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OPPORTUNITIES IN GLOBAL AND LOCAL MARKETS, SPECIALTY CROPS, AND ORGANICS: PERSPECTIVES FOR THE 2018 FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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OPPORTUNITIES IN GLOBAL AND LOCAL MARKETS, SPECIALTY CROPS, AND ORGANICS: PERSPECTIVES FOR THE 2018 FARM BILL

Thursday, July 13, 2017

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC

The committee met, pursuant to notice, at 9:30 a.m., in room 328, Russell Senate Office Building, Hon. Pat Roberts, Chairman of the committee, presiding.

Present or submitting a statement: Senators Roberts, Boozman, Hoeven, Ernst, Grassley, Thune, Daines, Stabenow, Brown, Klobuchar, Bennet, Gillibrand, Donnelly, Heitkamp, Casey, and Van Hollen.

STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE STATE OF KANSAS, CHAIRMAN, U.S. COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Chairman ROBERTS. I call this meeting of the Senate Committee on Agriculture, Nutrition, and Forestry to order.

Over the last several months we have been laying the groundwork for a new farm bill, and as Chairman of this Committee I have repeatedly said we must listen to our farmers, ranchers, and growers first, and that is exactly what Senator Stabenow and I have been doing, and we will continue to do that. We are well into the process of collecting the advice and counsel of the farmers and ranchers and growers, those for whom this farm bill tolls and is meant to work. We will continue to conduct a thorough review of the farm bill programs that provide certainty to those across the country who are facing very tough economic times. We are in a rough patch.

In these tight budgetary circumstances, unfortunately we have no choice but to find ways to do more with less, to make every dollar count. When seeking to provide assistance to our producers, and throughout this process, there is one word that I am hearing in nearly every farm bill hearing, summit, meeting, roundtable, whatever we attend, and that is "trade." Trade, trade, trade. Well, first crop insurance but then trade, trade, trade.

I have worked on six farm bills. I do not know anybody else that has asked for that task, but this is number seven. I can tell you that each one is unique, but one thing has not changed. Whether you are an apple grower in Washington or a dairy farmer in Wis-

consin or a cattle rancher in Texas, you need a strong and reliable market to sell what you produce. That is absolutely essential. That is the benefit of farm bill trade programs. With an excellent return on investment, these public-private partnerships help the full range of our producers, from commodities to specialty crops.

Programs like the Market Access Program, or MAP, allow producers to partner with the Department to market and promote their products to all corners of the globe. For example, in 2015, the California Walnut Commission used MAP funds to support efforts in India to promote the health benefits of walnuts. In that year, shipments to India increased tenfold. Just think of that.

Another farm bill export program, the Foreign Market Development Program partners with the Foreign Agriculture Service and U.S. agriculture cooperators to promote our commodities overseas. For example, in Egypt, the U.S. Wheat Associates have utilized the Foreign Market Development Program to promote U.S. hard red spring wheat to be used as a pasta ingredient. As a result, an Egyptian food and beverage company imported 30,000 metric tons of hard red spring wheat in 2015 and '16, and need to do it again this year.

There are countless examples demonstrating the benefit U.S. agriculture receives through partnerships with farm bill export programs, and the variety of agriculture industries tapping into these programs has continued to grow.

We are going to hear today from the beef and potato sectors, but there are many others such as cotton, dairy, poultry, rice, sunflower, citrus, lumber, sorghum, dry beans, and corn, just to name a few.

As I have said in past hearings, we have our work really cut out for us with this next reauthorization. We will need to find ways to do more with less to reduce the burdens of overregulation, and ask the tough questions as we re-examine programs to determine their effectiveness and if they are serving their intended purpose.

There are 39 programs from the 2014 Farm Bill that do not have a baseline after fiscal year 2018. The Foreign Market Development Program and the Technical Assistance for Specialty Crops Program fall under that category.

More and more, we are facing barriers to trade from other countries. In addition to developing and growing new markets, these programs play an important role in helping U.S. producers compete on the proverbial level playing field. In addition, some changes need to be made to ensure that our organic producers are competing on that level playing field and that our own regulations and processes are not holding people back.

A recent Washington Post article highlighted the issue of fraudulent organic imports, but my constituents in Kansas brought this issue to my attention a year ago. We pushed the Department of Agriculture at that time to do something, and it is clear that if it takes this long to get action, something needs to change. As I continue to repeat, with this tight budgetary environment, we need to ensure that overregulation and antiquated government processes are not preventing businesses from succeeding.

Farmers from rural American can choose organics, not necessarily because they believe there is anything wrong with conven-

tional production, but because they recognize organics as a value-added opportunity. They are responding to a market signal and increasing their margins, and, boy, is that market segment working today. However, it seems that uncertainty and dysfunction have overtaken the National Organic Standards Board and the regulations associated with the National Organic Program. These problems create an unreliable regulatory environment and prevent farmers that choose organics from utilizing advancements in technology and operating their businesses in an efficient and effective manner. Simply put, this hurts our producers and our economies in rural America.

So I look forward to hearing about these issues and learning from those that have first-hand experience in the success of farm bill trade programs and the challenges associated with outdated processes.

With that, it is my pleasure and privilege to recognize the Senator from Michigan, Senator Stabenow, for any remarks she may have.

STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator STABENOW. Thank you so much, Mr. Chairman, and thank you for holding this important hearing on two very critical titles of the farm bill. First let me say that while we do not want to export our jobs, we sure want to export our products, and agriculture needs markets, and so it is incredibly important that we have this title on trade in the farm bill and that we have the new position on trade in the USDA that we created in the last farm bill.

As we well know, the farm bill supports and celebrates the diversity of American agriculture, and that is what we are talking about today. Whether you are from a multi-generation farm family, a young person learning about urban agriculture, or even a returning veteran looking to start a career in agriculture, the farm bill helps all farmers access new markets and new opportunities in their hometowns as well as throughout the world.

The strength of the U.S. agriculture sector is, in part, due to its diversity. In Michigan, we grow over 300 varieties of crops, ranging from carrots, celery and asparagus to our world-famous cherries, apples, and blueberries. These specialty crops not only supply our communities with healthy fruits and vegetables, they are also an economic powerhouse supporting jobs and fueling our economy. Nationwide sales of specialty crops total nearly $65 billion a year. That is because consumers seek out American-grown products in local grocery stores, and all around the world as well.

Programs in the 2014 Farm Bill, including specialty crop research, pest and disease management, and nutrition incentives have been critical in helping farmers increase productivity and drive demand for these crops here and abroad. Take the example of the small but mighty cherry, one of Michigan's top crops. Our cherry capital, Traverse City, just held its annual festival, celebrating this special fruit. On average, Michigan grows over $90 million worth of cherries each year. Our cherries can be found in farmers markets, school lunches in Michigan, and on grocery store

shelves, in Michigan as well as China, Germany, and the U.K., thanks to key programs in the farm bill.

From marketing assistance to credit access, the farm bill creates export opportunities that connect our farmers to consumers around the world. As a result, our agricultural exports add over $8.4 billion to the U.S. economy each year, while supporting more than 1 million American jobs, on and off the farm.

We are also seeing incredible growth in organics, as the Chairman mentioned, in the local economy that connect our farmers to new opportunities. U.S. retail sales for organic products have skyrocketed in the last decade, growing from $13 billion in 2005 to more than $43 billion today. Local food sales have more than doubled from 2008 to 2014, and industry experts expect that value to reach $20 billion by 2019.

Through targeted organic research, assistance for farmers transitioning into organic agriculture and enforcement of organic standards, the farm bill is a critical tool to ensure consumers have choices in the grocery aisle and confidence in the organic products they purchase. We are seeing more and more consumers who want to learn about their food and where it comes from, and that is a good thing.

Farmers markets provide opportunities for new farmers to get started. Food hubs, value-added production grants, and supply chain support help these farmers to build stable businesses that can thrive while expanding access to healthy foods in areas that are, in many cases, food deserts. It is hard to believe that specialty crops, local food, and organics did not have a place in the farm bill until 2008. Although these areas make up a small percentage of the farm bill budget, compared to other titles, the impact of these investments has been enormous.

I would like to submit testimony for the record, Mr. Chairman, from Dru Montri, who is the owner of Ten Hens Farm and Executive Director of the Michigan Farmers Market Association who knows first-hand how important these efforts have been to local farmers.

Chairman ROBERTS. Without objection.

Senator STABENOW. Thank you.

[The following information can be found on page 60 in the appendix.]

Senator STABENOW. As we will hear today, these programs have proven their effectiveness. It is critical that we continue to support the diversity of American agriculture as we write the next farm bill. The success of our agricultural economy will require continued investment in markets and opportunities for all of our farmers. Whether they are selling locally to their neighbors or exporting their products globally, and whether they are growing commodities, specialty crops, or organics. The farm bill should continue to help all of our producers do what they do best, put food on our tables here and around the world.

Thank you, Mr. Chairman.

Chairman ROBERTS. I would like to welcome our panel of witnesses. We have quite a few folks here so we will get right to it.

Our first panelist is Mr. Ken Dallmier who joins us this morning from Cerro Gordo, Illinois. He is the President and Chief Operating

Officer of Clarkson Grain Company, an organic grain and oilseed supplier based in Illinois. Previously, Mr. Dallmier held management positions with his family business, Sturdy Grow Hybrids, as well as Syngenta Seeds and Agrible, Inc. He currently serves on the board of Illinois Foundation Seeds, Inc., and is a member of their Organic Trade Association's Global Supply Chain Integrity Task Force. That is a mouthful. Welcome, and I look forward to your testimony, sir.

Next we have Mr. Theo Crisantes, who is a farmer and owner of Wholesum Harvest, an organic specialty crop operation in Arizona. Mr. Crisantes is the Vice President of Growing Operations, and has worked in the family business since 2000. While working in operations management at Wholesum, he has employed various certified organic agriculture production methods, including high-tech glass greenhouses and container growing. Welcome, and I look forward to your testimony, sir.

I now turn to Senator Casey—that is quite an entrance, Bob.

[Laughter.]

Chairman ROBERTS. I now turn to Senator Casey to introduce our next witness——

Senator CASEY. Mr. Chairman, thank you very much.

Chairman ROBERTS. —Mr. Haile Johnston.

Senator CASEY. Do not worry. I have a fully written statement here. It will take a little while. You do not mind, right? No?

Thanks very much and thanks for accommodating my schedule. I am here to introduce Mr. Johnston. He is a Philadelphia-based father of four young children who works to improve the vitality of rural and urban communities through food systems reform and policy change. Along with his wife Tatiana, he is the co-director and a founder of The Common Market, a nonprofit distribution enterprise that connects communities in the Mid-Atlantic region to sustainable, locally grown farm food. The two have also teamed up to found the East Park Revitalization Alliance in their community of Strawberry Mansion in Philadelphia, where they have resided for 11 years.

He is a graduate of the University of Pennsylvania's Wharton School of Business, where he concentrated on entrepreneurial management, and is proud to have recently served as a food and community fellow with the Institute for Agriculture and Trade Policy, and to be a current Draper Richards Kaplan Foundation entrepreneur. He serves as a trustee of the Jessie Smith Noyes Foundation, and as an advisory board member of the National Farm to School Network.

Mr. Johnston has extensive experience utilizing a number of important USDA programs, including Local Foods Promotion Program and the Farm to School Grant Program. These programs strengthen rural communities and increase access to healthy food, and I am grateful that he has offered to be here today to share his experience with us.

Mr. Chairman, thank you for that time.

Chairman ROBERTS. Thank you, Senator Casey. You have a great sense of timing.

Our next witness was to be introduced by Senator Hoeven. Senator Hoeven is busy rewriting the health care bill so cannot be with us this morning at this particular time.

Mr. Eric Halverson is among the fourth generation of Halversons involved with Black Gold, and hails from Grand Forks, North Dakota. He is the Chief Executive Officer of Black Gold Farms, which began raising potatoes clear back in 1986, and now grows more than 20,000 across 10 states. Mr. Halverson also represents North Dakota on the Administrative Committee of the U.S. Potato Board. Welcome, and I look forward to your testimony.

Now it is my distinct pleasure to turn to Senator Ernst to introduce our final witness.

Senator ERNST. Yes, thank you, Mr. Chair. The Committee invited Mr. Dean Meyer to testify. Mr. Meyer has been farming in Lyon County, Iowa, for 33 years, where he owns swine and cattle finishing operations and raises corn, soybeans, and alfalfa. He is currently serving his third year on the U.S. Meat Export Federation Executive Committee and is also a director for the Iowa Corn Growers Association.

Unfortunately, Mr. Meyer experienced travel complications and so will not be able to join us this morning. He is not rewriting the health care bill. He was just unable to join us.

