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PROBLEMS FACING THE SPECIALTY CROP INDUSTRY

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY POLICY, NATURAL RESOURCES AND REGULATORY AFFAIRS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

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CONTENTS

	Page
Hearing held on December 12, 2003	1
Statement of:	
Kawamura, A.G., Secretary of the California Department of Food and Agriculture	32
Zanger, Joseph, member, board of directors, California Farm Bureau Federation; Jim Bogart, president, Grower-Shipper Vegetable Association of Central California; John D'Arrigo, chairman, Western Growers; and Robert Nielsen, vice president, Tanimura & Antle and United Fresh Fruit and Vegetable Association	51
Letters, statements, etc., submitted for the record by:	
Bogart, Jim, president, Grower-Shipper Vegetable Association of Central California, prepared statement of	67
D'Arrigo, John, chairman, Western Growers, prepared statement of	79
Farr, Hon. Sam, a Representative in Congress from the State of California, information concerning Monterey County	8
Kawamura, A.G., Secretary of the California Department of Food and Agriculture, prepared statement of	36
Nielsen, Robert, vice president, Tanimura & Antle and United Fresh Fruit and Vegetable Association, prepared statement of	95
Ose, Hon. Doug, a Representative in Congress from the State of California, prepared statement of	4
Zanger, Joseph, member, board of directors, California Farm Bureau Federation, prepared statement of	53

PROBLEMS FACING THE SPECIALTY CROP INDUSTRY

FRIDAY, DECEMBER 12, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ENERGY POLICY, NATURAL
RESOURCES AND REGULATORY AFFAIRS,
COMMITTEE ON GOVERNMENT REFORM,
Salinas, CA.

The subcommittee met, pursuant to notice, at 10 a.m., in the Alisal Room of The National Steinbeck Center, 1 Main Street, Salinas, CA, Hon. Doug Ose (chairman of the subcommittee) presiding.

Present: Representative Ose.

Also present: Representative Farr.

Staff present: Melanie Tory, professional staff member; Yier Shi, press secretary; and Anthony Grossi, clerk.

Mr. OSE. Good morning.

Welcome to today's hearing by the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs on the subject of problems facing the specialty crop industry.

I want to ask unanimous consent to welcome to our panel today my good friend and colleague from this part of the country, Sam Farr. Without objection he will be an able and welcome participant in today's hearing.

I ask unanimous consent to waive the subcommittee's quorum requirement. Without objection, so ordered.

We're here today to examine problems facing the U.S. specialty crop industry, not only here in California, but across the country.

Historically, U.S. agricultural policy has focused almost exclusively on program crops, such as wheat, corn, cotton, and rice. The result is that growers of program crops received about $20 billion annually in Federal price supports and other Federal assistance programs.

Conversely, specialty crops, which include fruits, nuts, vegetables, forage crops, flowers, and wine grapes, do not receive price supports and receive only a small fraction of the Federal assistance programs for agricultural purposes. This is in spite of the fact that specialty crops contribute more annual revenue to the agricultural sector: $58.7 billion compared to the $47.9 billion for program crops. Additionally, specialty crops are often subjected to unfair international trade practices that limit market access, and effectively hinder genuine free trade.

U.S. specialty crop growers take pride in being considered the true "free traders" in today's global markets. Yet, many are concerned with the failure of the Federal Government to adequately

ensure a level playing field for them in the face of increasing globalization. One example of this is that Japanese tariffs on U.S. fresh vegetables are an astounding 64 percent. In contrast, the United States only has a 5.9 percent tariff on fresh vegetables imported from Japan and countries of the European Union.

Foreign support is staggering for specialty crop growers in nations of the European Union. Currently, there are annual EU price supports of over $2 billion for tomato growers, $1.9 billion for apple growers, and $500 million for cucumber growers.

In addition to facing unfair trading practices abroad, U.S. specialty crop producers also must contend with sometimes inadequate regulatory and trading policies at home. For example, sanitary and phytosanitary [SPS] regulatory standards for U.S. imports, issued by the Department of Agriculture's Animal and Plant Health Inspection Service [APHIS], do not provide appropriate protection for U.S. growers or the U.S. food supply. Additionally, imports of specialty crops into the United States have increased sharply over the last 7 years, while market access globally has continued to diminish as mature, foreign economies flood U.S. markets with cheaper, subsidized products. Unfortunately, U.S. trade negotiators are considering an agreement with Australia that, if approved by Congress, might flood the U.S. market with foreign specialty crops, such as wine and table grapes, canned fruit, peaches, apricots, pears, and fruit mixes, and may cause agricultural pest and disease outbreaks in the United States because of inadequate sanitary and phytosanitary standards. Such impacts, obviously, would be devastating to the U.S. specialty crop industry.

In my district, and interestingly enough in nearly every other agricultural district in the country, specialty crop operations are struggling to remain competitive in light of these new challenges. Think about that. There are 50 States and 3 territories, virtually every State and territory including Alaska, surprisingly, to one degree or another produces specialty crops. What we're trying to do is address the challenges that those people face. To do that on October 30, 2003, I introduced, with my colleague from the Central Valley, Cal Dooley, H.R. 3242, the Specialty Crop Competitiveness Act. My bill is designed to address all areas of the industry, including both fresh and processed fruits, nuts, vegetables, floral, and wine grapes. Additionally, it includes needed Federal financial assistance and additional Federal focus on U.S. specialty crops.

Today, we will examine the domestic and international trade policies and practices that reduce the U.S. specialty crop industry's ability to be competitive in today's expanding global market. We will shed light on the industry's problems and demonstrate that legislative and regulatory changes are needed in order to moderate adverse impacts.

Throughout this administration, the President has aggressively pursued increased international trade agreements. The agricultural sector has traditionally been a strong proponent of free trade and has provided the necessary support in Congress to ensure passage of this free trade agenda. And, while historically the specialty crop industry has supported the efforts on international trade to reduce trade barriers and increase market access, there's a direct connection, I think, between continued support of that agenda and the

ability to open of these foreign markets and provide a greater focus for Federal assistance.

Today's witness panels are august. I am pleased to welcome the following individuals who will testify as time proceeds.

First, the new Secretary of the California Department of Food and Agriculture, Mr. A.G. Kawamura will be on our first panel.

Our second panel will be composed of Mr. Joseph Zanger, a member of the board of directors of the California Farm Bureau Federation; Jim Bogart, president of the Grower-Shipper Vegetable Association of Central California; Mr. John D'Arrigo, chairman of Western Growers; and, Mr. Robert Nielsen, vice president of Tanimura & Antle.

I do want to welcome everybody here. And, as I said at the outset, we are pleased particularly to have the company of Congressman Sam Farr from this district. I'd be happy to recognize him for the purpose of an opening statement.

[The prepared statement of Hon. Doug Ose follows:]

Chairman Doug Ose
Opening Statement
"Problems Facing the Specialty Crop Industry"
December 12, 2003

Welcome to the beautiful and bountiful Salinas Valley. We are here today to examine problems facing the U.S. specialty crop industry.

Historically, U.S. agricultural policy has focused almost exclusively on program crops, such as wheat, corn, cotton, and rice. The result is that growers of program crops receive about $20 billion annually through Federal price supports and other Federal assistance programs.

Conversely, specialty crops, which include fruits, nuts, vegetables, forage crops, flowers, and wine grapes, do not receive price supports and receive only a small fraction of Federal assistance programs for agricultural purposes. This is in spite of the fact that specialty crops contribute more annual revenue to the agricultural sector: $58.7 billion compared to $47.9 billion for program crops. Additionally, specialty crops are often subjected to unfair international trade practices that limit market access, and effectively hinder genuine free trade.

U.S. specialty crop growers take pride in being considered the true "free traders" in today's global markets. Yet, many are concerned with the failure of the Federal government to adequately ensure a level playing field for them in the face of increasing globalization. Japanese tariffs on U.S. fresh vegetables are an astounding 64 percent. In contrast, the U.S. has only a 5.9 percent tariff on fresh vegetables being imported from Japan and countries of the European Union (EU). Foreign support is staggering for specialty crop growers in nations of the EU. Currently, there are annual EU price supports of over $2 billion for tomato growers, $1.9 billion for apple growers, and $500 million for cucumber growers.

In addition to facing unfair trading practices abroad, U.S. specialty crop producers also must contend with inadequate regulatory and trading policies at home. For example, sanitary and phytosanitary regulatory standards for U.S. imports, issued by the Department of Agriculture's Animal and Plant Health Inspection Service (APHIS), do not provide appropriate protection for U.S. growers or the U.S. food supply. Additionally, imports of specialty crops into the U.S. have increased sharply over the last seven years, while market access globally continues to diminish as mature, foreign economies flood U.S. markets with cheaper, subsidized products. Unfortunately, U.S. free trade negotiators are considering an agreement with Australia that, if approved by Congress, will flood the U.S. market with foreign specialty crops, such as wine and table grapes, canned fruit, peaches, apricots, pears, and fruit mixes, and may cause agricultural pest and disease outbreaks in the U.S. because of the inadequate sanitary and phytosanitary standards. Such impacts would be devastating to the U.S. specialty crop industry.

In my district, and nearly every other agricultural district in the country, specialty crop operations – both large and small – are struggling to remain competitive in light of these new challenges. To address the problems facing the specialty crop industry, on October 30, 2003, I introduced, with Congressman Cal Dooley, H.R. 3242,"The Specialty Crop Competitiveness Act." My bill is designed to address all areas of the industry, including both fresh and processed

fruits, nuts, vegetables, floral, catfish, wine grapes, and many other parts of the industry. It includes needed Federal financial assistance and additional Federal focus on U.S. specialty crops.

Today, we will examine the domestic and international trade policies and practices that reduce the U.S. specialty crop industry's ability to be competitive in today's expanding global market. We will shed light on the industry's problems and demonstrate that legislative and regulatory changes are needed in order to moderate adverse impacts.

Throughout his Administration, President Bush has aggressively pursued increased international trade agreements. The agricultural sector has traditionally been a strong proponent of free trade, and has provided the necessary support in Congress to ensure passage of the free trade agenda. Although the specialty crop industry supports the President's efforts to reduce trade barriers and increase market access, segments of the specialty crop industry feel they have been largely ignored throughout trade negotiations.

I look forward to the testimony of our witnesses. They include: A.G. Kawamura, Secretary, California Department of Food and Agriculture; Joseph Zanger, President, California Farm Bureau Federation; Jim Bogart, President, Grower-Shipper Vegetable Association of Central California; John D'Arrigo, Chairman, Western Growers Association; and, Robert Nielson, Vice President, Tanimura & Antle.

Mr. FARR. Thank you very much, Chairman Ose. I'm really delighted that you've come to this district and to have this hearing, the first ever of its type, and certainly I think the first hearing in the Steinbeck Center.

And, I want to thank my constituents for coming to this hearing, too. Because I think what we get out of this is a good learning session, a good educational opportunity.

I've passed out to several people, staff particularly and to you, Mr. Chairman, a copy of Monterey County's crop report for 2002. And it's interesting how many times I reach for this in Washington to try to explain to people what specialty crops are all about.

When I was on the Ag Committee, the authorizing committee and members would go around the room and talk about their districts and why they're on the Ag Committee, most of the members were there because of one crop in their State. And, I'd say in Monterey County we have 85 crops. And, they wouldn't believe me. I mean, 85 is more than any other State in the United States produces, and we have it just in this county, with the exception of the State of California.

So, the crop report points out that this is almost a $3 billion industry here. We have 41 crops that are over $1 million in sales. And, some things that you wouldn't think of when you think about specialty crops. Everybody knows the Salinas Valley for its sort of the lettuce bowl of the world, but they don't think of raspberries in this county being a $38 million crop, or that cilantro is a $4 million crop, or bok choy is a $3.2 million crop, or that squash is a $1 million crop in this county. These are just examples of what we mean by specialty crops.

And, where do these crops go? Well, they go to 19 different countries plus the EU, which is 22 countries in the EU.

It's an international business here. It's about all the issues that we deal with in Congress on imports/exports regulation. But what is unique about it is this is the most productive agricultural region of the world, in all due respect to the San Joaquin Valley, because we have more variety here, more difference than the Valley. And, this area does not receive the kinds of supports that some of the crops in the Valley receive, nor the water support that the Valley receives.

In essence, the Salines Valley represents the best of free market enterprise and agriculture, I think, in the world.

As you stated in your opening comments, we have been kind of short changed on the big scale of things, especially crops and as pointed out to somebody before, it used to be called minor crops. Everybody thought well it's minor, it doesn't make much money. It isn't big. Well, it is big. It's huge. It's very, very important because frankly these are the things that everybody eats. And, if you look on all the health charts of what you should be eating, whether in schools or hospitals or institutions of what the Government tells you are of nutritional value, this is the place that's producing that nutritional value.

So, these crops are absolutely essential to the well being of the human race and well being of America. And, I think that your hearing is giving it the focus and certainly the bill that I've cosponsored with you and Mr. Dooley, the attention that the industry

needs. I really want to thank you from the bottom of my heart for taking time out of your recess here to come Salinas and to come to particularly, we're very, very proud of this building right here. I think this is trying to teach people with the ag museum next door and certainly probably one of the best known authors in the world, John Steinbeck who grew up here in Salinas, to be able to present the combination of land and people in this place and what we're all about. So thank you, Mr. Chairman.

Mr. OSE. You bet. Would you like to introduce in the record?

Mr. FARR. Yes, I would like to enter into the record.

Mr. OSE. So ordered.

Mr. FARR. Thank you.

[The information referred to follows:]

MONTEREY COUNTY

AGRICULTURAL COMMISSIONER
SEALER OF WEIGHTS & MEASURES
ERIC LAURITZEN AGRICULTURAL COMMISSIONER/SEALER

1428 ABBOTT STREET - SALINAS, CALIFORNIA 93901
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William "Bill" J. Lyons, Jr., Secretary
California Department of Food & Agriculture
and
The Honorable Board of Supervisors of Monterey County

Fernando Armenta	1st District, Chair
Louis Calcagno	2nd District
W. B. "Butch" Lindley	3rd District
Edith Johnsen	4th District
Dave Potter	5th District

It is a pleasure to present the 2002 Monterey County Crop Report, which is produced annually pursuant to the provisions of Section 2279 of the California Food & Agriculture Code. This report reflects a production value of $2.81 billion for Monterey County, an increase of 5% over 2001. The boost in value is based largely upon increases in leaf lettuces, spinach, nursery products and mixed vegetables. However, decreases were noted in wine grapes, head lettuce, strawberries, salad products and some core vegetable commodities such as cauliflower and celery.

Leaf lettuce production, valued at $429 million, surpassed head lettuce for the first time, driven largely by increases in romaine production, which accounts for approximately 75% of the category. Continued consumer demand has boosted values in food service products such as spinach, which was up 68% to $129 million; mixed vegetables were up $25 million; and spring mix was up $21 million. Other commodities that posted increases include: raspberries, up $21 million; kale was up $7 million; broccoli up nearly $7 million; carrots were up $6 million; and citrus was up nearly $2 million. Organic production continues to increase, growing from a value of $12 million in 1994 to over $120 million in 2002.

Production values decreased in a number of categories in 2002. Wine grape production was down nearly $61 million, or 30%; head lettuce dropped 14% to $309 million; strawberries were down $50 million; cauliflower was down $9 million; celery was off by over $7 million; and livestock/diary was down nearly $7 million. Additional commodities that posted reduced values over 2001 included tomatoes, squash, mushrooms, and bell peppers.

While last year's crop values showed a slight increase over 2001, weak markets affected by the economy, lingering effects of September 11th, and a myriad of other factors, continue to affect our growers and producers. It is also critical to remember that the figures provided are gross values and do not represent or reflect net profit or losses experienced by individual growers. Regardless of the losses and gains noted in the various categories, this report is an important opportunity to recognize the significance of the productivity and diversity of this premier agricultural region. We thank the producers, growers and ranchers, along with the related businesses and support services, who are credited with driving the economic engine that supports our community.

Special recognition for the compilation of this report goes to Gerry Willey, Deputy Agricultural Commissioner, and the many staff who assisted in gathering the information. It is also important to recognize the agricultural industry and others who generously provide assistance and vital information to complete this report. Without a very collaborative effort, compilation of this report would not be possible.

Sincerely,

Eric Lauritzen
Agricultural Commissioner

VEGETABLE CROPS

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
ANISE [1]	**2002**	**595**	**12.27**	**7,300**	**TON**	**450.68**	**$3,290,000**
	2001	741	9.72	7,200	"	458.75	3,303,000
ARTICHOKES [2]	**2002**	**5,735**	**6.10**	**35,000**	**"**	**1,093.29**	**38,265,000**
	2001	5,943	5.99	35,600	"	1,080.70	38,473,000
ASPARAGUS [3]	**2002**	**4,854**	**2.89**	**14,030**	**"**	**1,564.93**	**21,956,000**
Total	2001	4,767	3.10	14,800	"	1,485.34	21,983,000
Fresh	**2002**			**13,750**	**"**	**1,541.53**	**21,196,000**
	2001			14,600	"	1,469.18	21,450,000
Organic	**2002**			**280**	**"**	**2,714.29**	**760,000**
	2001			200	"	2,665.00	533,000
BOK CHOY [4]	**2002**	**508**	**24.13**	**12,260**	**"**	**263.62**	**3,232,000**
	2001	542	21.59	11,700	"	280.94	3,287,000
BROCCOLI [5]	**2002**	**55,125**	**6.98**	**384,690**	**"**	**691.12**	**265,867,000**
Total	2001	54,899	6.93	380,630	"	680.35	258,962,000
Fresh	**2002**			**296,620**	**"**	**647.85**	**192,165,000**
	2001			305,960	"	622.06	190,325,000
Food Service	**2002**			**62,430**	**"**	**990.79**	**61,855,000**
	2001			50,480	"	1,129.73	57,029,000
Organic	**2002**			**8,690**	**"**	**725.89**	**6,308,000**
	2001			7,240	"	707.73	5,124,000
Processing	**2002**			**16,950**	**"**	**326.78**	**5,539,000**
	2001			16,950	"	382.54	6,484,000
CARROTS [6]	**2002**	**3,821**	**17.58**	**67,180**	**"**	**325.86**	**21,891,000**
Total	2001	3,333	20.17	67,230	"	205.44	15,609,000
Fresh	**2002**			**28,760**	**"**	**258.28**	**7,428,000**
	2001			39,380	"	179.91	7,085,000
Food Service	**2002**			**14,280**	**"**	**820.52**	**11,717,000**
	2001			2,900	"	1,295.52	3,757,000
Processing	**2002**			**24,140**	**"**	**113.75**	**2,746,000**
	2001			24,950	"	119.04	2,970,000

[1] Carton weight, 37 lbs. [2] Carton weight, 23 lbs. [3] Carton weight, 25 lbs. [4] Carton weight, 50 lbs. [5] Carton weight, 23 lbs. [6] Carton weight, 50 lbs.

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
CABBAGE, (All) [1]	**2002**	**1,862**	**20.41**	**38,000**	**TON**	**212.45**	**$8,073,000**
	2001	2,087	19.82	41,370	"	205.75	8,512,000
CAULIFLOWER [2]	**2002**	**17,983**	**6.97**	**125,320**	"	**745.49**	**93,425,000**
Total	2001	17,390	8.03	139,630	"	734.56	102,567,000
Fresh [3]	**2002**			**113,260**	"	**626.49**	**70,956,000**
	2001			126,700	"	629.79	79,794,000
Food Service	**2002**			**7,150**	"	**2,715.66**	**19,417,000**
	2001			6,810	"	2,853.60	19,433,000
Organic	**2002**			**2,300**	"	**742.17**	**1,707,000**
	2001			1,480	"	666.22	986,000
Processing	**2002**			**2,610**	"	**515.33**	**1,345,000**
	2001			4,640	"	507.33	2,354,000
CELERY [4]	**2002**	**9,546**	**30.64**	**292,480**	"	**310.13**	**90,707,000**
Total	2001	10,030	31.17	312,600	"	313.46	97,988,000
Fresh	**2002**			**271,880**	"	**276.78**	**75,251,000**
	2001			295,500	"	289.25	85,473,000
Food Service	**2002**			**18,650**	"	**816.46**	**15,227,000**
	2001			14,600	"	836.71	12,216,000
Processing	**2002**			**1,950**	"	**117.44**	**229,000**
	2001			2,500	"	119.60	299,000
CHARD	**2002**	**671**	**6.72**	**4,510**	"	**616.63**	**2,781,000**
	2001	698	7.03	4,910	"	614.05	3,015,000
CILANTRO	**2002**	**878**	**8.52**	**7,480**	"	**586.23**	**4,385,000**
	2001	871	9.46	8,240	"	557.65	4,595,000
HERBS [5]	**2002**	**81**	**2,086.42**	**169,000**	**BUNCH**	**7.51**	**1,269,000**
	2001	80	1,850.00	148,000	"	8.59	1,271,000

[1] Carton weight, 50 lbs. [2] Carton weight, 23 lbs. [3] Figures combined, White & Green Cauliflower. [4] Carton weight, 60 lbs. [5] Includes: Chervil, Dill, Ginkgo, Marjoram, Oregano, Rosemary, Sage, Thyme, misc.

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
KALE [1]	**2002**	**1,494**	**9.93**	**14,839**	**TON**	**815.01**	**$12,094,000**
Total	2001	1,005	7.62	7,654	"	630.39	4,825,000
Fresh (All)	**2002**			**13,983**	**"**	**773.01**	**10,809,000**
	2001			6,794	"	521.05	3,540,000
Food Service	**2002**			**856**	**"**	**1,501.17**	**1,285,000**
	2001			860	"	1,494.19	1,285,000
LEEKS	**2002**	**286**	**9.97**	**2,850**	**"**	**797.54**	**2,273,000**
	2001	346	10.12	3,500	"	854.29	2,990,000
LETTUCE (All)	**2002**	**119,624**			**CTN**		**738,508,000**
(See page 7 & 8)	2001	111,339			"		658,905,000
MISC. VEGETABLES [2]	**2002**	**20,104**	**7.36**	**171,540**	**TON**	**806.87**	**138,411,000**
Total	2001	20,600	7.46	153,730	"	736.51	113,224,000
Fresh	**2002**			**19,390**	**"**	**773.59**	**15,000,000**
	2001			16,840	"	711.76	11,986,000
Food Service	**2002**			**63,320**	**"**	**1,101.36**	**69,738,000**
	2001			51,500	"	938.29	48,322,000
Organic	**2002**			**86,030**	**"**	**611.68**	**52,623,000**
	2001			84,680	"	621.76	52,651,000
Processing	**2002**			**2,800**	**"**	**375.00**	**1,050,000**
	2001			710	"	373.24	265,000
MUSHROOMS	**2002**			**46,668,000**	**LBS**	**1.38**	**64,402,000**
	2001			48,146,000	"	1.36	65,479,000
NAPA [3]	**2002**	**664**	**23.64**	**15,700**	**TON**	**309.87**	**4,865,000**
	2001	696	20.83	14,500	"	357.24	5,180,000
ONIONS, Dry [4]	**2002**	**900**	**21.56**	**19,400**	**"**	**187.22**	**3,632,000**
Total	2001	924	21.86	20,200	"	192.18	3,882,000
Fresh	**2002**			**5,400**	**"**	**345.74**	**1,867,000**
	2001			6,200	"	341.45	2,117,000
Processing	**2002**			**14,000**	**"**	**126.07**	**1,765,000**
	2001			14,000	"	126.07	1,765,000

[1] Carton weight, 20 lbs. [2] Includes: Asparagus, Beans, Beets, Brussel Sprouts, Cactus Pears, Cardone, Cherry Tomatoes, Chives, Corn, Cucumbers, Daikon, Edible Flowers, Endive, Escarole, Fava Beans, Garlic, Gourds, Kohlrabi, Assorted Melons, Mixed Vegetables, Onions, Parsnips, Peas, Peppers; Chili, Pimentos, Pumpkins, Radish, Turnips. [3] Carton weight, 50 lbs. [4] Carton weight, 50 lbs.

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	PRODUCTION TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
ONIONS, Green [1]	**2002**	**1,221**	**12.69**	**15,494**	**TON**	**1,110.43**	**$17,205,000**
	2001	1,345	11.95	16,070	"	1,121.72	18,026,000
PARSLEY [2]	**2002**	**254**	**16.06**	**4,080**	"	**528.19**	**2,155,000**
	2001 [3]	257	14.59	3,750	"	525.07	1,969,000
PEPPERS, BELL [4]	**2002**	**1,600**	**11.88**	**19,000**	"	**345.16**	**6,558,000**
Total	2001	1,817	13.98	25,400	"	299.29	7,602,000
Fresh	**2002**			**4,800**	"	**266.04**	**1,277,000**
	2001			11,900	"	366.22	4,358,000
Processing	**2002**			**14,200**	"	**371.90**	**5,281,000**
	2001			13,500	"	240.30	3,244,000
PEPPERS, Chili [5]	**2002**				"		
Total	2001	625	8.13	5,080	"	888.39	4,513,000
Fresh	**2002**				"		
	2001			100	"	300.00	30,000
Processing	**2002**				"		
	2001			4,980	"	900.20	4,483,000
RADICCHIO [6]	**2002**	**1,841**	**3.01**	**5,540**	"	**1,605.96**	**8,897,000**
	2001	1,850	3.02	5,590	"	1,552.24	8,677,000
RADISH [7]	**2002**	**178**	**12.76**	**2,271**	"	**668.87**	**1,519,000**
	2001	224	11.21	2,510	"	682.87	1,714,000
RAPPINI [8]	**2002**	**2,570**	**4.64**	**11,937**	"	**853.15**	**10,184,000**
	2001	2,516	4.88	12,280		854.89	10,498,000
SALAD PRODUCTS [9]	**2002**			**38,025,000**	**CTN**	**8.11**	**308,383,000**
	2001			43,307,000	"	8.21	355,550,000

[1] Carton weight, 13 lbs. [2] Carton weight, 21 lbs. [3] Corrected acreage & per acre figures [4] Carton weight, 30 lbs. [5] Insufficient to report. [6] Carton weight, 9 lbs. [7] Carton weight, 12 lbs. [8] Carton weight, 23 lbs. [9] Carton weight, 20 lbs.

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
SPINACH [1]	**2002**	**16,206**	**7.53**	**122,030**	**TON**	**1,060.38**	**$129,398,000**
Total	2001	13,204	7.52	99,316	"	775.39	77,009,000
Fresh	**2002**			**47,060**	**"**	**669.19**	**31,492,000**
	2001			49,897	"	651.16	32,491,000
Food Service	**2002**			**54,730**	**"**	**1,745.92**	**95,554,000**
	2001			25,868	"	1,615.05	41,778,000
Processing	**2002**			**20,240**	**"**	**116.21**	**2,352,000**
	2001			23,551	"	116.34	2,740,000
SPRING MIX [2]	**2002**	**18,152**	**3.88**	**70,430**	**"**	**1,694.12**	**119,317,000**
Total	2001	13,167	7.83	103,100	"	949.43	97,886,000
Fresh	**2002**			**39,990**	**"**	**1,688.47**	**67,522,000**
	2001			52,440	"	936.98	49,135,000
Organic	**2002**			**30,440**	**"**	**1,701.54**	**51,795,000**
	2001			50,660	"	962.32	48,751,000
SQUASH [3]	**2002**	**211**	**10.66**	**2,250**	**"**	**453.78**	**1,021,000**
	2001	450	14.60	6,569	"	417.42	2,742,000
TOMATOES [4]	**2002**	**1,805**	**19.45**	**35,110**	**"**	**273.63**	**9,607,000**
	2001	2,272	17.28	39,266	"	336.27	13,204,000

[1] Carton weight, 20 lbs. [2] May contain: Tango, Magenta Orach, Red Perella, Red Nagoya, Little Gem, Mizuna, Red Feathering Kale, Green Perella, New Red Fire, Arugula, Beet Tops, Royal Red Oak Leaf, Baby Spinach, Mache, Green Mustard, Dinosaur Kale, Green Kale, Baby Red Romaine, Belgian Endive, Red Butter Lettuce, Tat-Soi, Frisee, Sierra, Cocard, Green Chard, Red Chard, Baby Green Romaine, Red Russian Kale, Red Mustard, Lollo Rosa. [3] Carton weight, 30 lbs. [4] Carton weight, 25 lbs.

