulators on main packing lines allows us to continuously monitor and minimize water usage

Water Conservation – Plants

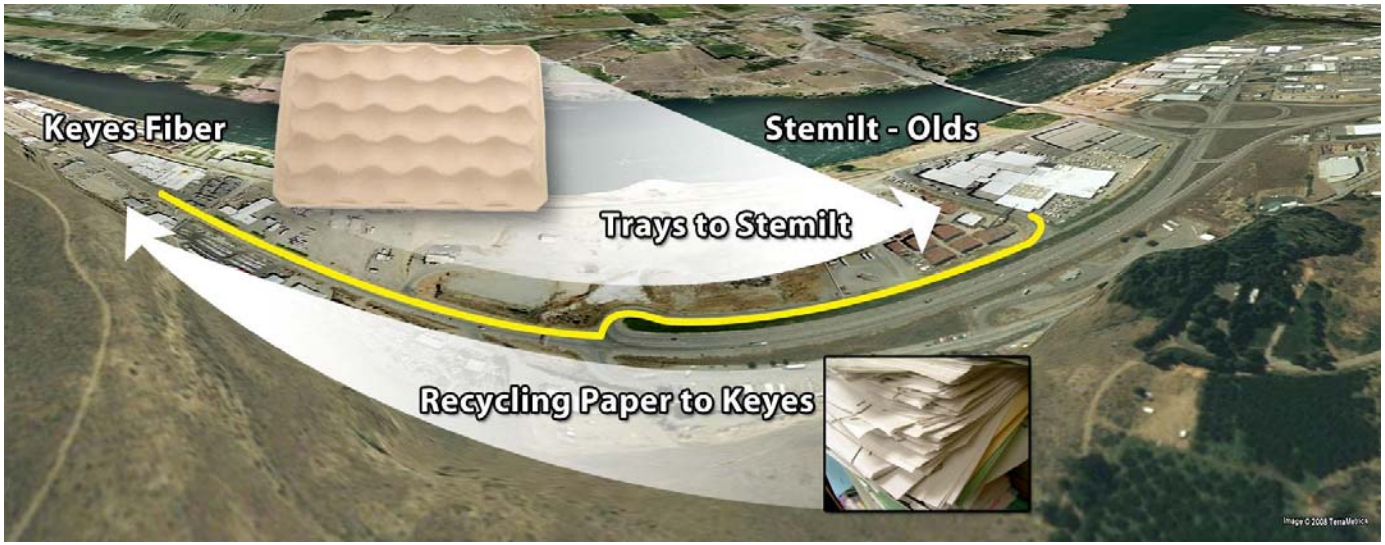
- Focus on using minimal pesticides through Integrated Pest Management (IPM) since 1989
- Stemilt orchards use information on the life cycles of pests and their interaction with the environment to properly manage populations
- The use of beneficial predators, like trained falcons, helps naturally ward off-fruit damaging birds
- Kestrel houses bring in additional predators to keep pest levels low

Integrated Pest Management

 paper, cardboard, metal & plastic waste

Recycling Programs

•100% of the recycled paper and newsprint from Stemilt goes to nearby



tray manufacturer, to be regenerated into new fiber trays for packing fruit.

•Approximately 8 million trays, or 35% of Stemilt's annual need for fiber trays, comes from these recycled materials

•Between 2006-2008, Stemilt recycled 5,076,995 pounds of cardboard and 632,400 pounds of plastic

Recycling Programs

Automatic Folding Doors

Effic

ient Lighting Systems

Electric Forklifts

Energy

Conservation

Kraft Boxes

•While having the same benefits as corrugated boxes, Kraft boxes are more environmentally friendly

•Kraft requires 5% less wood fiber than an equivalent amount of white paper (by using Kraft in over 7 million of our cartons shipped each year, we will **save more than 350,000 cartons worth of paper**)

•Has a recycled component

•Kraft paper production requires about 20% less water than white paper production