So on his behalf, we have Mr. Gregory Hanes, and Mr. Hanes will be reading Mr. Meyer's testimony. Mr. Hanes is currently the Assistant Vice President of International Marketing at the U.S. Meat Export Federation, located in Denver, Colorado, and Mr. Hanes, thank you for filling in today on such short notice. We really do appreciate it.

Thank you.

Chairman ROBERTS. Welcome, Mr. Hanes. You can be the stand-in, or simply you can be Mr. Meyer, either one. Take your pick.

Let us get to the first witness, Mr. Dallmier, please.

STATEMENT OF KENNETH DALLMIER, PRESIDENT AND CHIEF OPERATING OFFICER, CLARKSON GRAIN COMPANY, INC., CERRO GORDO, ILLINOIS

Mr. DALLMIER. Chairman Roberts, Ranking Member Stabenow, and members of the Committee, thank you for the opportunity to discuss the impact of imported organic grain into the U.S. food and feed supply chain.

As Chairman Roberts so graciously introduced me, I am Ken Dallmier, the President and Chief Operating Officer of Clarkson Grain Company, of Cerro Gordo, Illinois. Clarkson Grain specializes in developing identity preserved supply chains for some of the most respected consumer brands, with the most exacting specifications of organic and non-GMO grain crops. Today I will briefly highlight the situation and offer some suggestions for concrete actions this committee can take to mitigate the risks highlighted in the recent Washington Post article.

The USDA organic label is highly trusted, with over 82 percent of households across the United States purchasing some organic products. Leading U.S. organic demand has been organic poultry and dairy products, but supplies of domestic organic grains have fallen short. In 2016, over 50 percent of the organic corn and over

70 percent of the organic soybeans used in the United States were imported. This represents 1 million acres and over $410 million in incremental lost revenue.

In our written statement we outline five recommendations to mitigate the risk of fraudulent organic shipments. For brevity, sir, I will concentrate upon three during this statement.

Number one, utilize existing USDA programs to support the expansion of domestic organic grain supplies. Congress should instruct the USDA to finalize the USDA Certified Transitional seal with associated process verification programs, or PVPs. In 2015, Clarkson Grain designed and submitted to the USDA a PVP aligned with the requirements to transition land into organic production. Since then, innovative brands such as Kashi have developed private PVPs and have successfully introduced a certified transitional line of cereal. As a result, Kashi is one of the few growing brands in a mature cereal segment.

Secondly, increased transparency through the supply chain using physical tracking mechanisms that are robust to withstand grain transport while being easily removed from the grain stream at the final destination. A start-up company through the University of Illinois, Amber Ag, has developed a radio frequency transmitting puck, similar in size to what I am holding here, about the size of a key fob, that can be inserted into a bag of grain at the field or a truck or container, which is readable throughout the supply chain, through to the end user. This will eliminate reliance upon paper documentation that are easily misrepresented.

Finally, personal and corporate accountability and responsibility must be introduced throughout the import supply chain. The current NOP mandate is to monitor the process while it limits penalties to the revocation of USDA organic certificate. By imbedding NOP staff at specially designed ports, and making them accountable to U.S. law, the consumer has a final guard at the gate. Shipping lines must be accountable for the validity of the cargo that they carry, through maritime laws, and finally, end users of fraudulent grain should face product recall liability when product does not meet label requirements. In short, organic livestock must be fed organic feed.

Again, thank you for allowing me to provide our perspectives on this topic. I appreciate the interest of the Committee and look forward to answering your questions. Thank you very much.

[The prepared statement of Mr. Dallmier can be found on page 37 in the appendix.]

Chairman ROBERTS. You are very welcome. Thank you so much. Our next witness, Mr. Crisantes.

I do not think my introductory remarks about you really fulfill an appropriate introduction. You started, or your agriculture roots started as a young man spent in the tomato fields of Mexico, right?

Mr. CRISANTES. That is correct, sir. Yes, we started in Mexico and moved to the United States to grow tomatoes here as well.

Chairman ROBERTS. You have got quite a trajectory of success. You are responsible for 600 acres of organic production, pioneering, and water conservation.

Mr. CRISANTES. Correct, sir.

Chairman ROBERTS. I would like to talk to you personally about that, especially with drip irrigation. You have about 1,500 fair trade employees, and the one thing that I want to mention is that you have dedicated your time and effort to is the protection of organic standard in the farm bill through advocacy and commitment, ensuring that the USDA certified organics speak to the quality, the mission, and the availability of healthier organic produce.

Mr. CRISANTES. Correct, sir.

Chairman ROBERTS. So with that extra introduction, please proceed.

STATEMENT OF THEOJARY CRISANTES JR., ORGANIC SPECIALTY CROP FARMER AND VICE PRESIDENT OF OPERATIONS, WHOLESUM HARVEST, AMADO, ARIZONA

Mr. CRISANTES. Thank you, sir. Good morning, Chairman Roberts, Ranking Member Stabenow, members of the Committee. Thank you for the opportunity to provide testimony on the organic industry. My name is Theo Crisantes and I am the Vice President of Operations at Wholesum Harvest, an organically family farm with operations in Arizona and in Mexico. I am here today as an organic grower and a member of the Coalition for Sustainable Organics, which promotes the continued use of containers and hydroponics in the National Organic Program. I am also a member of OTA, Western Growers, and United Fresh.

My farm, Wholesum Harvest, is a true success story. We have been selling fresh produce into the United States since 1940, and in 2012, we significantly expanded our operations in Arizona. We currently grow organic tomatoes, cucumbers, eggplant, peppers, and squash on 600 acres in the United States and in Mexico. We are the largest producer of organic tomatoes on the vine in the United States.

We started using containers and greenhouses because we found that it was the best way to create a sustainable and thriving organic system. This picture of containers of my prized tomatoes are in your packets and right here, to the right. We have reduced water use by 80 percent and increased the efficiency of our beneficial insect program.

Greenhouses and container production now account for 23 percent of organic retail sales of tomatoes, 44 percent of peppers, and 37 percent of cucumbers. These methods are also supported by consumers. Ninety-one percent of consumers support policies that allow farmers to grow organic produce in containers. In short, consumers want our organic products, which is why we have been a proud participant in the USDA organic program since 1995.

However, the future is unclear and my business is facing significant uncertainty, as a National Organic Standards Board, a federal advisory committee to USDA, considers a proposal to eliminate containers and hydroponics from organic certification. I am concerned that NOP's structure is showing its weaknesses, and if not corrected could jeopardize the organic industry.

I will identify three issues for consideration.

First, with only 15 members, sourced from an extremely diverse industry, NOSB can only represent a small segment of that indus-

try. For example, the four growers represented currently on the board have a combined total of only 120 farmable acres.

Second, the board does not allow enough public input, especially when you consider their influence. I have invited NOSB members to visit our operations, but there have been no visits. Besides three-minute public comment slots at biannual board meetings, there are no other ways to interact with these decision-makers.

Finally, the priorities of the organic industry are not reflected in the priorities of the board. While industry involvement in setting organic standards is of critical importance, USDA should be empowered to take more initiative over the direction of the NOSB and drive more communication on the front end of policy-making, to give businesses like ours the confidence necessary to grow.

Demand for organic continues to increase. Therefore, we must ensure all growing methods that are organic remain organic. While containers and hydroponics may be in the hot seat now, other technologies may be next.

As you prepare for the next farm bill, it is important to note that the organic industry no longer caters to a niche market. We are a $50 billion-and-growing industry with significant challenges such as research and crop insurance availability. Previous farm bills have made significant down payments in our industry, and CSO looks forward to working with the Committee to propel organics to the next level.

Thank you for the opportunity to testify today. I will look forward to answering any questions that you may have.

[The prepared statement of Mr. Crisantes can be found on page 32 in the appendix.]

Chairman ROBERTS. We thank you, sir, for your most pertinent testimony. Mr. Johnston.

STATEMENT OF HAILE JOHNSTON, DIRECTOR, THE COMMON MARKET, PHILADELPHIA, PENNSYLVANIA

Mr. JOHNSTON. Good morning, Chairman Roberts, Ranking Member Stabenow, and members of the Senate Agricultural Committee. Thank you for the opportunity to testify on behalf of the farmers and communities we serve in the Southeast and Mid-Atlantic regions. I am Haile Johnston, a co-founder and co-director of The Common Market, a nonprofit food distributor, and I hope to convey some of the many positive outcomes resulting from investing in stronger local agricultural markets.

I believe our shared interest is to ensure the health and economic well-being of all Americans. At The Common Market, we build infrastructure to support regional food systems that facilities wholesale market access for small and mid-sized farms, while improving the accessibility of local food for all people. We are particularly focused on improving economic opportunity and health outcomes for the most vulnerable in rural and urban communities. We see our work and partnerships as vital to removing barriers to success for farmers and the barriers to better food access for all. Primary among our partners in this work has been the USDA, through its various agencies and programs.

Since our first sale in the summer of 2008, we have delivered over $16 million of local fruits, vegetables, yogurt, eggs, meat, and

grocery items from over 150 small and mid-sized sustainable farms, to more than 500 schools, hospitals, eldercare communities, colleges and universities, grocery stores, community organizations, and restaurants. By facilitating local trade, we are able to return more of the food dollar to local farmers and rural economies. This work has translated to nearly $30 million of regional investment by The Common Market in the last nine years.

The Common Market arose from urban agriculture and nutrition education programming during the emergence of the "farm to school" movement more than a decade ago. Retailers, schools, hospitals, and other institutions were beginning to express a strong desire to invest in local economies and better health through food purchasing, yet many local farmers and the regional supply chains lacked capacity to meet wholesale institutional demand and food safety requirements.

Our model evolved to assist farmers in building capacity and infrastructure to meet these demands, while developing the relationships, logistics, and facility to connect their product to re-emerging market opportunities. We have helped all of our growers in the Mid-Atlantic achieve USDA Good Agricultural Practices, or GAP, certification, and this has happened alongside other model interventions in retail and community food access, which have demonstrated profound impact in supporting economic empowerment and health.

After proving the viability and impact of our work in the Mid-Atlantic states, The Common Market launched a new chapter two years ago in Atlanta, partnering primarily with farmers from rural Georgia and Alabama, and while our model and approach is similar in the Southeast, the needs and historical challenges facing our growers there are markedly different.

The Common Market is connecting our partners with resources to improve food safety, working toward GAP certification, invest in farm infrastructure to improve post-harvest handling, and assist in crop planting to better anticipate opportunities within wholesale markets. All of this translates to growth in income for farmers, increased acreage in agricultural production, job and wealth creation for rural economies, and the generational transfer of agricultural practices and land. I am happy to share that after successful replication in Georgia we are partnering with growers in Texas to offer a similar program.

We have had the good fortune to work in direct partnership with the USDA through the Local Food Promotion Program, the Food LINC value chain coordinators initiatives, the Outreach and Assistance for Socially disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program 2501, the Community Food Projects program, and Farm to School grant program. It is critically important that the next farm bill continue to support these and other local food programs to build on our efforts and to support new local and regional food systems across the country.

According to our recent farmer survey, our growers are the stewards of nearly 21,000 acres and employ more than 1,050 rural workers. Again, this is translated to nearly $30 million in direct investment in the communities where we work and more than 1,000 jobs. These are real jobs and real food with real impact.

I thank you for the honor of sharing our story and I implore you to sustain USDA programming supporting local food systems, and I look forward to answering your questions.

[The prepared statement of Mr. Johnston can be found on page 49 in the appendix.]

Chairman ROBERTS. Thank you, Mr. Johnston. I appreciate your remarks, as do all members of the Committee.

We how have Eric Halverson, who graduated from North Dakota State University, a school that no Division I team wants to play. [Laughter.]

Chairman ROBERTS. I understand, Eric, that you have four daughters—Lucy, Stella, Ruby, and Lola. Do you carry a big stick to drive the young men off of your front porch?

Mr. HALVERSON. They are not quite that old yet, but it is coming.

Chairman ROBERTS. Yes. Stay ready. Please proceed.

STATEMENT OF ERIC HALVERSON, POTATO FARMER AND CHIEF EXECUTIVE OFFICER, BLACK GOLD FARMS, GRAND FORKS, NORTH DAKOTA

Mr. HALVERSON. Chairman Roberts and Ranking Member Stabenow, thank for the Committee's work in preparation for the 2018 Farm Bill.

I am Eric Halverson of Black Gold Farms and am testifying today on behalf of the National Potato Council and the United Fresh Produce Association.

Black Gold Farms is a fourth-generation, family-owned farming organization started in North Dakota's Red River Valley more than 80 years. We now have operations in Florida, Indiana, Louisiana, Maryland, Michigan, Minnesota, Missouri, North Carolina, North Dakota, and Texas.

The potato industry is a long-time participant in USDA export programs that enhance our ability to compete in foreign markets. These activities are conducted through the National Potato Promotion Board under the trade name Potatoes USA.