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	PRODUCTION TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
LETTUCE, Head [1]							
Spring	**2002**	**17,924**					
	2001	17,665					
Summer	**2002**	**18,690**					
	2001	18,180					
Fall	**2002**	**24,634**					
	2001	21,749					
Naked Pack	**2002**			**10,973,000**	**CTN**	**$5.59**	**$61,339,000**
	2001			10,194,000	"	7.78	79,309,000
Wrapped Pack	**2002**			**23,582,000**	**"**	**7.57**	**178,516,000**
	2001			22,167,000	"	9.76	216,350,000
Bulk for Shredding	**2002**			**19,798.000**	**"**	**3.50**	**69,293,000**
	2001			19,089,000	"	3.40	64,903,000
SEASON TOTAL	**2002**	**61,248**	**887.42**	**54,353,000**	**CTN**	**$5.6878**	**$309,148,000**
	2001	57,594	893.32	51,450,000	"	$7.0080	$360,562,000

HEAD LETTUCE TOTALS	**2002**	**61,248**	**887.42**	**54,353,000**	**CTN**	**$5.6878**	**$309,148,000**
	2001	57,594	893.32	51,450,000	"	$7.0080	$360,562,000

[1] *Carton weight, 50 lbs.*

VEGETABLE CROPS - Continued

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
LEAF LETTUCE							
BUTTER LETTUCE	**2002**	**1,802**	**1,028.86**	**1,854,000**	**CTN**	**6.29**	**$11,662,000**
	2001	1,908	810.80	1,547,000	CTN	6.46	9,994,000
GREEN LEAF	**2002**	**8,270**	**860.82**	**7,119,000**	**"**	**3.95**	**28,120,000**
	2001	9,488	786.36	7,461,000	"	4.69	34,992,000
ENDIVE	**2002**	**444**	**581.08**	**258,000**	**"**	**5.75**	**1,484,000**
	2001	570	698.25	398,000	"	5.40	2,149,000
ESCAROLE	**2002**	**275**	**785.46**	**216,000**	**"**	**5.49**	**1,186,000**
	2001	209	516.75	108,000	"	4.82	521,000
RED LETTUCE	**2002**	**4,257**	**1,016.68**	**4,328,000**	**"**	**6.30**	**27,266,000**
	2001	4,360	827.29	3,607,000	"	6.43	23,193,000
ROMAINE [1]	**2002**	**43,328**	**872.21**	**37,791,000**	**"**	**9.7803**	**359,642,000**
Total	2001	37,210	753.78	28,048,000	"	8.111	227,494,000
Fresh	**2002**			**21,266,000**	**"**	**7.8998**	**158,032,000**
	2001			19,147,000	"	7.652	146,513,000
Food Service	**2002**			**16,525,000**	**"**	**12.2003**	**201,641,000**
	2001			8,901,000	"	9.098	80,981,000
LEAF LETTUCE [2]	**2002**	**58,376**	**883.34**	**51,566,000**	**CTN**	**$8.51966**	**$429,360,000**
TOTALS	2001 [3]	53,745	766.01	41,169,000	CTN	$7.24678	298,343,000

LETTUCE CROP	**2002**	**119,624**	**HEAD & LEAF LETTUCE**	**$738,508,000**
TOTALS	2001	111,339	HEAD & LEAF LETTUCE	$658,905,000

VEGETABLE CROPS	**2002**	**288,769**	**VEGETABLE CROPS**	**$2,133,570,000**
TOTAL ACRES	2001 [3]	274,018	VEGETABLE CROPS	$1,947,961,000

1 Carton weight, 37 lbs. 2 Carton weight, 25 lbs. 3 Corrected per acre, total & per unit figure.

FRUITS AND NUTS

CROP	YEAR	PRODUCTION ACREAGE	PRODUCTION PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	F. O. B. VALUE TOTAL
APPLES [1]	**2002**	**91.00**	**16.48**	**1,500**	**TON**	**232.67**	**$349,000**
Total	2001	128.50	14.26	1,833	"	224.77	412,000
Fresh	**2002**			**50**	"	**100.00**	**5,000**
	2001			139	"	151.08	21,000
Processing	**2002**			**1,450**	"	**237.24**	**344,000**
	2001			1,694	"	230.81	391,000
AVOCADOS [2,4]	**2002**	**135.00**	**1.51**	**204**	"	**2,397.06**	**489,000**
	2001	142.00	2.97	422	"	2,137.44	902,000
BUSHBERRIES [3]	**2002**	**30.00**	**9.90**	**297**	"	**4,478.11**	**1,330,000**
	2001	91.00	4.02	366	"	4,573.77	1,674,000
CITRUS [4]	**2002**	**1,267.00**	**15.67**	**19,859**	"	**384.56**	**7,637,000**
	2001	1,226.00	20.76	25,453	"	231.49	5,892,000
GRAPES [4]	**2002**	**37,325.00**	**3.86**	**143,947**	"	**1021.66**	**147,065,000**
	2001	38,098.00	4.83	184,082	"	1,129.63	207,945,000
KIWI FRUIT [5]	**2002**	**7.25**	**3.31**	**24**	"	**1,250.00**	**30,000**
	2001	7.25	3.45	25	"	1,800.00	45,000
RASPBERRIES [6]	**2002**	**577.00**	**13.16**	**7,595**	"	**3,289.80**	**24,986,000**
	2001	232.85	3.56	830	"	4,326.51	3,591,000
STRAWBERRIES [7]	**2002**	**6,980.00**	**30.41**	**212,260**	"	**1,068.73**	**226,849,000**
Total	2001	6,941.00	32.14	223,113	"	1,241.51	276,912,000
Fresh	**2002**			**198,930**	"	**1,080.00**	**214,844,000**
	2001			208,286	"	1,256.54	261,720,000
Organic	**2002**			**5,566**	"	**1,473.23**	**8,200,000**
	2001			2,500	"	2,584.80	6,462,000
Processing	**2002**			**7,764**	"	**489.83**	**3,803,000**
	2001			12,327	"	708.20	8,730,000
WALNUTS	**2002**	**450.00**	**0.60**	**268**	"	**1,194.03**	**320,000**
	2001	450.00	0.67	302	"	1,046.36	316,000

FRUITS AND NUTS TOTAL ACRES	**2002**	**46,607.25**	**FRUITS AND NUTS TOTAL VALUE**	**$409,055,000**
	2001	47,316.60		$497,689,000

[1] Carton weight, 38 lbs. [2] Carton weight, 25 lbs. [3] Includes: Logan, Olalla, Chester, Blackberries, Blueberries. Carton weight, 9 lbs. [4] Represents bearing acres. [5] Carton weight, 7 lbs. [5] Carton weight, 7 lbs. [6] Carton weight, 7 lbs. [7] Carton weight, 12 lbs.

GRAPE SUPPLEMENTARY

CROP	YEAR	ACREAGE	PRODUCTION PER	TOTAL	UNIT	F. O. B. VALUE PER UNIT	TOTAL
GRAPES	**TOTAL**	**43,007**					
Bearing	**2002**	**37,325**	**3.86**	**143,947**	**TON**	**1021.66**	**147,065,000**
Nonbearing or not harvested		**5,682**					
GRAPES	TOTAL	45,986					
Bearing	2001	38,098	4.83	184,082	TON	1,129.63	207,945,000
Nonbearing or not harvested		7,888					

TOTAL ACREAGE OF WINE GRAPES BY VARIETY

VARIETY	GRAPE TYPE	HARVESTED ACRES	AVERAGE PRICE PER TON	TOTAL TONS	NON-BEARING ACRES
Chardonnay	White	16,659	974	65,487	1,037
Sauvignon Blanc	White	1,113	795	4,377	148
J. Riesling/White Riesling	White	1,061	865	4,427	72
Chenin Blanc	White	868	319	5,053	44
Gewurztraminer	White	734	863	1,731	
Other White (2)	White	296	579	1,243	25
Pinot Gris/Pinot Grigio	White	234	1,251	680	269
Pinot Blanc	White	214	763	764	4
Viognier	White	106	1,157	464	20
Semillon	White	62	689	236	
Marsanne	White	7	1,260	28	
Merlot	Red	5,197	1,211	22,681	1,033
Cabernet Sauvignon	Red	5,054	1,109	20,056	1,368
Pinot Noir	Red	3,330	1,353	8,506	983
Syrah	Red	1,245	1,155	4,260	388
Zinfandel	Red	279	696	1,124	13
Cabernet Franc	Red	213	1,148	716	29
Sangiovese	Red	147	1,089	694	17
Petite Sirah	Red	143	893	462	90
Grenache	Red	122	1,157	248	15
Gamay (Napa)/Valdiguie	Red	71	741	297	
Other Red (1)	Red	53	1,374	171	9
Malbec	Red	50	1,306	54	64
Petite Verdot	Red	35	1,349	94	54
Barbera	Red	32	1,367	94	

1 Alicante Bouschet, Charbono, Cinsaut, Dolcetto, Freisa, Nebbiolo, Refosco, Souzao, Tempranillo

2 Albarino, French Colombard, Loureiro, Malvasia Bianca, Muscat Canelli, Muscat Orange, Pigato, Roussanne, Treixadura, Verduzzo

FIELD CROPS

CROP	YEAR	PRODUCTION ACREAGE	PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	TOTAL
BARLEY, Grain	**2002**	**995**	**0.76**	**757**	**TON**	**110.96**	**$84,000**
	2001	2,180	0.83	1,808	"	87.94	159,000
BEANS, Dry Large Lima	**2002**	**1,582**	**1.24**	**1,957**	**"**	**1,210.00**	**2,368,000**
	2001	1,390	1.40	1,943	"	1,220.00	2,371,000
BEANS, Misc. Dry	**2002**	**73**	**1.53**	**112**	**"**	**901.79**	**101,000**
	2001	32	1.19	38	"	800.00	30,400
HAY, Alfalfa	**2002**	**300**	**6.03**	**1810**	**"**	**145.00**	**262,000**
	2001	365	5.21	1,903	"	181.29	299,000
HAY, Oat	**2002**	**2310**	**2.48**	**5730**	**"**	**114.00**	**653,000**
	2001	2,068	2.57	5,315	"	95.39	507,000
PASTURE [1] Dry Land	**2002**	**1,076,031**			**ACRE**	**8.79**	**9,458,000**
	2001	1,076,031			"	8.79	9,458,000
SAFFLOWER [2]	**2002**				**"**		
	2001	165	1.10	182	"	181.32	33,000
WHEAT, Grain [2]	**2002**				**"**		
	2001	659	0.96	630	"	85.71	54,000

FIELD CROPS	**2002**	**1,081,291**	**FIELD CROPS**	**$12,926,000**
TOTAL ACRES	2001	1,082,890	**TOTAL VALUE**	$12,911,400

[1] California Dept. of Conservation Farmland Mapping and Monitoring program. [2] Insufficient to report.

Cattle Industry in Monterey County

A hundred fifty years before lettuce became the "Green Gold" of Monterey County, there was another kind of agricultural gold – the four-legged kind. Cattle were the first agricultural commodity the Spanish imported into Alta California. The first herd was fewer than 200 rangy Mexican cattle, and was brought only as far north as San Diego by the Franciscan padres.

The cattle, of a type that later became known as longhorns, were introduced into Monterey County in the 1770s when the Carmel and San Antonio missions were founded. The herds grazed the fertile grassy valleys around Camel and Jolon. Without much interference, the herds thrived and soon there were thousands of head of cattle roaming the county. By the 1820s, secularization of the Missions had occurred and the mission lands were divided into vast ranchos that covered hundreds of square miles, all unfenced.

Until the middle of the 19th century, the cattle were raised solely for their hides and tallow, usually bringing only a couple of dollars a head. Only the finest parts of the meat were used and not very much of that because there was no way to keep the meat fresh. The hides were dried and baled and sent along with the tallow by sailing ship to the east coast. When William Hartnell arrived in Monterey in 1824 he was outraged by the stench and the terrible waste of the carcasses that were left to rot after the hides were removed.

Along came the Gold Rush of 1849 and thousands and thousands of miners came by land and sea to seek their fortunes in California. All those men had to eat, and beef became a valuable commodity. The price of cattle soared to $35 a head. When the Gold Rush was over, thousands of "hard workin' Yankees" remained in California and some stayed in Monterey County. The face of the cattle industry had changed.

With more demand for cattle, and a relatively dependable market for the beef, the cattle ranchers of Monterey County and the rest of California learned to trail their herds to San Francisco and other major markets. Cattlemen of the area would combine their herds and move them slowly north along a trail, 12-15 miles a day, so they wouldn't lose weight. These roundups and cattle drives were the only way the cattle could be moved to market until the railroad made its steel-tracked way down the Salinas Valley, eventually making its way as far as San Lucas by the late 1800s.

But, of course, there were booms and busts; over supply in the 1860s, and the great drought of 1916 when famed cattleman Henry Miller said he had 1 million head die. That wasn't the only drought. In the midst of the Depression, there was no rain and Jim Bardin's records show he sold fat cows for three cents a pound, bulls for 3 ¼ cents, and fed steers for 7 cents.

The year after the disastrous drought of 1934, the Monterey County Cattlemen's Association was formed with 36 charter members and Jim Bardin as the president. Bardin and Ruben Albaugh went from ranch to ranch to convince their fellow cattlemen to join.

Over the years the public has changed what it wants from the cattle industry. Breeds – Angus, Durham, Hereford, Charlois, Limousin and others – have come in and out of favor. The public demands less fat for health concerns, but still wants flavor and tenderness. The industry is constantly battling imports and groups that oppose the raising of cattle, or any animal, for food. The cattle industry faces increasing challenges because of environmental concerns as well as development pressures causing rising land prices that make it difficult to expand.

The cattle industry generated $23,540,000 in gross revenue in 2002, and it has been a major factor in Monterey County agriculture for more than 150 years.

Contributions to this article made by Harry Casey in Chronicle of the Century in The Rustler, Jim Bardin in his 1985 speech to the California Cattlemen's Association, and the Monterey County Cattlemen's Association.

Dividing up the Farm Pie

AVERAGE GROWING COSTS FOR A SALINAS VALLEY VEGETABLE FARM

Break-Even Growing and Shipping Costs

	Head Lettuce Flat Pack 24's	Romaine 24's	Broccoli 14's	Cauliflower 12's	Mix Lettuce 24's
Average Yield per Carton per Acre	850	850	800	750	950
Growing Costs per Carton	$3.53	$3.47	$3.47	$3.90	$3.03
Shipping Costs per Carton	$5.15	$5.50	$5.05	$5.35	$5.10
Price Required to Break Even (Growing and Shipping per Carton)	**$8.68**	**$8.97**	**$8.52**	**$9.25**	**$8.13**

Food producers are increasingly squeezed between rising costs of production and decreasing market prices, due largely to the exploitation of market power. As a result of consolidation in the food industry, the buyer group continues to get smaller, giving the corporate retailer more bargaining power. Also, in today's global marketplace, local farmers are competing with other growing areas where the costs of production may be substantially less. Regardless of market price changes, the costs of producing and delivering products continue to escalate.

The County crop report shows only gross returns, and no allowances have been made for shipping, processing, or sales and marketing costs. It is not reflective of the net crop value remaining, if any, that would be returned to the farm to pay the costs of growing the crop. It is possible that while a crop's countywide gross value may show an increase, the net return to the farm may decrease in value on a per acre basis. The following data represent typical break-even costs per carton for various commodities. The shipper must receive more than this typical price to make a profit.

NURSERY CROPS

CROP	YEAR	ACREAGE	AMOUNT SOLD	AVERAGE PRICE	TOTAL
GREENHOUSE CUT FLOWERS			**BLOOMS SOLD**	**PER BLOOM**	
ROSE	**2002**	**77.99**	**26,365,000**	**0.27**	**$7,119,000**
	2001	78.36	26,644,000	0.31	8,260,000
MINIATURE ROSE	**2002**	**4.49**	**2,796,000**	**0.18**	**503,000**
	2001	6.41	2,777,000	0.21	583,000
CARNATION	**2002**	**27.77**	**11,236,000**	**0.14**	**1,573,000**
	2001	34.80	15,451,000	0.14	2,163,000
CARNATION (Miniature)	**2002**	**17.22**	**2,383,000**	**1.87**	**4,456,000**
	2001	24.23	2,554,000	1.84	4,699,000
CHRYSANTHEMUM (Standard)	**2002**	**29.38**	**3,211,000**	**0.65**	**2,087,000**
	2001	16.92	2,848,000	0.58	1,652,000
ORCHID	**2002**		**248,000**	**1.65**	**409,000**
	2001		216,000	1.83	395,000
INDOOR CUT FLOWERS TOTAL ACRES	**2002**	**156.85**		**INDOOR CUT FLOWERS TOTAL VALUE**	**$16,147,000**
	2001	160.72			$17,752,000
FIELD GROWN FLOWERS			**BUNCHES SOLD**	**PER BUNCH**	
ALSTROEMERIA	**2002**	**19.02**	**310,600**	**1.49**	**463,000**
	2001	30.04	662,900	1.58	1,047,000
EUCALYPTUS	**2002**	**133.52**	**994,000**	**2.26**	**2,246,000**
	2001 [1]	155.16	995,000	2.52	2,507,000
GYPSOPHILA	**2002**	**0.87**	**19,900**	**1.96**	**39,000**
	2001	0.49	18,900	2.01	37,000
IRIS	**2002**	**23.94**	**1,060,000**	**2.02**	**2,141,000**
	2001	21.31	1,060,000	2.02	2,141,000
SNAPDRAGON	**2002**	**13.16**	**487,200**	**1.68**	**818,000**
	2001	20.30	664,000	1.78	1,182,000
STATICE	**2002**	**33.26**	**202,400**	**2.06**	**417,000**
	2001	44.45	424,300	3.21	1,362,000

[1] Corrected figures.

NURSERY CROPS - Continued

CROP	YEAR	ACREAGE	AMOUNT SOLD	AVERAGE PRICE	TOTAL
POTTED PLANTS			**PLANTS SOLD**	**PER PLANT**	
BEDDING PLANTS					
Commercial &	**2002**	**87.71**	**1,834,950,000**	**0.03**	**$55,049,000**
Organic Vegetable [1]	2001 [5]	92.78	1,921,140,000	0.03	57,634,000
ORCHIDS	**2002**	**60.16**	**6,698,000**	**7.87**	**52,713,000**
	2001	45.93	2,256,000	8.11	18,296,000
POINSETTIA	**2002**	**69.28**	**1,725,000**	**4.59**	**7,918,000**
	2001	58.65	1,438,000	4.47	6,428,000
PROPAGATIVE	**2002**	**123.81**	**18,633,000**	**0.38**	**7,081,000**
STOCK [2]	2001	140.80	12,208,000	0.56	6,837,000
OTHER PLANTS			**PLANTS SOLD**	**PER PLANT**	
MISCELLANEOUS	**2002**	**96.29**	**5,465,000**	**2.80**	**15,302,000**
Indoor Decorative [3]	2001	46.81	4,365,000	3.00	13,095,000
OUTDOOR	**2002**	**15.07**	**670,000**	**2.63**	**1,762,000**
Woody Ornamentals	2001	16.77	809,000	2.66	2,152,000
MISC FIELD CROPS [4]	**2002**	**1,038.93**	**40,302,000**	**1.37**	**55,214,000**
	2001	1,414.81	51,831,000	0.81	41,983,000
CHRISTMAS	**2002**	**19.96**	**924**	**31.39**	**29,000**
TREES	2001	22.96	1,345	28.25	38,000
LILIES	**2002**	**8.71**	**1,031,000**	**1.30**	**1,340,000**
	2001	18.38	1,453,000	1.25	1,816,000
NURSERY CROPS	**2002**	**1,900.54**		**NURSERY CROPS**	**$218,679,000**
TOTAL ACRES	2001 [5]	2,290.36		**TOTAL VALUE**	$174,307,000

[1] *Includes: Artichokes, Broccoli, Cabbage, Cauliflower, Celery, Corn, Head Lettuce, Herbs, Leaf Lettuce, Leeks, Melons, Peppers, Squash, Strawberries, Tomatoes.* [2] *Includes: Bedding plants, Carnations, Fruit tree transplants, Grape cuttings, Mums, Roses.* [3] *Includes: African Violet, Azalias, Cyclamen, Dieffenbachia, Ficus sp., Gardenias, Gloxinia, Kalanchoe, Potted Mums, Seasonal potted plants, Spathiphyllum, Spring bulbs.*
[4] *Includes: Agapanthus, Bulbs, Cactus, Cornflower, Colum Stock, Curly Willow, Dianthus, Foliage, Foxglove, Freesia, Godetia, Heather, Larkspur, Leptospermum, Lilies, Lisanthius, Misty, Myrtle, Seafoam,Stock, Succulents, Strawflower, Sunflower, Thistles, Tillandsia, Turf, Yarrow.*
[5] *Corrected acreage& total figure.*

SEED CROPS

CROP	YEAR	PRODUCTION ACREAGE	PER ACRE	TOTAL	UNIT	F. O. B. VALUE PER UNIT	TOTAL
BROCCOLI	**2002**	**38**	**0.08**	**3.13**	**TON**	**72,523.96**	**$227,000**
	2001	91	0.10	9.10	"	29,780.22	271,000
CAULIFLOWER	**2002**	**34**	**0.07**	**2.54**	**"**	**80,708.66**	**205,000**
	2001	190	0.06	11.70	"	61,966.00	725,000
PEAS	**2002**	**13**	**1.64**	**21.28**	**"**	**1,268.80**	**27,000**
	2001	136	1.34	182.00	"	818.68	149,000
BEANS, (All)	**2002**	**3,163**	**0.78**	**2,474.00**	**"**	**1,951.50**	**4,828,000**
	2001	2,750	0.88	2,426.00	"	1,434.05	3,479,000
MISC. SEED 1	**2002**	**1,158**	**1.18**	**1,362.00**	**"**	**541.12**	**737,000**
	2001	832	0.91	758.00	"	618.73	469,000
SEED CROPS	**2002**	**4,406**			**SEED CROPS**		**$6,024,000**
TOTAL ACRES	2001	3,999			**TOTAL VALUE**		$5,093,000

APIARY

CROP	YEAR	COLONIES	PRODUCTION	UNIT	F.O.B. VALUE PER UNIT	TOTAL
HONEY	**2002**		**25,000**	**LBS**	**0.75**	**$18,750**
	2001		29,000	"	0.58	16,800
POLLINATION 2	**2002**	**650**		**COLONY**	**23.38**	**15,200**
	2001	2,329		"	29.83	69,500
WAX	**2002**		**1,290**	**LBS**	**2.25**	**2,903**
	2001		1,500	"	2.25	3,380
APIARY	**2002**					**$36,853**
TOTAL VALUE	2001					$89,680

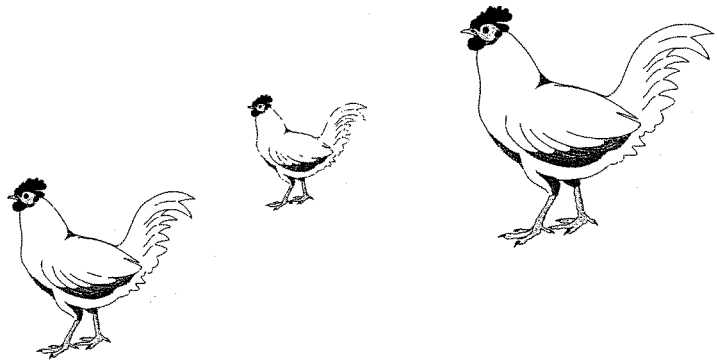
1 *Includes: Barley, Corn, Cucumber, Endive, Native grasses, Oats, Peppers, Squash, Watermelon, Western maize.*
2 *Crops Pollinated: Apple, Broccoli, Carrot, Cauliflower, Cucumber, Fava Bean, Melon, Onion, Parsley, Pepper, Spinach, Squash.*

LIVESTOCK & DAIRY

CROP	YEAR	HEAD	PRODUCTION	UNIT	F. O. B. VALUE PER UNIT	TOTAL
BEEF CATTLE	**2002**	**97,500**		**CWT**		**23,540,000**
Total	2001	92,500		"		27,618,000
Cattle & Calves	**2002**	**47,500**	**298,770**	"	**52.00**	**15,536,000**
	2001	47,000	295,630	"	67.00	19,807,000
Stocker	**2002**	**50,000**	**116,000**	"	**69.00**	**8,004,000**
	2001	45,500	105,560	"	74.00	7,811,000
SHEEP & LAMB	**2002**	**2,300**	**3,450**	"	**69.00**	**238,000**
	2001	2,500	3,756	"	67.00	252,000
WOOL	**2002**		**16,560**	**LBS**	**0.15**	**2,490**
	2001		18,000	"	0.15	2,700
HOGS	**2002**	**1,500**	**285,000**	"	**0.35**	**99,800**
	2001	1,600	304,545	"	0.45	137,000
DAIRY	**2002**	**1,750**		**HEAD**		**5,809,000**
Total	2001	2,018		"		8,625,000
Dairy Cows	**2002**	**1,300**		"	**1,500.00**	**1,950,000**
	2001	1,458		"	1,600.00	2,333,000
Cull Cows	**2002**	**300**		"	**500.00**	**150,000**
	2001	360		"	600.00	216,000
Calves	**2002**	**150**		"	**70.00**	**10,500**
	2001	200		"	85.00	17,000
Fertilizer	**2002**		**6,000**	**TON**	**7.00**	**42,000**
	2001		6,000	"	7.00	42,000
Milk, Market	**2002**		**321,564**	**CWT**	**11.36**	**3,653,000**
Marketing	2001		411,347	"	14.59	6,002,000
Manufactured	**2002**		**315**	"	**10.54**	**3,320**
	2001		881	"	16.98	15,000
LIVESTOCK & DAIRY TOTAL VALUE	**2002**					**$29,689,290**
	2001					$36,634,700

POULTRY

CROP	YEAR	HEAD	PRODUCTION	UNIT	F. O. B. VALUE PER UNIT	TOTAL
POULTRY	**2002**					**$2,089,240**
Total	2001 [1]					2,402,000
Broilers, Fryers	**2002**	**464,000**	**2,723,000**	**LBS**	**0.42**	**1,144,000**
Roasters	2001	466,000	2,984,000	"	0.41	1,223,000
Misc. Poultry [2]	**2002**					**903,000**
	2001 [1]					1,020,000
Eggs	**2002**		**32,000**	**DOZ**	**1.32**	**42,240**
	2001		63,000	"	2.52	159,000



POULTRY	**2002**	**$2,089,240**
TOTAL VALUE	2001 [1]	$2,402,000

[1] Corrected total figure. [2] Includes: Duck Eggs, Ducklings, Fryers, Goslings, Pullets and meat Hens.