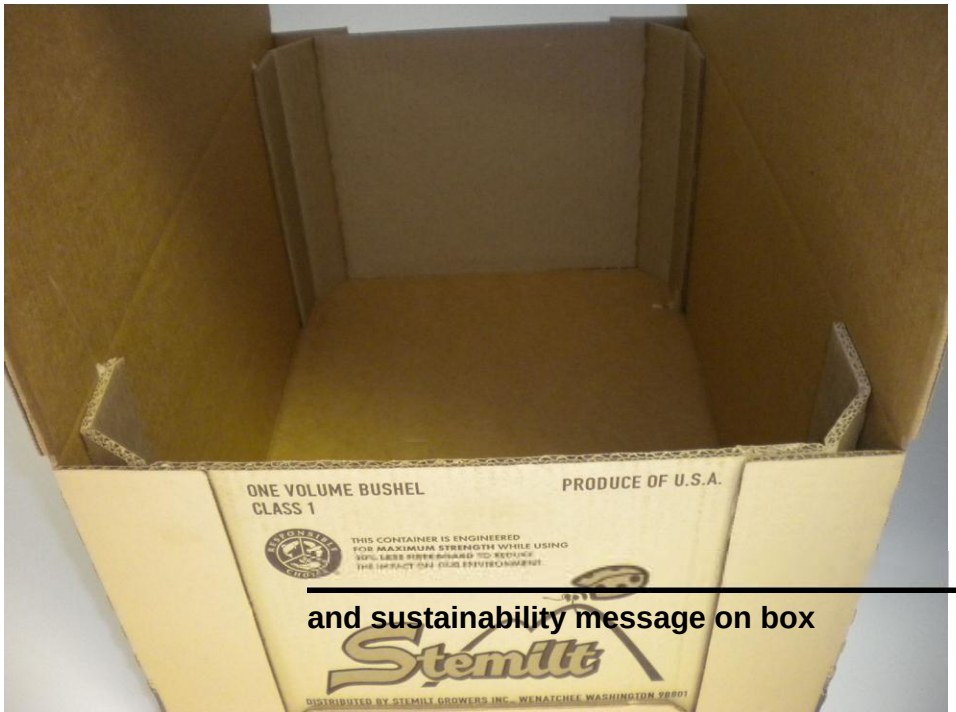
•Reduces the Biological Oxygen Demand of waste water by about 50%, therefore reducing the electricity required to treat the water

Packaging Solutions

16 **New Bag Box**

- Uses 20% less cardboard per box
- Engineered construction protects product and can hold more units:
- 12/3lb. bags → 14/3lb. bags
- 8/5lb. bags → 9/5lb. bags

Packaging Solutions



RESPONSIBLE CHOICE®

Logo and sustainability message on box

Rapid Roping

- Eliminated the use of corner boards on most standard cartons and bag masters
- Reduced our use of corner boards in palletizing by approximately 65 percent
- Corner boards are typically not recyclable because of plastic used in construction

Packaging Solutions

Black Apple Tray Elimination

- Moving from black apple trays to purple apple trays saves 5 cents per tray
- Saves over 100,000 pounds of fiber per year
- Increases recyclability

Packaging Solutions

Consolidated Purchasing = Agriculture Rewards

- By consolidating purchasing, we were able to provide our growers a perk in the form of a rewards card.
- This card offers growers discounts on the following: **Fuel – Tires – Propane – Tools – Metals – Welding Supplies – Safety and Medical Supplies**

Stemilt Ranch
G#0000

Ladybug Club

Front of card Back of card

- Free employee health clinic opened in March 2010
- Health insurance and 401(k) programs for employees
- Stemilt gives $8,000 annually to college-bound students through the Washington Apple Education Foundation scholarship program
- Partnership with the Wenatchee Valley Literacy Council to offer free English classes for Stemilt employees
- 2009 Fundraiser with local FFA chapter raised $5,000 and benefitted Stemilt growers
- Voluntary wellness program educates and supports employees on a number of health-related issues

Social Responsibility

•In April 2009, Stemilt led a large-scale clean-up and riparian planting along the Columbia River commercial waterfront.

Columbia Riverfront Restoration Project

- Installing variable frequency fans at our Olds Station facility. These fans allow for reduced fan speed in CA rooms, thereby conserving energy.

- Adding a computer to control the refrigeration system at our Miller Street facility. This has an energy saving component as it monitors and controls temperatures at a tighter tolerance.