As a potato producer and marketer, my comments are largely focused on potatoes. However, I would like the Committee to understand that the benefits from these export programs are also utilized by many other commodities in the specialty crop family.

Our industry joins our counterparts in the produce sector in strongly supporting enhancement of these vital programs in the next farm bill. The recent study by Texas A&M indicating a 28-to-1 return on investment validates that increased resources in export promotion will immediately generate results for farmers and consumers. In general, one in every five rows of potatoes that are produced in the United States are destined for export markets.

These foreign markets are vital for maintaining the economic health of my industry. Foreign competitors aggressively promote their specialty crops, often with government programs that have substantially larger resources. Additionally, various government programs lower the cost of production for foreign potatoes to levels that American producers cannot match. Coupled with favorable exchange rates, these foreign government policies make for an increasingly competitive marketplace for fresh and processed potatoes.

Despite these challenges, U.S. potato exports returned to positive growth last year, overcoming the obstacle of lost sales due to the West Coast port shutdown and the strong dollar, to reach their second-highest level on record. These results would not be as positive without the support of USDA's export programs and MAP, in particular. It should be noted these programs are cost-sharing. The potato industry matches its MAP funding substantially greater than the 1-to-1, and that ratio may be larger for the other specialty crops.

In terms of specific results, exports to potato industry targets markets in Asia, Mexico, and Central America outpaced export growth in the world, raising a collective 10 percent by value last year.

The TASC program serves complementary but distinctly different function than MAP. One of the main ways the potato industry has utilized TASC is in providing resources for foreign plant health officials to inspect U.S. production as part of the process of opening their markets to American exports.

Specifically, TASC resources led directly to the opening of the Vietnamese and Philippines markets to fresh potatoes, and the opening of Brazil and the Dominican Republic to seed potatoes. These valuable farm bill programs obviously work in concert with U.S. trade policies that reduce tariffs and non-tariff barriers in key export markets. Simply put, the U.S. cannot afford to fall behind in its pursuit of trade agreements that benefit American agriculture.

We took note last week that the EU and Japan have completed a free trade agreement that intends to fill the void left by the stalled TPP. Japan is the single-largest export market for my industry and the tariff concessions that are EU competitors have just gained there will make for a more challenging market.

Additionally, the potato industry has taken great interest in NAFTA renegotiation, as Canada and Mexico are the second-and third-largest potato export markets. We cannot afford to lose access to their markets in the review of the 25-year-old agreement.

My comments today have been focused on USDA's export programs but I do want to also mention how other important programs, such as the Specialty Crop Block Grant program, the Specialty Crop Research Initiative, and vital pest and disease funding work hand in hand in keeping our industry competitive. Though small in the overall scheme of the farm bill, they provide a vital resource to areas that continue to increase in importance.

Chairman Roberts and Ranking Member Stabenow, we respect that the Committee is just beginning the process of considering all of the various programs of the 2018 Farm Bill. As that review continues, the National Potato Council and the United Fresh Produce Association would be pleased to provide additional information on the impact of these valuable programs.

Thank you.

[The prepared statement of Mr. Halverson can be found on page 44 in the appendix.]

Chairman ROBERTS. Thank you for your testimony.

Mr. Hanes for Mr. Meyer.

STATEMENT OF GREG HANES, ASSISTANT VICE PRESIDENT OF INTERNATIONAL RELATIONS AND MARKETING, U.S. MEAT EXPORT FEDERATION

Mr. HANES. Thank you. Good morning, Chairman Roberts, Ranking Member Stabenow, committee members. As you mentioned, my name is Greg Hanes. I am not Dean Meyer but you can call me that and I will do my best impersonation of him as I can. It probably will not be very well.

But as you heard, Dean is a member of the USMEF, U.S. Meat Export Federation Executive Committee. He is a Director on the Iowa Corn Growers Association. I am actually very disappointed that he is not here because I think Dean really exemplifies what the U.S. Meat Export Federation is about. He feeds cattle. He finishes hogs. He grows corn. He grows soybeans. Those four industries, along with lamb, are all the key core stakeholders of USMEF that work together to increase the exports of red meat internationally.

At USMEF I am responsible for working with our international offices as we implement the international marketing programs globally, but today I would like to really stress the vital role that funding from USDA's Market Access Program and the Foreign Market Development program play in building the demand for U.S. red meat exports and to ask for the Committee's continued support to fully fund these programs through the 2018 Farm Bill.

As you know, it is a very competitive global market out there. USMEF's long-standing presence in these leading export markets, really made possible through that sustained commitment from the MAP and FMD programs, has sent a clear message to our customers and buyers in the markets that the U.S. industry is committed to them in supplying the most wholesome, healthy products available.

MAP and FMD funding have also been critical to our ability to attract and build financial support from our industry partners here in the U.S. USDA's ongoing financial commitment and support serves as a vote of confidence in USMEF's programs to investors in the U.S. production and marketing chain.

So having worked at our headquarters in Denver and also as a director in our largest market, Japan, I fully understand the effectiveness and the impact these programs have on our exports. A good example of our approach is rebuilding confidence after the crisis that we had with the first case of BSE in December of 2003. With these support of these programs we were able to conduct carefully calibrated and integrated messaging campaigns to restore the buyer confidence in most of these markets, which had actually been closed completely to our products.

Another example of our strategies is building demand for U.S. pork products among processing companies in markets around the world. So we are able to hold one-on-one, specific seminars with companies to educate them on the attributes of the products, but also to introduce new methods and new product ideas on how they can utilize our products as well.

In all these cases, USMEF's strategies are paying dividends in the form of increased exports and strong returns to the cattle and swine producers. More than 13 percent of the beef and beef variety

meats we produce in this country are now exported, and exports account for more than 25 percent of the pork produced. During the first half of this year, exports added an average of $270 per head for every steer and heifer slaughtered in this country, and $55 to the value of every hog. As a producer, that can be the difference between being in the red and the black.

Beef and pork exports have also increased the returns on corn by an estimated 45 cents per bushel. So these well designed and executed market development programs, supported by MAP and FMD, really are a fundamental element of building the global demand for U.S. red meat products globally.

This was concluded in the study that was completed by Informa Economics last year, which as, I think, Mr. Halverson mentioned, brings a return of over $28 for every dollar invested. They also figured that these investments produce an average annual increase in net farm income of $2.1 billion, while creating nearly 240,000 new full-and part-time jobs.

So in closing, I would like to thank the Committee for this opportunity to be here today and testify about the benefits of the MAP and FMD programs, and how they support the America's red meat industry and the producers throughout the country here. USDA, through the MAP and FMD programs, has been a reliable and invaluable partner to USMEF and our industry, so we ask for your continued strong support of these two vitally important programs through the 2018 Farm Bill.

So thank you very much for your time.

Chairman ROBERTS. Thank you, Mr. Haynes. We will turn to questions now.

We are going to have about an hour and 10 minutes here. I do not know how many people are going to stay or leave, but at any rate, we are going to have to move in an expeditious manner.

Mr. Crisantes, you mentioned your concerns with the status of the National Organic Standards Board, and my question to you is with regard to recommendations relating to organic regulations. What opportunities do you see for the Department of Agriculture to clarify the roles of both the National Organic Standards Board and the National Organic Program in determining appropriate organic regulations for the industry?

Mr. CRISANTES. Thank you, Mr. Chairman. I think the NOSB has served very well the interest of the industry so far, but I think moving forward the NOSB board needs to evolve. I think having better clarity of what the goals of the NOSB should be, having better communications with USDA and the National Organic Program is a must. I think so far the communication has been one-sided and I think there has not been a real exchange of information between the board and USDA.

So I would ask you, the Congress, to create a new NOSB in which this board would be more diverse, have better transparency, and have better communications with USDA.

Chairman ROBERTS. I appreciate that.

Mr. Halverson and Mr. Hanes, you have already touched on this with regards of both of you indicating how your industries utilize export programs like the Market Access Program and the Foreign

Market Development program. We are going to have to make some very tough decisions in the farm bill as it relates to spending.

Imagine, instead of sitting here before Senator Stabenow and myself and other members of the Committee that you were talking to Mick Mulvaney, the head of the OMB. Tell us what you would tell him, why these export programs are worth protecting as we move toward reauthorization.

Mr. Halverson, why don't you give it a shot?

Mr. HALVERSON. Yes. I would start by the importance of trade, obviously, and the Market Access Program allow us, as producers, to really get our toehold, or get our toes, or get our foot in the door in some markets that maybe we would not be in without a little extra help. Trade is so important, and exporting is so important to the potato industry that, we really feel like investing in things that are working, which the Market Access Program is, is really some of the low-hanging fruit in terms of hard choices from an allocation standpoint.

So we feel real good about how it has impacted the potato industry.

Chairman ROBERTS. Mr. Hanes.

Mr. HANES. I think there are two key words here. One of them is "customers" and the other is "jobs." So as we know, we have 96 percent of the world's population outside of the United States. That is where our customers are. The middle class is growing at a phenomenal rate globally. If you look at where we will be in the end of the next decade, you will have probably about 70 percent of the middle class in Asia. They will have the money. They have the resources to purchase our products. We need to be able to go out there and reach them.

So obviously it is a very, very competitive market. We are not the only ones playing here. So you have all our competitors that have similar programs that are trying to attack, and gain market share, and push us out. So we need to be very, very aggressive in that case, show the quality of the products that we have and the ability to supply them the reliable products that they are looking for.

I think the other issue is jobs. So in our industry, the red meat industry, we have producers in every state, and most of these are rural jobs in rural areas. So these programs that export are not just supporting those producers. There is a whole network infrastructure at jobs supporting the powers in those rural areas as well. You have to have truck drivers that are moving the animals from the farms to the feed lots to the packing plants. You have the packing plants. You have storage, cold storage. You have the exporters. You have the packers, all this. All these add value to the products and are actually bringing value to the producers and the industry and creating these jobs in areas where there may not be a lot of other jobs available.

Chairman ROBERTS. I appreciate that. I apologize to my fellow Senators for going over time but I want to get this in.

Mr. Dallmier, it is obviously evident that fraudulently imported organic grain significantly undercuts our domestic producers. It seems that the organic demand has far outpaced the ability of the National Organic Program to adopt to this situation.

How has the system design of the National Organic Program been outpaced by the rapid growth of the organic industry, and what can we do about it?

Mr. DALLMIER. So, Senator, I believe the design of the NOP did not include sufficient enforcement power to combat fraudulent—to combat in the event of fraud, whether it be domestic or foreign. The idea was to promote trade, with the premise that people are inherently good.

However, as the world commodity prices declined, as the margins to be gained and the risk to be paid came out of balance, that premise did not necessarily hold. The NOP should have been more aggressive in developing a transition program that was designed to build the U.S. supply.

So the organic production potential needs to be at scale, so that we are not reliant on those imports. By providing the same programs to organic and transitional producers that conventional producers have, with the recognition of the higher revenue potential that we have been discussing, that could have been accomplished much sooner, which I believe would have averted the temptation and the benefit of such fraudulent imports.

Chairman ROBERTS. I want to emphasize to the witnesses that the Committee is going to continue to look into this, and we really appreciate your suggestions.

Senator Stabenow.

Senator STABENOW. Well, thank you, Mr. Chairman, and thank you to each of you for your testimony and input this morning.

Mr. Johnston, I wanted to start with you because your local food work started at the community level and evolved to working with schools, farmers and community members to increase food access and build integrated regional food systems. I wondered if you might talk a little bit about how your work has improved connections between urban and rural communities.

Mr. JOHNSTON. Sure. Thank you, Ranking Member Stabenow. I appreciate the question.

Yes. Our work very much did begin doing urban agricultural work in communities, nutrition education programming, and helping to build a greater connection to food within communities that have been struggling to access for quite some time. I think the exciting part of that is that evolution of our work, recognizing that access to food really is a regional food system issue. It is not just about community-scale agriculture, although that is a tremendous opportunity, it is a tremendous way to introduce folks to regional food systems and to greater opportunities in agriculture.

Most recently, work that we have done with the 2501 grant program, I think, is a great example of this, where we have been working with folks who have been working in urban ag, training to build skills there, and connecting them to incubator farms in rural areas, helping them scale their experience, get on to larger tracts of land, and create viable enterprises, actually bringing new farmers into agriculture in our region.

So building those connections and bridging voids between urban and rural communities has been a big focus, and I think success, of our work.

Senator STABENOW. Great. Thank you very much.

Mr. Halverson, we know how important the specialty crop industry is to our economy in this country, and certainly in Michigan specifically. We now have a farm bill title, which we did not have before 2008. But specialty crops do not receive more traditional support through commodity programs.

They rely on programs like Specialty Crop Block Grants, Plant Pest and Disease Management programs and the research initiatives. Could you talk more about why these programs are so important as the way that we support this large part of our agricultural economy?