TREND OF MAJOR CROPS IN MONTEREY COUNTY

CROP	YEAR	VALUE	ACRES		INFLATION ADJUSTED DOLLARS
ARTICHOKES	**2002**	**$38,265,000**	**5,735**		**$38,265,000**
	1992	29,560,000	6,910		$37,897,436
	1982	30,930,700	8,475		$57,706,530
BROCCOLI	**2002**	**$265,867,000**	**55,125**		**$265,867,000**
	1992	243,195,000	60,840		$311,788,462
	1982	98,054,000	44,710		$182,936,567
CAULIFLOWER	**2002**	**$93,425,000**	**17,983**		**$93,425,000**
	1992	111,893,000	24,640		$143,452,564
	1982	64,731,000	24,060		$120,766,791
CELERY	**2002**	**$90,707,000**	**9,546**		**$90,707,000**
	1992	65,674,000	7,789		$84,197,436
	1982	26,866,000	6,240		$50,123,134
GRAPES 1	**2002**	**147,065,000**	**42,633**		**147,065,000**
	1992	75,036,000	24,241		$84,197,436
	1982	41,458,000	24,673		$50,123,134
LETTUCE, Head	**2002**	**$309,148,000**	**61,248**		**$309,148,000**
	1992	338,470,000	69,340		$433,935,897
	1982	189,477,000	61,370		$353,501,866
LETTUCE, Leaf	**2002**	**$429,360,000**	**58,376**		**$429,360,000**
	1992	136,389,000	28,149		$174,857,692
	1982	18,384,000	5,790		$34,298,507
MUSHROOMS	**2002**	**$64,402,000**	**46,668,000**	**LBS**	**$64,402,000**
	1992	43,808,000	42,532,000	"	$56,164,103
	1982	32,852,000	30,703,000	"	$61,291,045
NURSERY CROPS	**2002**	**$218,679,000**	**1,900.54**		**$218,679,000**
	1992	147,528,000	2,151.15		$189,138,462
	1982	64,218,000	855.66		$119,809,701
SPINACH	**2002**	**$129,398,000**	**16,206**		**$129,398,000**
	1992	40,501,000	5,825		$51,924,359
	1982	5,117,000	3,850		$9,546,642
STRAWBERRIES	**2002**	**$226,849,000**	**6,980**		**$226,849,000**
	1992	199,089,000	6,960		$255,242,308
	1982	63,831,000	2,650		$119,087,687

consumer price index conversion factors from http://oregonstate.edu/Dept/pol_sci/fac/sahr/sahr.htm

1 Bearing acres only.

MILLION DOLLAR CROPS

1.	LETTUCE, Leaf	429,360,000
2.	LETTUCE, Head	309,148,000
3.	BROCCOLI	265,867,000
4.	STRAWBERRIES	226,849,000
5.	NURSERY, All	218,679,000
6.	GRAPES	147,065,000
7.	SPINACH	129,398,000
8.	SPRING MIX	119,317,000
9.	CAULIFLOWER	93,425,000
10.	CELERY	90,707,000
11.	MUSHROOM	64,402,000
12.	ARTICHOKES	38,265,000
13.	RASPBERRIES	24,986,000
14.	BEEF CATTLE, All	23,540,000
15.	ASPARAGUS	21,956,000
16.	CARROTS	21,891,000
17.	ONIONS, Green	17,205,000
18.	KALE	12,094,000
19.	RAPPINI	10,184,000
20.	TOMATOES	9,607,000
21.	PASTURE, Dry Land	9,458,000
22.	RADICCHIO	8,897,000
23.	CABBAGE, All	8,073,000
24.	CITRUS	7,637,000
25.	PEPPERS, Bell	6,558,000
26.	SEEDS, All	6,024,000
27.	DAIRY, All	5,809,000
28.	NAPA	4,865,000
29.	CILANTRO	4,385,000
30.	ONIONS, Dry	3,632,000
31.	ANISE	3,290,000
32.	BOK CHOY	3,232,000
33.	CHARD	2,781,000
34.	BEANS, Dry	2,368,000
35.	LEEKS	2,273,000
36.	PARSLEY	2,155,000
37.	POULTRY, All	2,089,240
38.	RADISH	1,519,000
39.	BUSHBERRIES	1,330,000
40.	HERBS	1,269,000
41.	SQUASH	1,021,000

SUMMARY

	YEAR	TOTAL VALUE
FRUITS & NUTS	**2002**	**$409,055,000**
	2001	497,689,000
VEGETABLE CROPS	**2002**	**$2,133,570,000**
	2001[1]	1,947,961,000
FIELD CROPS	**2002**	**$12,926,000**
	2001	12,911,400
NURSERY CROPS	**2002**	**$218,679,000**
	2001[1]	174,307,000
SEED CROPS	**2002**	**$6,024,000**
	2001	5,093,000
APIARY	**2002**	**36,853**
	2001	89,680
LIVESTOCK, POULTRY, AND DAIRY	**2002**	**31,778,530**
	2001[1]	39,036,700
SUMMARY TOTAL VALUE	**2002**	**$2,812,069,383**
	2001 [1]	2,677,087,780

[1] *Corrected figure.*

MONTEREY COUNTY PRODUCE EXPORTS BY COMMODITY

COMMODITY	2002 - LBS	2001-LBS	2000 - LBS	1999 - LBS	1998 - LBS	1997 - LBS	1996 - LBS
Lettuce, All [2]	**239,176,911**	514,174,658	236,767,966	297,400,325	243,698,976	238,140,469	217,465,530
Broccoli	**161,967,304**	141,130,453	150,631,493	186,575,971	164,855,249	163,852,454	146,890,694
Value Added Products	**101,527,352**	53,704,537	72,376,117	10,146,575	12,511,883	[1]	[1]
Celery	**91,261,322**	107,278,855	100,022,878	122,955,927	125,497,213	90,061,531	77,230,648
Strawberries	**47,298,538**	35,601,807	48,233,159	24,969,409	36,164,228	20,902,272	18,599,424
Cauliflower	**30,542,440**	24,853,605	20,820,866	23,800,696	31,842,622	24,120,687	15,641,147
Spinach	**13,924,227**	6,808,571	5,304,212	4,903,269	4,865,825	5,128,886	2,118,825
Salad Mix	**12,445,140**	4,308,409	5,324,457	[1]	4,480	599,362	214,110
Tomatoes	**11,279,643**	12,528,125	14,100,292	6,493,480	4,617,300	21,942,986	9,952,990
Carrots	**9,494,467**	9,316,624	3,833,651	6,421,226	6,691,060	5,810,790	7,718,010
Onions, Green	**9,116,067**	9,001,314	6,732,095	8,731,713	8,203,607	1,027,703	1,817,907
Asparagus	**6,585,757**	13,525,139	7,486,764	5,006,032	9,007,220	2,951,756	4,016,687
Radicchio	**5,194,995**	4,489,253	4,435,099	3,419,585	4,623,629	7,598,946	6,371,481
Onions, Dry	**4,267,509**	6,225,554	10,691,492	2,676,138	11,285,950	18,705,624	13,094,008
Artichokes	**4,030,462**	4,103,886	4,031,952	4,219,472	3,851,801	2,529,890	610,307
Rappini	**2,897,910**	1,967,360	2,775,300	2,176,949	1,812,446	2,176,661	1,529,515
Anise	**2,782,211**	2,960,596	4,747,159	3,994,252	3,643,679	3,583,752	3,099,406
Raspberry	**1,641,828**	2,991,668	2,785,976	195,520	1,243,768	904,716	758,944
Cabbage, All	**1,582,563**	3,010,232	5,255,202	6,155,129	3,505,431	7,224,858	6,716,805
Radish	**966,331**	1,180,327	1,144,213	986,118	4,623,629	205,584	215,122
Napa (Cabbage)	**770,415**	311,980	[1]	[1]	[1]	[1]	[1]
Bok Choy	**567,311**	353,836	[1]	[1]	[1]	[1]	[1]
TOTAL PRODUCE EXPORTED	**769,569,937**	**967,090,480**	**712,939,115**	**723,554,753**	**956,306,342**	**928,319,699**	**778,199,265**

All Seed	**3,177,607**	5,310,584	4,150,593	5,670,752	4,866,104	7,364,998	4,781,155
Cut Flowers (Stems)	**100,647**	2,223,330	1,019,131	3,915,540	4,749,773	5,502,984	3,165,981
Nursery Stock	**14,155,675**	15,541,355	13,888,190	10,742,703	9,654,207	10,302,093	15,257,473

1 Data not available
2 Includes all varieties: Iceberg, Leaf, Bib, Boston, Butter, Romaine

MONTEREY COUNTY PRODUCE EXPORTS BY COUNTRY

	2002-lbs	2001-lbs	2000 - lbs	1999 - lbs	1998 - lbs	1997 - lbs	1996 - lbs
Canada	**494,245,351**	448,287,952	382,593,934	317,174,273	351,537,601	300,810,959	241,197,640
Japan	**125,728,540**	126,028,183	139,474,103	164,064,167	138,056,542	146,507,247	127,676,318
Taiwan	**43,367,936**	57,226,433	37,650,194	44,485,523	35,551,233	32,914,374	39,185,450
Mexico	**42,660,405**	34,815,193	42,437,675	25,075,966	20,085,728	30,577,604	13,840,443
Hong Kong	**32,518,003**	42,845,651	67,210,702	149,690,472	98,578,133	87,575,229	83,077,219
Singapore	**13,073,560**	11,918,656 [3]	13,382,118	20,088,506	13,512,225	18,246,240	20,552,757
European Union [1]	**5,753,099**	13,740,663	6,658,568	11,359,848	16,049,672	10,205,619	10,478,836
Kuwait	**2,612,142**	1,537,613	1,475,000	1,546,214	1,077,411	1,596,298	458,360
United Arab Emirates	**2,196,384**	2,727,720	918,522	610,878	1,943,656	6,401,520	3,512,860
Malaysia	**2,081,370**	771,970	1,311,800	1,959,502	387,940	100	5,568
Switzerland	**1,247,392**	800,000	1,489,209	133,750	2,946,912	485,758	2,023,805
Puerto Rico	**1,213,213**	2,000,985	3,300,155	[2]	1,203,260	743,080	46,080
Panama	**870,699**	589,787	491,747	1,316,977	2,465,910	931,785	508,846
China	**416,400**	1,924,830	10,422,296	11,494,142	11,824,150	5,717,880	2,022,420
Australia	**398,384**	354,448	355,336	142,492	210,442	227,830	265,600
Guam	**336,197**	1,215	[2]	[2]	[2]	[2]	[2]
Saudi Arabia	**320,527**	464,180	316,200	105,812	1,428,302	83,752	107,878
New Zealand	**177,104**	327,720	78,112	76,749	228,862	41,227	8,200
Republic Of Korea	**93,875**	251,255	368,582	414,116	921,198	878,205	5,555,530
Philippines	[4]	214,073	1,105,933	[2]	877,652	832,330	559,169

1 Includes: Austria, Belgium, Denmark, Finland, France, French Guiana, Germany, Greece, Guadeloupe, Ireland, Italy, Luxembourg, Martinique, Monaco, Netherlands, Portugal, Reunion, San Marino, Spain, Sweden, United Kingdom, Vatican City State.

2 Data not available.

3 Corrected figure

4 No exports for 2002

SUMMARY OF MONTEREY COUNTY
SUSTAINABLE AGRICULTURAL ACTIVITIES

PEST	AGENT/MECHANISM	SCOPE OF PROGRAM*
COUNTY BIOLOGICAL CONTROL		
Yellow Starthistle*, *Centaurea solstitialis*	Seedhead weevils/fly, *Bangasternus orientalis, Eustenopus villosus* *Urophora sirunaseva, Larinus curtus*	40 sites
Italian thistle, *Carduus* spp.	Seedhead weevil, *Rhinocyllus conicus*	General distribution
Russian thistle, *Salsola australis*	Leaf & stem mining moths, *Coleophora* spp	7 sites
Puncture vine, *Tribulus terrestris*	Stem & Seed weevils, *Microlarinus* spp.	General and local distribution,
Aphid species	Seven-spotted lady beetle, *Coccinella septempunctata*	1 site
Ash whitefly, *Siphonimus phillyreae*	Parasitic wasp, *Encarsia inaron*	General distribution

* The hairy seedhead weevil, *Eustenopus villosus*, is available for release to individual properties with yellow starthistle infestations. Call for arrangements.

PEST ERADICATION		
Taurian thistle, *Onopordum tauricum*	Mechanical/chemical	4 plants treated
Scotch thistle, *Onopordum acanthium*	Mechanical/chemical	57 plants treated
Skeletonweed, *Chrondrilla junceae*	Mechanical/chemical	Two infestations
Puna grass, *Achnatherum brachychaetum*	Mechanical/chemical	Fifteen infestations
Fertile Capeweed, *Arctotheca calendula*	Mechanical/chemical	Three infestations

Diffuse Knapweed (*Centaurea diffusa*), Hydrilla (*Hydrilla verticillata*), and biddy-biddy (*Acaena novae-zelandiae*) have been eradicated.

PEST MANAGEMENT		
Roadside (virus host) weeds	Chemical	618 miles, County right-of-ways
Lettuce Mosaic Virus	Virus-free Seed	Indexing of all county-planted seed
Lettuce Mosaic Virus	Host-free period	No lettuce above ground 12/7-12/21
Celery Mosaic Virus	Host-free period	No celery above ground in January

PEST EXCLUSION

Pest exclusion terminal activities involved the profiling and inspection of 8,549 incoming shipments. Sixty-nine shipments were rejected in violation of quarantine regulations.

PEST DETECTION

Pest detection is the systematic search for pests outside of a known infested area, or for pests not known to occur in California. The general goal is to detect the insects before they become established over an area so large that eradication is no longer biologically or economically feasible. Detection trapping is performed primarily by the County Agricultural Commissioner's offices.

TARGET PEST	INSECT HOSTS	NO. OF TRAPS
Medfly	Fruit trees	285
Melon fruit fly	Vegetable gardens	63
Mexican fruit fly	Fruit trees	97
Oriental fruit fly	Fruit trees	84
Gypsy moth	Shade trees	288
Japanese beetle	Turf, roses	158
Nantucket pine tip moth	Monterey pine	3
Trogoderma beetle	High hazard commodities	15
Glassy winged sharpshooter	Nurseries/vineyards/urban areas	750

Pest detection trapping activities included servicing of 1,743 traps. Other detection activities included inspecting 45 commercial crop sites of 16 net acres/567 gross acres. 22 calls to residences were made for investigation of suspect reports and the Exclusion/Detection Laboratory was utilized for identification of submitted pests. Seventeen high hazard locations were inspected and 610 miles of entryways surveyed. Special surveys were made for exotic weeds, sudden oak death disease, vine mealybug and glassy-winged sharpshooter.

*Represents total number of individual sites, plants, etc. incorporated in program effort (surveys, collection, releases, etc.)

Organic

In 2002 Monterey County registered 96 organic producers and handlers. The total area of organic production is estimated to be 12,750 acres with a total production value of $119,689,000. A wide variety of organic commodities were produced. Production and value figures are included either individually or under the specific commodity (such as broccoli, cauliflower or under miscellaneous vegetables, organic)

MCCO

Monterey County Certified Organic is a USDA accredited Organic Certification Agency serving the organic needs of Monterey County growers, handlers and processors.

Mr. OSE. Now, just for everybody's educational background here, the way this committee works is this is a subcommittee of the Government Reform Committee. In the Government Reform Committee we swear everybody in; that is just standard practice. There are no exceptions. If you testify in front of Government Reform, we swear you in.

Government Reform takes a record of this. We share it with all of the other committees in Congress.

We have two panels today. During our first panel, as I said, Secretary Kawamura will be testifying. The second panel will be the remainder of the witnesses.

We have received everybody's testimony, and I have gone through it. My staff's gone through it. I'm sure Congressman Farr has looked at it, and his people have looked at it.

We provide 5 minutes for our witnesses to summarize their testimony. I've got a clock here. There's a green, a yellow and a red light on there. The green, obviously, means keep going. The yellow means you've got a minute and the red says the door underneath your chair is about to open.

If you could summarize your testimony so we can get to questions, I would appreciate it. I know Congressman Farr is time constrained. I know many of our witnesses are time constrained. We will try to move through this expeditiously. We do have some questions that we have thought about in Washington preparatory to this hearing, so we are going to go through those.

The questioning after the testimony will go back and forth between Congressman Farr and me. To the extent that we have questions, we are going to keep asking them. If there is stuff you want to offer extemporaneously, I would hope you do so. If you have questions about how this works, that would be great; if you want to ask those as you come up here do not be bashful.

We are making a record here and the record will remain open for 10 days.

After we get through the testimony there is likely to be questions that come to mind that we would like to submit to our witnesses, so we will be giving those to you in writing in a subsequent period of time, and we would appreciate a timely response.

And, with that, we are going to proceed. So, Mr. Secretary, if you would please rise and raise your right hand.

[Witness sworn.]

Mr. OSE. Let the record show the witness answered in the affirmative.

I am particularly pleased today to welcome the Secretary of the California Department of Food and Agriculture, Mr. A.G. Kawamura. Welcome, Mr. Secretary.

STATEMENT OF A.G. KAWAMURA, SECRETARY OF THE CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

Mr. KAWAMURA. Thank you, Chairman. Welcome, Congressman Farr. And,thank you very much for allowing me to have this opportunity to speak to you today.

The famous writer/poet Carl Sanburg made a wonderful statement years ago which I think is apropos for today, and that is when a nation forgets its hard beginning, it is beginning to decay.

And, clearly here in California we have been struggling with that forgetfulness at the Department of Agriculture. We are really concerned that the infrastructure which the Department of Agriculture represents and the industry itself of agriculture which is here in California is being taken for granted and has been forgotten. And, it is clear that this nation, which has such an abundance of food, so many resources, is suffering from a small case of amnesia in remembering how important the domestic food supply really is and what that contributes to a nation's economy, well being and security.

In saying that, it is also very interesting that this Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs is asking us to talk about the specialty crop industry because as we all know food, just like water, just like petroleum, food and fiber is stored energy. If you would, stored sunlight. It is something that the State of California is able to produce on an enormous basis with the blessing of all the resources we have here. And, it is very critical to recognize that we are standing at a moment of decision where we are about to export that capacity and ability to produce this enormous food supply, this enormous energy supply, to other countries.

Seeing that, I would like to say that at this point in time in an enormously complicated world, this is 2003, it's not 1963, it's not 1973. In 2003, the global competition, the exchange of technology is enormous. Formerly countries that we would not imagine being competitors with us are overnight turning into competitors and our ability to compete in this complex world is compromised without some kind of recognition that we need help. The State of California is making that turn and is ready to start to invest again, we hope, in this infrastructure which allows agriculture to be here. And, we are certainly hoping that the Federal Government then is able to recognize the timeliness of investment into that same infrastructure and the same support that would come to the specialty crops industries.

I think one of the things that many people forget is that all of us, and I am a third generation farmer from an urban area in southern California, who are engaged in the activity of agriculture and even though I have a new hat today I still am in the agriculture business as a farmer, all of us do so, it is a voluntary investment of our personal wealth to be involved in business and particularly agriculture. And, when that voluntary investment becomes so risky, so full of liability, so full of regulation that we cannot see the return on our investment and it becomes very clear that maybe that does not work for us, we will pick up those tractors and leave to another State. We will pick up those tractors and leave to another country. And, again, the timeliness of this hearing then is a chance for all of us to voice our extreme concern that we have gotten to that point commodity by commodity where different players within industry are beginning to and are ready to pick up and leave unless we do some enormous changes of support.

The global economy is not going to change overnight as far as making things better. We recognize that we have to be able to add value to our crops. We recognize that we have to be able to reinvent ourselves. This kind of support for specialty crops then be-

comes one of the critical components to allow our industry to retool itself, to reinvent itself, to spread the word, and I will talk about that later in my remarks, about the different, wonderful opportunities that the global environment gives us.

Certainly, we can talk about the global threats. I think we all recognize those. But in looking at the different opportunities, we know that we are replaceable suppliers of a food supply. We would like to be not replaceable suppliers, but the contributors and the partners in a food supply that is not only dynamic but is contributing to an enormous boom for the State of California.

We talked about a California renaissance, and that renaissance cannot take place without a renaissance in agriculture in the State of California as well. That being said, the Specialty Crop Competitiveness Act 3242 is one of those things that can help us get to that point where we go from a $30 billion industry with 350 commodities in this State to $40, $50 billion. How does that happen? The simple math of looking at consumption as an optimistic point in the future. Many of us have heard about this five a day program, eating five healthy servings of specialty crops. Currently the numbers show that the U.S. population eats three servings a day. If we go from three to five servings, that is a 60 percent increase in consumption.

Evidently, the Canadians are at seven servings a day. If we go from three to seven servings, that's 130 percent increase in consumption. And, evidently the French eat 10 servings a day. If we go from 3 to 10 servings, that is a 330 percent increase in consumption. That would be a sucking sound that would be very hard for us farmers to fill, but it would be a nice challenge for us to do it, would it not? And, it would certainly raise all boats within the agriculture industry.

Currently, the benefits of the previous specialty crops block grants that came to the State of California have been judiciously and wisely invested in different aspects of the California economy. I will just talk briefly of a few of them. The clearest example, of course, is part of this wonderful museum that we are having this hearing in. This is a chance where this museum is able to educate the public about the importance of agriculture. And, we were a small part of that, and we thank the wonderful supporters of this museum for making this legacy here in the Salinas Valley.

The California International Market Promotion for Agriculture Program [CIMPA], provides 34 agricultural business and grants to help the international marketplace.

The Western Institute for Food Safety and Security in a very complex world that has many, many dangers including SARS, West Nile Virus and all the other plagues and problems that can come into the State, that is an institute with the task of looking into the highest level of identification and detection of diseases in plant invasions.

The Nutrition grants, which we are all hopeful that this State and the rest of the country will be involved with, is a critical aspect. Our nation currently has an epidemic in obesity and childhood diabetes. That is driven by a poor diet. We recognize that fast healthy food is easily possible. Fast healthy food means using a lot of specialty crops, and we are looking forward to that.

We will ignore the drink that you are drinking.

The LEAF program which is Linking Education, Activity and Food is a wonderful example of those block grants at work.

The California Minor Crops Council received a grant to develop successful tools for effective and environmentally friendly pest and disease exclusion practices and controls, a sustainable movement in the direction that this State and this country surely is moving toward. Those are the kinds of assistance that we need.

The momentum created by these 2001 block grants then is an excellent start, but it is only a beginning. We are so very encouraged to think that around this country the specialty crops production States, which basically are all the States in one way or another, can look again at a different way of seeing agriculture in the year 2003.

Again, the forgetfulness of not recognizing that agriculture is a pillar of support, as the Homeland Security Task Force has recognized that the agricultural system, food and fiber system, is a critical infrastructure of this country. Certainly this is a movement in the right direction. And, the funding for these programs would be a wise investment.

With that, I would like to close and again say thank you to Chairman Ose, and for the entire delegation that recognizes these important aspects of agriculture today in 2003.

[The prepared statement of Mr. Kawamura follows:]

A.G. Kawamura
Committee on Government Reform
Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs
December 12, 2003 10:00 a.m
Steinbeck Center, Salinas California

Good morning ladies and gentlemen, my name is A.G. Kawamura and I stand before you as the newly appointed Secretary of the California Department of Food and Agriculture as well as a third generation farmer. Mr. Chairman, thank you for the opportunity to testify on "Problems Facing the Specialty Crop Industry." I want to commend you for holding this timely hearing.

An abundant, affordable supply of highly nutritious food is critically important to the health and well being of all Americans, especially our children. Research has shown that increased consumption of specialty crops provides tremendous health benefits to consumers. The California Department of Food and Agriculture is committed to working with Congress to ensure that agriculture policies promote the ability of growers to continue providing consumers with a wide variety of nutritious specialty crops at affordable prices.

Specialty crop growers in California, and throughout the nation, face many challenges as they attempt to remain competitive in global markets. I believe there are a number of federal policy changes that are needed to accomplish the compatible goals of achieving a healthy diet for the American public and increasing the competitiveness of specialty crop producers. These changes are contained in the Specialty Crop Competitiveness Act of 2003 (H.R. 3242), which you, Mr. Chairman introduced in Congress recently along with Congressman Dooley. I support this legislation as not only a means to address sanitary and phytosanitary issues facing farmers but also a way to address nutritional challenges facing an increasingly obese society.

Sound strategies for promoting nutritious specialty crops as part of a balanced diet are a wise investment in the future of America. By increasing the consumption of specialty crops, we will not only boost economic productivity, but we also will reduce health care costs related to obesity and many other problems associated with a poor diet. A recent study by USDA's Economic Research Service estimated that healthier diets could save billions per year in medical costs and lost productivity, and lead to a reduction of premature deaths associated with coronary heart disease, cancer, stroke, hypertension, obesity and osteoporosis. Also, a study in the journal *Health Affairs* estimated that medical spending on problems linked to excessive body weight and obesity totaled $92.6 billion in 1998, or 9.1 percent of the nation's medical expenditures in that year. These figures clearly illustrate that increasing the consumption of specialty crops is a win-win outcome for all by improving the economic stability of specialty crop growers and providing a nutritional diet for the American public.

Specialty Crop Grant Program

We took a small step in the right direction in 2001, when Congress enacted a Specialty Crop Block Grant program as part of agricultural "Market Loss Assistance" legislation. The block grant program has been extremely successful in providing states with funding needed for investment in research and other activities intended to increase the consumption of specialty crops and allow growers to become more efficient and competitive.

With block grant funds, California created the Buy California Initiative, and awarded 97 grants to various government entities, non-profit and for-profit organizations. The goal of the initiative was to boost consumption of California's agricultural commodities and raise awareness of California's agricultural heritage, as well as provide growers of specialty crops new tools to

improve their work through research, food safety, and educational programs. The following are some highlights of the Buy California Initiative:

Linking Education, Activity and Food (LEAF) Program -Grant Amount $4,000,000

LEAF received $4 million to incorporate 12 pilot projects in various school districts for physical activities, as well as improved student nutrition based on fruit and vegetable consumption. The pilot projects include changing school cafeteria facilities, creating a healthier eating environment for students. It also provides funds for implementation of school salad bars, healthy beverage outlets and breakfast buffets, all of which incorporate the value of nutrition.

Western United Dairymen –Grant Amount $100,000

We awarded $100,000 to Western United Dairymen to place milk vending machines in 16 Central Valley high schools. Since the program's start in September of this year, 28,282 chugs of milk have been sold through the vending machines, attaining the program's goal of increasing nutrition among high school students and benefiting California's dairy industry. One of the participating schools has decreased the servings of soft drinks and is urging the district to cease contract agreements with soft drink companies.

California State University, Fresno Foundation - Grant Amount $280,000

We awarded $280,000 to the California State University, Fresno Foundation, which has provided an aggressive public education campaign on motor vehicle safety targeting the Spanish-speaking farm employee population in Fresno and Tulare counties. A total of 131 radio and television mentions, two health fair booths, two live talk shows, and over 15,000 educational promotional materials have been distributed to convey the message of the importance of farm employee motor

vehicle safety.

Community Alliance with Family Farmers (CAFF) - Grant Amount $100,000

CAFF received $100,000 to perform research and develop and implement farm-to-school programs into elementary schools in Ventura, Sonoma, and Yolo county school districts. CAFF is linking these school districts with local farmers to purchase their produce and incorporate their commodities in the elementary school lunch programs. In addition to teaching students the importance of healthy nutrition, local farmers are also reaping the benefits through increased consumption and sales.

California Association of Winegrape Growers - Grant Amount $46,000

The California Winegrape Growers Foundation was awarded $46,000 to publish a California Vineyards and Wildlife Habitat publication that highlights successful sustainable farming practices and addresses viticulture and wildlife needs. This publication features a variety of practices and partnerships to illustrate how winegrowers can farm in harmony with the environment.

California Agriculture Emergency Response Team (CAERT) – Grant Amount $2,000,000

The California Agriculture Emergency Response Team was awarded $2 million to centralize the department's effort to support all emergency responses pertaining to food safety, pest and disease prevention. CAERT is currently working with the Office of Emergency Services (OES) to develop operating procedures, as well as training and exercise programs to enable an efficient CDFA emergency response team.

These examples of innovative programs funded by the Buy California Initiative show the importance of these funds to not only specialty crop growers, but students, consumers and California's economy.

H.R. 3242

Title I of H.R. 3242 continues a block grant program similar to the one enacted by Congress in 2001. This will enable state agriculture departments to expand upon these successful programs that will boost specialty crop consumption and invest in research that will enhance the competitiveness of U.S. specialty crop growers in the global marketplace.

The Specialty Crop Competitiveness Act of 2003 provides $470 million annually for five years, making block grants to the agriculture departments of the 50 states to support production-related research, commodity promotion, food safety and inspection, and other programs that enhance the competitiveness of specialty crop producers. Each state shall receive a minimum of $2 million for five years. The grant allocations shall be made in an amount that represents the proportion of the value of specialty crop production in a given state in relation to the national value of specialty crop production for the previous calendar year. The state agriculture departments shall have discretion as to how these funds are allocated, provided that they are distributed in a manner that reflects the diversity of specialty crop production in the state. The funds shall not be used to provide direct market loss assistance or other direct payments to producers and cannot supplant existing program funds. To meet their competitiveness objectives, the specialty crop block grant beneficiaries are encouraged to match block grant funds with other private funds.

School Garden Program

The bill also supports the broadening of an already successful school garden program at both the state and local level. These programs are educating school children about the important health benefits of including nutritious specialty crops in a balanced diet. School garden programs benefit both growers and consumers by boosting consumption of specialty crops, and are especially important to children across the nation.

H.R. 3242 will expand this successful concept by authorizing funding of $15 million for a pilot school garden program to be implemented in five states. The bill also provides the Secretary of Agriculture with the authority to expand the program to additional states, and requires that the Secretary consult with the state departments of agriculture on implementation of the program.

Pest Exclusion

Another major challenge growers face today is an increase in invasive pests, diseases and other biological pollution. As a grower, I can tell you the cost of having your crops destroyed by an invasive pest is devastating both economically and environmentally. As the secretary of agriculture for the state I can tell you that CDFA recently eradicated a major infestation of Mexican fruit fly in San Diego costing $22 million. If this pest would have become established, the added cost of control measures could have exceeded $124 million a year. Additionally, California recently suffered an outbreak of exotic Newcastle disease in poultry in Southern California. The cost to eradicate this disease in California was $177 million, with 18,000

properties quarantined and 2,000 government employees working around the clock to prevent the spread of this disease throughout the state and the nation. To this end, the Specialty Crop Competitiveness Act contains a number of provisions to strengthen the efforts of the federal Animal and Plant Health Inspection Service (APHIS), which protects United States growers from the increasing threat of invasive pests and diseases.