New Initiatives

Agriculture's Contribution to Washington's Economy

by: Michael Brady and Justin Taylor

IMPACT Center Fact Sheet, November, 2010

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Diversity Defines Washington Agriculture

Agriculture in Washington is incredibly diverse in terms of the number of crops and livestock produced, as well as production methods, thanks to a natural resource rich environment and considerable variation in growing conditions. The moist Puget Sound area is home to a significant floriculture industry. Dry and warm Central Washington contains one of the largest tree fruit production regions in the nation. Eastern Washington has some of the highest dryland wheat yields anywhere in the world. There are also extensive downstream food processing and manufacturing industries that are closely tied to agriculture employ large numbers of workers which amplifies the total economic impact of agriculture in the state. Agriculture also supports a number of related industries that provide the resources that make farming possible, such as fertilizer and seed suppliers.

Washington is home to a number of America's largest companies and the state has grown significantly both in population and economic activity in recent decades. While many other sectors are larger than agriculture they are mostly concentrated in the western part of the state. Agriculture is the central economic driver for most communities, both small and large, east of the Cascade Mountains.

This fact sheet provides a brief overview of the economic role that agriculture plays across the state. (Unless otherwise noted, data is from the IMPLAN[1] database for the year 2008). It includes not only wages and returns from production, but also the economic activity that depends on agriculture, as well as the effect of money earned from agriculture being spent throughout the state economy. For example, the first category of activity would include the profit earned by a wheat producer and the wages paid to workers that pick fruit. Additional economic activity is attributable to agriculture even though it is not "on the farm" earnings, such as machinery sales and maintenance. The total economic impact of agriculture also includes the effect of income earned from agriculture being spent by households throughout the state economy.

The value of agricultural production in Washington is approximately $9.5+ billion. Over 80,000 people are employed in production. The share of the total value by commodity group is shown in the chart to the right. The total economic impact of production is just over $16.5 billion. Food processing and manufacturing industries (excluding seafood) produce output valued at $9 billion, contribute $1.5 billion in value added (value of outputs minus the cost of intermediate inputs), employ 18,000 people, and have a total economic impact of $17 billion. Agriculture and forestry support industries alone employ 31,000 people that earn $792 billion in wages. Proprietors of these businesses earn $121 million in income. See the back page for more detailed information organized by industry and location.

Agricultural Production

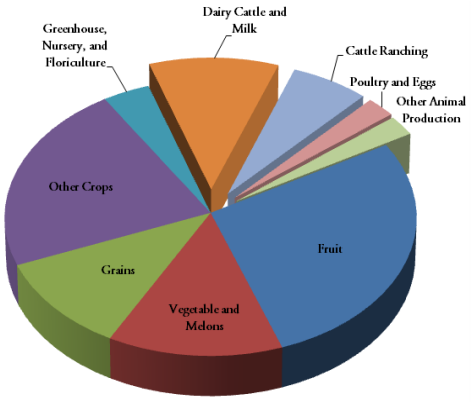
- $9.5+ billion in production value
- 82,000 jobs
- $1.5 billion in wages
- $2.2 billion in proprietor income
- $219 million in tax revenues
- $16 billion in total economic impact

Food Processing & Manufacturing

- $1.5 billion in value added
- 18,000 jobs
- $1.4 billion in wages
- $17 billion in total economic impact

Agriculture & Forestry Support Industries

- 31,000 jobs
- $792 million in wages
- $121 million in proprietor income
- $1.8 billion in total economic impact



Share of total value of production by sector

PRODUCTION

Tree fruits collectively represent the largest agriculture sector by value. Washington leads the nation, by a large margin, in apple production. From 2005 to 2009 the value of the apple crop ranged between $1 billion and $1.7 billion annually, and was $1.3 billion 2008. Pears, apricots, and prunes are other important tree fruits.[2]

The potato and wheat crops are the next largest by value and vary around $700 million. For 2008, wheat production was valued at $745 million while potato production was valued at $692 million. A significant portion of the potatoes produced in Washington are inputs into the food processing and manufacturing industries in the state. Alfalfa hay, grass hay, corn for grain and silage, barley, oats, dry beans also cover significant portions of cropland.[2]

A number of vegetables including onions, asparagus, carrots, and sweet corn are also grown in significant quantities. Onion production is the largest at $130 million.

Washington also contains extensive livestock operations. The value of output from the dairy industry is by far the largest at $1 billion followed by cattle ranching ($600 million) and poultry and egg production ($226 million). All other livestock production is valued at $223 million.