Mr. HALVERSON. Sure. I would love to. You know, as we talked about how the trade is important and the market is so important, one of the things, just to stay competitive, is growers in the U.S. and in Michigan. So when we have issues, challenges like pest and diseases, it is really important we have got somewhere to turn to help solve those issues.

I think of one thing in particular. In North Dakota we have—we are fighting this disease called Dickeya, and there was a grant that was approved, and there are a couple of professors at North Dakota State then are working on how to identify this disease—it is a seed-borne illness—so it does not get into our seed system. It is something that hit us in a couple areas of operation.

So that is an example of these things so we can stay competitive and manage some of the production risk, from a specialty crop thing, where you do not have the investment like you do in typical corn and soybean type, big acreage crops. It really gives us a boost in the arm, in terms of fighting some of those issues that come our way.

Senator STABENOW. It seems like we keep seeing new issues all the time, I find. I am sure that you are always wondering what is around the corner.

Mr. HALVERSON. It seems—yeah, there is a new bug or something around the corner every day.

Senator STABENOW. Yes.

Mr. HALVERSON. It feels that way. Sure, it does.

Senator STABENOW. Yes. So thank you.

Mr. Crisantes, in your testimony you talked about some of the existing challenges and limitations of the current organic system in meeting the needs of a rapidly expanding organic sector, in part due to a historic deficit of organic research, which remains far behind marketplace trends and industry needs. So I wondered if you might explain why dedicated organic research funding is critical to the success of your business and to the organic industry.

Mr. CRISANTES. Thank you very much for that question. Senator, for example, I will talk a little bit about variety development on the specialty crops, similar—like tomatoes. So in order for companies to develop varieties they do it using conventional production practices. So the traits that they choose are pretty much what is on the conventional production.

When you use those varieties and seed them in an organic production practice, those traits might not show as is. For example, on tomatoes, powdery mildew is a big problem, and then it is easily controlled, or easier to control in conventional agriculture, but in organic agriculture it is not. So if a variety is very susceptible and

it was chosen during conventional screening, then it shows up in organic. So we planted an organic and it does not work.

So I think a lot of dedicated research money is needed for organic production because we have different tools and the outlook is different between convention and organics.

Senator STABENOW. Thank you. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman, and thank you to the panel. What an interesting group of people. What is always remarkable for me is if you think that agriculture—the image of agriculture, I think, in this country is a 1950s image, and I wish everybody would sit and listen to what you do every day, that is some of the most innovative and really scientific work that is being done throughout the country. It makes me proud that I represent a state, like North Dakota, that has great people like Mr. Halverson, who is out innovating.

I do not think some of the members got a chance to see your beautiful picture, but Senator Donnelly and I were talking about how amazing it is, what you have been able to do, and we look forward to reviewing the challenges that you have had, bringing your tomatoes to market under a label that I think you deserve and earned. So just know, even though we do not do that much, although they are starting to do it in Bottineau, and we see that as a real opportunity to look at providing fresh fruits and vegetables, things that Mr. Johnston is talking about, in a way that gives every state an opportunity to grow these crops.

I want to turn to Mr. Halverson, of course. You guys, that does not surprise anyone. You know, one of the great stories of American agriculture has really been written in the land-grant colleges. We say first it was better farming practices but also research, and you mentioned the work that NDSU is doing.

I want to acknowledge that but I want to turn to trade, because I think that right now we are in a period of transition on trade. We walked away from TPP. That, in my opinion, gave the EU an excellent opportunity to move into the Japanese market, affecting certainly pork, but I think you made an excellent point, Eric, about potatoes.

When you are working with your foreign buyers, when you are working within your association, what are you hearing from our trading partners across the globe about the challenges, and what can we take back to the trading professionals so that they better understand what our farmers and ranchers are hearing direct, one to one, with their markets?

Mr. HALVERSON. Well, thank you for the question. What you hear is the U.S. provides—we grow a really great potato, in North Dakota and in other places in the U.S. Our potato has value that exceeds potatoes grown in other areas. But that can only—that only gets us so far, right, and people—so when we come to the market with products that are, for whatever reason, more costly to bring to the ultimate customer, it provides a challenge.

I shared with the members, we have been able to gain back some of ground of export, and that is on the back of our good quality product, but we get resistance because of price. So that price can be impacted by tariffs or by other subsidies or things that people

are doing outside of the U.S. that help lower the cost to deliver the products to the market. So, I mean, the good old-fashioned cost is a pretty big lever that influences things.

Senator STABENOW. Yes. One of the things that we know, if you look at bean farmers across North Dakota, people would be surprised to see how often North Dakota farmers and farm groups travel internationally. That is because a lot of this is about one-on-one relationships, but a lot of this is supported by USDA and USDA programs.

If we see those programs eliminated, programs like MAP, how will we ever get that introduction that will allow us to promote our much superior agricultural products into a market that would like to have much superior products?

Mr. HALVERSON. Yes. It would be difficult. I personally have been to Vietnam and to Central America, representing the industry, trying to move potatoes, and it is just—there is not enough margin in agriculture to take some of those steps. It would be a lot more difficult. So those types of funds really help us get out and get into markets where we might not otherwise be, just to help us open those doors.

Senator STABENOW. Yes. I just want to make the point that I know, personally, many farmers who have had, and still maintain great relationships with their buyers. It becomes almost like family. But that can only go so far, that relationship building. If the tariffs are reinstated, or uncompetitive, if we are not doing the work to promote the outreach, we will not be successful in agriculture. We cannot be successful in agriculture at the current margins without trade.

So we are going to work on that. We are going to work on all of these issues. But thank you so much. What an interesting panel you have put together, Mr. Chairman.

Chairman ROBERTS. Thank you, Senator.

Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. I want to welcome all of our witnesses this morning, particularly, Mr. Halverson, I want to welcome you. I had hoped to be here sooner and give you a big introduction, but it is just great to have you, the CEO of Black Gold Farms, and, as you said, raising quality potatoes not only in North Dakota but in many other places as well. So, again, thanks to all of you.

I am going to pick up on the trade issue. Talk about the MAP program a little bit, will you, Eric, and tell us what you think of it, and its importance.

Mr. HALVERSON. Yes. The MAP program is really important to the potato industry. We, the potato industry, utilizes somewhere in the neighborhood of $5 million, I believe it is, of course, leveraging our own industry dollars. A lot of that is through the Potato Promotion Board, Potatoes USA. So we put on programs and do things to help obviously encourage other countries to buy our potatoes. One in five—as I said, one of five rows of potatoes are exported out of the country.

So utilizing those programs, getting us into those foreign markets is vital to maintaining a healthy balance, healthy supply and demand balance of potato production in the U.S.

Senator HOEVEN. So as we work on the farm bill, that is an important program for you that needs to be included and funded.

Mr. HALVERSON. Absolutely. Absolutely.

Senator HOEVEN. Then I think you saw that Secretary Sonny Perdue has created a position, Under Secretary of Trade, which was something that we authorized in the last farm bill. Talk a little bit of how—any recommendations for that Under Secretary of Trade position in USDA?

Mr. HALVERSON. No. I—looking at it from my position, to me it highlights the emphasis and focus on trade, and anything that we can do that does that, that highlights the emphasis and focus on trade, I think is a positive step. So I am really encouraged by that.

Senator HOEVEN. Some other programs that we will look at in the farm bill that I would like you to comment on, the Specialty Crop Block Grant program, and also the Specialty Crop Research Initiative. Just kind of talk about those two, their importance, as we work on the new farm bill.

Mr. HALVERSON. Yes. So I just mentioned the one project at North Dakota State, about Dickeya. They are doing other things there that are part of the Specialty Crop Block program. There is an app they are developing that helps forecast potato blight, which is a pretty bad disease.

These things, research and development in specialty crops, are really important, and as I mentioned earlier, the specialty crops do not get the—they do not get the focus that our commodity crops friends so. So it is really vital to help us and to provide a little bit of extra support in protecting ourselves from the production risks out there.

Senator HOEVEN. The research initiative, very important for you in terms of disease and productivity?

Mr. HALVERSON. Yep. Yes. No, absolutely.

Senator HOEVEN. What foreign markets are potato growers looking at? Are there certain markets you are looking at?

Mr. HALVERSON. Well, so Japan is our number one market, followed by Canada and Mexico, but a lot of focus in the potato industry has been in Asia.

Senator HOEVEN. Okay. Any renegotiation on NAFTA, we have to be careful to make sure it is good for agriculture when we are talking about Canada or Mexico. Correct?

Mr. HALVERSON. Absolutely.

Senator HOEVEN. Very important for the potato growers.

Mr. HALVERSON. Absolutely.

Senator HOEVEN. Any opinion, thoughts that you have in regard to the strong dollar? I mean, one of the challenges we find with not only exporting crops but livestock is the strong dollar. It makes it hard to compete. Have you had any dialog in the industry about ideas, thoughts, things we could do to help there?

Mr. HALVERSON. Yes. I mean, that gets difficult, and so what we have to do as producers is back to focusing on the quality of the products we do and the productivity we have in growing those products. So if we can be more efficient and have a higher-quality product, that helps us, and that would circle back to some of that research discussion we had, and things we can do just to be better

farmers are going to help us compete, even with the strong dollar, because we are going to be better at it.

Senator HOEVEN. Who are your strongest competitors in international export—in exports?

Mr. HALVERSON. Canada, and there are some European countries—Holland, and Germany and those countries—that are competing. Certainly Canada.

Senator HOEVEN. Any other priorities you have, particular for the next farm bill?

Mr. HALVERSON. I feel like that trade is just the number one. So I just—it is kind of the 80–20 rule, and that is the more emphasis we can put on trade and helping us be efficient and productive farmers, from a research standpoint, the better off we will be.

Senator HOEVEN. Again, thanks for being here and for what you do.

Mr. HALVERSON. Thank you.

Senator HOEVEN. Greet your family.

Chairman ROBERTS. Thank you Senator and Mr. Halverson. Let me underscore that you have no need to worry with regards to this Committee in the recognition of the importance of specialty crops. You cannot serve with the distinguished Senator from Michigan without understanding the cherry trees, and then there are cherry trees, and then there are cherry trees.

[Laughter.]

Chairman ROBERTS. So do not worry.

Senator Gillibrand.

Senator GILLIBRAND. Mr. Chairman.

Chairman ROBERTS. If you could hit your mic there, please.

Senator GILLIBRAND. Can I please concede my minutes to Senator Van Hollen?

Senator Van Hollen. I thank the Senator. Mr. Chairman, I just want to say unfortunately I am being called to the Appropriation's Military Construction Appropriations Markup, but Maryland has a big interest in specialty crops, organics, and all the things that we are discussing. So with your indulgence I will submit my questions for the record.

Thank you, Mr. Chairman, and thank the witnesses.

Chairman ROBERTS. Well, thank you, Senator, and when you go and consider that military construction, if you can get the Marines out of Quonset huts into something better I would appreciate it.

Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman. Thank you Madam Ranking Member. Mr. Johnston—no, I want to do this one first. Mr. Crisantes, all of us on the Committee have heard about the tremendous growth of the organic industry and about how growers struggle to meet consumer demand. This has created a great opportunity for many young farmers in New York to begin or transition to organic farming.

I worry that the pace of research and extension services for organic growers may limit this potential growth. Do you think that USDA funding for organic research and extension is adequate and keeping pace with the industry?

Mr. CRISANTES. Thank you very much for that question. I certainly think we should be able to strengthen those programs. Re-

search is extremely important, as it is in all specialty crops. But in organics, the lack of tools for us to be able to produce and be more productive—it is a small handicap. So research, it is a very important tool that we have for us to be able to succeed and to become more and more productive.

Senator GILLIBRAND. Have you struggled to find the right types of seeds adapted to your production system?

Mr. CRISANTES. We certainly do, because, like I said before, a lot of these varieties are selected under conventional production, and if we were to have specified research for organics then a lot of that could be complemented and be able to produce and select seeds on organic production practices.

Senator GILLIBRAND. Mr. Dallmier, in your testimony you talked about the need to increase the oversight of imported organic products to reduce fraud and preserve consumer confidence in the integrity of the organic seal. What can the Committee do to support more domestic organic production so that our market is less reliant on imports?

Mr. DALLMIER. So thank you, Senator, for the question. I believe that we need to encourage more scalable farming operation to incorporate organic production into their business plans. We are at that transition period between where organic production was generally considered a small-scale enterprise. If we were to then make the leap into—so that we are not reliant upon those imports we need to get to scale. So how do we go about doing that? It is about the research that you were talking about, the extension that you were talking about. We also need to think about pushing that research not only to the land-grant universities but to the regional and the community colleges as well, because they have actually the face-to-face touch that many of the land-grant universities have lacked.