International Trade

Finally, as the former chair of the USDA's Agricultural Technical Advisory Committee, I have gained a great insight on our nation's international trade policies. I believe we need to have a balanced approach to trade policy and we should urge Congress to work with the U.S. Trade Representative to negotiate free trade agreements with countries that have strong demand for specialty crops. This will enable our growers to expand into foreign markets.

These are just a few of the issues that I believe are critically important to both California's specialty crop growers and consumers. I look forward to working with you, Mr. Chairman, and your colleagues in Congress to ensure a competitive specialty crop industry in California and throughout the United States. Thank you.

Mr. OSE. Thank you, Mr. Secretary.

It is orange juice. It is orange juice. I just want you to know that. It is orange juice.

All right. This is how we are going to proceed here. Again, Congressman Farr and I will alternate back and forth asking questions. To the extent that you have the answers or you can come up with the answers and you can share them with us, that's great. If you need to consult with your staff and get back to us, that's fine, too. We're keeping track of the questions we ask either both in the record and otherwise. And, those questions that need further input certainly we'd be happy to take them in writing.

So with that, Mr. Secretary, on page 2 of your testimony you state that the block grant program and the Economic Assistance Act of 2001 has been successful here in California. I think your testimony talks about the wine grape deal. In fact, you even list them; there's six or seven you list in your testimony.

I specifically want to ask in addition to the Buy California Initiative that you talked about in your testimony, what additional plans do you think need to be considered at the State level for increasing or implementing the increase in marketing and the promotion and consumption of specialty crops? Are there additional things that you have on the boards that you can share with us?

Mr. KAWAMURA. Our plan is, again, to build on the successes of what we see happening with the current programs. We have a new, as you know, a very exciting Governor that is dedicated to the health of children. And, it is interesting that a healthy child has to be a well nourished child. We are very hopeful at this point that the Governor, and we have had some discussions with the Governor and staff, that message is a natural message to Buy California, to be involved with California and health and eat those five a day or seven a day, nine a day servings and get away from those soft drinks and things that are so tough on the health of our kids.

Mr. OSE. Sure it is. All right. Thank you for that.

Title IV of H.R. 3242 talks about specialty crop research and the like. Would it be possible or do you have plans under this grant program where some of the funds would go to research or would you reply on the authorization within this particular title only?

Mr. KAWAMURA. Certainly, as you know, many times we find ourselves in the middle of a crises similar to the recent Pierce's Disease. And, you would always want to leave yourself some option to be able to redirect your funding to the emergency of the day. In saying that, there's a large section in the act to look and focus on the very real problems of pest exclusion and that the fact that, again, California is the portal to the rest of the United States going back to my opening statement about the forgetfulness of how important agriculture is or how important are those hard beginnings.

We have learned a lot of lessons about pest exclusion over 10,000 years of human history or more, especially in California we clearly have well documented studies showing that pest exclusion prevention is your best dollar spent. And, as these new technologies and new sciences come about that we are able to do so even more sustainably than in the past, even more effective than in the past, these are the kind of focuses for technology that we will need. In addition to that, using that same technology and study to make

sure that any trade barriers that may exist are in other countries that we are able to put those dollars to focus to open those markets that currently are closed because of scientific technological trade barriers. That is another focus that we hope to keep open and focus on as they arise.

Mr. OSE. I want to dwell on this pest and disease exclusion issue for a moment. As I understand it, we have spent in California nearly $200 million in two particular instances dealing with pests—$22 million in one instance and $177 million in the other instance—is that right? Some of that money has come from the State, some has come from the Federal Government. From where I sit, the exclusion of pests or disease from entering our country is a Federal responsibility. Do you share that view?

Mr. KAWAMURA. I absolutely do share that view, because it is just the history of this United States, actually before the formation of the United States. We understand that the bugs and the diseases and the pests don't understand borders. They can come in from any port. Before the formation of the United States, I think the best example is the incursion of the explorers with certain diseases, small pox, venereal diseases that wiped out entire populations of human beings. Every living group, every living population shares that vulnerability, whether it is our plant populations or our livestock populations, even our pets. So we talk about that all the time.

There are things that want to eat us, our plant supply or our pets, too. And, that is a battle that has been going on for millions of years and it knows no borders. And so, yes, the Federal Government has that No. 1 priority, each State has its own responsibility as well.

Mr. OSE. Sam.

Mr. FARR. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your testimony. I would just like to followup on a couple of questions that the chairman asked on the Buy California Initiative.

Let me put it into a little bit different context. We are here to talk about this Federal legislation. But, what I also see is it is very difficult to move this nation. It is so big. I mean, move the U.S. Department of Agriculture from a broad national standpoint of really committing to the kinds of things you are talking about. And, it seems to me there is other pressures that can be brought up under experiences; and that is California itself as being the populous State, the biggest agriculture State and the most diversified agriculture State.

In the grant program for the Buy California Initiative, I am wondering whether the Department is thinking about using the results of those grants, the success of those grants to essentially tackle the issue of how we really get specialty crops into institutional buying programs. If you look at us on the Ag Appropriations Committee and every year when we are looking at the commodity programs and those commodities that we buy end up back in the school lunch program or buy back in other kinds of public feeding programs, and those commodity programs are not producing the things that are nutritional five a day programs suggests we should eat. So essentially the Federal Government is not buying what they are telling

people they ought to eat, and we are going to try to do something about that.

But one of the problems you have is that, frankly, they have been buying these things because they are easy to buy in commodities. You can put them in big barrels or you can put them in big boxes. They do not think about specialty crops being packaged the way we are packaging them now. It is just a seque on technology. You do not remember that the lettuce in the bag was not invented at MIT or silicon valley. It was invented in the Salinas Valley. And, the carrots and celery that you can get in a package that are party snacks or used and served on airplanes, that technology was developed here by the men and women sitting in this room.

So, you do have a technology investment along with this, just for the sake of packaging fresh produce. But I would love to see if you can as the new Secretary bring together how we can have institutional changes in California. If we can change our own schools and our prisons. I mean think of the institutions that feed a lot of people; our hospitals. And, I think the U.S. military is very interested in being right there with you, because they want healthy food. That we could from California really shape that agenda by not only talking about the need to do it, but demonstrating that we can deliver fresh produce, fresh crops, specialty crops to the buyers in a timely way and in a way in which they can distribute them.

So it is just more of an observation than needing comment. And, I just hope you will be able to pull that together. You have already pointed out in your testimony that it has changed the school behavior in being able to build facilities to have salad bars in schools and milk vending machines, and so on. And that is, I think, the demonstration that the rest of the Nation needs to see. Because I believe as goes California, so goes the country.

The other point I want to mention on your California Agriculture Emergency Response Team just FYI, the only school in the United States that is teaching first responders by giving them master's degrees in a whole new field called Homeland Security, is right here in Monterey at the Naval Post Graduate School. I have asked the faculty over there to get ahold of our Ag Commissioners and members of the agriculture community here to essentially address the thing that you need, which is to support the Emergency Response pertaining to food safety, pest, disease prevention as they teach these first responders who are career people, who are coming over here to get a master's degree. And, they do it by coming here for 2 weeks. They get an initial course and they go back to their jobs and do distance learning, and come finally to get their degree. I think it's going to seque into a doctoral degree.

The inventive educational curriculum that is being done in Monterey will carry over to universities throughout the country because there is demand for that. I hope you can plug into that.

I mean, the Navy will probably come and talk to you. But, I will make sure that they ask questions and maybe you can tell people to also give them a call.

Last, the invasive pests that the chairman was talking about. When George Brown was alive, who is a good friend of yours from southern California, he worked with UC Riverside and Secretary Gomes to try to create a center for prevention, rather than just re-

spond to disaster. Essentially you and science know—we have ideas of what is coming, what is headed this way, what may get into the California food chain. We ought to be working on the ounce of prevention. We ought to be able to know that whenever we have a Pierce's Disease that what is the kind of response that is appropriate.

What happened is that the Federal Government, they were going to do a local tax election there, and I think that failed, to help this center for disease control and prevention. We need to get that back on the agenda, and I think the Federal Government needs to support that very heavily. We are pitching that with the USDA but your support could be very helpful in that.

Mr. KAWAMURA. Be very happy to do that.

Mr. FARR. Thank you very much.

Mr. OSE. Thank you, Congressman Farr.

Secretary Kawamura, for the record, I just want to make sure I get this here, as I read your testimony you support H.R. 3242, the Specialty Crops Competitiveness Act?

Mr. KAWAMURA. I support it absolutely.

Mr. OSE. All right. That sounds like a simple statement, but you cannot imagine how much weight that carries. I am just telling you. That is a powerful message to the rest of the country.

I want to just examine it for a minute. How do you feel this bill will benefit the specialty crop industry here in California? What do you see coming out of this?

Mr. KAWAMURA. Going back to my earlier statement about just those dynamics of consumption increase again. If we really do find ourselves with five, six, seven servings within a short period of time due to a health message, due to a nutrition message of eating this healthy, it could be fast food but it is going to be healthy fast food. It could be in the school systems. It could be food coming down to all the different institutional providers.

In 2003, and this is the right setting to be talking about value added food supplies. Value added is basically technologies of the day putting food into a new form that makes it easier to ship, possibly less perishable, more adaptable to a consumer that's on the move, more easily sent abroad. And, again, those old conceptions of what a commodity purchase program can be need to be reevaluated. In 2003 we see that there is a tremendous potential for an increase beyond anything we have imagined driven by a nutrition paradigm that can move this State and this country forward, not only in the business side of it but in the health side as well. So the dual win/win of that kind of scenario is something that this kind of a specialty crop grant program and this kind of a specialty crop act can provide and give the impetus as we move forward to reassess the entire Farm bill in 2007.

Mr. OSE. Your point is that you tie the different pieces of this together from the research and the marketing and the trade aspects, and then all of a sudden using the USDA's food pyramid, you think the demand for specialty crops will increase rather significantly?

Mr. KAWAMURA. Almost overnight.

Mr. OSE. Right. Now, I want to go back for a moment if I may to the pest exclusion issue. We were talking about the Mexican

fruit fly or the New Castle Disease. Again, 22 million on the Mexican fruit fly, 177 million on the New Castle Disease. In terms of the cost of dealing with that, how much of those costs is the State bearing today?

Mr. KAWAMURA. Going back to Congressman Farr's statement, and both of you had mentioned an ounce of prevention and we talked about the dollars of a penny wise, pound foolish, an ounce of prevention is worth a pound of flesh. The first dollar prevention that we can continue to spend in all areas of pest exclusion is our best investment.

These dollars that were spent on Pierce's Disease, the dollars that were spent on exotic New Castle disease, those numbers are actually amazingly low for the just outstanding response that the State working hand-in-hand with the USDA was able to provide in getting up to speed and fighting those infestations.

The partnership clearly is something that we understand. The question is how much of a role does the Federal Government play in this? It is an absolute hand-hold. Our economy currently, of course, is impacted. We hope to be back on the right track here in California. We are always concerned then if dollars are short in areas of prevention, and this time we would always hope that the Federal Government would be able to help us during a time of financial difficulty. We plan to be able to convince our own State of the importance of pest exclusion and make sure that our funding is always strong so that we are not a drain on the Federal Government by any chance. It is something that we are working toward, so we need assistance.

I might remind everyone, it is the experts that are asking and encouraging us to seek that assistance. There's some tremendous knowledge here in the State, and we should be all very wise to listen to that.

Mr. OSE. $22 million and $177 million is pretty quickly $200 million. One thing that has been shared with me is the State pays a share of that even though, frankly, much of the responsibility might originate at our borders. Am I accurately informed on that?

Mr. KAWAMURA. Yes, you are. Yes, the State does have a cost share within those programs.

Mr. OSE. What is the cost share arrangement?

Mr. KAWAMURA. It depends, I believe and I might have my facts wrong, but it should be one for every dollar. I believe with the Pierce's Disease it's $8.

Mr. OSE. We can expand on that, but there is a cost share relationship?

Mr. KAWAMURA. I can followup? Yes, there is.

Mr. OSE. OK, so we will followup with you with a written question about that to get that on the record.

Is that cost share relationship equitable?

Mr. KAWAMURA. It is in regards to the total amount of, how would you say, resource that is preserved or saved for the rest of the country. Again, California produces over 50 percent of all the fruits and vegetables, for example, in the country. And so, this is the food supply for the country that is being protected, not just for California. Our specialty crops, where they are an enormous amount of the percentage of the food supply of the United States

in the form of food, specialty crops are what California produces for the rest of the country. So the whole country benefits from the preservation of this industry. And, it is not right to look at each State. It is a parallel production within all the States. It is our food supply and we must always protect it. Because if we get a tremendous flood or some horrendous disaster in California, you had better hope that Florida does not have that disaster. It is, again, a big picture that we forget many times of what the food system of the United States is all about.

Mr. FARR. I had one more series of questions.

Mr. OSE. It is your turn.

Mr. FARR. Just a seque on that also, Mr. Chairman, that was a very good question. And, I think, when we get to that and you will see that California specialty crops put in more of their own private funding matched with a commitment with the State than probably any other crop in the country. I mean, we are carrying more of our burden, and, I think, that was the chairman's question. The Federal Government should have more of a responsibility.

Mr. KAWAMURA. Congressman Farr, if I may just add, and that was an excellent point, part of the reason that the industry stepped up to the plate is we deal with perishable living things. The bureaucratic process is too slow sometimes for the response that we need. And so, to followup on that, we could always do better, we could get those response emergency funds out faster. When the experts are asking for it, I think we should deliver it. That is how fast it should work.

With hoof and mouth disease, for example, every hour that you delay the process to seal it up, it costs millions upon millions of dollars. That is one of those estimates that are out there.

So in followup, the reason the industry responded with some of their own money is they see the danger to their crops in a short timeframe. They cannot necessarily wait for the right processes to go through. We would love to modify that process and make it a quicker process.

Mr. OSE. Someone on the second panel talks about the cooperative or collective efforts within marketing orders or different segments of the industry in terms of dollars committed to that. So we will expand on that when we get to that.

Mr. FARR. I have no further questions.

Mr. OSE. OK. I do want to examine a couple of things, Mr. Secretary. With respect to California itself, what do you feel are the most important trade priorities for our agricultural sector?

Mr. KAWAMURA. We have always asked for a harmonized set of rules that allows all of us to trade so that our trading partners have the similar kinds of rules and regulations into their food production that we have to deal with. We have always asked our tradeofficials to look for countries that have populations that can actually buy our crops.

Many times we are making trade agreements with countries that have nothing to offer us, but their specialty crops and no market for our specialty crops. That is a concern.

Many times within our trade policies we are finding that our products are kept out of those countries because of, again, technical trade barriers that can be solved if we were to focus a little more

of our resources on resolving those barriers in those countries to open the markets for us instead of focusing our dollars on allowing other countries to come into our country with their food products.

So, those are the kind of focuses that we need to followup on.

We have not yet looked into the food assistance dynamics and the politics of how we feed a hungry world that sometimes is in crises, going back to the fact that we have products now in 2003 that used to be very perishable that are now in forms that are highly non-perishable and easily delivered. We should certainly look at that new function of specialty crops being a part of that nutrition program that we give to a hungry world that is certainly in many cases in significantly dire straits in terms of their nutrition.

Mr. OSE. You made a very cogent point relative to targeting these trade agreements on countries that can afford to buy our product. I mean, that is such common sense it is unusual, I mean I have to tell you. I have been in Washington for 5 years and I do not think I ever heard it put so succinctly. So, I do think that is a very good point that gets lost in a lot of our discussions.

Are there countries in particular that we do not have trade agreements with today that you are aware of that we ought to look at? If you were able to say or wave your hand and say all right, we are going here, there, and there; where would you go?

Mr. KAWAMURA. Well, again, those countries that could buy our products easily. European Union as a trading block, we do not have a current open bilateral treaty with them. There is all kinds of, as you mentioned earlier, tremendous subsidies to their specialty crop sector that basically prohibit us from being competitive in their markets. As well as tariffs into Japan would be another one. Some products are getting in, some products are not.

So, those countries with the biggest populations of middle class and just with the kind of economy that it can afford our products, it is an easy demographic that you can see, we should be focusing on those for our products.

We understand many of these trade treaties are driven by national security interests. I think we always want to try and remind our administrations and our country that food security is a security issue for national security.

Mr. OSE. Right. Thank you.

We have no further questions at this time. We do have things that came up here that will be pleased to forward to you and your staff.

Mr. KAWAMURA. One last, for the record. Again, and I apologize. I am about day 15 here into the job site. I do not have all the facts.

Mr. OSE. You are doing fine.

Mr. KAWAMURA. But on the fruit fly infestation recently, the Federal Government put up $11 million and California put up $11 million. The New Castle disease it was a Federal recognizing the danger to the entire State—to the entire country on an explosion of New Castle disease into the poultry industries. It is $170 million from the Federal side, $7 million from the State side.

Mr. OSE. OK.

Mr. FARR. Just the State?

Mr. KAWAMURA. Just the State. And this is just on these aside from what private industry might have put in on their own, but——

Mr. FARR. It was $170 million just for California or the whole country?

Mr. KAWAMURA. $170 million on the Federal side.

Mr. OSE. For the outbreak that occurred in California?

Mr. KAWAMURA. Yes.

Mr. OSE. Right.

Mr. KAWAMURA. On the glassy-winged sharpshooter, it was $6 million for the State, $24 million Federal.

Mr. OSE. OK.

Mr. KAWAMURA. And then, not to mention the private contribution, which was a sizable amount as well.

Mr. OSE. From industry?

Mr. KAWAMURA. From industry.

Mr. OSE. OK. All right. Well, Mr. Secretary, thank you.

Mr. KAWAMURA. Thank you again for your support.

Mr. OSE. Is this your first testimony before a congressional committee?

Mr. KAWAMURA. No, and it will not be my last, but——

Mr. OSE. I tried to get there first.

Mr. KAWAMURA. The first in this capacity, yes.

Mr. OSE. All right. Well, we are pleased you were able to join us. We look forward to working with you, and we thank you for your support.

Mr. KAWAMURA. Thank you for your support. I appreciate it.

Mr. OSE. Thank you.

We will take a 5-minute break here.

If the second panel of witnesses could gather as the Secretary leaves, that would be great.

[Recess].

Mr. OSE. All right. I want to welcome the second panel of witnesses to our hearing today.

We are joined today by Mr. Joe Zanger, who is a member of the board of directors of the California Farm Bureau Federation. We are joined by Mr. Jim Bogart, who is the president of Grower-Shipper Vegetable Association of Central California. We also have with us today the chairman of Western Growers Association, Mr. John D'Arrigo. And, we are also joined by the vice president and general counsel of Tanimura and Antle, Mr. Robert Nielsen.

Gentlemen, you saw how we handled the first panel. We are going to shortly hear your oral testimonies. You have each submitted written testimony, which we have received and reviewed.

Each of you will be given 5 minutes to summarize your testimony, which ought to be interesting because I read everybody's testimony and I do not believe I could summarize some of it in 5 minutes, but we will see.

Then we will go to questions. So, we will have five, five, five, five and then questions between Congressman Farr and I. The questions will follow the completion of your testimony.

Do you have any questions?

OK. If you would all rise so we can swear you in.

[Witnesses sworn.]

Mr. OSE. Let the record show that all the witnesses answered in affirmative.

Our first witness on the second panel is a board member of the California State Farm Bureau Federation, Mr. Joe Zanger.

Mr. Zanger, you are recognized for 5 minutes.

STATEMENTS OF JOSEPH ZANGER, MEMBER, BOARD OF DIRECTORS, CALIFORNIA FARM BUREAU FEDERATION; JIM BOGART, PRESIDENT, GROWER-SHIPPER VEGETABLE ASSOCIATION OF CENTRAL CALIFORNIA; JOHN D'ARRIGO, CHAIRMAN, WESTERN GROWERS; AND ROBERT NIELSEN, VICE PRESIDENT, TANIMURA & ANTLE AND UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION

Mr. ZANGER. Thank you. I am Joe Zanger, a grower, processor, packer and retailer of fruits and vegetables in Hollister. I am a member of the California Farm Bureau Board of Directors and I serve on the USDA USTR Trade Advisory Committee for Fruits and Vegetables. Also, I have been on the Farm Service Agency State Committee for the last 8 or 9 years. Congressman Farr saw to it that I received that appointment back then and with the change of administrations, thanks to Chairman Ose, I am still on the State committee.

On behalf of our Farm Bureau members, I thank you for the opportunity to present testimony on problems facing the specialty crop industry. And, thank you, Mr. Ose, for forwarding the testimony from this hearing to the House Ag Committee. Thanks, too, for the Ag Committee staff who are present here today.

While working to provide a reliable food supply through responsible stewardship of our country's natural resources, growers are attempting to balance numerous issues such as global competition, retail consolidation, trade barriers, rising input costs and low commodity prices. Specialty crop growers are determined to find solutions outside the traditional U.S. farm support programs. Solutions can be identified through meaningful review of the reform of domestic policies that impair the viability and global competitiveness of our specialty crop producers. The Specialty Crop Competitiveness Act of 2003 offers necessary short and long term support for growers of fruits and vegetables and nuts throughout America. The bill addresses a wide array of issues from threats imposed by imported pests and diseases to preparing a strategy to increase U.S. exports.

I would like to express our appreciation to the bill's author, Congressman Ose, and the cosponsors of the bill including Representative Farr.

But today, I would like to briefly comment on international trade. The WTO Doha Round presents a unique opportunity for the horticultural industry to reform inequitable trade policies that place our producers at a competitive disadvantage. Past trade agreements have provided more benefits to foreign producers than U.S. producers, primarily because of continued high tariffs in many countries and substantial foreign subsidies. Our competitors enjoy the ease of exporting their product into the United States under low and zero tariffs.

To ensure that issues of interest to the specialty crop sector are addressed, a number of U.S. specialty crop organizations, including the California Farm Bureau, have collaborated to form the HORT Alliance. The HORT Alliance stands for Horticultural Organizations for Responsible Trade.

The HORT Alliance is seeking an overall WTO agreement that produces tangible benefits for the fruit, nut and vegetable sector. Our objective is to correct disparities that disadvantage U.S. growers through the framework negotiations, and if necessary to sector-specific negotiations.

The Alliance is seeking: Aggressive and significant reform in market access; new rules that limit trade distorting amber box subsidies to horticultural and specialty crops; and immediate elimination of export subsidies.

To summarize, there are significant trade export subsidy and domestic support issues that must be addressed if U.S. specialty crop produces are to see meaningful reform in the Doha Round. California Farm Bureau looks forward to continuing its work with the U.S. negotiators and with our Members of Congress in an effort to address the trade inequities impacting the U.S. specialty crop industry.

I think I will stop there. I do have additional thoughts and perspectives on how the Federal Government can be helpful to specialty crops, and I will try to tie them in and bring them out during the questioning and answering period.

[The prepared statement of Mr. Zanger follows:]

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STATEMENT OF THE
CALIFORNIA FARM BUREAU FEDERATION (CFBF)
Before the
U.S. HOUSE GOVERNMENT REFORM SUBCOMMITTEE ON ENERGY POLICY, NATURAL RESOURCES AND REGULATORY AFFAIRS
Regarding
PROBLEMS FACING THE SPECIALTY CROP INDUSTRY
Salinas, California - December 12, 2003

The California Farm Bureau Federation (CFBF) applauds the House Government Reform Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs for scheduling this hearing to discuss problems facing the specialty crop industry. Leading the nation in fruit and vegetable production, California specialty crop growers know well the pressures that have led to tree and vine removal programs, oversupply due to dumped foreign product and crop losses without suitable risk management programs. Good news does exist for the industry such as the increasing per capita consumption of fruits and vegetables and the sector's projected growth in exports. Unfortunately, local costs are surpassing global prices and the industry is hurting. In order to maintain a U.S. specialty crop industry, we need to seriously look at how domestic decisions and programs are impacting the viability of the industry.

While working to provide a reliable food supply through responsible stewardship of our country's natural resources, growers are attempting to balance numerous issues such as global competition, retail consolidation, unfunded government mandates, trade barriers, rising input costs and low commodity prices. Specialty crop growers are determined to find solutions outside the traditional U.S. farm support programs. Solutions can be identified through meaningful review and reform of domestic policies that impair the viability and global competitiveness of specialty crop producers. It is important to note, that unlike major program commodities, the specialty crop industry lacks any kind of a safety net and provides $28 billion in economic benefits to our nation – larger than any other sector.

The following comments describe Farm Bureau's perspective on how industry is influenced and reacting to particular issues and policies. Corrective actions and suggestions are also recommended. A summary of the primary recommendations can be found at the conclusion of this document.

FRUIT AND VEGETABLE PLANTING PROHIBITION:
The farm bill provision that prohibits the planting of fruits and vegetables on program crop acres must be maintained and implemented with the same spirit with which it was included in the 1996 farm bill. This provision was meant to prevent producers from "double dipping" – benefiting from volatile fruit or vegetable markets and then slipping back into government subsidy payments. While this provision has not been changed directly, structural changes to Farm Bill Title I programs have greatly reduced the penalties for producers who choose to plant a fruit or vegetable crop on base acres.

Any weakening of the prohibition would destabilize fruit and vegetable markets that do not receive benefits under Title I. What might seem like a small acreage shift relative to the size of national soybean production could be devastating to fruit and vegetable markets. The fruit and vegetable industry agreed to forego inclusion in direct payment programs for strong support of this prohibition. CFBF urges that it be maintained.

RISK MANAGEMENT:
Specialty crop producers have special risk management needs. While crop insurance has broad and generally predictable application among the major farm commodities there are unique problems within specialty crops that deserve Congress' attention. For many commodities, viable crop insurance programs are still lacking. To encourage maximum producer participation, Congress should pursue risk management programs that meet the needs of every commodity, small and large, in the most efficient and cost effective manner possible. Consideration should be given to cost-share programs that are actuarially sound and do not influence markets. CFBF encourages attention to and improvement of the adjusted gross revenue program.

HOMELAND SECURITY / SAFE TRADE / BORDER PROTOCOL:
Farm Bureau has worked closely with the Department of Agriculture on homeland security issues and appreciates the leadership of Secretary Veneman and Deputy Secretary Moseley. The creation of the Homeland Security Council at USDA has assisted in protecting our borders, food supply, research and laboratory facilities and technology resources from any intentional acts of terrorism.

Trade that is safe from the accidental and/or intentional introduction of pest and/or disease is critical to the health of our food supply and the health of our domestic agricultural industry. Congressional leaders must commit to safe trade that requires science-based inspection protocols and increase border inspections to ensure safety of incoming food products. U.S. imports of agricultural products are expected to grow in 2004 by $6.5 billion, from 2002 figures, with horticultural products projected to account for more than half the increase. CFBF strongly encourages that adequate funding be provided for APHIS to update detection methods, prevention strategies, monitoring systems and response actions. After all, according the USDA Plant Protection and Quarantine (PPQ), "dramatic increases in international travel, trade and containerized cargo make total reliance on traditional inspection procedures impractical."

Californians, unfortunately, know how an intentional or accidental introduction of a foreign animal disease or exotic pest to the food supply can be devastating. USDA and the California Department of Food and Agriculture have spent in excess of $200 million to control outbreaks of Exotic Newcastle Disease, bovine tuberculosis and the Mexican Fruit Fly – all of which came from outside our borders. Prevention is less costly than control and eradication.

CFBF supported the transfer of APHIS border functions to the new Department of Homeland Security (DHS), given assurances that the integrity of the programs would remain intact. It is imperative that personnel, training and quality control not be diminished under the "One Face at the Border" initiative proposed by the DHS. CFBF urges further dialogue between DHS, USDA and industry on this initiative and the further defining of DHS responsibilities relating to food safety and safe trade.

Agriculture and consumers must be assured that food safety remain a top priority under the department. To that end, Farm Bureau advocates the importance of trained agriculture specialists at our nation's points of entry and strongly emphasizes the need to ensure sufficient staff resources for Customs and Border Protection.

NUTRITION:
In order to deliver healthy diets, Congress should increase funds for fruit and vegetable nutrition programs and pass the "Healthy America Act" to promote improved nutrition and health by enhancing federal nutrition programs to provide greater access to, and expanding the role of, nutritionally valuable fruits, vegetables and 100% juice products.

In addition to the Healthy America Act, CFBF supports funding for the Global Food for Education Program and urges oversight and enforcement of regulations requiring government institutions to purchase U.S. grown food products.