Wine appellations in Washington are quickly gaining an international reputation. Acreage under wine grapes has increased significantly in recent years and the value of output from wineries is just under $1 billion.

PROCESSING & MANUFACTURING

Washington supports a number of food processing and manufacturing industries that locate near major production regions. The single largest is frozen food manufacturing which produces $500 million in value added. Fruit and vegetable processing creates $313 million in value added, which is followed by animal processing ($234 million) and dairy product manufacturing ($154 million).

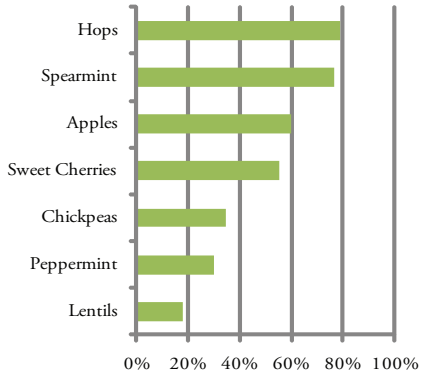
EMPLOYMENT

There are 62,000 jobs in crop production with a total employee compensation of $1.4b. The largest contributor is tree fruits (26,000 jobs). Total employment and employee compensation in animal agriculture is 19,572 and $1.35 billion, respectively. The agriculture support industry employs over 30,000 people that earn $792 million in wages.

The frozen food industry is the single largest manufacturing or processing industry with a total employment of 7,500 people and total wages of $366 million. Animal processing, slaughtering, and rendering employs 3,722 people with total wages of $1.73 billion. Fruit and vegetable processing employs 3,707 people with total wages of $1.87 billion.

SPECIALTY CROPS

Washington is one of a handful of states that produces a significant portion of the national total for a number of crops. These include apples, cherries, lentils, garbonzo beans, hops, and mint. The total land area allocated to many of these crops is relatively small compared to major field crops, however they are generally high value crops and thus have a relatively large economic impact. Washington producers are responsible for over half the country's production of both apples and cherries. Hops, an important ingredient in beer, is almost exclusively grown in Washington. Chickpeas and lentils are an important rotation crop for wheat production. Producers of these crops do face competition from imports. Globally, China is the largest producer of apples. Hops are imported from a number of other countries.[2]



Washington production as a percent of national total

EXPORTS

Export markets are an important source of additional demand for a number of agricultural commodities grown in Washington. Of course, trade goes both ways and producers here must compete with international producers exporting to the U.S. Grains, including wheat and corn, lead the way in both the value of exports ($400 million) and the percent of production exported (42%). About a third of processed and slaughtered meat products are exported. While only 12% of fruit production is shipped to foreign markets, it is second, after grains, in the value of exports.

LEADING COUNTIES

Yakima and Grant County lead the state in the value of production for both crop and animal agriculture and also have the highest agriculture related employment. These are counties with dry, warm weather and extensive irrigated agriculture permitting the production of tree fruits, wine grapes, and potatoes. Yakima and Benton County contain the primary growing regions for a number of specialty crops, including hops and mint.

The unique climate of the coastal Pacific Northwest has led to the development a significant greenhouse and floriculture industry in counties neighboring the Puget Sound. In Skagit County, output from the floriculture industry is valued $85 million. Only the dairy sector is larger ($104 million).

The Palouse region in Eastern Washington has a large portion of the most productive dryland agriculture in the state. Whitman County, which contains much of the Palouse, produces a fifth of the state's grain production by value ($240 million).

RELATED SECTORS

Two industries that are distinct from, but related to, agriculture and food production are forestry and seafood processing. Managed forests are the major use of land in Washington other than agriculture. The value of output of forestry products is over $700 million, which is comparable to wheat or potato production. Commercial logging employs around 8,500 people. The value of output from seafood preparation and processing is approximately $2.7 billion.

REFERENCES

[1]Minnesota IMPLAN Group, Inc. Stillwater, MN.

[2]National Agricultural Statistics Service, U.S. Department of Agriculture, Quick Stats 1.0. For tree fruit data see the Washington NASS Historic Data Reports.

[+]Washington State Dept. of Agriculture reports a lower total value of output of $7.92 billion.

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