We also need to utilize and expand upon the existing USDA programs to encourage that transition period between convention and organic farming. Some examples that I would like to highlight are the Soil Health and Protection Initiative, or SHIP, the Conservation Stewardship Program; the Environmental Quality Initiatives Program, on the conservation side, as well as the financial backstops that are currently involved, such as crop insurance, revenue insurance, et cetera, so that those would take into account the higher revenue stream and the higher revenue potential of specialty crops and organics. So those risk mitigation tools can be utilized effectively as this becomes a large-scale business.

Senator GILLIBRAND. Do you think that organic transition certification could help more commodity producers obtain full organic certification?

Mr. DALLMIER. Absolutely, ma'am. As our markets are requesting more knowledge, more transparency within those marketplaces, the Certified Transition Program allows a level playing field and a level set of standards to build upon that market, going forward. Yes, ma'am.

Senator GILLIBRAND. Thank you. Mr. Johnston, I recently toured Capital Roots, a great organization in Troy, New York, that helps farmers bring their goods from fields to city, a community garden program that spans four counties and makes fresh produce avail-

able to elderly, low income, and disabled residents. They received the Local Food Promotion Program grant that helped them to develop their food hub and double the amount of locally grown produce they buy direct from farmers.

I know that you have experience with LFPP programs, and because I am out of time perhaps you can comment, for the record, on how this program has worked to improve food systems in your region. He can submit it if you want to move on. Okay. Go ahead.

Mr. JOHNSTON. Thank you for the question, and I also want to share that last week began our first deliveries into New York City and the beginning of our partnership with New York farmers, and it sounds like the project in Troy is very similar to the work that we are doing.

LFPP program for us, effectively, what it allowed us to do is invest in cold storage and post-harvest handling practices with some of our rural Amish farmers, and help them improve the quality and shelf stability of the product they were bringing to market, and especially with brassicas. So it allowed them to expand the acreage that they were growing, focusing—actually, broccoli was one of the key products—and really help them grow their farm enterprise.

So, in short, LFPP has created market opportunity for rural growers and helping them create jobs and economic vitality.

Chairman ROBERTS. Senator Klobuchar.

Senator KLOBUCHAR. Thanks very much to you, Mr. Chairman, and Senator Stabenow for holding this important hearing. As many of you have mentioned earlier, I have heard from our staff, export markets are essential to our ag sector. I certainly know that in my state. The importance of those markets is what makes trade disruptions so concerning.

One example is the dairy industry which was hit hard by the recent creation of a new Class 7 pricing scheme, that hurt U.S. exports to Canada. This was something that came out of Canada. What tools are available to address foreign policies that threaten to derail exports, in a case like this? Anyone can answer it.

Should I start calling on people, like law school?

Mr. HALVERSON. Well, I think some of the tools are—in the potato industry, that we use our—they basically revolve around our production capabilities and then our working with our associations and so forth to help guard against that—understand what is going on and guard against it. I mean, that is the potato answer.

Senator KLOBUCHAR. Okay. Anything else? Okay. Anyone?

Mr. DALLMIER. Ma'am, I think, as merchants, and thinking about trade, we are much more interested in stability and continuity and predictability as we engage in our trading partners. I would encourage the policymakers to investigate and to think about how that stability has been affected as we renegotiate NAFTA, as we pull out of TPP, and some of the——

Senator KLOBUCHAR. How about Cuba and the recent move to go backwards on Cuba? I carried the bill to lift the embargo.

Mr. DALLMIER. Yes. All——

Senator KLOBUCHAR. That would be inconsistent with the way we were headed.

Mr. DALLMIER. —all trading partners are, I think, valid at that point.

Senator KLOBUCHAR. Mr. Halverson, do you want to comment on Cuba? As you know, we—the recent move was to not change the ag provisions, but, of course, when you limit a foreign visit from Americans you are going to hurt ag as well, and that is why the Chamber came out so strongly against the move. I am just curious about your view on that.

Mr. HALVERSON. Well, again I would—all—we are looking for every opportunity to move our products, and I think we are—I know we are supportive of any of those efforts and Cuba would be one of those, as far as a place that we are not able to go now, so that is a new market for us to move our products. So anything that can be done to help open that up is good.

Senator KLOBUCHAR. In your testimony you talked about seminars, technical support, training, promotion, all of this helps develop the U.S. brand. Can you elaborate on some of the specific efforts within the Market Access Program and how they support U.S. commodities in maybe newer markets?

Mr. HALVERSON. Sure. One that comes to mind right away is that the U.S.—Potatoes USA has a program called Why Buy U.S. So they take a bag of U.S. French fries and they put it in a column, next to some of our competitors' French fries, and it shows the better quality of U.S. potatoes, and in this case potato French fries. So that is just one quick example of how that—as they are doing that in some of these markets, how it is demonstrating the superior nature of our products.

Senator KLOBUCHAR. Very good. You brought up NAFTA, Mr. Dallmier. Thank you. Do you want to just talk a little bit about how that fits into the ag export market? I know Secretary Ross has been working on some of the issues, including sugar, that we worked with him on, and we were pleased with the result, some of the things that he wants to get done before it gets to the renegotiation. Do you want to talk about the importance to ag?

Mr. DALLMIER. Certainly. I think across all of the ag sectors our number one and number two exports markets are Mexico and Canada. Those markets, as they are—I can talk perhaps a bit to Mexico within the corn and soybean realm. One of our key clients directly imports our organic corn for chips into Mexico. As the discussions around NAFTA were coming to a head, we started getting a lot of phone calls. You know, what do you see? How do you see it? What is the impact? They were starting to look at South American supplies.

So in the organic world, South American supplies, we get into very much the same questions as we do in current import supplies. So it could very well hurt the brand recognition of U.S. products in certified organic.

Senator KLOBUCHAR. All right. Thank you very much. I appreciate all of your work.

Mr. DALLMIER. Thank you, ma'am.

Senator KLOBUCHAR. Thanks.

Chairman ROBERTS. Senator Grassley. Senator Grassley, Dean Meyer from Rock Rapids, Iowa, in Lyon County, could not be here. Mr. Hanes gave his testimony. I do not know what happened with regards to Mr. Meyer not being able to make it.

Senator GRASSLEY. Airplane problems.

Chairman ROBERTS. So that crop-duster that you fly from Iowa to here just did not fly, or what?

Senator GRASSLEY. I think it was the airplane. Can I go ahead and ask my questions?

Chairman ROBERTS. Yes, sir. Yes, sir.

[Laughter.]

Chairman ROBERTS. Certainly.

Senator GRASSLEY. I am surprised you have been talking.

[Laughter.]

Senator GRASSLEY. I just have one question and it is for Mr. Dallmier.

Mr. DALLMIER. Yes, sir.

Senator GRASSLEY. It may—it is more for my own personal information, but if there is a public policy issue connected with my question that you think we ought to consider, you make that decision and tell me what you think it is.

But it is my understanding, from USDA figures on the price of organic corn at $8, and $17 for soybeans, that then I presume some justification for that is the fact that certain period of time land has to lay fallow before you can start growing organic, and I do not know exactly how long that is. But is that price that I just quoted to you enough to encourage people to get into it?

Then also you have got to consider the unpredictability of prices down the road, after they have let their lay idle so that they can put it into this crop. Then every farmer puts up with that, but I just wondered if—how that comes to incentivize people to get into it.

Mr. DALLMIER. Thank you for the question. The prices that you are quoting are accurate, and several years ago the price of an organic bushel of corn was about three times the price of a conventional bushel of corn. The price of organic soybeans was about two and a half to three times that as well. So those are primarily quality and supply constraints, as well as the transition period from—and it happens to be three years—from conventional to organic.

How do we incent people to come into that transitional period? That is where much of the uncertainty, both on a cropping strategy as well as financial strategies, come together. I think the Certified Transition Program that we have asked USDA to finalize, that program comes into play because that then builds markets for the crops that are a part of those three years, and it is more than just hay and different other crops. It can be such things as sunflowers, or small grains, unique places in those high-value areas.

That is where the conventional risk comes. That is where the financial risk comes. Once you get through those transition periods into selling your certified organic grains, in our case, that is where the revenue stream comes to play. That is also where the increased number of jobs comes to play, because it takes more people per land area for an organic production than it does for conventional agriculture. Those are real jobs, and in many cases those jobs, as well as the increased revenue and increased profitability, are what are allowing people to remain on the farm, as well as the infrastructure that was talked about earlier today, as far as the logistics, the market, and so on, that infrastructure as well.

I hope I have answered your question.

Senator GRASSLEY. Any policy considers for us as we go into the next farm bill, in regard to what you just said?

Mr. DALLMIER. Certainly. I think we can build upon the crop risk—the crop insurance, revenue insurance. Those financial pieces, we start to bring scale into organic production. We also need to be mindful of the RMAs organic—the value of the organic production. These are very similar to—in the state of Iowa you have seed corn fields, seed soybean fields that have a different revenue structure, a different price structure than conventional row crops.

So the structure and the framework around what could be done with insurance and other market programs are already there. They just need to be incorporated and transferred into an organic specialty crop.

Senator GRASSLEY. Thank you. Thank you, Mr. Chairman.

Chairman ROBERTS. Thank you, Senator. I understand that Senator Ernst is going to be back with us, on the Committee. Is that the case?

Mr. Dallmier, you have been giving excellent testimony. I understand your company does not import much organic grain, but I understand you source from a great number of states, including from Leoti, Kansas.

Mr. DALLMIER. Yes, sir. That is correct.

Chairman ROBERTS. That is a little northwest of Garden City, way out there. It is not the end of the Earth but you can see it from there.

Mr. DALLMIER. On a windy day you can throw a rock.

Chairman ROBERTS. From what other states do you source?

Mr. DALLMIER. So we source organic grain across the eastern United States, from the Rockies to the Southeast, from the Gulf to Canada. A brief list would be the Dakotas through Iowa, Minnesota, Nebraska, as you stated Kansas, Texas, Missouri, Illinois, Wisconsin, Indiana, Ohio, Kentucky, Tennessee, and throughout the Southeast.

So the interesting part about the organic and specialty industry is the quality of the material and the revenue—or the quality of the material and the requirements of our clients allow those crops to travel much greater distances. So it is not uncommon, sir, for, say, an organic blue corn to travel from Nebraska to Illinois to be cleaned, then shipped again to an organic chip maker in a different state. Or we were talking about cross-country trade. It is also not uncommon for a corn crop from Kansas or Iowa to come to Illinois, then go to, say, British Columbia, going across to Canada, for organic products as well.

Chairman ROBERTS. That is a rather incredible swath of territory.

Mr. DALLMIER. It keeps our merchandisers quite busy.

Chairman ROBERTS. You are like Hank Snow. You have been everywhere, man.

[Laughter.]

Chairman ROBERTS. You and I are the only, probably, two people who——

Mr. DALLMIER. Yes, I agree with you.

Chairman ROBERTS. —even know what I am talking about. But, at any rate, there was one other question, I think, that—and since I have the time and while we are waiting for Senator Ernst, Mr. Crisantes, some in the organic industry have a tendency to narrow their focus to overly specific issues, determined by parochial interests of activist groups. As a thriving organic business, what do you see as the most significant, overarching issue facing the organic industry?

Mr. CRISANTES. Sir, for example, right now we are discussing our production practices and everybody here notes that the requirement to have a transition standard, and that is not being discussed right down at the NOSB. So I think there is a disconnect between the priorities of the industry and the priorities of the National Standards Board.

I think that is a key role that NOP and the USDA can play, and leading the communication in the front end between USDA and the NOP to guide the NOSB to provide feedback on policy.

Chairman ROBERTS. I appreciate that. Thank you very much.

Senator Ernst, thank you for returning.

Senator ERNST. Thank you, Mr. Chair, and thank you again for everybody for attending today.

Mr. Hanes and Mr. Halverson, you both mentioned in your testimony the importance of MAP and FMD funding for promoting our agricultural bounty abroad, which is great. As you know, the President's budget proposal zeroed out both of these programs, and, additionally, there is a bill on the House side that would double the annual funding for both MAP and FMD.

What do you believe is the right funding level that will give us the biggest bang for our buck and still be aware of our current budget constraints?

Mr. HANES. Obviously that is a tough question because I think these programs are incredibly important. The impact they have is huge. The leverage they have within the markets is incredible too. I mean, the funding we get from these programs actually is leveraged with funding we get in-market with customer companies that we are working with, so the market impact grows and grows.

I would love to see a doubling of the program, because I think that it could be well utilized and would have a significant impact in the markets. I think the MAP and FMD programs are really key, because regardless of what is happening politically, they have been the bedrock of our international activities and show the U.S. industry commitment to our trade partners. We are currently facing different trade issues and are renegotiating trade deals which is causing concern among the international trade buyers. We need these programs in order to alleviate any concerns and demonstrate the consistent level of commitment of the U.S. industry.

So without that commitment, you raise among our trade partners, which opens the door for our competitors to get in there and grab market shares. In this global market, the more active and more aggressive we can be, them more successful our programs will be for our industries.