RETAIL CONSOLIDATION:
The trade and marketing of fresh fruits and vegetables has undergone significant change the last several years with acquisition and mergers among chain stores and increased selling of products by warehouse-club stores. According to a USDA ERS report on *U.S. Fresh Produce Markets* released September 2003, "econometric analysis indicated that retailers do influence prices paid to fresh produce shippers and by consumers for some commodities." Concentration among food processors, distributors, marketers and retailers works to the disadvantage of agricultural producers and growers. Anti-trust legislation should be strictly enforced to ensure fair prices for agricultural products in state, national and international markets. CFBF encourages Congress to continue monitoring the impact of retail consolidation (including fees and services) on the industry.

COUNTRY-OF-ORIGIN LABELING:
CFBF supports implementation of country of origin labeling in an efficient, commonsense, cost-effective manner in keeping with Congress' intent.

FARM LABOR:
Specialty crop production is labor intense and as a result, higher labor costs and standards contribute to the cost disparities between world producers. Many factors contribute to the composite labor costs---OSHA standards and reporting requirements, out of control worker's compensation insurance costs, wage and housing standards. California agriculture employs over 400,000 workers as part of a seasonal and year-round work force. While there is general agreement that our country is dependent upon a foreign workforce to help grow and harvest our crops, not enough is being done to create an efficient, legalized process. Farm Bureau supports the Ag Jobs bill recently introduced in the House and Senate and we urge Congress to make immigration reform a priority.

REGULATIONS:
In any business the ability to compete comes down to the cost of producing versus what it cost your competitor to produce the same product. The United States faces stiff challenges competing with foreign producers especially among specialty crop products. The decline in California's garlic industry to a flood of cheaper product from China is the latest example. A major cause of our declining competitiveness is higher costs due to regulatory burdens, both the cost of compliance and handling the reporting requirements.

In addition to labor, other regulatory costs add to the burden, including air quality compliance matters, emerging water quality requirements, restrictions on methyl bromide use, higher water costs due to endangered species protection and wetland concerns.

Congress has attempted to rein-in regulatory costs by passing regulatory review legislation in which new regulations are subject to congressional review and various cost-benefit analysis requirements. But, more needs to be done, including studies on the cumulative impact of regulations and a more determined effort on the part of Congress to review the costs and benefits of existing regulations. And, if Congress concludes that more regulations and higher standards are the desired course, then Congress should examine ways to provide regulatory offsets or true incentives to farmers for the benefits that they routinely provide, such as wildlife habitat and carbon sequestration.

RESEARCH:
Research and new technologies will be key to helping our specialty crop producers compete, whether it's improved production, better and less costly disease and insect protection or mechanization. CFBF encourages Congress to continue its support of research of new technologies.

TRADE; OPEN AND FAIR:
The future of American agriculture is dependent upon maintaining existing export markets and creating new opportunities. To increase market access for U.S. products, we must first be aware of promising new and emerging market opportunities. And secondly, we must invest in marketing and promotion tools directed at those markets.

World Trade Organization Agriculture Negotiations
The World Trade Organization Doha Round presents a unique opportunity for the horticultural industry to reform inequitable trade policies that place our producers at a competitive disadvantage. Past trade agreements have provided more benefits to U.S. specialty crop importers than U.S. exports, primarily because of continued high tariffs in many countries and substantial foreign subsidies - while our competitors enjoy the ease of exporting their product into the U.S. because of our low tariffs.

To ensure that issues of interest to the specialty crop sector are addressed during the course of the Doha Round, a number of U.S. specialty crop organizations, including the California Farm Bureau Federation, have collaborated to form the **HORT Alliance (Horticultural Organizations for Responsible Trade)**. The Alliance is dedicated to pursuing aggressive and meaningful reform in the WTO agricultural rules governing market access, trade distorting internal supports, the use of export subsidies, and special consideration of seasonal and perishable products.

The long-term goal of the HORT Alliance is to secure an overall WTO agricultural agreement that produces tangible benefits for the fruit, nut and vegetable sector by correcting disparities that disadvantage U.S. growers, through the framework negotiations and, if necessary, through sector-specific negotiations. If the general framework agreed upon by WTO members is not aggressive enough to address the interests of horticultural and specialty crop producers, the HORT Alliance will likely request a sectoral initiative be negotiated to secure more aggressive reform for interested commodity groups within the specialty crop sector.

Within the WTO negotiations, the HORT Alliance is supporting:

- New rules that restrict how much a government may provide a trade-distorting (amber box) subsidy to any particular horticultural or specialty crop.
- Aggressive and significant reform in market access (tariffs, quotas, reference and entry price systems).
- Immediate elimination of export subsidies for horticultural and specialty crop products.
- Special consideration of seasonal and perishable products.

Market Access: Average nominal (bound) tariffs in the United States, the EU, and Japan generally fall between 0 to 25%. Globally, however, average tariffs on fruit, nut and vegetable products are much higher ranging from 30-50% on many commodities and some reaching well above 80%. Indeed, many of the countries that offer the greatest potential for U.S. specialty crop exports are those that maintain the highest tariffs. Among these are China, Egypt, the EU, India, Israel, South Korea, and Thailand. Examples of excessive tariffs include India's 105% tariff on raisins, Saudi Arabia's 100% tariff on dates, and South Korea's 136.5% tariff on onions and 368% tariff on garlic.

The trade-inhibiting effects of tariffs and quotas on agriculture are well documented. For example, in its 2003 submission to USTR for the National Trade Estimate (NTE) report on foreign trade barriers, the California Table Grape Commission reported that India's 30% tariff and other taxes on imported table grapes present a significant impediment to competitive access in one of the world's largest consumer markets. The Commission reported that in 2001, U.S. grape exports to India totaled $3.3 million, but the market could become a $10 million market if India's tariff and tax barriers were removed.

South Korea is another market where U.S. products face stiff tariffs and other trade barriers. In their 2002 submission to USTR, Sunkist Growers outlined the effects of both high duties and a tariff-rate import quota controlled and administered by the Korean citrus industry. In 2000-2001, the quota for orange imports to Korea was 40,000 metric tons. The in-quota tariff applied to orange imports was 50%, while the above quota tariff was 64.7%. Other citrus fruit faces similarly restrictive tariffs, including a 36% tariff for grapefruit and lemons and an out-of-quota tariff of 148.8% on specialty citrus. Sunkist estimates that if these market access barriers to Korea were removed, citrus exports from California and Arizona would grow $40 million to reach $100 million.

Export Subsidies: While most WTO member countries, including the United States, do not use export subsidies for specialty crop products, the European Union in 1998 subsidized 40% of its fresh fruit and vegetable exports (as well as 28% of its processed fruit and vegetable exports). In 2000, EU expenditures on export refunds for such products totaled approximately $42 million (46 million euros). And, in 2002, approximately $40.6 million was budgeted for fresh and processed fruit and vegetable subsidies. While these subsidies are within the EU's WTO commitments, they nevertheless distort the market for U.S. specialty crop exports, and increase unfair competition in third markets where U.S. products compete directly with those from Europe.

Domestic Support: While the U.S. provides some domestic support to its growers, the disparity between the U.S. and European levels of support is striking. For the most part, U.S. fruit, nut, vegetable and other specialty crop producers do not receive any amber box trade-

distorting internal support payments. By contrast, the EU in 1999 subsidized it's fruit and vegetable sector to the tune of more than $11 billion, including lemons at $426 million (84% of production value), grapes at $213 million (13%) and tomatoes at $4.15 billion (19.4%). These dollar figures are approximate given the conversion from euros to dollars.

The disparity in the level of support provided to U.S. and EU producers must be rectified in the current negotiations. However, even if the U.S. proposal was adopted, the agreement would only require that overall average levels of support be equalized. It would be possible, therefore, for the EU to reduce expenditures on some commodities much more than on others, in effect enabling some commodities to continue being subsidized at high rates.

Sanitary and Phytosanitary Issues:
For trade to truly be open, barriers must be brought down. Many barriers exist in the form of sanitary and phytosanitary (SPS) provisions. Open trade must include scientific-based trade protocols that regulate U.S. imports and exports. The Technical Assistance for Specialty Crops program (TASC) helps producers resolve problems caused by SPS market barriers. Funding for TASC should be increased from $2 million to $10 million per year, as provided for in the Specialty Crop Competitiveness Act of 2003. Resolving SPS matters is a high priority for agriculture in ongoing U.S. Free Trade Agreement (FTA) talks. Unlike the U.S.-Chile FTA, Congress should require complete resolution to SPS matters as a prerequisite to any and all FTA votes.

Trade Remedy and Import Sensitive Products:
U.S. antidumping laws should be streamlined, more transparent and take into account seasonal and regional issues. Producers of specialty and perishable commodities who can show prima facie evidence of import injury should be provided financial assistance that includes, but not limited to, legal and research expenses. To more effectively address the needs of import sensitive products, new trade policies should be identified. Thanks to a specialty crop block grant funded by USDA, this work is currently be researched by Dr. Mechel S. Paggi, Director, Center for Agricultural Business at California State University Fresno. Such grant-supported research programs are of great value to the industry.

Enforcement of Trade Agreements:
China, the world's largest producer of fruits and vegetables, needs to speed up progress in meeting commitments the country made to become a WTO member. CFBF commends the House of Representatives for recently passing a resolution urging China to meet WTO commitments and maintain a more flexible currency. Further, it is imperative that intellectual property laws be mutually enforced, respected and protected by all trading partners – including China. The U.S. should insist upon strict implementation and enforcement of trade agreements.

CROP PROTECTION TOOLS:
The Food Quality Protection Act and other regulations must be implemented in a scientific, balanced, and transparent manner to ensure the continued availability of safe and effective chemicals, including methyl bromide. Further, in holding true to the intent of "transition," CFBF encourages EPA to implement FQPA in manner that will not disrupt agricultural production nor undermine our competitiveness in international markets.

CONCLUSION:
To summarize, CFBF encourages Congressional attention and action with regard to the following specialty crop issue areas and domestic policies:

1. Maintain the farm bill provision that prohibits the planting of fruits and vegetables on program crop acres.
2. Pursue risk management programs that meet the needs of every commodity in the most efficient and cost effective manner possible while giving attention and consideration to cost-share programs and the adjusted gross revenue program.
3. Commit to safe trade that requires science-based inspection protocols, increase border inspections to ensure safety of incoming food products and provide for adequate funding for APHIS to update detection methods, prevention strategies, monitoring systems and response actions.
4. Further dialogue between DHS, USDA and industry on the "One Face at the Border" initiative and the defining of DHS responsibilities relating to food safety and safe trade.
5. Monitor the impact of retail consolidation (including fees and services) on the industry.
6. Implement country-of-origin labeling in an efficient, cost-effective manner.
7. Support the Ag Jobs legislation and meaningful immigration reform.
8. Study the cumulative impact of regulations and review the costs and benefits of existing regulations while providing regulatory offsets or true incentives to farmers for the benefits that they routinely provide, including conservation practices.
9. Urge U.S. negotiators to pursue aggressive and meaningful reform in the WTO agricultural rules governing market access, trade distorting internal supports and the use of export subsidies, for specialty crop products.
10. Invest in marketing and promotion tools directed at emerging markets for specialty crop products and increase funds for the Technical Assistance for Specialty Crops Program to $10 million.
11. Streamline and make more transparent U.S. antidumping laws. Provide financial assistance to producers of specialty and perishable commodities who can show prima facie evidence of import injury.

Thank you, Mr. Chairman for scheduling this subcommittee hearing and for the opportunity to provide comments on problems facing the specialty crop industry.

Sincerely,

Bill Pauli

BILL PAULI
President

Comparison of Domestic Support Between the U.S. and the European Union

	U.S. AMS Support MY 1999 $ Billion	EU AMS Support 1999/2000 $ Billion	Difference $ Billion
Grains	4.2	7.8	-3.6
Livestock	0.02	13.1	-13.0
Hort/Wine	0.1	11.6	-11.5
Milk	4.7	5.8	-1.1
Oilseeds	3.4	2.1	+1.3
Cotton	2.4	.6	+1.8
Sugar	1.2	5.8	-3.7

1/ EU AMS does not include about $20 billion in "blue box" support. U.S. AMS does not include $5.5 billion in decoupled income payments for program crops (Green Box) and $5.5 billion in market loss payments for program crops (De Mininus Amber Box) Value of production from NASS/USDA.

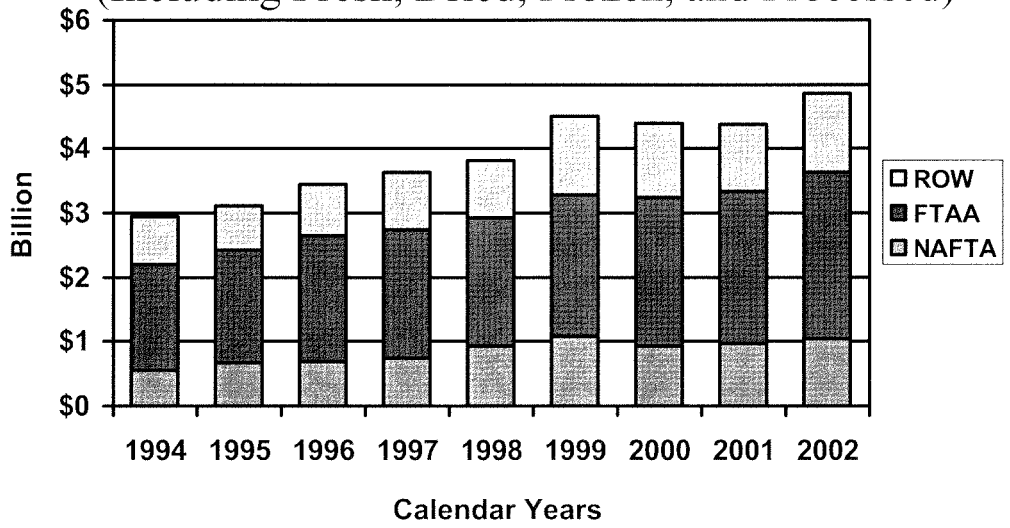
Market Access for Horticultural Products: Average Nominal Tariff (Percent)

	United States	European Union	Japan	Global
Deciduous Fruit	4.4	16.9	6.9	56.7
Citrus	2.7	19.6	14.6	56.9
Tree Nuts	2.4	2.6	4.9	56.3
Fresh Vegetables	5.9	16.9	63.0	64.4
Processed Vegetables	6.0	22.7	12.8	59.3
Wine	1	6.5	21.2	77.5

Source: USDA Bound Tariffs

U.S. Imports of All Fruits and Nuts

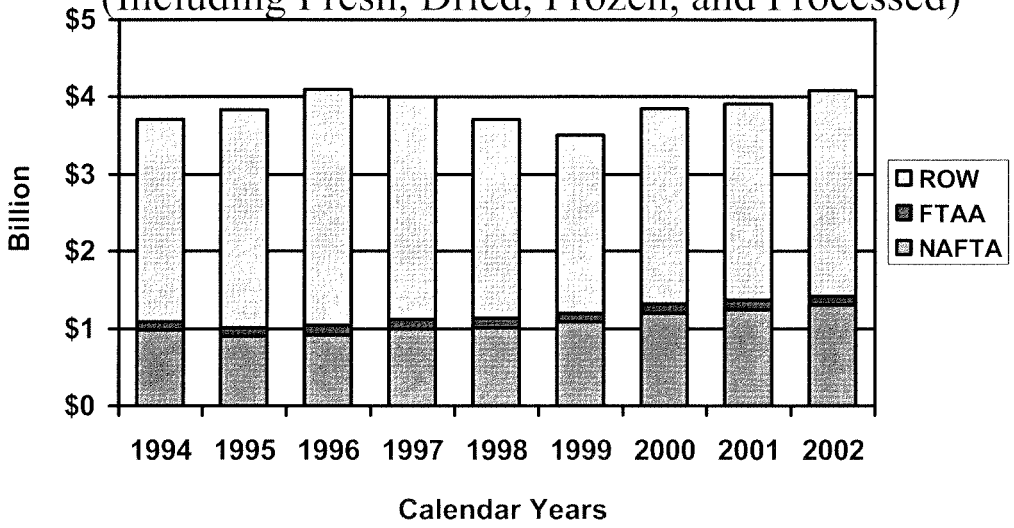
(Including Fresh, Dried, Frozen, and Processed)



Source: U.S. Department of Commerce, Bureau of the Census.
Note: NAFTA includes Mexico and Canada. FTAA is defined as Western Hemisphere countries minus Canada, Mexico, and Cuba. ROW is defined as exports to the rest of the world (excludes NAFTA and FTAA countries). Excludes imports of vegetable juices.

U.S. Exports of All Fruits and Nuts

(Including Fresh, Dried, Frozen, and Processed)



Source: U.S. Department of Commerce, Bureau of the Census.
Note: NAFTA includes Mexico and Canada. FTAA is defined as Western Hemisphere countries minus Canada, Mexico, and Cuba. ROW is defined as exports to the rest of the world (excludes NAFTA and FTAA countries). Excludes imports of vegetable juices.

Mr. OSE. If there is something we miss in the Q&A period, just make sure that you get our attention. You do not have to raise your hand.

Mr. ZANGER. Thank you.

Mr. OSE. All right. Thank you, Mr. Zanger.

Our next witness is the president of the Grower-Shipper Association here in Salinas, Mr. Jim Bogart.

Mr. Bogart, welcome. You are recognized for 5 minutes.

Mr. BOGART. Thank you.

Mr. Chairman, thank you for this opportunity to testify on behalf of the Grower-Shipper Association of Central California to discuss Federal agricultural policy with regard to specialty crops. We want to provide a warm welcome to you and the other distinguished Members of Congress and congressional staff on your visit to Monterey County.

There is no better place than right here in Salinas to discuss specialty crop issues. We are very proud of our growers and shippers that they have been able to provide the most affordable, abundant and safe supply of fruits, vegetables and other specialty crops available anywhere in the world for the American public. Monterey County, with over $2.8 billion in agricultural output in 2002, produces many specialty crops which are an important component of a healthy diet.

It is commendable of Members of Congress to come here to Salinas because today our ability to continue producing the most affordable safe and abundant supply of nutritious specialty crops is in jeopardy. We face many challenges in order to remain competitive in global markets. For that reason, the Grower-Shipper Association strongly supports the Specialty Corp Competitiveness Act of 2003, H.R. 3242, as it will address many of the problems facing our industry. We want to particularly commend you, Mr. Chairman, and Representatives Dooley, Farr, Cardoza, and others who have cosponsored this bill, for your leadership on this legislation.

Today I want to focus some of the challenges our growers and shippers face in the area of international trade.

Specialty crop growers in California have long known that expanding exports is critical to maintaining a competitive edge in global markets. However, in recent years, the balance of trade for U.S. fruit and vegetable exports versus imports has not been positive, as we have seen our exports remain stagnant while imports have steadily increased. I have attached some statistics and charts to my remarks to bear this out.

Our growers and shippers have been disappointed with their inability to gain access to international markets in recent years. The Uruguay Round trade agreement of 1995 was supposed to lay the ground work for market access for our specialty crop exports. The two primary components of this agreement that benefit specialty crops are the dispute settlement and sanitary and phytosanitary [SPS], mechanisms. While there have been a few bright spots within our industry in efforts to expand exports under the Uruguay Round, for the most part our growers continue to find access to foreign markets blocked by trade barriers.

There are several key reasons that U.S. specialty crops growers have been frustrated in their efforts to increase exports. First, we

continue to face dozens of SPS trade barriers in many foreign markets, many of which are based on very questionable scientific data. For example, Japan, which is a very large potential market for specialty crop exports, has been notorious for using questionable SPS barriers to block entry of our products.

Another major issue that our growers continue to face competition from heavily subsidized growers in foreign countries. The European Union is the largest problem in this regard, providing $11 billion in subsidies per year to its fruit and vegetable industries. As you can imagine, it is extremely difficult for our growers, who do not participate in the USDA subsidy programs, to compete against foreign growers who receive generous financial assistance from their government.

Another area of concern is that many of the bilateral free trade agreements that have been enacted in recent years are with countries that do not have substantial markets per capita or per capita income needed to purchase high value specialty crop products. If Federal trade policy wants to provide for increased specialty crop exports, we need to negotiate trade agreements with countries that have larger markets for our products, such as the Asian Pacific Rim nations.

Currently, developments in international trade threaten to pose even more challengers or specialty crop growers. Most notably, the trade sanctions with the European Union are threatening to levy in trade disputes will directly impact many specialty crops grown here in Monterey County. Our trading partners recognize that specialty crops are very important, and we will always be vulnerable to retaliation measures. These disputes must be resolved promptly in an amicable manner in order to avoid a trade war which could devastate our existing exports.

We do have a few success stories to tell about Federal efforts to address the international trade problems our growers face today. For example, Congress approved funding for the Agricultural Research Service to conduct research for controlled atmosphere shipping that has great promise for enabling us to overcome SPS trade barriers in some export markets. I would like to thank Congressman Farr for his work on the Appropriations Committee to bring this project to fruition.

However, as the challenges that our growers face continue to increase, so too must the efforts of the Federal Government to enact policies that meet the needs of specialty crop growers. Our Federal agriculture policy must do more to address this problem of a lack of foreign market access for our exports.

Fortunately, H.R. 3242 will enhance existing programs and establish new initiatives that will provide growers with the tools and technologies needed to expand exports and remain competitive. This bill includes increased funding for the Technical Assistance for Specialty Crops program, it will direct APHIS to focus more of its resources on processing export petitions, and it will enhance the Suppler Credit Guarantee Program. With these provisions and others, this legislation will assist our growers in boosting exports, and ultimately will enable our industry to remain competitive in global markets.

Mr. Chairman, again, I want to thank you for this opportunity and commend you for your efforts to improve Federal policies for specialty crops.

[The prepared statement of Mr. Bogart follows:]

Statement of Jim Bogart, Grower-Shipper Association of Central California

House Committee on Government Reform

Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs

Field Hearing on "Problems Facing the Specialty Crop Industry"

December 12, 2003

Salinas, California

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Mr. Chairman, again I want to thank you for this opportunity and commend you for your efforts to improve federal policies for specialty crops.

Agricultural Coalition On Trade

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U.S. Trade in Fresh Fruits, Vegetables and Nuts

U.S. Imports

Commodities	Source	1995	1996	1997	1998	1999	2000	2001	2002	% Change from 1995 to 2002
					- in 1,000 dollars -					
Vegetables*										
	EU	129,405	140,580	156,387	194,632	182,036	168,056	182,409	185,565	43.40%
	All Countries	1,791,079	2,056,161	2,095,710	2,576,599	2,523,969	2,674,272	2,959,963	3,113,460	73.83%
Fruits and Nuts**										
	EU	36,542	53,116	82,057	73,448	141,846	134,212	115,864	100,725	175.64%
	All Countries	2,755,862	3,047,331	3,181,303	3,406,352	4,004,206	3,917,679	3,890,102	4,144,566	50.39%
Fruits, Vegetables and Nuts										
	EU	165,947	193,696	238,444	268,080	323,882	302,268	298,273	301,217	81.51%
	All Countries	4,546,941	5,103,492	5,277,013	5,982,951	6,528,175	6,564,951	6,850,065	7,258,026	59.62%

U.S. Exports

Commodities	Destination	1995	1996	1997	1998	1999	2000	2001	2002	% Change from 1995 to 2002
					- in 1,000 dollars -					
Vegetables*										
	EU	185,223	194,779	221,562	198,116	175,118	140,233	145,368	130,302	-29.65%
	All Countries	1,611,972	1,559,365	1,699,912	1,769,934	1,699,160	1,784,727	1,742,173	1,790,624	11.08%
Fruits and Nuts**										
	EU	969,026	1,105,201	919,902	937,154	788,984	783,049	785,593	842,117	-15.07%
	All Countries	3,543,411	3,711,763	3,662,953	3,389,158	3,217,576	3,528,758	3,587,989	3,743,030	5.63%
Fruits, Vegetables and Nuts										
	EU	1,154,249	1,299,980	1,141,464	1,135,270	964,102	923,282	930,961	972,419	-15.75%
	All Countries	5,155,383	5,271,128	5,362,865	5,159,092	4,916,736	5,313,485	5,330,162	5,533,644	7.34%

*Includes all of Chapter 7 of the U.S. Harmonized Tariff Schedule.

**Includes all of Chapter 8 of the U.S. Harmonized Tariff Schedule.
Source: U.S. Department of Commerce

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U.S. Trade in Fresh Fruits, Vegetables and Nuts

U.S. Imports

Commodities	Source	1995	1996	1997	1998	1999	2000	2001	2002	% Change from 1995 to 2002
					- in metric tons -					
Vegetables*										
	EU	64,719	72,361	88,263	103,637	97,136	94,796	100,732	99,952	54.44%
	All Countries	2,808,161	3,270,510	3,251,054	3,667,784	3,662,310	3,566,563	3,803,893	4,157,814	48.06%
Fruits and Nuts**										
	EU	25,834	37,195	59,256	60,398	121,632	117,885	88,693	61,970	139.88%
	All Countries	5,952,160	6,323,339	6,570,068	6,912,230	7,686,484	7,559,700	7,334,313	7,559,464	27.00%
Fruits, Vegetables and Nuts										
	EU	90,553	109,556	147,519	164,035	218,768	212,681	189,425	161,922	78.81%
	All Countries	8,760,321	9,593,849	9,821,122	10,580,014	11,348,794	11,126,993	11,143,206	11,717,278	33.75%

U.S. Exports

Commodities	Destination	1995	1996	1997	1998	1999	2000	2001	2002	% Change from 1995 to 2002
					- in metric tons -					
Vegetables*										
	EU	228,376	214,561	232,622	243,791	219,580	184,307	204,562	171,220	-25.03%
	All Countries	2,535,640	2,523,153	2,674,375	2,797,300	2,758,124	2,872,006	2,827,568	2,840,422	12.02%
Fruits and Nuts**										
	EU	558,590	568,285	497,907	515,757	469,181	473,258	502,244	486,839	-12.85%
	All Countries	3,325,063	3,288,539	3,457,814	3,190,773	2,959,964	3,461,057	3,529,760	3,393,178	2.05%
Fruits, Vegetables and Nuts										
	EU	786,996	782,846	730,529	759,548	688,761	657,565	706,806	658,059	-16.38%
	All Countries	5,860,703	5,811,692	6,132,189	5,988,073	5,718,088	6,333,064	6,357,328	6,233,600	6.36%

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U.S. Trade in Fresh Fruits, Vegetables and Nuts

U.S. Import Percentage Changes from Base Year 1995

Commodities	Source	1995	1996	1997	1998	1999	2000	2001	2002
				- in terms of 1,000 dollars -					
Vegetables*									
	EU	0.00%	8.64%	20.85%	50.41%	40.67%	29.87%	40.96%	43.40%
	All Countries	0.00%	14.80%	17.01%	43.86%	40.92%	49.31%	65.26%	73.83%
Fruits and Nuts**									
	EU	0.00%	45.36%	124.56%	101.00%	288.17%	267.28%	217.07%	175.64%
	All Countries	0.00%	10.58%	15.44%	23.60%	45.30%	42.16%	41.16%	50.39%
Fruits, Vegetables and Nuts									
	EU	0.00%	16.72%	43.69%	61.55%	95.17%	82.15%	79.74%	81.51%
	All Countries	0.00%	12.24%	16.06%	31.58%	43.57%	44.38%	50.65%	59.62%

U.S. Export Percentage Changes from Base Year 1995

Commodities	Destination	1995	1996	1997	1998	1999	2000	2001	2002
				- in terms of 1,000 dollars -					
Vegetables*									
	EU	0.00%	5.16%	19.62%	6.96%	-5.46%	-24.29%	-21.52%	-29.65%
	All Countries	0.00%	-3.26%	5.46%	9.80%	5.41%	10.72%	8.08%	11.08%
Fruits and Nuts**									
	EU	0.00%	14.05%	-5.07%	-3.29%	-18.58%	-19.19%	-18.93%	-13.10%
	All Countries	0.00%	4.75%	3.37%	-4.35%	-9.20%	-0.41%	1.26%	5.63%
Fruits, Vegetables and Nuts									
	EU	0.00%	12.63%	-1.11%	-1.64%	-16.47%	-20.01%	-19.34%	-15.75%
	All Countries	0.00%	2.25%	4.02%	0.07%	-4.63%	3.07%	3.39%	7.34%

*Includes all of Chapter 7 of the U.S. Harmonized Tariff Schedule.