Senator ERNST. Great. Mr. Halverson?

Mr. HALVERSON. Yes. I would add to that in that there is a 28-to-1 return from the study through Texas A&M of our investments

in Market Access Programs. So, to me, you want to invest money as much as you can into things that are working, and certainly for the potato industry the MAP funds, the MAP programs are working. I also believe that, as was mentioned, leveraging grower dollars, essentially—so there is skin in the game from a grower's standpoint—really helps to make sure we are investing those dollars in places that are going to generate those higher returns.

Senator ERNST. No, I would tend to agree. It is always good when we can leverage those dollars, and it is so much better for our producers.

Your testimony had also touched on how the recently completed bilateral trade agreement between Japan and the European Union will put us at a competitive disadvantage on certain ag and food products, and in the wake of the Trump administration's withdrawal from the TPP, the Trans-Pacific Partnership, can you speak to the importance of the U.S. negotiating our own bilateral deal with Japan, and what kind of lost market share in beef, pork, and potatoes are we talking about with the Europeans beating us to the punch in Japan? If you can address that as well.

Mr. HALVERSON. Yes, just quickly, for Japan we export over $300 million worth of potatoes. It is our number one export market. So there is a concern. I believe it is an 8 ° percent tariff. There is a concern if others do not have the same type of obstruction that we do then obviously they will be more competitive in that marketplace. So it is significant for potatoes.

Senator ERNST. Very good.

Mr. HANES. The same on the red meat side. So, obviously, Japan is our largest market for both beef and pork. If you look at beef, the TPP would have had a huge impact there. We pay a 38 ° percent duty in Japan right now. That would have gone down to 9 percent. With it already being our largest market at almost 39 percent duty, if you bring that down to 9 I think that would have really spurred consumption and growth there.

You also look at Australia. They have a free trade agreement with Japan now, so their duty rates are already 11 to 12 percent lower than what we are paying and will continue to drop to 19. So we have got that hurdle that we have to really push.

So the sooner we can do some type of trade agreement I think is critical. You know, the TPP framework, I think, was excellent for agriculture in the red meat industry. If we can do a bilateral with that, or maybe make some kind of changes to the existing TPP and re-enter that. You know, the TPP 11 is continuing. Japan has already ratified TPP, so they are looking at moving forward with those countries that are already engaged, and we cannot afford to be left out. So it is critical. It is our highest margin, highest value market.

Senator ERNST. Absolutely. I am running out of time, but I am going to get on my soapbox. I firmly believed in TPP as far as our agricultural commodity products, and getting those into those countries that we believe could be very good trade partners for us. I just came from an Armed Services Committee meeting, and so not only do I see this as a great trade opportunity with those nations but I also see it as a national security issue, because if we are not participating in trade with these nations there certainly is another

country in that region that will step in, and that country is China, and we do not want to see any additional influence of China in some of those countries. At least that is what they have stated to me as well. I believe that good trade partners make great friends.

So thank you very much. I appreciate it. Thank you.

Chairman ROBERTS. Thank you, Senator. We do face a very unique challenge, a very difficult challenge with regards to trade policy, because it is more than just saying that we want a robust and predictable trade policy.

I was privileged to meet with the President about 10 days ago with regards to crop insurance, and I think we will not have a problem with that. But trade also became the subject matter. I am very pleased that the President's Cabinet weighed in, more especially Sonny Perdue, but also General McMaster with regards to national security, and our Secretary of Commerce, Secretary Ross, and Secretary Tillerson. That might have been quite a meeting. But we are not in the business of terminating—that is a bad word—with regards to NAFTA. That has shifted to renegotiate, modernize, improvement, whatever adjective you want to use. So we look forward to that with our trading partners that have been—we have been doing that for quite a while.

With regards to those three letters that we do not say anymore—we just say Pacific Rim countries—that helps. It has been seven years we have been working with those countries. I think that also has national security impacts. I am pretty confident the President understands that, and so I am looking forward to working with the Administration to achieve that, and I again give a lot of credit to our new Secretary of Agriculture in making sure that this happens.

I am also worried about the talk about the possibility of tariffs on imported steel. If you just look at the countries that are being talked about, those are the same countries that we have all talked about in terms of agriculture trade. So we do have some challenges out there.

Thank you all for coming. This will conclude our hearing today. To each of the witnesses, a special thanks for taking time to share your views on trade programs, specialty crops, and organics. I want to assure you your testimony provided today has been invaluable for the Committee to hear.

For those in the audience who want to provide additional thoughts on the farm bill, we have set up an e-mail address on the Senate Agriculture Committee's website to collect your input. Please go to ag.Senate.gov and click on the Farm Bill hearing box on the left-hand side of the screen. That link will be open for five business days following today's hearings. Keep your tweets at a reasonable level.

To my fellow members, we would ask that any additional questions you may have for the record be submitted to the Committee Clerk five business days from today, or by 5:00 p.m. next Thursday, July 20th.

The Committee stands adjourned. Thank you very much.

[Whereupon, at 11:17 a.m., the committee was adjourned.]

A P P E N D I X

JULY 13, 2017

Testimony
On behalf of the
Coalition for Sustainable Organics

With regard to

"Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill"

Submitted to the

United States Senate
Committee on Agriculture, Nutrition, and Forestry

Submitted by

Mr. Theo Crisantes
Vice President of Operations, Wholesum Harvest
Member, Coalition for Sustainable Organics

July 13, 2017
Washington, DC

Chairman Roberts. Ranking Member Stabenow, members of the Committee. Thank you for the opportunity to provide testimony on the organic industry. My name is Theo Crisantes and I am the Vice President of Operations at Wholesum Harvest. I am a third-generation organic farmer with operations in Arizona and Mexico. I am here today as an organic grower and on behalf of the Coalition for Sustainable Organics (Coalition), which promotes the continued use of containers and hydroponics in the National Organic Program (NOP).

While I am also a member of the Organic Trade Association (OTA), Western Growers Association (WGA), and United Fresh Produce Association (UFPA), my remarks here today reflect the opinions of the Coalition.

Wholesum Harvest: History and Current Operations

I am proud to say that Wholesum Harvest is a family farm and a true success story. My grandfather emigrated to Mexico from Greece in the 1930s and we have been selling into the United States since 1940. In 2012, we saw opportunity to expand our operations significantly in the United States and opened our newest operation in Arizona. While everyone else in agriculture was moving to Mexico for less regulation or cheaper input costs, we were investing in the United States.

We currently grow tomatoes, cucumbers, eggplant, peppers, and squash on 600 acres in both the United States and Mexico. We have a revenue of approximately 55 million dollars and are the largest producer of organic tomatoes on the vine in North America.

Wholesum is proud to be a longstanding participant in the organic program, receiving our first certification in 1995 and completing our most recent USDA audit just a few weeks ago.

We have found that the best way to create a sustainable and thriving organic system is to exclude pests and diseases that cannot be efficiently controlled by other organic methods. This approach has led us to use containers and other indoor growing systems not just for plant propagation, but now for the full life cycle of the plant. For example, for peppers, given the presence of the pepper weevil in our main production zones and the lack of beneficial predatory insects, Wholesum has found that it can minimize the impact on the environment by growing in shade houses. For tomatoes, the disease, pest, and environmental pressures are extremely high in our open field production areas. Rather than using a heavy load of chemicals and other scarce resources to address the problem, Wholesum invested in glass greenhouses where tomatoes are grown in containers. Greenhouses increase the efficiency of the beneficial insect program, reduce water use by 80 percent, and provide year-round employment in regions characterized by seasonal jobs.

Greenhouse and container production systems have become an important and growing portion of the supply of organic fresh fruits and vegetables. According to recent data from the *Nielsen Perishables Group FreshFacts® L52Weeks Period Ending February, 25, 2017* report, organic tomatoes produced in greenhouses primarily in containers now account for 23 percent of retail sales. The percentage of sales for peppers is 44 percent and 37 percent for cucumbers.

These methods are also endorsed by consumers. Last fall, the Coalition conducted a survey to assess consumer attitudes toward container growing. 91 percent of consumers surveyed supported current USDA policies that allow organic farmers to grow organic produce in containers. I have included our consumer study for the record in addition to this statement.

Increasing Uncertainty in the Organic Sector

Notwithstanding overwhelming consumer support, our plans to expand operations in the United States have slowed because of the considerable uncertainty resulting from recent actions of the National Organic Standards Board (NOSB), a Federal Advisory Committee to USDA's NOP.

As you well know, the USDA Organic Certified Seal is one of the most recognized and trusted emblems in the global food system. But there has been increasing turmoil behind the scenes to determine what, exactly, it means to be able to receive that designation. Under the Organic Food Production Act of 1990 (OFPA), the NOSB was created to "assist in the development of standards for substances to be used in organic production and to advise the Secretary on any other aspects of the implementation of OFPA."[1]

Over time the NOSB has become the driving force behind specific standards deemed appropriate, or in my case, inappropriate for organic certification. Even if USDA does not act upon a formal recommendation, many organic auditors will incorporate the NOSB's recommendations into their interpretation of standards to determine if producers meet USDA organic regulations.

Specifically, over the last few years, the NOSB has drafted and considered proposals to eliminate containerized and hydroponic growing methods from organic certification. These growing methods, which have been certified by USDA since the inception of the organic program, are crucial to meeting the rising consumer demand for organic produce. For me personally containers and greenhouses are necessary to improve the ecology of our farmland. We greatly depend on the organic premium I receive for my produce to pay for those advances.

I am not alone in this position. The Coalition for Sustainable Organics, of which I am a Board Member, represents growers across the country, all of whom farm in containers or hydroponics or aquaponics and would be severely disadvantaged if their long time organic certification was revoked.

While this issue may be the one in the hot seat currently, other issues and topics may be coming down the pipe. I am concerned that—without some change to the status quo—the organic industry will continue to face unnecessary regulatory uncertainties that will prevent it from meeting rising consumer demand.

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[1] 7 USC 94 §6518

Structural Challenges to Setting Organic Standards

When the NOSB was originally envisioned few people really understood organic farming and an even smaller number of them were at USDA. Thus, it made perfect sense to outsource primary regulatory responsibility to an external body now known as the NOSB

But today, after 27 years, the NOSB structure is showing its weaknesses. For one thing, it is nearly impossible to capture and reflect the variety of operations that make up the organic industry with a 15-member board.

Of those 15 seats on the NOSB, four of them are filled by small operators who grow on a combined acreage of less than 120 acres. Likewise, the only seat allocated to retailers is currently occupied by a 17-store chain. Stated another way, NOSB's current composition fails to reflect the breadth and diversity of the industry.

Finally, NOSB's procedures do not incorporate sufficient public input – especially considering their influence. The Coalition has participated in every public comment opportunity surrounding the proposal to ban containers and hydroponics but several times, both extensive and complicated drafts composed by the NOSB, were released with only a few days allowed for review. This past spring, important proposed formal recommendations and discussion documents written by the NOSB were published on Friday March 17 with a deadline for comments of March 30.

The Board meets twice a year for public meetings but, excluding three-minute public comment allotments at these meetings, there are no other methods for a true two-way dialogue with these decision-makers. I have invited NOSB members to visit our operations and learn more about what they are proposing to restrict but, unfortunately, to date, no one has been able to visit. At the very least, NOSB should visit, see, and understand the organic, sustainable, and environmentally-friendly practices it seeks to regulate and, in my case, ban.

Next Steps

The organic sector is no longer a niche industry. There are approximately 24,000 certified organic operations nationwide supporting tens of thousands of farm sector jobs in a $50 billion per year industry. While other sectors of the American agriculture industry may be suffering due to depressed prices, organics is booming, creating a new safety net for farm families across the United States.

I believe that to continue the organic industry's positive trajectory, it will be important for this committee to discuss the current process for developing standards and other policy priorities.

The Coalition would support efforts to empower USDA and NOP staff to actively participate in the researching, drafting, and analysis of formal recommendations, prioritize the NOSB's agenda to ensure critical issues receive the attention they need in a timely manner, and create some stability in the regulatory and business environment for organic farmers and producers. We

strongly support an active role for industry involvement but there is a need to improve the regulatory process to encourage transparency and legitimacy for organics to continue to grow. We believe that allowing USDA to take more initiative to direct outstanding regulatory issues that have dragged on for years within the NOSB will give organics the necessary business certainty we as farm owners need to invest in the expansion of our businesses.

There are no shortage of critical issues facing the organic industry. From inequities in research spending to seed availability and certification compliance of imported organic agriculture to technology advancements, organics are at a pivot point. However, it can feel at times that the entire focus of federal engagement on organics is on outlier issues like whether a shade porch for poultry attaches to a roof at three points versus two points for poultry is acceptable. Moving forward, organic agriculture needs to focus on continuous improvement through creative thinking, innovation and technology in order to propel the industry to the next level of success.