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Prepared by The Agricultural Coaltion On Trade using data from the U.S. Department of Commerce

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U.S. Trade in Fresh Fruits, Vegetables and Nuts

U.S. Import Percentage Changes from Base Year 1995

Commodities	Source	1995	1996	1997	1998	1999	2000	2001	2002
					- in terms of metric tons -				
Vegetables*									
	EU	0.00%	11.81%	36.38%	60.13%	50.09%	46.47%	55.65%	54.44%
	All Countries	0.00%	16.46%	15.77%	30.61%	30.42%	27.01%	35.46%	48.06%
Fruits and Nuts**									
	EU	0.00%	43.98%	129.37%	133.79%	370.82%	356.32%	243.32%	139.88%
	All Countries	0.00%	6.24%	10.38%	16.13%	29.14%	27.01%	23.22%	27.00%
Fruits, Vegetables and Nuts									
	EU	0.00%	20.99%	62.91%	81.15%	141.59%	134.87%	109.19%	78.81%
	All Countries	0.00%	9.51%	12.11%	20.77%	29.55%	27.02%	27.20%	33.75%

U.S. Export Percentage Changes from Base Year 1995

Commodities	Destination	1995	1996	1997	1998	1999	2000	2001	2002
					- in terms of metric tons -				
Vegetables*									
	EU	0.00%	-6.05%	1.86%	6.75%	-3.85%	-19.30%	-10.43%	-25.03%
	All Countries	0.00%	-0.49%	5.47%	10.32%	8.77%	13.27%	11.51%	12.02%
Fruits and Nuts**									
	EU	0.00%	1.74%	-10.86%	-7.67%	-16.01%	-15.28%	-10.09%	-12.85%
	All Countries	0.00%	-1.10%	3.99%	-4.04%	-10.98%	4.09%	6.16%	2.05%
Fruits, Vegetables and Nuts									
	EU	0.00%	-0.53%	-7.18%	-3.49%	-12.48%	-16.45%	-10.19%	-16.38%
	All Countries	0.00%	-0.84%	4.63%	2.17%	-2.43%	8.06%	8.47%	6.36%

*Includes all of Chapter 7 of the U.S. Harmonized Tariff Schedule.
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Source: U.S. Department of Commerce

Mr. OSE. Thank you, Mr. Bogart.

Our next witness joining us from Western Growers, Mr. John D'Arrigo.

Mr. D'Arrigo, you are recognized for 5 minutes.

Mr. D'ARRIGO. Thank you, Mr. Chairman.

On behalf of Western Growers, thank you for the opportunity to testify at this hearing today.

As you said, I am currently chairman of Western Growers with a membership of nearly 3,000 which represents specialty crop growers in California and Arizona that produce approximately one-half of our Nation's produce.

I am president of D'Arrigo Brothers Co. of California, a third generation family owned grower of vegetables and fruits. And, I'm proud to say we are celebrating our 80th birthday this year.

I wanted to compliment you for coming to Salinas Valley, home of the salad bowl of the world, as we like to think of it, to discuss the many important challenges facing the specialty crop growers. I especially want to commend you, Congressman Ose, as well as your colleagues Congressman Dooley, Congressman Farr and Congressman Cardoza for your outstanding leadership in introducing the Specialty Crop Competitiveness Act of 2003, which Western Growers strongly supports.

Western Growers believes that a competitive specialty crops industry is essential for the production of an affordable supply of nutritious fruits and vegetables that are vital to the health of all Americans. In addition, with the serious concerns on food safety and bioterrorism today, a secure domestic food supply is a national security imperative, in our opinion. If specialty crop growers are to remain competitive in today's global markets and continue to provide affordable and safe produce to the American public, Federal agriculture policy must be substantially improved. Growers of specialty crops face a crises of competitiveness that must be addressed by Congress.

It is extremely difficult for growers to compete against foreign produces who are heavily subsidized and minimally regulated. As regulation increases to control the impact of agricultural practices on air, water and soil quality, production costs for growers are increasing rapidly. Growers compete in a supply and demand environment. We are price takers, not pricemakers. And, therefore, we are unable to merely increase prices to cover increased input costs. Simply put, we cannot pass increases on.

While specialty crop growers make a substantial and important contribution to our Nation's economy, as well as our health, we have different needs compared with the Federal program crops. As such, Western Growers and the Florida Fruit and Vegetable Association has co-chaired an effort of specialty crop organizations throughout the United States to develop comprehensive legislation that will meet the needs of growers in all States producing specialty crops; whether you are a grower in Texas, Washington, Michigan, Georgia, New York. The challenge of competitiveness is a universal concern to all growers. These proposals are embodied in the Specialty Crop Competitiveness Act of 2003. I applaud you for including these important provisions in your bill.

I would now like to briefly highlight a few of the major issues that are important to Western Growers.

First, 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. We need to research and identify new concepts and tools that can assist growers in remaining competitive in this area.

Western Growers recommends that the Federal law be changed to prevent marketing order committees to implement food safety programs. This would allow growers to implement good agricultural practices designed to keep fruits and vegetables free from adulteration or microbial contamination. This would help meet the public's demand for greater levels of food safety.

Another issue that needs to be addressed is the adverse impacts on growers and shippers of the inspection scandal at Hunts Point Terminal Market in New York. Under the procedures of the Perishable Agricultural Commodities Act [PACA], even though a grower/shipper may have received a damage award through the packer administration process, the wholesaler in a procedure can appeal the packer ruling and receive a new hearing in U.S. Federal District Court. In many cases, the dollar amount of the award to the grower/shipper may be only $10,000 or less and therefore would make it not feasible to invest legal fees to pursue action in Federal court. In some cases, the wholesaler involved in illegal activity simply went out of business and the grower/shipper had no opportunity to collect any money on the packer damage award. Clearly, the current system is not working for our growers and shippers in order to make them whole from this scandal. Western Growers recommends the development of an arbitration proceeding that could be established and utilized to effect a more cost efficient and timely resolution of this problem.

I also want to stress the importance of improving foreign market access that we can increase specialty crop exports. Based on data from the U.S. Department of Commerce over the last 7 years, U.S. imports in fruits and vegetables have increased by almost 60 percent while U.S. exports have increased only 7.3 percent.

There are a number of reasons for this, such as the $11 billion in subsidies which the European Union provides to its agricultural industry annually. Additionally, the recently completed Free Trade Agreements, the FTAs with countries such like Chile and those currently in the process of being negotiated with such as Latin America, Morocco and the South African Customs Union offer United States and vegetable growers only limited export opportunities. Many of these countries are not economically developed enough to be able to afford high value products, and therefore the market for our exports is negligible.

Western Growers believes that the international trade provisions in your legislation, Mr. Chairman, will address this problem of limited foreign market access providing growers with the tools such as the market access and technical assistance programs needed to increase exports. In addition, Western Growers would like to see free trade agreements in the Asian Pacific Rim countries that currently have high tariff rates and significant phytosanitary barriers so that these implements to our exports can be removed.

In closing, I urge you to review these issues discussed in my written statements which are addressed in Specialty Crop Competitiveness Act. Western Growers again wants to thank you, Mr. Chairman and the cosponsors of the bill for your strong leadership. Cannot say that enough. We urge Congress to enact this legislation and look forward to working with you toward this goal.

Thank you.

[The prepared statement of Mr. D'Arrigo follows:]

Statement of John D'Arrigo, Chairman, Western Growers

House Committee on Government Reform

Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs

Field Hearing on "Problems Facing the Specialty Crop Industry"

December 12, 2003, Salinas, California

Introduction

Mr. Chairman, thank you for the opportunity to testify today concerning federal agriculture policy for specialty crops. I want to commend you for coming to Salinas to discuss the many important challenges facing specialty crop growers.

At the present time, growers of specialty crops face a crisis of competitiveness that cannot be ignored by Congress and the Bush Administration. As markets become increasingly globalized, as federal and state regulation of our industry increases, and as trade barriers continue to deny our growers access to foreign markets, it is becoming more and more difficult for growers to compete against foreign producers who are heavily subsidized and/or minimally regulated in both the domestic and international markets.

USDA's Economic Research Service recently issued a report entitled "Agriculture Economy Improves in 2003." This report noted that, in the aggregate across the nation, net farm income is forecast to increase by 14% in 2003. However, the report also noted that "not all farm types or regions will experience similar income growth. . . . Producers of specialty crops (vegetables, fruits, nursery) are especially susceptible to higher energy and labor costs (the fastest rising expense categories in 2003). *Lower average income is expected* for these farms, since modest gains in receipts will not be enough to compensate for higher expenses (emphasis added)."

Western Growers believes that a competitive specialty crop industry is necessary for the production of an abundant, affordable supply of highly nutritious specialty crops that are vital to the health and well-being of all Americans. 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 achieve these critically important objectives. Western Growers strongly supports the Specialty Crop Competitiveness Act of 2003 (H.R. 3242), legislation introduced by you, Mr. Chairman, as the best method of addressing the needs of specialty crop growers today. Western Growers wishes to commend you, Rep. Cal Dooley, and the other cosponsors of this legislation for your outstanding leadership on specialty crop issues.

Profile of the U.S. Specialty Crop Industry

The U.S. specialty crop industry consists of over 250 different types of crops, including fruits, vegetables, nuts, nursery, forage crops, flowers and winegrapes (see attachment A). This diverse array of crops was valued at approximately $58.7 billion at the farm-gate level in 2002. 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 the largest segment by value of the U.S. agricultural sector, specialty crop growers are large exporters. In 2002, exports of U.S. specialty crops were valued at approximately $9.3 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 $11.4 billion in 2002.

As a component of specialty crops, fresh and dried fruits (including nuts) and vegetables alone were valued at $29.9 billion at the farm gate in 2002, with $5.5 billion being exported. There are at least 215 different types of fruit and vegetable crops being grown today throughout the United States. According to USDA, there are 81,956 farms that produce one or more types of fruit, and 31,030 farms that produce one or more types of vegetable in the United States (based on the 1997 Census for Agriculture). 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 that comprise the membership of Western Growers.

Challenges Facing Fruit and Vegetable Growers

While fruit and vegetable crops make a large contribution to our nation's economy, this economic activity is in jeopardy due to a number of challenging trends facing growers, shippers and processors today. With the increasing globalization of agricultural markets due to the growth in international trade, and dramatically increased federal and state regulation of our industries, it is becoming impossible for many U.S. growers to compete against heavily subsidized and low-cost foreign producers in both the domestic and international markets. Most importantly, U.S. growers continue to face many tariff and non-tariff trade barriers in foreign markets, including many 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 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 laws;
- increasing import competition from growers in nations with minimal regulation;
- increasing pest and disease problems resulting from the growth of international trade;
- increasing federal and state regulation, such as clean air and clean water restrictions;
- growers of crops like tobacco and cotton converting their land to fruits and vegetables;
- 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. Their ability to remain competitive will be further challenged by the expected reduction or phase-out of crops such as tobacco and cotton, and the expected shift of this acreage to fruits and vegetables. Trends of this nature could put enormous downward pressure on the economic returns of fruit and vegetable growers.

I want to stress that growers of fruits and vegetables have very different characteristics and needs compared with the federal program crops. As such, current agriculture policies do not adequately address the needs of our growers in meeting the challenges outlined above. Given this threat to the economic viability of fruit and vegetable growers and the 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 our growers can remain competitive in global markets, despite the formidable challenges faced today.

WG has partnered with other organizations to develop a comprehensive approach to federal agriculture policies that will meet the needs of specialty crop growers. The major areas of this program are as follows:

- grants and loan programs needed for investment in our industry;
- marketing;
- foreign market access;
- research and extension;
- pest and disease exclusion policy;
- conservation/environment.

The policy proposals that we believe will address these areas are incorporated into the Specialty Crop Competitiveness Act of 2003 (H.R. 3242). I would like to explain the rationale behind the federal policy changes made by this legislation and provide additional suggestions for the consideration of Congress.

Specialty Crop Block Grant Program

In 2001, Congress enacted a Specialty Crop Block Grant program as part of Market Loss Assistance legislation approved by Congress. This program has proven to be very successful in providing states with funding needed for investment in research and strategies aimed at increasing consumption of fruits, vegetables and other specialty crops and allowing growers to become more competitive in global markets. Grants authorized by this program have gone to activities like the Produce for Better Health Foundation's national "5 A Day" nutrition campaign. So far, the $2.5 million grant received from the 2001 block grant program has allowed the foundation to leverage an additional $16 million in cash and in-kind promotion dollars to promote fruit and vegetable consumption.

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 builds on the success of the 2001 legislation by establishing a similar program through which the Secretary shall use $470 million of funds annually for five years 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 shall receive a minimum of $2,000,000 for five years. The grant allocations shall be 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, this program will boost economic productivity in the U.S., enable growers to become more competitive in world markets, and reduce long-term health care costs related to obesity and other problems arising from poor diets.

Marketing Issues

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 and the Administration 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 needs to 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 deemed to make fruits and vegetables safe for consumption purposes and free from adulteration or microbial contamination. This change would help meet the public's demand for greater levels of food safety beyond the food safety programs implemented by the government in recent years. Unfortunately, the existing law does not allow growers to adopt food safety programs under a marketing order. Western Growers believes that the 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.

Another marketing issue important to fruit and vegetable growers is the need to increase consumer awareness of the importance of nutritious fruits and vegetables to a healthy diet. While many schools are teaching school children the essentials of a balanced diet, a few school systems are using small garden plots to demonstrate the importance of fruits and vegetables and the process of food production. The Specialty Crop Competitiveness Act will expand on this concept by establishing a pilot school garden program in five states with major urban populations. This program will provide school children in these metropolitan areas with the opportunity to experience the many life-long benefits of learning about fruits and vegetables through a school garden.

Another issue that needs to be addressed is the adverse impact on growers and shippers of the USDA inspection scandal at the Hunts Point Terminal Market and the many still unresolved damage claims. Under the procedures of the Perishable Agricultural Commodities Act (PACA), even though the grower/shipper received a damage award, the defendant in the procedure can appeal and receive a *de novo* hearing in federal court. In many cases, the damages awarded to a grower/shipper will not pay for the legal proceedings involved. In one case, a shipper received an award of $1,500 after spending over $70,000 in legal fees in federal courts. In other cases, the

wholesaler involved in the illegal activity went out of business and the shipper had no opportunity to collect a damage award. In this case, the federal government, whose employees were fully or partially responsible for the damages, should pay the award.

Clearly, the current system is not working for the growers/shippers. Because of the *de novo* procedure, which requires a new trial in a federal court that entails much costly litigation, many grower/shippers are foregoing the opportunity to obtain damages that resulted from the fraud perpetrated by USDA inspectors.

Western Growers recommends that an arbitration proceeding be created that can be used to resolve this problem for growers related to Hunts Point. In this proposal, the plaintiffs have an option to either submit the complaint to the arbitration panel or proceed through the PACA process, and the plaintiffs would be permitted to terminate their case(s) before PACA without prejudice and re-file before the arbitrator. In addition, this proposal would extend the statute of limitations for filing for damages only for those growers/shippers damaged in the Hunts Point matter.

In order to improve the accuracy and reliability of USDA's inspection and fair trading programs, the Agricultural Marketing Service has established a new National Training and Development Center (TDC) of the Fresh Products Branch. 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, 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.

Western Growers is aware that $1.5 million is needed annually for the proper operation and maintenance of the TDC facility, located in Fredericksburg, Virginia. We urge Congress to immediately enact legislation to authorize this critical funding.

Foreign Market Access

A full examination of the state of the domestic fruit and vegetable industry would not be complete without some discussion of the impact of specialty crop commerce in today's global marketplace.

With a fruit and vegetable farm gate benefit to the U.S. economy of $29.9 billion (FY 2002), $5.5 billion is exported. Fruits and vegetables provide more value to the economy than any other agricultural sector. However, unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance. Over the last several years, the trade deficit for fruits and vegetables has ranged from $1.3 to $1.8 billion annually.

Over the last seven years, U.S. imports of fruits and vegetables have increased by almost 60% (to $7.3 billion in 2002), while U.S. exports have increased only 7.3% ($5.5 billion). There are a number of reasons for this, one being the tremendous subsidies which the European Union provides to its industry, which exceeded $11 billion in 2000. Plus, Japan subsidizes its fruit and vegetable growers, thereby creating incentives to deny U.S. exports entry to its market.

Additionally, 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 very 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 several recommendations that are designed to address this problem and increase U.S. exports.

Congress should direct USDA to conduct a study on why and to what extent U.S. fruits and vegetables (HTS Chapters 7 & 8) have not benefited from the Uruguay Round, and to prepare a foreign market access strategy plan aimed at increasing fruit and vegetable exports that were guaranteed access under the Uruguay Round. Included in the plan should be an assessment of known foreign trade barriers that are incompatible with the Uruguay Round, and a strategy for removing such trade barriers.

Many of the foreign trade barriers that restrict the expansion of U.S. fruit and vegetable exports are bogus phytosanitary problems used by foreign governments to block access to their market. The Technical Assistance for Specialty Crops (TASC) program was established to provide assistance to U.S. growers to engage in research and other activities needed to remove such trade barriers. Western Growers believes that we should immediately accelerate these efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding from $2 million to $10 million per year.

Western Growers is concerned that developing countries are being advised by representatives of the U.S. government to plant fruits and vegetables for export to the U.S. We believe that the Bush Administration should find other business candidates for assisting developing countries to increase their exports to the U.S. H.R. 3242 directs USDA's Foreign Agriculture Service and Economic Research Service to prepare a study which evaluates how the our government can best assist the economic development of developing countries without disrupting the economies of rural areas of the U.S.

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 almost seven years, the SPS agreement is opening the U.S. market without the promise that foreign markets

being opened for our products. The problem is that there is a lack of transparency in the priorities of the Animal and Plant Health Inspection Service (APHIS) in processing SPS import and export petitions. We are not faulting APHIS for the imbalance between the agency's efforts on SPS import petitions verses export petitions, as the agency is merely responding to outside demands. To address this problem, H.R. 3242 directs APHIS to create a "Sanitary and Phytosanitary Export Petition Division" 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. The bill mandates that APHIS process the existing backlog of petitions within 5 years of enactment.

Improving the ability of APHIS to expedite export petitions cannot accomplish our objectives entirely. There are many SPS cases that fail to remove the trade barrier because of a lack of sufficient evidence available to the government. APHIS is not equipped to conduct this work, but the industry, with assistance from other government agencies, could develop the evidence needed to open the foreign market if the resources are made available. H.R. 3242 will provide the resources for performing much of the work to remove SPS trade barriers by increasing funding for the Technical Assistance for Specialty Crops program, which has already proven to be successful. This is a very practical step that Congress can take to help provide the market access that was promised under the Uruguay Round many years ago.

Another recommendation that will promote the growth of exports of U.S. fruits and vegetables is to ensure that a dispute resolution corporation is included in each new trade agreement the United States enters into. While questionable domestic fruit and vegetable trade practices can be resolved under the Perishable Agricultural Commodities Act (PACA), there is no mechanism for arbitration with international trade problems, other than the dispute resolution corporation (DRC) established under the North American Free Trade Agreement (NAFTA). The NAFTA DRC provided for the establishment of a tri-national fruit and vegetable dispute resolution body whereby policies, standards and services necessary for resolving disputes could be handled in a timely and cost-effective manner. The NAFTA DRC has been particularly helpful in facilitating trade in perishable commodities among the three NAFTA countries and has led to fair and consistent trade practices. This method of adjudication has proven very effective for the NAFTA countries and will provide a means for promoting international trade in fruits and vegetables with other nations if incorporated into future trade agreements. This, in turn, will help U.S. growers to be more competitive in world markets.

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.

Finally, Western Growers would like to thank the you, Mr. Chairman, and the other members here today 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.

Specialty Crop Research

As U.S. specialty crop growers try to remain competitive with other sources of fresh produce, 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. Western Growers urges Congress to direct USDA to prioritize methyl bromide alternative research and extension activities, which identify – with growers and the crop protection industry – the hurdles, both scientific and economic, to registration of alternatives. The development of any alternative technique to methyl bromide must include analysis of the cost to the grower or processor associated with the new technique, and how the cost will relate to international trade, especially in competition with countries not prohibited from using methyl bromide. Western Growers recommends that funding be authorized for competitive research and extension grants to identify and assist in bringing cost-effective alternatives to market, as well as for demonstration projects for specialty crops.

In addition, with the development of new scientific information on methyl bromide's impact on the environment, we also believe that it makes sense for Congress to reexamine the risks and benefits of extending the current phase-out deadline.

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:

  o 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;

  o interact with growers and other stakeholders to establish regional priorities for research and extension activities;

  o 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;

  o provide data on pest control methods and usage to USDA agencies and EPA; and,

  o 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. At least 40% of the reviewers would be non-university personnel.

- 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.

Finally, Western Growers recommends that Congress create the National Specialty Crop Development Initiative, an integrated competitive grant program supported with $30 million annually. This program is a long-term investment to improve efficiency and competitiveness of fruit and vegetable growers in the world marketplace, and all colleges and universities as well as private organizations would be eligible to compete for the grants.

Pest and Disease Exclusion

Along with the increase in international trade that we are experiencing comes an increase in threats to U.S. fruit and vegetable crops from invasive pests and diseases from abroad. In order to meet 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 adding 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.

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.

As the arena of pest risk assessments and measures for pest exclusion are rapidly developing, Western Growers recommends that Congress enact legislation that requires APHIS to develop a process whereby critical 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. Other government agencies have successfully utilized a peer review mechanism, notably the Environmental Protection Agency, and we believe it is now time for APHIS to follow suit.

Also of concern to fruit and vegetable growers is the potential of increased introduction of new pests with the changed focus for border protection in the United States. With the formation of the Department of Homeland Security (DHS) and its focus on protecting the American people from terrorism, Western Growers fears that the need to focus on preventing the introduction of harmful pests and diseases into the U.S. could be lost or compromised. The DHS's current plans to train the front-line inspectors ("one-face-at-the-border" program) require only 2 days for training on agricultural inspections out of 71 total training days. In contrast, under APHIS's management of this responsibility, agricultural inspectors underwent 3 months of training and had to have a degree in biology. Needless to say, we do not believe that 2 days of training is adequate.

APHIS already has been unable to keep up with the increasing trade of agricultural products and other goods that may carry pests, as well as the increased number of foreign travelers. Each new pest that is introduced in the U.S. increases the cost of production and closes potential export markets for our growers. It is critical to the health and competitiveness of the fruit and vegetable industry to maintain strong protection of U.S. borders against the introduction of harmful pests.

Planting Fruits and Vegetables on Subsidized Acreage

Western Growers strongly supports the current policy of prohibiting fruits and vegetables from being grown on subsidized acreage enrolled in the USDA farm programs. 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 produce organizations, WG worked hard to ensure that Congress abided by this policy in writing 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. WG will strongly oppose any new legislation that would allow subsidized producers to compete against non-subsidized growers in the production of fruits and vegetables.

Western Growers remains committed to ensuring that the fundamentally fair policy of prohibiting subsidized growers from competing against growers who do not receive government assistance in fruit and vegetable production remains the law of the land, 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. Growers already have maximum flexibility to grow fruits and vegetables as long as they are willing to forgo federal program subsidies.

Conclusion

Again, Mr. Chairman, thank you for the opportunity to testify at this important hearing. Western Growers looks forward to working with you and your colleagues to improve federal agriculture policy for specialty crop growers through the Specialty Crop Competitiveness Act of 2003 during the 108th Congress.

Attachment A

U.S. Specialty Crop Economic Values - 2002

(*Figures in billions of dollars*)

Type of Specialty Crop	Farmgate Value
Fruits, Vegetables and Nuts	$29.9
Forage (hay, pasture, seeds, and minor field crops, hops)	$12.5
Nursery	$9.4
Floral Industry	$4.9
Winegrapes	$2.0
Total	**$58.7**

Attachment B

Comparison of Economic Values

Specialty Crops and Program Crops

Category	Specialty Crops	Program Crops
	(in billions U.S. $ for FY 2002)	
Farmgate Value	$58.7	$47.9
Farmgate Export Value	$9.3	$22.2
Value of Imports	$11.4	$3.9
Free Trade Agreement Benefits	No	Yes

SOURCE: USDA/ERS; USITC Trade DataWeb

Mr. OSE. Thank you, Mr. D'Arrigo.

Our final witness on the second panel is Mr. Robert Nielsen, the vice president and general counsel for Tanimura & Antle. Welcome.

Mr. NIELSEN. Thank you, Mr. Chairman.

Mr. OSE. You're recognized for 5 minutes.

Mr. NIELSEN. Thank you.

Mr. Chairman, Congressman Farr, ladies and gentlemen, I want to thank you for this invitation. I want to thank you, too, for your being here. I want to thank you also for your work on the specialty crops issues that this country and its industries are facing.

I am appearing today on behalf of Tanimura & Antle here in the Salinas Valley, and also on behalf of United Fresh Fruit and Vegetable Association, which is headquartered in Washington, DC.

At the outset I would like to say that we support the Specialty Crop Competitiveness Act and we applaud you for your efforts. The first time, as far as we can determine, that such a comprehensive effort has been made to address the issues that specialty crop producers in the United States face. This is commendable. We are pleased that Congress is on record as both you members pointed out, that the volume of specialty crops produced in this country now exceeds the volume in dollar terms of the crops that receive Federal assistance. We are no longer, as Congressman Farr pointed out, minor crops. We are the biggest player in the game.

That being said, I would like to talk to you in behalf of and in the context of Tanimura & Antle, which I represent, as being one of the players in this industry, along with the D'Arrigo Brothers and many of our other neighbors here in the Salinas Valley. We are the people who produce these specialty crops. And, I think it is helpful for the Congress, for the committee, for the staff to understand what we who bear this burden, if you will, or cease these opportunities face everyday.

Tanimura & Antle, headquartered in Salinas, is one of the largest privately owned produce companies in the United States. We ship a full line of fresh vegetables and value added products, i.e. specialty crops, grown on 56,000 acres in California and Arizona. We have cooling facilities in Salinas and Huron, CA, as well as Yuma, AZ. In addition, we have two value-added salad-processing plants here in Salinas, one in Yuma and one each in Jackson, GA, Plymouth, IN, and Boisbrind, Quebec. We sell our products throughout the United States and Canada, and also in Europe and Asia.

We are players and we deal with the issues that have been raised by the three previous speakers on this panel.

Founded in 1982, Tanimura & Antle, is owned 50/50 by two families, and it prides itself on being a leader in responsible farming that respects the land and produces specialty crops of the highest quality. We are consumer-oriented, as all the major companies and all the farmers in our industry are, and at the same time we value the contributions of our other constituents; that is our employees, our growers and the communities in which we operate.

Tanimura & Antle is a leader in the application of technology to farming, being extensively committed to drip irrigation, as well as the use of satellite technology, advanced plant-breeding techniques,

and labor-saving machinery and equipment, much of which we develop within our own country.

As part of our technology and the efforts we do, we produce these, which the chairman was gracious enough this morning to indicate he might be interested in consuming. Loaded with vitamins and minerals, these are aimed at helping kids in this country eat healthy products on a snack basis. Carrots or celery that kids can get, and they're nutritious and they are good for you. This is an example of the technology that our industry, as Congressman Farr pointed out, has been pursuing with breathable films, with manufacturing techniques that permit this crop to have a self life and to be exported, and to be shipped around the country.

As I mentioned, I am also appearing on behalf of United Fresh Fruit and Vegetable Association, which has been around since the early part of the 20th century and is a strong voice representing the views of producers, wholesalers, distributors, brokers and processors in Washington.

Tanimura & Antle also as part of the activities that it engages in, is an owner of a company by the name of Natural Selection Foods, which is the major organic producer in the United States. We are a grower for Natural Selection, and we market and ship products under their label, which is Earthbound Farms.

The produce industry is unique. Our products are highly perishable. In fact, a son of Salinas, John Steinbeck described in "East of Eden" one of the first lettuce shipments from Salinas to the East Coast. Although the book is fiction, his narrative is based on facts that actually occurred. The enterprising packer/shipper who sent the rail car eastward, lost everything when it was parked over the weekend on a siding in Chicago and all the ice inside melted.

This early story is an example of the constant risk taking that we in the produce industry continue to engage in. We put millions of dollars worth of working capital into the ground with every crop that we plant never knowing for sure whether Mother Nature, retail channels, the marketplace 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.

Our markets are highly volatile, as you have heard today, yet we have never relied on traditional farm programs to sustain our industry. Instead, we look to Adam Smith's "invisible hand" to promote efficiency and reward the entrepreneurial risk-taking that so marks our industry. And, it is in this context that we greatly welcome the Specialty Crop Competitiveness Act and the efforts that you, Mr. Chairman, and your committee and the Congress are undertaking.

I would be pleased to answer more questions further on.

[The prepared statement of Mr. Nielsen follows:]

Testimony

Robert R. Nielsen

Vice-President, Law & Government,
General Counsel

Tanimura & Antle, Inc.,

Salinas, California

before

THE SUBCOMMITTEE ON ENERGY POLICY,
NATURAL RESOURCES AND REGULATORY AFFAIRS

In connection with

THE SPECIALTY CROPS COMPETITIVENESS ACT OF 2003
HR 3242

Steinbeck Center
Salinas, California

Friday, December 12, 2003

Introduction

Good morning Mr. Chairman and Members of the Committee. My name is Robert Nielsen. I am Vice-President, Law & Government, and General Counsel of Tanimura & Antle, Inc.

Tanimura & Antle

Tanimura & Antle, headquartered in Salinas, California, is one of the largest privately-owned produce companies in the United States. We ship a full line of fresh vegetables and value-added products grown on 56,000 acres in California and Arizona. We have cooling facilities in Salinas, and Huron, California, as well as Yuma, Arizona. In addition, we have two value-added salad-processing plants in Salinas, one in Yuma, and one each in Jackson, Georgia, Plymouth, Indiana, and Boisbriand, Quebec. We sell our products throughout the United States and Canada, and also in Europe and Asia.

Founded in 1982, Tanimura & Antle, is owned 50/50 by two families and prides itself on being a leader in responsible farming that respects the land and produces crops of the highest quality. We are consumer-oriented, and at the same time value the contributions of our other constituencies: i.e., our employees, our growers, and the communities in which we operate. Tanimura & Antle is a leader in application of technology to farming, being extensively committed to drip irrigation, as well as the use of GPS satellite capacity, advanced plant-breeding techniques, and labor-saving machinery and equipment, much of which we develop within our own company.

As part of our commitment to the market place and the environment, we are an owner of (and a grower for) Natural Selection Foods, which is a major organic produce company in the United States, selling products under the "Earthbound Farms" ® label.

I am pleased to be here in behalf of our Company, as well as the two families who are our owners, our three-thousand employee-strong workforce, and the growers and communities with whom we work.

United Fresh Fruit & Vegetable Association

I am also pleased to offer this testimony in behalf of United Fresh Fruit & Vegetable Association, a national association representing the views of producers, wholesalers, distributors, brokers, and processors of fresh fruits and vegetables. United has provided a forum for the produce industry to advance common interests since 1904.

The Produce Industry

Tanimura & Antle and its fellow members of the produce industry have driven and experienced tremendous changes over the last several years. We have worked hard to remain profitable, satisfy consumer demands, conform to and develop new technology, and compete in an

increasingly global market place which is enjoying the fruits of consolidation at the retail end of the supply chain.

Our products are highly perishable. In fact, a son of Salinas, John Steinbeck described in "East of Eden" one of the first lettuce shipments from Salinas to the East Coast. Although the book is fiction, his narrative is based on facts that actually occurred. The enterprising packer/shipper who sent the rail car eastward lost everything when it was parked over the weekend on a siding in Chicago and all of the ice inside melted. This early story is an example of the constant risk-taking that we in the produce industry continue to engage in. We put millions of dollars worth of working capital into the ground with every crop that we plant, never knowing for sure that Mother Nature, 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. Our markets are highly volatile, yet we have never relied on traditional farm programs to sustain our industry. Instead, we look to Adam Smith's "invisible hand" to promote efficiency and reward the entrepreneurial risk-taking that so marks our industry.

Unfortunately, however, the market place in which we operate is becoming less neutral and even-handed. Myriad regulations, driven by food-safety concerns, responses to 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 all the way 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.

Given the shifts and dynamics of our industry, we therefore welcome the opportunities now presented by Chairman Ose, this Committee, as well as Congressmen Dooley, Farr, and the other co-sponsors of HR 3242, the Specialty Crops Competitive Act of 2003. We do so because the introduction of this bill flows from the mandate of the Energy Policy, Natural Resources and Regulatory Affairs Subcommittee as we understand it. Specifically, we applaud the fact that this Subcommittee, charged with Congressional activity concerning "the overall economy, efficiency and management of . . . Agencies responsible for the nation's economy and natural resources," is focusing in this instance on specialty crops, the kind that we produce as part of our contribution to the health of the United States, and the strength of its domestic and export economy.

Today, I would like to take the opportunity to discuss with you and answer your questions concerning the produce industry and how it would be beneficially affected by the Specialty Crops Competitiveness Act of 2003. To that end, I would like to focus first on broad industry-wide issues, then consider specific elements of the proposed Act, as reflected in HR 3242.

Domestic 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, all without the need to rely solely on costly drugs and medical intervention in this day and age of spiraling medical costs and decreasing medical access. The U.S. Dietary Guidelines issued jointly by USDA and HHS call for Americans to consume from 5-to-9 servings a day of fruits and vegetables. The National Cancer Institute has led the 5 A Day for Better Health campaign for more than a decade, and recently the Centers for Disease Control and USDA have signed on as formal government partners in this program encouraging people to consume more fruit and vegetables.

We 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 specialty crops 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.

At Tanimura & Antle we believe 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 farm 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 recent Farm Bill began to make progress toward those objectives, but so much more is required to bring fruit and vegetable producers the tools they need to meet national public policy objectives.

We also are very appreciative of Congressman Ose and the many Members who have supported this new legislation to address specialty crop concerns. HR 3242 is an important step forward.

Significant Elements from Tanimura & Antle's Perspective

The Scope of the Act

We note that the Act, by it's terms, applies to "all agricultural crops, except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco." Our concern here is that such a definition is negative in that it covers everything but the crops that are enumerated. We believe that it would be more effective to take an affirmative position and say specifically what crops are covered by the Act. In that regard, we would recommend using the definition of crops covered by the Perishable Agricultural Commodities Act (PACA); i.e., "fresh fruits and fresh vegetables of every and character." (7 U.S.C. § 499a (b)(4) that way, it would be clear that soybean, corn (and even farm-raised fish) would not be covered by the Act.

Country of Origin Labelling

At Tanimura & Antle we were pleased by the House of Representatives vote on Monday, December 8, 2003 to delay for two years implementation of regulations developed by the United States Department of Agriculture in connection with the Country of Origin Labelling provisions of the recent Farm Bill. We recognize that the law was written with good intentions, but we view it as being seriously flawed in that it does not pertain to all food items. Nor does it cover all channels of distribution. Specifically, food service sales and certain food products are excluded. As written and proposed to be implemented (even by way of the regulations recently announced by USDA), we are greatly concerned that COOL is, in effect, little more than a protectionist measure which works to the detriment of the produce industry, while adding little additional benefit to consumers.

We noted with concern, but also with understanding, the problems faced by the retail food industry in its attempts to comply with the regulations that were proposed. We saw the burdens of following the law being shifted back up the chain of distribution to packer/shippers and ultimately to farmers, themselves. It is our understanding that this shift was not the intention of thoughtful people who developed and voted for the legislation underlying the proposed regulations, but this is nonetheless the effect that has resulted.

We believe strongly in free markets and in the right and power of consumers to choose what they want. Accordingly, we remain convinced that any Country of Origin Labelling Requirement that is followed by the produce industry should be voluntary in nature, driven by economic forces, and grounded solidly in consumer preferences. In other words, we have seen research results which indicate that consumers are not as concerned about the Country of Origin of some of the products that they buy, as much as they are about year-round seasonality, taste, and cost.

We urge the Committee and Congress to include within the Act specific language authorizing and directing USDA to undertake broad-based meaningful surveys, research and analytical work that would aid the food industry in determining just exactly what consumers would like to see by way of Country of Origin Labelling. Trusting that the Senate of the United States will join with the House of Representatives in postponing implementation of COOL for two years, we appreciate the opportunity for and urgency of members of the food industry to work together to develop a viable program that responds to consumer needs (as defined and researched), while eliminating the excessive bureaucratic activities and costs that we believe would be associated with the COOL provisions of the Farm Bill, as it now stands.

Time is of the essence here, and we would hope and trust that USDA would have the necessary guidance and funding to undertake this needed research as soon as possible. Furthermore, we would hope that the results thereof would be available to the food industry within six months; i.e., June or July of 2004.

Perchlorate

The Congress has recently directed the United States Department of Defense to work with appropriate government agencies to study the effect of perchlorate on water supplies in the United States. Based on sound to science as we understand it, it is unclear that the presence of perchlorate in agricultural water poses an immediate threat to farmers and consumers of farm products. But we need to move forward in this area, guided by a specific Congressional statement which assures specialty crop farmers that they will not be penalized by the consequences of perchlorate in portions of America's water supply. In addition, it needs to be made clear to American consumers and farmers that those who have been responsible for the introduction of perchlorate into America's water supply must be responsible for cleaning it up, to the extent that such cleanup is necessary.

Organic Produce

Once derided as "food for hippies," organic produce is now a significant and growing component of healthy diets in the United States and overseas. While there is no convincing evidence that production of conventional crops using inorganic chemicals and pesticides that leave no detectable residues is ultimately harmful for consumers, there can be little doubt that organic farming techniques are beneficial to the ongoing health and sustainability of agricultural land and of our world as a whole. Indeed, members of the Tanimura family have been using organic materials in their farming operations for over fifty years. The result if such farming practices, evidencing proper stewardship of the land, is soil health and capacity that redounds to the benefit of landowners, farm owners, and consumers of crops produced on such ground. Indeed, healthy soil, coupled with good organic farming practices, strengthens plant health, obviating the need for pesticides in a number of situations. Organic yields are lower than those of conventional crops, in our experience, but the benefits to farmland and the planet as a whole from organic farming methods are beyond doubt in our opinion.

At Tanimura & Antle we believe that the Act should encourage, support and continue innovative programs that are now in place at the State level for organic specialty crops. We have found that continued research in organic farming techniques, as well as continued farmer-training and export-marked development support, is vital to the future of organic produce and the benefits that organic farming provides.

Agricultural Labor

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. At Tanimura & Antle we pay wages that are among the highest in the industry. We also provide our employees with full medical, dental, and vision-care benefits for themselves and their dependants. In addition, we have a prescription drug program and we have established a 401(k) plan in which all of our employees are enrolled. Tanimura & Antle has a profit-sharing program under which profits are shared with our employees, and are deposited for their benefit in their 401(k) accounts. The Company also has a

scholarship program for its employees, is working with Monterey County in the operation of an all-day child-care and preschool facility for children of our employees, located on the premises of our main headquarters in Spreckels, California. We also provide active on-going support to local schools and service organizations.

As a result of these initiatives on our part, we have developed close working relationships with our employees, most of whom are Latino and Spanish-speaking. We can attest to their commitment to our Company, to the work ethic, and to the prosperity, safety and security of the United States. For this reason, we support programs that are designed to facilitate lawful entry of farm workers into the United States. In connection with that support, we also urge the Congress through this Subcommittee and the Act, to provide legal-status authorization for farm workers who have been in the United States for a defined period of time, working consistently in agriculture, prior to the introduction of HR 3242.

Such a program would not spur new immigration, because it would be limited to incumbent farm workers with a significant work history in U.S. agriculture. Workers covered by this arrangement would have non-immigrant, but legal, status. Their spouses and minor children would be given limited rights to stay in the U.S., protected from deportation. These workers would have to verify compliance with the law and continue to report their work history to the government. Upon completion of continued work in agriculture, and specialty-crops in particular, these workers would be eligible for legal permanent resident status. Considering the time elapsed from when they would first apply to enter this process, these workers would have no advantage over regular immigrants beginning the legal immigration process at the same time.

We also support the allocation of funding and loan credits to support the construction and operation of affordable work force housing. In locations such as Monterey county, where we are headquartered, increasing population pressure is running into commendable efforts to preserve and protect open space, but with the result that land prices and construction costs are driving reasonably priced housing out of the marketplace. The net effect is farm workers having to live in sub-standard crowded conditions. In addition, they have to drive very long distances to their job sites. We note that these workers do not want to sit back and receive welfare. They actively pursue and hold down one or more jobs. What is of concern to them and their families is housing that is secure, safe, and affordable.

We urge the Committee to provide additional funding to current USDA housing-support programs, and to amend the statutory requirements of those programs in a way that will permit them to support housing that can be built and operated for the employees of specialty-crop farmers or packer/shippers. There needs to be a means whereby farm workers can acquire their own homes (perhaps by way of leveraging their 401(k) accounts for down-payment purposes, as is presently done in some communities). We are convinced that providing employees with the opportunity to live in decent housing that they can pay for (and ultimately own) enhances stability and commitment to the community, as well as increase productivity on the job. We believe that all of this is an aspect of the pursuit of the American Dream by recent arrivals in our country. It should be supported and encouraged as much as possible.

Health Care

As noted above, there is a growing health-care problem in the United States. We have found through our support of local community–based organizations in Monterey County that it is possible to deliver healthcare to farm workers and others employed in specialty-crop agriculture, doing so on a low-cost basis through clinics that work in tandem with housing-advocacy organizations, as well as local hospitals and other health-care providers. We urge the Subcommittee to include in the Act funds that would support state and local community-based activities that bring healthcare to workers in the specialty crop area by way of on-site medical personnel in facilities, the costs of which are covered by grants or loans funded through the Act. We would also urge that operating funds be made available to state and local health-care provider organizations, so that these organizations can fund the activities of professionals delivering preventative and other basic health care services to workers in the specialty crop industry.

Specific Provisions of the Act

With the foregoing in mind, I would like to turn now to provisions of the Act which we believe merit consideration and discussion from our perspective.

Food Safety Initiatives

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 and can affect public perceptions of the health benefits of increased produce consumption. We support continued voluntary measures to identify and reduce potential sources of microbial hazards in fresh fruits and vegetables. We also support the implementation of prudent measures including education initiatives at both industry and consumer levels, to reduce occurrences of microbial pathogens and to promote sound sanitary practices. We 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 uncooked fruits and vegetables in healthy diets.

USDA's Inspection Service and Fair Trading Practices Programs

USDA's fruit and vegetable inspection is a voluntary, fee-for-service program, administered by the AMS since 1928. The objective of the inspection program is to facilitate trade by providing buyers and sellers of fresh fruits and vegetables with impartial and accurate information about the quality and condition of shipments of fresh produce, based on well-known, published USDA standards. The inspection program for fresh fruits and vegetables is available at shipping points located in growing areas and at wholesale markets and other points where large volumes of fresh produce are received.

The AMS also administers the Perishable Agricultural Commodities Act of 1930 (PACA), which established a code of fair trading practices covering the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. PACA protects growers, shippers, distributors, retailers and others who deal in those commodities by prohibiting unfair and fraudulent practices. The law also provides a means of enforcing contracts between buyer and seller, and helps ensure that produce-related assets remain available to pay suppliers if a receiver enters insolvency proceedings. Most traders of fresh or frozen produce must obtain a valid PACA license which is issued by the Fruit & Vegetable Programs. We strongly support maintaining PACA and the protective regulatory structure that it created.

Understandably, the October, 1999 bribery and racketeering scandal at Hunts Point Terminal Produce Market in New York severely damaged the fruit and vegetable industry's confidence in USDA's AMS inspection system. Fruit and vegetable growers, and indeed the entire produce industry, depend heavily on the inspection system to provide credible and consistent third-party analysis of product condition at both shipping point and upon arrival. Our faith and trust were breached, and, in effect, the industry was told to accept the consequences of the scandal as "one of those things." To be sure, many responsible officials in USDA were deeply concerned by what happened, and took steps to ameliorate the losses suffered by members of the produce industry. We believe that the Act should make available to the shipper's who lost money at Hunt's Point as a result of the scandal compensation to the extent that losses can reasonably be demonstrated

In June of 2000 Congress appropriated funds for USDA to create a Produce Inspection Training Facility, now located in Fredericksburg, VA. This training facility provides the vital function of training existing inspectors, new inspectors, and, for a fee, it partners with the industry to train industry representatives. This facility has made significant strides in reeducation, providing refresher courses and uniformity in grading and produce inspections. USDA's oldest grading standards were developed in 1928 for blackberries and okra. USDA recently announced efforts on a long-term strategy to update all produce standards and provide new electronic inspection equipment in the field to aid in the inspections. We strongly support these efforts to update grading standards, where necessary, with the involvement of the affected industry parties. With these new updated standards and technology to be implemented over the next several years, it is vital that Congress provide a funding commitment to the Inspection Training Center. Doing so would be an act of faith that would help us once and for all to get beyond the consequences of the debacle at Hunts Point.

International Trade

We strongly support the Act's requirement that the United States Trade Representative establish at least one position in the Office of the USTR that is responsible for trade matters solely related to specialty crops.

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 (and including organic specialty crops, as discussed above). In particular, federal research dollars should be focused in the areas that quantify the clean air benefits of the specialty crop industry in relation to urban sprawl or fallow land, develop cost effective and efficacious new crop protection tools and Integrated Pest Management (IPM) systems to address the loss of key pesticides through the implementation of the Food Quality Protection Act (FQPA), identify and prioritize the harmful economic/health impact of foreign invasive pests and diseases now threatening the U.S., and conducting pre- and post harvest research targeted to maintaining and enhancing the quality of fresh produce (including taste and appearance). In this regard, we support strongly the Act's protection of intellectual property rights in plants and plant-derived material.

We also support the national specialty crops development initiative grant program, a long-term program to improve the efficiency and competitiveness of specialty crop producers in the world marketplace. This effort between the Agricultural Research Service (ARS) and Cooperative State Research, Education and Extension Service (CSREES) working jointly with the specialty crop industry, should develop a comprehensive strategic plan that addresses short-term, intermediate-term and long-term needs in production technology, marketing, product development and food safety issues essential to maintain a competitive specialty crop industry.

Pest and Disease Exclusion Program Policy

Recognizing the need to address food security, we commend the U.S. Customs and Border Patrol (CBP), Department of Homeland Security (DHS) and USDA for their leadership in working with the private sector, including our industry, to ensure that appropriate steps are in place to minimize the potential of terrorist action to contaminate foods. Continuing to ensure the safety and security of fresh fruits and vegetables, whether produced domestically or abroad, is a top priority of the entire produce industry. With this in mind, we have some concerns about the training of new CBP Officers and Agricultural Specialists.

Specifically, while the intention and concept of creating a CBP corps of officers who will present "one face at the border" to travelers and the importing community is important and essential, we are concerned that these individuals may not be adequately prepared to address invasive pests

and disease issues. We support the creation of the CBP "Agriculture Specialist" position, which will complement the work of CBP Officers and be stationed at ports with large volumes of cargo importation, particularly in those major hubs where the agriculture industry imports flowers, fruits, vegetables, meat, and other products of an agricultural interest.

Summary and Conclusion

Mr. Chairman and members of the Committee, this concludes my testimony. We at Tanimura & Antle appreciate this opportunity to have appeared before you, and I welcome any questions that you may have.

Thank you.

Mr. OSE. Well, thank you.

I thank all the witnesses for their cogent and, frankly, comprehensive summaries of their testimonies.

We are going to go again, as we did during the first panel, just back and forth with questions.

Do you want to go first this time?

Mr. FARR. Well, thank you, Mr. Chairman.

Let me point out an observation you all made about the need for a good stable labor supply. A bill has been introduced in Congress by Mr. Cannon and Mr. Berman from California on the Ag Labor worker program and get some benefits to those who are here now to provide some temporary status while they are pursuing permanent status. That bill has gotten broad based support in both the House and the Senate, both Republicans and Democrats. The one person that I have heard that is opposed to it is Senator Feinstein, and I think we need to use the industry to talk to her office about why this bill really is beneficial to California. I think what the reaction is that in the first instance there will be an increasing in population in California from the guest worker program. All the fears about that are sort of good. But it is, I think, the only hope that we can address this issue and I just urge you all to bring that attention to our Senator here.

I wanted to ask Joe Zanger, the regulation area. Monterey County I saw in the paper just adopted the right to farm ordinance creating, which I always thought was a smart idea, that we talked about in the Endangered Species Act of why you have to preserve a critical mass of habitat in order for a species to survive. If you think about agriculture being an endangered species, then we ought to create a protective habitat for agriculture to survive. You are going to do that through Federal roles and State roles. But the real land use issues are local.

Are these ordinances having an effect? I am sure that the reason that the County Board of Supervisors adopted it is because of the interest in agriculture in Monterey County? Is the Farm Bureau pursuing in each of the ag counties in California?

Mr. ZANGER. Yes. You know, land use and land zoning is very important. You know, we support keeping agriculture on the prime ground. But it is just not enough to draw the lines. At the same time while we are farming, we need to have a means of being profitable. And, you know, if you are not profitable, then you know all the rest hardly matters. So in conjunction with the land use and the zoning, you know there is a number of other things that can be done both locally and State wide and federally that help with the profitability standpoint for the industry.

Mr. FARR. You know, the difficulty though with just doing it that way, is there is no guarantees. We have created in the Williamson Act in California essentially a commitment by the landowner to keep their land in agriculture for whatever the contract period is, and that seems to have worked well. It's a quid pro quo for that you get a reduction in your property taxes.

It seems to me that we need to make more of those quid pro quos. I mean, I am supporting you, but I think that the right to farm, I would like to see that in each county in California. Because I think that protects at least from the notice requirements to land

buyers and to neighbors. You are moving into an area where there is going to be noise, there is going to be dust, there is going to be spraying, there is going to be activity that are necessary for productive agriculture.

You brought up the regulations, and that is why I am really wondering how far the State Farm Bureau was carrying those kinds of issues. We will try to address these issues at the Federal level.

Mr. ZANGER. Well, as I say, we are supportive of the right to farm. I think predominately most counties do have ordinances. Now, how well they stand up to litigation, that is another question.

I think farmers and ranchers are more than willing to do all they can to protect the environment and to be part of the environment. But it sure helps if you are making a dollar so you can afford to do that. A lot of problems are solved when you have money in your checkbook.

Mr. FARR. Well, I think that whole idea of protection of farmland has to be consistent with protection of economic return on the investment. It has to be sustainable.

Thank you.

Mr. D'ARRIGO. I would like to weigh in on your question, if I may.

Mr. FARR. Certainly.

Mr. D'ARRIGO. I think it is an excellent question. I farm right up to a lot of urban areas. They have encroached on my property. I have people at night who go out into my farms from the surrounding urban environment and neighborhoods that have moved into the area after we have been farming there for decades. They turn off our pumps. They sabotage our equipment. They do not like the noise. They do not like the dust. They call the Ag Commissioner and complain. They want us to shutdown our farming operations. And, you try to explain to them, well we were farming here first. You moved into a nice area because you thought it would be nice and pretty to move around a farm and look how nice it is out there, and then you realize what it is like to live around a farm.

So I really support these ordinances of a right to farm and right to exist and Western Growers is working on behalf of trying to find a balance there, but clearly farmers do have a right to produce. We have to keep reminding people as the cities grow that we need to be able to do this.

Mr. FARR. Well, I appreciate that. I mean, this county, Mr. Chairman, has made incredible strides. We were the first county to require posting. It was not a State law. The ag community was supportive of that.

The regulations are setbacks are debated county-by-county and chemical-by-chemical. But, I think this county, and perhaps Mr. Nielsen could comment. The one thing that was in his testimony he did not talk about is what you do for the labor community that you hire, the farm labor community. I think outside of California and perhaps outside of the specialty crops.

Specialty crops probably employ more people than any other part of agriculture. More shipping. I mean, there is more touching and handling of small stuff than the big stuff, which is all combines and can be shipped and put in big grain elevators.

I once had a staff member from Montana who was a wheat farmer; when we drove in the Salinas Valley, she said what are those people doing out there in the fields. I said, well how do you harvest your wheat. And, she said, we just hire equipment and my kids drive it.

The point is that there is so much unknown about this industry that is so important to the big economic picture of America. I mean, you could comment on Tanimura & Antle does for your workers.

Mr. NIELSEN. Well, Congressman Farr, the backbone of any specialty crop farming operation is the people. The infrastructure that you bring to the process is essential.

Our two families are committed to the workers that we employ, well over 3,000. We pay among the highest wages in the industry. We have a health care plan, vision care, dental care, prescription drug plan for all of our employees and their dependents. We have a 401(k) plan for every field worker. We have a company profit sharing plan and the profits that we give to our employees go into the 401(k) plan for them. We have a scholarship fund for some of our employees' children.

We also, this past year, opened a preschool daycare facility in concert with Monterey County on our premises here in Salinas. We provide full daycare for children of our farm workers and the staffing comes from the county with assistance from the State. The kids receive nutritious meals, they receive preschool education, which is bilingual and is moving them in the direction of learning English. And, it's proven to be very, very effective. In fact, we had a ceremony celebrating that earlier this past week.

Our take on all of this is that if you invest in human capital, which is the most important capital component in any business operation, the returns more than justify the investment you make. It is on the basis of that investment that we have, I think, good relationships with our employees as do many, many other participants in the specialty crop industry. It is for that reason that we—and we mentioned it in our testimony—support the various attempts that are being made to facilitate lawful immigration into the United States for field workers and other people. It is a very important part of the industry. We have a great deal of faith in our employees. We respect them, and I believe, they respect us and our company and our country. I do not think there are a more committed nationally supporting people that I have ever seen in a work force than in our industry. These folks work very hard, some of them holding down two jobs, driving long distances, living in poor quality housing that is a long away from where they work and yet they still keep coming and they still work hard and they pursue the American dream. Their kids generally do not work for us. They go to college and law school. But that is the way it works. We are very pleased to be part of that.

So in a long response to your question, I would say that the people you work with are the most important part of your operation and they are to be cared for and respected.

Mr. OSE. Thank you. Each of you testified about the issue of open markets and the impact of such on yourselves and your colleagues.

And, we have had discussion about what countries the USTR should focus on relative to new trade agreements and the like.

I want to turn that question around a little bit. With respect to the specific trade agreements, I mean we can talk about sanitary, phytosanitary things, we can talk about tariff levels or we can talk about subsidies or what have you. At the risk of having each tell me well they're all co-equal, which one is most important? Which one does the USTR really need to focus on first? And, it might be 1A, 1B and 1C, but when next the members of the Ag Committee meet with Ambassador Zoellick, what do you want us to tell him?

Mr. Zanger.

Mr. ZANGER. Well, sure, I will start.

That is probably the toughest question you could ask today. Because from country to country and product to product, you know that answer is going to change. It depends on your industry.

Mr. OSE. We are talking about specialty crops today.

Mr. ZANGER. Specialty crops.

Mr. OSE. Yes.

Mr. ZANGER. Probably the largest concern is the domestic subsidies in Europe. Because we are competing against them in other markets, in third party markets. They are able to produce at a loss, but then they are backfielded by the government. And then, their product is ending up in third party markets while we are trying to quote prices and get there.

Mr. OSE. So Spanish clementines, Greek pares.

Mr. ZANGER. Peaches, olives. It goes on and on.

Mr. OSE. OK. Just right down the list?

Mr. ZANGER. Yes.

Mr. OSE. The subsidies to growers of those kind of crops?

Mr. ZANGER. Right.

Mr. OSE. All right. Mr. Bogart.

Mr. BOGART. Yes, I would agree with Joe, although I think SPS is right up there with subsidies. It is 1A/1B as far as I am concerned. I mean, there is a reason why I mentioned it in my remarks, and I mentioned subsidized crops as well. I mean those are barriers, those are imbalances that we are trying to overcome.

We are not here before you testifying for handouts and subsidies.

Mr. OSE. Right.

Mr. BOGART. I mean, this is an investment as you both up there know. It is an investment that I feel that the return could be tenfold, a hundredfold. We are just asking to compete on a level playing field. We are innovators. We are very creative here. As Congressman Farr mentioned with the bag salads; that were invented here. We are just asking for the opportunity to compete on an equal basis. We would never ask for subsidies, anyway.

Mr. OSE. Right.

Mr. BOGART. We have always been opposed. My association has been opposed. I know Western Growers. I mean the producers of specialty crops we do not want subsidies. We want access. We want the ability to get into the game. And, I think, that these phytosanitary barriers have been used to deny us access to important market opportunities, as well what Joe mentioned, the subsidized countries. So they are right, they are both right there as far as I am concerned.

Mr. OSE. All right. Mr. D'Arrigo, amongst your 3,000 members what is the input?

Mr. D'ARRIGO. I think those two issues are your answer. Enabling us to be more competitive in the world market with free market access, eliminating these unofficial trade barriers, which when I say that, I used to go to Japan. Anytime the local markets had a surplus of broccoli, well then I got inspected, rejected and kicked out of the country because of whatever reason they wanted to come up. This level playing field does not exist. So, that and the subsidies are the issue.

Mr. OSE. I mean, you suggest that the day-to-day knowledge of the government agency in some of these other countries is such as to be able to say on that specific day or that specific week there is a surplus or a deficit in this product. Yet, we do not have that here. There is no way that USDA tracks it that closely here.