Thank you for the opportunity to present to you today. I look forward to answering any questions that you may have.

Statement of Kenneth A. Dallmier, Ph.D.

President and Chief Operating Officer

Clarkson Grain Company, Inc.

United States Senate Committee on Agriculture, Nutrition, and Forestry

Impact of Imported Organic Grain into the US Food and Feed Supply Chain

With Perspectives for the 2018 Farm Bill

July 13, 2017

Good morning Chairman Roberts, Ranking Member Stabenow, and members of the Committee. Thank you for the opportunity to appear before you to discuss the impact of imported organic grain into the US food and feed supply chain. I am Ken Dallmier, the President and Chief Operating Officer of Clarkson Grain Company, Inc. of Cerro Gordo, Illinois. Clarkson Grain specializes in developing identity preserved supply chains for some of the most respected consumer brands with the most exacting specifications of organic and non-GMO grain crops. We are members of the National Grain and Feed Association (NGFA) and the Organic Trade Association (OTA), where we serve on the OTAs newly formed Global Supply Chain Integrity Task Force. I will review the situation we face in using Third-World supply systems and offer five suggestions for concrete actions this Committee can take to mitigate the risks highlighted in the May 12, 2017 Washington Post article[1]. The views and proposals I express are those of Clarkson Grain.

Sales of organic products in the United States represent a nearly $50 billion industry with double-digit growth in each of the last five years. The organic industry supports over 24,000 farmers representing all 50 states. It creates jobs with over 60% of organic businesses with more than five employees forecasting full-time employment growth in 2017.[2] Organic farms are 35% more profitable than the average farm and can achieve 2x to 3x higher gross receipts.[3] The USDA Organic label is highly trusted with over 82% of households across the U.S. purchasing some organic products.[4]

Demand for organic feed grains has increased with growing demand for organic poultry and dairy products. In 2016, over 50% of the organic corn and over 70%

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[1] Whoriskey, P. "The labels said 'organic.' But these massive imports of corn and soybeans weren't.". Washington Post. 12 May 2017.

[2] The Organic Trade Association. *2017 Organic Industry Survey*.

[3] Crowder, David W. and John P. Reganold (2015). *Financial Competitiveness of Organic Agriculture on a Global Scale*. Proceedings of the National Academy of Sciences, 112(24), 7611-7616.

[4] Nielsen. *UPC Scan Data of 100,000 Households*. 2016.

of the organic soybeans used in the United States were imported[5], representing 1,000,000 acres and $410 million in lost revenue alone.[6]

What sets the organic grain trade apart from the non-organic is the process of certifying and identity preserving a crop to comply with the USDA Organic seal based upon the methods of production[7] and is not conducive to chemical test verification. Third-party certifying companies accredited by the USDA conduct process and documentation audits of growers, aggregators, shippers, and end-users. The USDA organic program is voluntary and therefore relies upon the good-faith representation of all members of the supply chain. Low global commodity prices, international conflict zones, a process-based certification system and lack of enforcement authority have contributed to the fraudulent shipments of organic grain from southeastern Europe through Turkey, as reported in the Washington Post.

For the organic trade, we propose a five-point program to reduce the recurrence of this type of fraud. Under the current political environment, we recognize that increased costs and increased regulation are to be avoided. We do not anticipate a significant impact to either with this proposal. The proposal concentrates effort in elevated risk areas, assigns accountability to the gate-keepers at those points, increases the traceability of the crop throughout the supply chain and utilizes existing government programs and proposals to increase the domestic supply of organic feed grain.

1. Utilize existing domestic programs to support the expansion of domestic organic grain supply.

    a. Instruct the USDA to finalize the USDA Certified Transitional seal with associated process verification programs (PVP). In 2015, Clarkson Grain Co., Inc. designed and submitted a PVP aligned with the requirements to transition land into organic production. The USDA is currently studying the implementation of a USDA Certified Transitional seal to provide customer confidence in the process of bringing land into organic production. Innovative brands such as Kashi developed a private PVP verified by Quality Assurance International (QAI), to provide improved market access to those producers "in transition". This demonstrates that a USDA Certified Transitional label would resonate with consumers and provide expanded markets for US crops.

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[5] Demko, I., Dinterman, R., Marez, M., and Jaenicke, E.C. 2017. U.S. Organic Trade from 2011 to 2016. Report to the Organic Trade Association, Washington, D.C., May 2017.

[6] Demko, I., Dinterman, R., Marez, M., and Jaenicke, E.C. 2017. U.S. Organic Trade from 2011 to 2016. Report to the Organic Trade Association, Washington, D.C., May 2017.

[7] USDA-AMS. "Organic Certification and Accreditation.". www.ams.usda.gov/services/organic-certification

b. Encourage scalable farming operations to incorporate organic production into their business plans. For organic producers, crop loan infrastructure, crop disaster insurance and producer revenue insurance should recognize the established Risk Management Agency's (RMA) organic crop price rather than the standard commodity price, a practice similar to existing crops for seed.
c. Utilize and expand upon programs such as the Soil Health and Income Protection Program (SHIPP), Conservation Stewardship Program (CSP), and Environmental Quality Incentives Program (EQUIP) to provide income stability to producers during the volatile transition years to certified organic production.
d. Continue the National Organic Certification Cost Share program which provides each farm operation up to $750 per year to help defray the annual costs of organic certification.
e. Finally, utilize the competitive Federal research grant system to promote field research and extension programs – not only at Land Grant Universities, but also at state and community colleges that have proven to be the vanguard of education in organic production. Public-Private partnerships with organizations such as The Rodale Institute, Midwest Organic and Sustainable Education Service (MOSES), the Organic Farming Research Foundation (OFRF), The Organic Center and others have demonstrated remarkable success in organic farming outreach.

2. Restrict embarkation ports for organic grain destined for the US to no more than two per country. The USDA-NOP staff numbers less than forty employees with fewer than ten responsible for enforcement.[8] Given the overwhelming amount of area to cover, and the number of smallholdings producing grain for importation to the US as organic and the incentives to fraudulently declare grain as organic for financial gain, it is unreasonable to accept that grain being imported into the US as organic has been adequately validated. In regions of high fraud risk, the Committee should direct USDA-NOP enforcement staff to conduct a final audit and approve or reject those shipments before they are loaded onto a vessel for shipment to the US. Likewise, when a shipment of organic grain is received at a US port that is not originated from an approved and staffed embarkation port, it is automatically suspect and should not be allowed for import unless and until adequate documentation is provided.

3. Utilize mass-balance supply rules for the entire crop in a region or country. An electronic clearing house is needed that collects data on projected yields (based upon crop yield models utilizing remote sensing, weather data, soil productivity and ground truth inspection) for each organic certificate outside

[8] USDA-AMS. "National Organic Program Staff Directory | Revised 6/15/2017". www.ams.usda.gov/sites/default/files/NOP_Contacts[1].pdf

of US jurisdiction and tracks shipment volumes for each certificate. Once the volume estimate is reached, certifiers and NOP inspectors should be notified that no additional crops can be attributed to that certificate. Further, certifiers should work together to ensure one-field/one-certifier compliance.

4. Increased transparency through the supply chain using physical tracking mechanisms that are robust to withstand grain transit while being easily removed from the grain stream at the final destination. A working system is being commercialized by Amber Ag (www.amber.ag) whereby a radio frequency transmitting puck about the size of a key-fob is inserted into the bag of grain at the field (or truck, container, etc.) which is readable throughout the supply chain to the end-user. Each puck has a unique identifier which could be registered with the USDA-NOP and traced. As the puck and grain move through the system, a block-chain system of trace and track is established. Once the puck reaches the end-user, it is easily removed from the grain stream due to size and weight. The puck could be reused or discarded. The advantage to a physical tracking system in conjunction with a process-based certification is that the chain of custody is rapidly verifiable throughout the supply chain using methods not easily counterfeited or copied. Validation of a shipment of grain from a region would be simple and accurate through existing technology used in large-scale merchandise inventory collection.

5. Personal and corporate accountability and responsibility must be introduced throughout the import supply chain.

    a. The current USDA-NOP mandate is to monitor the process while it limits penalties to the revocation of the USDA Organic certificate. Such an environment of 3x revenue with little risk entices fraudulent activity in the best of circumstances. By imbedding USDA-NOP staff at specially designated ports, and making them accountable to US law and penalties related to corruption and fraud, the US consumer has a final guard at the loading gate. We recommend that this assignment be short-term to prevent long-standing relationships and patronage.

    b. Shipping lines must be accountable for the validity of their cargo. Counterfeit cargo is governed by maritime law, and the Committee should investigate precedent by which fraudulent organic grain under a ship's manifest constitutes a violation of law with accompanying penalty.

    c. Finally, end-users of fraudulent grain should face product recall liability when product does not meet the label requirements. Relying upon a process certification to show good-faith effort in meeting label requirements for organic feed is no longer good enough. The

Washington Post article exposed the risk to the USDA Organic Seal and the brand value of fraudulent grain imports. Enforcing labeling laws consistent with best commercial practices is required to ensure customer confidence in the US food supply chain.

More broadly, Congress has an opportunity in this next farm bill to continue to invest and grow the organic sector. By funding the USDA-National Organic Program consistent with the growth of the industry, investments in organic research, data collection and other existing programs such as the Market Access Program will help keep organic markets strong. We can provide more opportunities for U.S. farmers to tap into this growing market by improving access to land and capital, investment in infrastructure and targeted technical assistance. Specific actions that should be considered include:

a) Require NOP provide an annual compliance report to Congress including domestic and overseas investigations and actions taken.

b) Grant NOP authority to require increased documentation under specific areas of concern as well require expedited review of global certifying agents whose accreditation has been revoked by another country.

c) Limit the application of operations excluded from certification under the Organic Foods Production Act (1990) §205.101 (b) including ports, importers, brokers, and on-line auctions.

d) One-time funding of $5 million for technology systems to modernize international trade tracking by moving away from paper documents to an electronic system. This would ensure access to full traceability for oversight without hindering trade. Furthermore, Congress should ensure USDA has access to available data by cross border documentation systems administered across other agencies including the U.S. Customs and Border Patrol (CPB)'s Automated Commercial Environment (ACE), and phytosanitary certificates.

e) Establish mechanisms for collaborative investigations and enforcement by creating compliance Working Groups between governments under all organic equivalency arrangements and establishing Joint Compliance Working Groups between accredited certifying agents (ACAs), State Organic Programs and NOP, and recognize ACAs as agents of USDA able to share information regarding open investigations.

Again, thank you for allowing me to provide our perspective on this topic. I appreciate the interest of the Committee in the upcoming Farm Bill, and look forward to answering your questions.

Links to background, resources and relevant articles:

- **Washington Post article #1:** https://www.washingtonpost.com/business/economy/the-labels-said-organic-but-these-massive-imports-of-corn-and-soybeans-werent/2017/05/12/6d165984-2b76-11e7-a616-d7c8a68c1a66_story.html?utm_term=.c870b101bc24
- **Washington Post article #2:** https://www.washingtonpost.com/news/wonk/wp/2017/06/12/millions-of-pounds-of-apparently-fake-organic-grains-convince-the-food-industry-there-may-be-a-problem/?utm_term=.c3d1afd5cb2b
- **Politico article:** http://www.politico.com/tipsheets/morning-agriculture/2017/06/12/organic-industry-forming-anti-fraud-task-force-220780
- **Food Safety News article:** http://www.foodsafetynews.com/2017/06/organic-trade-association-guards-against-food-fraud-schemes/#.WUB4s4VNc4Q
- **NOP revocation letter to Beyaz:** Beyaz Agro (pdf)

TESTIMONY BY
ERIC HALVERSON
BLACK GOLD FARMS
ON BEHALF OF THE NATIONAL POTATO COUNCIL AND THE UNITED FRESH PRODUCE ASSOCIATION
TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE

PUBLIC HEARING ON
OPPORTUNITIES IN GLOBAL AND LOCAL MARKETS, SPECIALTY CROPS, AND ORGANICS;
PERSPECTIVES FOR THE 2018 FARM BILL
July 13, 2017

Chairman Roberts and Ranking Member Stabenow, thank you for holding this important hearing in preparation for the 2018 Farm Bill. I am Eric Halverson of Black Gold Farms and am testifying today on behalf of the National Potato Council and the United Fresh Produce Association.

Black Gold Farms is a fourth generation, family-owned farming organization started in North Dakota's Red River Valley more than 80 years ago. We now have operations in Florida, Indiana, Louisiana, Maryland, Michigan, Minnesota, Missouri, North Carolina, North Dakota and Texas.

The National Potato Council (NPC) represents ninety-five percent of the potato growers in the U.S. who collectively produce a potato crop valued at nearly $4 billion a year at the farm gate. United Fresh Produce Association represents growers, shippers, processors and sellers of a wide variety of fruits and vegetables, including potatoes, across the country.