Mr. D'ARRIGO. Well, absolutely. I quit Japan because I used to send dozens if not 20 to 30 loads a week there. When they had a surplus in their local markets, in their domestic production, the inspections phytosanitary things came out of the woodwork, and I clearly had rejected loads that were unsubstantiated. I flew over there to personally inspect my own loads.

They have a system there that works to protect their local farmers, and these kind of unofficial things killed my business over there.

Mr. OSE. OK. Mr. Nielsen.

Mr. NIELSEN. Mr. Chairman, the whole post World War II free trade structure is built on an embodiment of the law of comparative advantage, which reflects the fact that some nations, as you know, produce better than others. For that law to work there has to be not only free trade but fair trade.

We are active in markets in Asia and in Europe. We support the WTO, but we support fair trade. The concerns we have are the protectionist distortions that arise from agricultural interests within the country that we are exporting to.

We do not mind the fact that Chinese broccoli in certain times of the year sells way under ours in Japan. The Chinese have lower labor costs, it is a shorter distance to ship. What we do mind is when phytosanitary barriers are imposed on our products coming into Japan. And, those barriers are imposed on an ad hoc basis without consistency, and they are imposed because they are found in products coming from California the very same kind of bugs, if you will, that exist in Japan.

I should say that progress is being made in this regard with the Japanese Government and with governments in other parts of the world, but it is long and slow and hard. These distortions which unlevel the playing field, which corrupt if you will the law of comparative advantage are what have to be addressed. We strongly support the act's proposal to have the USTR have at least one person—I do not think one is enough—but at least one person in there whose focus is going to be on specialty crops who can get into the process with Ambassador Zoellick and just make sure this gets raised so that we do not get lost in the need to sell super computers or Boeing aircraft or whatever else is more important to the United States in a large big picture.

Mr. OSE. OK.

Mr. FARR. Your problem in Japan is unique because it is a perishable crop. So just the delay?

Mr. D'ARRIGO. Exactly. You are dead.

Mr. FARR. Kills your product? I was just thinking, we have never put perishability into the jargon that we use in trade.

Mr. D'ARRIGO. It's critical.

Mr. FARR. Because it is probably the only thing that we export that is a living thing that dies within a certain time. I mean it decays. Let me just suggest something. Because the bill that the chairman's authored, along with Congressman Dooley, has six titles in it. There is some heavy lifting in this bill.

Essentially what it is going to do is what you stated, is that the specialty crops need to be treated as a major crop in America. Need to be treated as probably the major crop because it employs more people and all the things that we have talked about. It is healthy, and this kind of stuff that we ought to be supporting.

But, this is about getting more money in a zero-sum game; we ought to have more money for grants, more money for loans, it is a bill about marketing. It is about food safety, phytosanitary issues. It is about international trade. It is even about changing position in the U.S. Trade Representative's Office so a specialty crop representative could be there. It is for market access, technical assistance, supply of credit guarantees. It is about specialty research, more money; robbing from Peter to pay Paul. It is about the invasive test stuff and disease that we have talked about here; food safety issues. And, it is about a sustainability practice which I have applaud you and applaud the chairman for getting into the bill because that is really, I think, what all of this from land use to being economically viable talked about; is how do you do this over a time particularly in the State of California which is the most populous State in the United States, and growing that way.

What the chairman cannot say but I can sit here among friends and say, and this is just political advice, we have got a lot of people that will look at this bill as a threat. Why? Because it is going to cost more money. You are going to have to put some personnel in there and, frankly, there is some competition for that.

In this trade issue is the stool of the economics of agriculture in the United States. As I said in the opening, we have traditionally been treated as a minor crop or, you know, we do not exist. There is one time when we do exist. Only one time. That is the politics of trade. It is not because of the crops you grow, it is because California is the biggest ag State. So anybody in the trade business, whether it is the financial markets of New York or the computer industry in Silicone Valley, they always want the lobbyists for trade to be agriculture because every Member of Congress has some agriculture in their district. I guess, except the city of New York and here the city of L.A. But Willie Brown was always fine in just saying well they grow crops there they are just not put in the ag report.

But, the point is that you are the front lines for the lobby for trade for everything that is in trade. And, I think, that California agriculture needs to sort of hold its cards a little tighter, and particular if this bill is going to be successful.

You ought to start letting the world know that if they going to come here, this is the only time they come to you and say will you help us. We say "Yes, we will, but here are our conditions." Because everything you have outlined is needed to be done, but it will not be done unless we change the politic in Washington to do it.

So, hold back and negotiate a good deal for yourselves.

Now that I have that off my chest, but it comes about because Mr. Bogart in his testimony put out the Agriculture Coalition on Trade, and there is a way you have a way you can hold those cards tight.

I did have one question for John D'Arrigo, which was the arbitration in the PACA, suggesting that we have an arbitration. Could you explain that a little more? Would it be binding arbitration you are suggesting? I mean, again, we have gone through that fight when I was on the Ag Committee, and we were able to beef up the cutback in that or stop the cutback in that area. It is an area that I found when we discussed it in Washington, nobody knew about. They did not know PACA existed.

Mr. D'ARRIGO. They did not know it existed? That tells you something.

Well, what I'm suggesting is we have to find a way that the Hunts Point scandal brought out the problems that you could get your ruling against that receiver and still they could bring it into U.S. Federal Court, it is economically inviable to go that route. So we have to find some other method and arbitration is one method that would preserve your assets and you could get your money back and not basically spend everything and more to prove that you were right and go broke doing it.

Arbitration may or may not be the method, but we need some method to do that. I am suggesting arbitration.

Mr. OSE. May I?

Mr. FARR. Sure. Please.

Mr. OSE. If the party on the other side of the arbitration or whatever process it is, goes out of business then it doesn't make any difference. It seems to me that the party who brought the action is just kind of cutout whether the antagonist collapses in an arbitration hearing or collapses in a judicial hearing. It seems to me like, if you will, the plaintiff is still kind of left out in the cold?

Mr. D'ARRIGO. Well, that is a tactic that is used. However, in the PACA laws what happens is the rights of the shipper are protected in a first position. So if the assets are ceased properly, including the receivables, we have first shot at it.

Mr. OSE. OK. So you have a priority claim?

Mr. D'ARRIGO. Yes.

Mr. OSE. All right.

Mr. FARR. The problem we have is, again, the perishability.

Mr. OSE. Right.

Mr. FARR. If you have a PACA situation with corn or wheat, you could resell it.

Mr. D'ARRIGO. You hit the nail on the head.

Mr. FARR. You cannot resell something that it's perished.

Mr. D'ARRIGO. Right. Within a couple of weeks, we are dead.

Mr. NIELSEN. Mr. Chairman, if I might add, we had an experience in which we were dealing with a wholesaler in New Jersey

who basically disappeared on us. We knew where he was. We knew where the moneys were. We went into Federal court to exercise our rights under PACA to confirm the statutory lien that we were entitled to, and the Federal court there refused to grant it. We lost a lot of money and, indeed, we appealed the decision and went up to the circuit court and made some law in the United States which says that Federal district courts can grant injunctions under PACA. It is not clear under the statute, but about 4 or 5 years ago we had to do that.

It is an act that does help this industry incredibly well. There are folks on the other end of the chain who do not like it because we trumped them. But I think the key in the proposed act and the bill language with regard to Hunts Point is that what you are seeking to do is to vindicate our faith in the people we look to help us in this industry.

I think the problem with Hunts Point is that it is a scandal, it is a debacle and for a while there were some folks in the Federal Government saying, "Well, yes." This act would seek to go beyond that and to reenforce the efforts of good and like minded people in the government who did try to help us.

I think the thing is that Hunts Point really just is a black mark and we need to have our faith restored. I think that is what you are trying to do with this part of the legislation.

Mr. OSE. If I might, I would be interested in your collective feedback regarding the efforts in Japan and Australia in effect to impose sanitary and phytosanitary standards on America exports there. Are those standards scientifically based? I mean, does anybody have any input on that? Mr. Zanger.

Mr. ZANGER. Well, that has been a critical issue. The SPS issues on all these FTAs that are going on right now. We have made a stand, especially with Australia, because lots of times it is not science, to answer your question. We heard that about Japan. It is not the science or is it a dispute in scientists among scientists, they will dispute it. And so, you get into that.

So, there are committees now while they are negotiating these FTAs that are dealing with the ongoing issues, and they have set up mechanisms in anticipation of future issues that come up. But that has been one of our greatest concern is that the SPS issues are going to slip through again and you can fix the other things, but if they put down artificial barrier because they cry foul, then it is all for not.

Mr. BOGART. If I could chime in there, Mr. Chairman?

Mr. OSE. Mr. Bogart.

Mr. BOGART. Yes, I agree with Mr. Zanger again completely. The problem is, in our view, a lot of these phytosanitary barriers are not grounded in sound science. That is what we are pushing for through this legislation and any other way that we can, is have these things based and grounded in science. That is the main problem, as I see it.

Mr. OSE. Mr. D'Arrigo, Mr. Nielsen, anything?

Mr. D'ARRIGO. I concur.

Mr. OSE. OK.

Mr. NIELSEN. I would add that I think that science often depends on someone's perspective. It is difficult. I mean, we have run into

in Japan the issue of people saying well science supports the conclusions that are reached by the regulators there. It is a very difficult proposition.

I should recuse myself with regard to Australia, because that is where I am from. But my ancestors were specialty crop farmers, some of them in New South Wales. I do not believe that the folks that I know and my family down there are protectionists. Australians do not receive agricultural subsidies. The Canns Group has been supporting efforts to eliminate subsidies worldwide.

I would believe that in the longer run the CSIRO, which is the Commonwealth Scientific Organization down there would be able to work with Americans. We speak slightly different languages. But I think that they could reach accord and develop scientific agreement on what the issues are.

Mr. OSE. One of my objectives in Section 4.2 of this bill is to try and set up a mechanism by where we can get money authorized to create, if you will, a template for sanitary and phytosanitary standards so that you can take it from here to there, and it is always generally the same template. You might tweak it here and there. But is that something we need to basically convey either directly within the legislation or within a report on the legislation?

Mr. ZANGER. Well, that SPS committee system within the FTA agreements, they set it up as a template in Chile. Now they are applying it to negotiations in Australia and Morocco, and lots of countries. So in that sense, you know, the USTR trade negotiators are using that template method.

It is a matter of whether the teeth are there, though, Congressman.

Mr. OSE. Until you enforce it, it does not mean anything?

Mr. ZANGER. Yes.

Mr. OSE. Are the standards in the existing agreements being enforced?

Mr. ZANGER. I do not know.

Mr. OSE. Well, that says something in itself.

Mr. ZANGER. No. I think producers would say no, but when you look to the GATT agreement and Uruguay Round and the standards and the rules there. You know, with Australia I do not know if it took 10 or 12 years to straighten out the table grape thing; that is a long period of time for enforcement, to have enforcement work.

Mr. OSE. Yes. But if I might, just come back to the question: Do you all agree that it is important to have specific SPS standards in the trade agreements?

Mr. ZANGER. Yes.

Mr. BOGART. Yes. Absolutely.

Mr. OSE. All right.

Mr. NIELSEN. Yes, Mr. Chairman, I think it is analogous to generally accepted accounting principles. Generally accepted—well the GASP would be the acronym, so you would not want that. But something like that, that we and the country with whom we have the bilateral or the multilateral agreement agrees these are the principles. And then, there should be no argument and if there disruption or distortion that occurs, then you can go to the WTO. That

is where we would need this special crops person in the STR's office to help us make the case.

Mr. OSE. Sam.

Mr. FARR. Let me shift for a moment on two issues that came up before Congress right now; one is the country of origin. As you know, we were able to in the appropriations bill delay for 2 years the implementation. As I have been discussing with Bob Nielsen and others, and the chairman can reflect on this, too, let me just tell you the attitude.

I think that post-September 11 there is a big push in America to buy American, be America; everything is American. We put riders on everything saying you got to buy—military has to buy American, State Department has to buy American. I mean, it gets difficult to implement, but it points out that there is a political sentiment there that we are going to do that. That runs sort of contrary because we have over time, particularly the automobile industry, has a requirement every single part in your car has to be labeled. Things like spark plugs that you do not even look at. Your ties and your coats, and everything in clothing in America is labeled. So, the American consumer has been getting accustomed to looking at labels. And, I think, that is what feeds this politic in Washington.

Obviously, just saying "Buy American" and then writing regulations and put the oneous on you as the growers and the shippers doesn't work. And, that is why we have delayed it.

The question here is do you think the industry can find a way to create a voluntary program or something that might meet that political demand that I sense, and maybe it will fade in time? But I do not see it immediately happening. Because there was a lot of people very critical of the fact that we delayed the implementation of the "Buy America." We delayed it because it would not work and it was not fair to put all the oneous on you.

Mr. D'ARRIGO. Well, Western Growers, we believe in the concept that the consumer does have the right to know where their produce is coming from. That is the big picture. Now, the rules of engagement and implementation serve to complicate the matter tremendously because the pressure that the retailer has put on incorrectly to the shipper saying well that is your problem and trying to label these things at the farm level, such as a picture behind you, trying to label a head of romain and something presents quite a problem of cost and really it is not feasible, to tell you the truth.

Now, one possible solution that people are talking about is produce grown in this country in the supermarkets, does it have to be labeled? Can it be presumed to be American, U.S. grown and foreign product brought in will be labeled with a placard up on top so at least you know that if it is not labeled, it is——

Mr. FARR. It is imported?

Mr. D'ARRIGO. If it is not labeled to be United States, if it is imported then the retailer would have to put up that this did come from Mexico or wherever. Trying to cut the costs out of the equation a little bit. Kind of like who is going to pay for it kind of thing and nobody wants to pay for it.

You could see the problem at the labor side, speaking of the labor issue, trying to get all these farm workers to label all these heads

of lettuce. The cost would be so prohibitive, you might as well just not go in the field.

Mr. FARR. So, leave it to a country a generic or could you just say that it is imported produce. The problem is that the groceries then say well we cannot do that because we do not know. We just buy this stuff and we do not know what comes from—actually the box, as you know, because we are very proud of saying, the box tells you where it comes from. Just take the label off the box.

Mr. D'ARRIGO. Well, that is one of our arguments is that a lot of stuff today is packaged and that is easily printable and you can put on USA or some other place. But when it is a bulk item, I mean who is responsible for that? Well, I really think it is in the retailer's corner to put that up there and just have a simple placard up on top of the whole display saying this came from Chile or wherever. And, that is provided to the retailer.

Mr. FARR. People might be surprised to find out that bananas are not grown in the United States.

Mr. D'ARRIGO. You are exactly right. You would be surprised—they do not know where a lot of things are coming from.

Now, speaking of that issue, a lot of people have called, they are interested in knowing more where their produce is coming from in the light of the recent problems with the Mexican green onions.

Mr. FARR. Yes.

Mr. D'ARRIGO. People want to know and have a choice that if I do not want to get produce from a certain country because their record may be suspect, I think they have that right to know that.

Mr. NIELSEN. Congressman Farr, the fact of the matter is the Farm bill mandates country of origin labeling now in 2 years. The "Buy America" concept I think from our perspective is a bit of a red herring. I mean, we do not buy only American oil or American electricity, or American high tech parts because they come from China. This is a global economy and a global world. We bring in products from other countries.

My company has a manufacturing plant in Quebec. We ship California lettuce in bulk up to Quebec, combine it with local carrots and then we bring them here. But, we do do bilingually label because we sell those up there too.

We bring those products then down and sell them in the northeast. Well, under the earlier proposed regs there was no space on a bag to put all the information required.

I think the issue that we have here is that consumers do have a right to know where their products come from if they want to know under Customs laws as they now stand. As you said, the boxes have to be labeled. The country of origin is known. It is the bulk product that does not have that right now. What has happened is that the Congress, we presume the Senate will vote on January 20th to agree with the House, the Congress is providing our industry with 2 years within which to work something out. The retailers who are the reason why we are price takers now, as Mr. D'Arrigo said, are the folks who have said to the farmer you tell us where this is coming from. And, it has backed up the chain to us.

What we believe as a company, and I think some others in the industry believe, is that there has to be 2 years now worth of hard

work under this umbrella that we have been given by the Congress presumably when the Senate votes, and we think it is important somehow maybe in this act to authorize and direct USDA conduct research that would give us on an unbiased and factual basis what do consumers want.

Our own research in our company indicates that with regard to some crops, they do not care where it comes from. They just want it seasonally and they want it fresh, and it has to taste good. It could come from Mongolia. It does not, but it could. That is where I think where we need to go.

The law as it now stands is very limited. The green onion problem would not have been reached by the country of origin labeling law as it now stands because it does not apply to food service. It does not poultry. We think a voluntary consumer driven approach is the way to go, but we need to find out what consumers want, and we think that is where the USDA, if perhaps guided by this act and funded, could give us some help.

Mr. ZANGER. Can I chime in here?

Mr. OSE. Sure. Go ahead.

Mr. ZANGER. I am going to take a little bit different perspective. And, you know, myself and California Farm Bureau has the utmost respect for companies like Tanimura & Antle. No question about what they do.

We just concluded our annual meeting in Long Beach on Wednesday. And, Wednesday morning we voted and reaffirmed our policy for country of origin labeling to be implemented as soon as possible. Congressman Farr, you have been supportive of that for a long time now, and thank you for that.

The way we see it is the import lobby and the domestic retailers, there is about five chains that control perhaps 65 percent, 67 percent of the domestic market here. They do not want to do the country of origin labeling. They want to be able to buy product from wherever they can get it to satisfy their customers and make their highest margin.

U.S. producers figure if every product is labeled or the display is labeled, domestic consumers will have the opportunity to make a choice. We think they will choose more often, not always, but more often to buy U.S. product over imported product. That will help us with our oversupply situation that keeps our prices down. It is over supply that keeps the prices down.

You know the cost to label this stuff, every apple has a sticker on it. Every orange has a sticker on it. Broccoli bunches have rubber bands on it. Carrots and celery stalks have these little wire strip things on it. Cauliflower, you see it wrapped. Lettuce you see wrapped.

We are already doing it. I think that is a red herring that the import lobbyists and the domestic retailers are throwing at us saying it is going to cost too much, the growers are going to have to pay for it and they cannot afford it, they are already not making it. We would like to see implementation immediately. We are reviewing the rules that are going to be discussed in January before Congress. We are ready to go with this now.

Mr. FARR. Two things that I would just like some comments on. Perchlorate a big problem. It gets sort of back to this whole—I

mean, as in origin labeling is, is who is liable and what should the growers and—where is their role in this.

Let us speak for perchlorate, and then I will have my last question.

Mr. D'ARRIGO. What specifically do you want to know about perchlorate?

Mr. FARR. Well, yes. It is raising a lot of eyebrows as to how we treat it, how we eliminate it.

Mr. OSE. The question is how it manifests itself in specially crops and its impact on your ability to produce and sell your product. Is perchlorate truly a threat that has been described in some of the more hyperbolic things or is it something else? How do we get to a conclusion on this?

Mr. D'ARRIGO. Well, on perchlorate, clearly it is a water quality issue. OK? All of us who produce product down the Imperial Valley and also over in Yuma, we are using the Colorado River basin water. That water has been contaminated by rocket fuel producing plants primarily, who have dumped perchlorate or leached or who now closed and the residual is leaching into the water system. That needs to be addressed ASAP. We feel it is a Federal problem. A Department of Defense problem.

Sound science is needed. That clearly is the answer: What are the risks? What are tolerances needed on perchlorate? None of that has really been developed yet. How it manifests itself? Some say it concentrates in certain types of produce more than others. This is a national problem because the food supply, as we said earlier, 50 percent of it comes from these shippers that produce not only here or there. Here we do not really have the perchlorate problem in the Salinas Valley. However, it is right up the street here in Morgan Hill, I understand.

I think Congress should get into this with a very heavy hand and not let the responsibility be waived away or exempted. I think that Department of Defense with these contractors who produce this should be responsible for cleaning up this problem. And then, direct sound science to determine what are the safe tolerances for perchlorate, because it is not going to go away for a while.

Mr. BOGART. Yes, if I could be heard on this just briefly. I agree a lot with what John just said. That term keeps coming up over and over again, and it is "sound science." I mean, yes, it is there. Yes, it is been detected in a percentage of samples of lettuce that were taken. But what is the risk? Is there a risk at all? We do not know. We need studies. We need science. And, you know, the industry and ag associations have stepped up to the plate to fund and pursue and assist in this research. Because if it is bad, we want to know. But that is the thing, it is like perception governs. And, perception impacts markets. Perception impacts our ability to be a viable industry. If the general public thinks that their lettuce is laced with rocket fuel, they are not going to purchase it. They are not going to eat it. They hear that. It is a crescendo. And, you say, "But wait, but wait. We are trying to conduct these studies. There are no studies that even validate what some people are telling you about this lettuce."

It is again sound science. It is making rational, informed judgments. That is what we want. perchlorate is a darn good example

of it. You can see examples of this everywhere. And so, I think the perchlorate question is a good one with respect to this "sound science."

Mr. OSE. I have done some research on this. I probably do not know as much as some of the other people in this room. We are a little bit afar afield on this, it is tangential but not central to the issue we are dealing with today.

As I understand it there are few if any studies as to what the threshold of human toxicity is relative to perchlorate. There are a few if any studies establishing which crops, if you will, might be suspectable to the lodging of perchlorate in their end product. And, in fact, there are studies if I am correct in this—I am reaching far afield here. But I think the chemical equivalent of perchlorate in the medical industry is used to treat hypothyroid.

Mr. D'ARRIGO. That is correct.

Mr. OSE. Hypothyroid.

Mr. D'ARRIGO. You are correct in that case.

Mr. OSE. I am more than a little confused as to, if you will, some of the more boisterous claims about the dangers that perchlorate may pose, especially when the levels found in the lettuce are less than the levels used to treat hypothyroid.

Mr. D'ARRIGO. You are sounding like a rational person. The rest of the country is not so rational about this issue. But you are right on every case there.

Mr. OSE. Yes. The fact of the matter is, we are lacking some significant amounts of information here.

Mr. D'ARRIGO. That is correct.

Mr. OSE. All right.

Do you remember your other question?

Mr. FARR. No. My cold and my age, I have forgotten my last question.

So, I just want to thank you very much for having this hearing here. It is probably the first that we have ever had that sort of highlight specialty crops. But it is interesting that a person who is not a member of Ag Committee is doing it. And I really do respect and thank you for——

Mr. OSE. I am a member of the Ag Committee.

Mr. FARR. Well, I mean the committee——

Mr. OSE. Oh, Government Reform?

Mr. FARR. Government Reform and you are chairman of the subcommittee. In this room we are preaching to the choir, but we are trying to get specialty crops on the national recognition list. To me it is the motherhood of agriculture. It is the apple pie. And, we in America do not know that. We have all this big advertising about the big corn belt. We are even going to have use corn now. I mean, what Congress determined this year in their energy bill is that corn is for driving cars and specialty crops are for eating.

Mr. OSE. How is that?

Mr. FARR. Thank you, Mr. Chairman.

Mr. OSE. Here is the connection for those struggling with why is Government Reform doing this. This subcommittee also has jurisdiction over national economic regulatory issues, meaning how does Government policy effect the ability of this or that regional economy to contribute to the national economy as a whole. And, while

I straddle the two committees as well as Financial Services, I can tell you that this issue especially, crops and the success therein, is not only important on the ag side, it is also important regionally here in Salinas, and, from an economic standpoint it is important here in this State. We are the fifth or sixth largest economy in the world. We have 35 million people here. So it is not curious that we are having this hearing. I just wanted to clarify that.

I do want to come back to——

Mr. FARR. But thank you.

Mr. OSE. I want to come back to one other thing if I may. Mr. Bogart, one of the things effecting the ability particularly of specialty crops to put their product into foreign markets is the ability to say to those foreign markets, for instance, this product is clean. We do not have pests. We do not have disease. That gets me to the use of methyl bromide and our request for some increased number of critical use exemptions under the Montreal protocols. How has the recent decision to decline to increase those number of critical use exemptions from methyl bromide affected the specialty crop industry?

For that matter, I mean I would open that to anybody on this panel for any input.

Mr. D'ARRIGO. Well, I think it is going to render us uncompetitive. Until we find a viable alternative to methyl bromide, we will have serious problems competing. Our costs are going to skyrocket. The people we are competing against are still using methyl bromide. Again, the playing field becomes increasingly unlevel and I see disaster looming.

Mr. OSE. OK. So you would advocate that the position of the Federal Government, until we have an appropriate and——

Mr. D'ARRIGO. Effective?

Mr. OSE [continuing]. Effective and efficient substitute for the properties that methyl bromide brings, we ought to be adamant about demanding critical use exemptions?

Mr. D'ARRIGO. Absolutely.

Mr. OSE. OK. Mr. Nielsen, do you agree with that?

Mr. NIELSEN. Yes, Mr. Chairman. Either that or we ban its being used in the Third World. I mean, this is an example of the unlevel playing field where free trade, the law of comparative advantage is distorted because environmental laws are not being applied uniformly around the world.

Mr. OSE. OK.

Mr. BOGART. As Mr. D'Arrigo said in response to one of my earlier comments, I concur.

Mr. OSE. Mr. Zanger.

Mr. ZANGER. I agree with them.

Mr. OSE. OK. I just wanted to get that on the record here.

One of the things in our hearing in Washington, which Mr. McInerney attended, that we spent a lot of time talking about was the interaction between the Department of Homeland Security and APHIS at the border, this one face at the border kind of thing. And, I know the industry has been meeting with DHS to try and address some of the concerns that have been highlighted. Have you been making progress? Are any of you involved in that or cognizant of what is going on?

Mr. NIELSEN. No, I am not personally involved in that. I'm not.

Mr. BOGART. I am not.

Mr. OSE. Mr. Zanger.

Mr. D'ARRIGO. I'm not.

Mr. ZANGER. We feel that progress is being made. I do not know the specifics of it, but we were very concerned when Homeland Security was being formed as an agency and APHIS was going in that direction. But we have been receiving assurances on how that—how this new makeup is and that we are getting the proper attention.

Mr. OSE. Well, I am very concerned about how it gets implemented. Because I am also aware that originally they were talking about 2 days of training for their one face at the border people to deal with this, and then they had some bogus argument about dogs being multi-tasked, and what have you. We are not going to go there today. But, I just want make sure that we keep our focus on how important APHIS' role is in bringing food in and out of this country as it effects our Department of Homeland Security.

Congressman Farr, we are at the point where we are ready for closing statements. I am talked out. You indicated you might have one.

Mr. FARR. Well, I want to wish you happy holidays and remind you that people will eat more specialty crops during these holidays than any other kind of crop in America. And, I would like to suggest that we all go out and enjoy a very health lunch in the valley of the sun.

Thank you very much.

Mr. OSE. Thank you, Congressman Farr for hosting us today. It is always great to come down here. This really is just one of the wonders of the world to come to your district and see this kind of production in agriculture.

Today we focused on the domestic international issues facing the specialty crop industry. Obviously, the decline that we have seen in U.S. exports coupled with the rise in imports to this country has effected us rather dramatically. We have talked about how foreign trade barriers, subsidies, tariffs, and sanitary, phytosanitary standards all affect our people and how these factors may twist what might otherwise be a natural outcome in the industry.

Congressman Farr and I have heard your concerns, not only here but also in Washington. We are aware of the vulnerability of the industry and the challenges you face. The purpose of H.R. 3242 is to try and bring Federal policy to bear to address those. I want to reiterate that I am most appreciative of your support of that legislation. We now have 52 cosponsors from 21 different States. You can see the breadth of interest in this. We will continue to work toward getting that magic triple digit number of a 100. This is going to be a heavy lift. I just want to be clear, there is not a single one of these cosponsors who thinks it is program crops or specialty crops. This is not a competition. It is not A or B. It is A and B. All right. I want to be very careful that we make that clear to people; it is A and B. Because the people who grow A, they or their neighbors also grow B. So, it is not mutually exclusive.

Anyway, it is always a delight to come down to this part of the State. I mean, you ordered up Chamber of Commerce weather for me. I am most grateful.

Mr. FARR. It did not rain today.

Mr. OSE. That must be because you are on the Appropriations Committee. Because you are powerful.

So, anyway, I want to thank our witnesses for joining us today. We are going to leave the record open for 10 days. We may have questions that occur to us as we travel back to D.C. here in the next couple of days. And, we will forward them. We would appreciate a timely response.

Anything you want to add? You are set? OK.

With that, we thank you all for joining us. This hearing is adjourned.

[Whereupon, at 12:19 p.m. the field hearing was adjourned].

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