The potato industry, and many other organizations representing fruit and vegetable commodities, have been a long-time cooperator with the Foreign Agricultural Service (FAS) of the Department of Agriculture (USDA) on the Market Access Program (MAP), the Technical Assistance for Specialty Crops (TASC) program, the Quality Samples Program (QSP) and related programs that substantially improve our ability to compete in foreign markets. Specifically for the potato industry, these activities are conducted through the National Potato Promotion Board under the trade name Potatoes USA.

The potato industry joins our counterparts in the produce sector in strongly supporting the enhancing of these vital programs in the next Farm Bill. The recent study by Texas A&M indicating a 28 to 1 return on investment provided by USDA's export promotion programs should offer ample validation that increased

future funding will immediately generate results for farmers and consumers. As a potato producer and marketer my comments are largely focused on potatoes. I would like the Committee to understand that the benefits from these export programs also are utilized by many other commodities in the specialty crop family.

INTERNATIONAL MARKET FOR POTATOES

In general, one of every five rows of potatoes that are produced in the United States are destined for export markets, which has allowed more family farms to stay in business. The industry would not be where it is today in terms of total exports without the foundation of partnership funding that MAP, QSP, TASC and related programs provide.

Our competitors in foreign markets aggressively promote their potatoes often with programs that have substantially larger resources. Additionally, various market support programs lower the cost of production for foreign potatoes to levels that American producers cannot match. Coupled with favorable exchange rates due to a strengthening dollar, foreign government investment in agricultural production and promotion make for an increasingly competitive international marketplace for fresh and processed potatoes.

Despite these competitive challenges, U.S. potato exports returned to positive growth during the July 2015-June 2016 marketing year, overcoming the obstacles of lost sales due to the U.S. west coast port shutdown and the strong dollar, to reach their second highest level on record. Total U.S. potato exports for market year 2015/2016 grew 4% in value to $1.7 billion. Growth was led by increasing exports of frozen potato products, which jumped 11% by volume, as well as by an 8% surge in the volume of fresh potatoes. Positive growth was also seen in potato chip exports, which increased 3% and seed potatoes, up 6%. The only category to decline was dehydrated potatoes, which were down 3%.

MARKET ACCESS PROGRAM

These results would not be as positive without the support of USDA's export programs and MAP in particular. It should be noted these programs are cost-sharing. The potato industry matches its MAP funding substantially greater than 1-to-1 and that ratio may be larger for other specialty crops. Coupled with USDA's rigorous oversight of each cooperator's plan execution, we believe that MAP is an outstanding, transparent public-private partnership.

In terms of specific results, exports to potato-industry target markets in Asia, Mexico and Central America outpaced export growth to the world, rising a collective 10% by value last year. This demonstrates that the foundational work carried out by Potatoes USA in cooperation with FAS added value and created demand for U.S. products through training, technical support, promotional support and ideas for innovative usage.

In many cases restaurants, food manufacturers and retailers switched back to U.S. product this year after being forced to switch to alternative sources due to the west coast port issues the previous year. Given the higher price of the U.S. product, this is a real testament to the marketing and promotion programs being conducted and to the high quality of U.S. potatoes and potato products.

For example, the Potatoes USA international foodservice program inspired culinary professionals around

the globe to offer more U.S. potatoes on their menus in more ways than ever before. Seminars, technical support and technical training for foodservice staff and suppliers created loyalty to the U.S. brand, while promotions and competitions stimulated new potato dishes and sales.

As a result, during marketing year 15/16, nearly 40 new foodservice operations and/or importers and distributors purchased U.S. potato products for the first time; a record-setting 260 new menu items or applications were developed and featured at foodservice outlets; 26 alternative channels were tapped; and approximately two dozen foodservice promotions were conducted that increased sales by at least 25%.

TECHNICAL ASSISTANCE FOR SPECIALTY CROPS PROGRAM

The TASC program serves a complimentary but distinctly different function than MAP. It was designed to address relatively short term, high impact impediments to specialty crop exports, such as sanitary and phytosanitary barriers to trade. As with the other programs I mentioned previously, TASC has a broad level of support among specialty crop industry stakeholders.

One of the main ways the potato industry has utilized TASC is in providing resources for plant health officials from the foreign markets to come to the U.S. for an inspection as part of the process of opening the market to U.S. fresh and seed potatoes. APHIS does not have funding for this nor do many of the foreign markets we are targeting for potato exports.

The ability to access TASC for this purpose led directly to the opening of the Vietnamese market to fresh potatoes from the U.S., the opening of the Philippines to fresh potatoes, the opening of Brazil to seed potatoes, and the opening of the Dominican Republic to seed potatoes. There have also been related visits from China, Korea, Japan and Egypt that are still in progress.

The potato industry has also used TASC for an extensive research project at a number of different universities on a disease affecting our industry called Zebra Chip. With the TASC resources, we have been able to interact with foreign plant health officials in making the scientific case that Zebra Chip poses little or no threat to importing countries, even if fresh or chipping potatoes are infected with it when exported. This helped to reopen the Korean market for chipping potatoes and played a key role in reopening Costa Rica to chipping potatoes.

QUALITY SAMPLES PROGRAM

Potatoes USA uses the Quality Samples Program (QSP) to introduce foreign growers, processors, and manufacturers to the benefits of using high-quality US potatoes. This QSP funding enabled our industry to introduce US potatoes to more than a dozen markets in our last fiscal year which provided samples of US seed potatoes for propagation, chipping potatoes for processing and dehydrated potatoes for ingredients. Our industry leveraged the benefits of using just over $120,000 in QSP funds in fiscal year 2016 to send potatoes to 14 markets which resulted in specific benefits to our growers, processors, and exporters.

Highlights of our successes include:

- QSP funded 10 varieties of US seed potatoes that were grown in field trials across Guatemala, which led to the commercial export of US seed potatoes from California, Idaho, and Washington to Guatemala.

- When Costa Rica re-opened its market to U.S. chipping potatoes, industry used QSP funds to reintroduce chipping potatoes resulting in just under $220,000 in commercial exports.

- A one-season field trial in Senegal, using US seed provided through QSP funding, resulted in the first commercial sales of approximately $150,000 of exported seed thus far, which is expected to grow exponentially in the second half of 2017.

- Potatoes USA used QSP funds to ship U.S. dehydrated potato samples to utilize in an educational campaign in the Philippines that resulted in eight companies launching a new product using U.S. dehydrated potatoes within six months after the campaign.

- QSP funding was used to provide samples of dehydrated potatoes to suppliers in Vietnam that resulted in the first successful commercial shipment.

- In Mexico, QSP funding supplied samples for technical trade education events, which resulted in U.S. dehydrated potato exports to Mexico jumping 12% by volume to 19,104 metric tons and 9% in value to $27.5 million during the first nine months of the 2016 marketing year.

THE U.S. CANNOT FALL BEHIND IN PURSUING TRADE AGREEMENTS

These valuable Farm Bill programs obviously work in concert with U.S. trade policies that reduce tariffs and non-tariff barriers in key export markets. Simply put, the U.S. cannot afford to fall behind in its pursuit of trade agreements that benefit American agriculture.

This was highlighted last week when the European Union and Japan announced the completion of their free trade agreement that will fill a void left by the stalled Trans Pacific Partnership (TPP) ratification. With over $325 million in sales of US potato products, Japan is the single largest export market for US potatoes. However, European potatoes are a growing competitor in the market.

Japan currently applies an 8.5% tariff on frozen fry imports. This tariff was scheduled to be eliminated on U.S. fries within five years under the TPP. Although specifics are not yet known about the EU-Japan agreement, it is safe to assume that Japan has agreed to eliminate their tariff on European fries and thereby disadvantage U.S. exporters who remain burdened with the 8.5% tariff. This is particularly alarming because sourcing decisions for fries can made based on a difference of cents.

It is vital that the Administration and Congress work to conclude a similar agreement that maintains the competitiveness for U.S. potatoes and other specialty crops in the Japanese market.

On a related note, Canada and Mexico are extremely valuable export markets for potatoes. Though we respect the desire of various parties to update the 25-year-old North American Free Trade Agreement

(NAFTA), the current agreement has been extremely beneficial to the U.S. potato industry. Canada is currently the second largest export market for U.S. potatoes with over $315 million in exports annually. This is up 189% from the $109 million worth of potatoes exports to Canada in 1993, the year prior to NAFTA's implementation.

The Mexico figures are even more dramatic. Mexico is currently the third largest market for U.S. potatoes, receiving over $230 million in U.S. potato products annually. Mexico is the industry's second largest fry export market after Japan, generating over $135 million in sales in 2014. In 1993, prior to NAFTA, the US exported $21 million worth of potatoes to Mexico, so the market has grown more than 1,000 percent since NAFTA went into effect.

Therefore, the potato industry is taking great interest in the NAFTA renegotiation and urging the Administration not to allow any backsliding on either tariff or non-tariff barriers. In addressing concerns about the agreement from other sectors, these ongoing benefits for agriculture should not be eroded.

CONCLUSION

Chairman Roberts and Ranking Member Stabenow, we respect that the committee is just beginning the process of considering all the various programs under its jurisdiction. As that review continues, the National Potato Council and the United Fresh Produce Association would be pleased to provide additional information as to the substantial beneficial impact of these valuable programs.

Consistent with the Coalition to Promote U.S. Agricultural Exports, we strongly urge the committee to devote increased resources to MAP, QSP, TASC and the other export promotion programs. Thank you again for the opportunity to provide our perspective on the importance of these programs to the economy of the United States and the potato industry.

Testimony of

Haile Johnston, Co-Founder and Co-Director of The Common Market (of Philadelphia, PA and East Point, GA).

To the

United States Senate Committee on Agriculture, Nutrition and Forestry

At the hearing, on

Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill

Thursday, July 13, 2017

Good morning Chairman Roberts, Ranking Member Stabenow, and members of the Senate Agriculture Committee. Thank you for the opportunity to testify on behalf of the farmers and communities we serve in the Southeast (Alabama, Georgia, South Carolina, Tennessee) and Mid-Atlantic regions (Delaware, Maryland, New Jersey, New York, Pennsylvania, and the District of Columbia) of the United States. I am Haile Johnston, a Co-Founder and Co-Director of The Common Market, a nonprofit food distributor, and I hope to convey some of the many positive outcomes resulting from investing in stronger local agricultural markets.

I believe our shared interest is to ensure the health and economic well-being of all Americans. At The Common Market, we build the infrastructure to support regional food systems that facilitate wholesale market access for small and mid-sized farms while improving the accessibility of local food for all people. We are particularly focused on improving economic opportunity and health outcomes for the most vulnerable in rural and urban communities. We see our work and partnerships as vital to removing the barriers to success for farmers and food enterprise and the barriers to better food access for all. Primary among our partners in this work has been the USDA through its various agencies and programs.

Since our first sale in the summer of 2008, we have delivered over $16 million of local fruits, vegetables, yogurt, eggs, meat, and grocery items to hundreds of customers throughout the Mid-Atlantic and the Atlanta metro. We have delivered food from over 150 small and mid-sized sustainable farms to more than 500 public, charter, and independent schools, hospitals, eldercare communities, colleges and universities, grocery stores, community organizations, and restaurants. By selling to a wide variety of wholesale buyers, we can keep our prices affordable for customers with tighter purchasing budgets, often the customers serving vulnerable populations. By facilitating local trade, we are able to return more of the food dollar to local farmers and rural economies. This work has translated to nearly $30M of direct regional investment by The Common Market in the last nine years.

The Common Market arose from urban agriculture and nutrition education programming during the emergence of the "farm to school" movement more than a decade ago. Demand for source identified, sustainably-grown, local foods began to surge beyond direct markets and more affluent demographics. Retailers, schools, hospitals, and other institutions were beginning to express a strong desire to invest in local economies and better health through food purchasing, yet many local farmers and the regional supply chains, lacked capacity to meet wholesale institutional demand and food safety requirements. Our model evolved to assist farmers in building capacity and infrastructure to meet these demands,

while also developing the relationships, logistics, and facility to connect their product to re-emerging market opportunities. We have helped all of our growers in the Mid-Atlantic achieve USDA Good Agricultural Practices (GAP) certification. This happened alongside other model interventions in retail and community food access, which have demonstrated profound impact in supporting economic empowerment and health.

After proving the viability and impact of our work in the Mid-Atlantic states, The Common Market launched a new chapter two years ago in Atlanta, partnering primarily with farmers from rural Georgia and Alabama. While our model and approach is similar in the Southeast, the needs and historical challenges facing our growers there are markedly different. The Common Market is connecting our partners with resources to: improve food safety and handling, working toward GAP certification; invest in farm infrastructure to improve post-harvest handling and product quality; and assist in crop planning to better anticipate opportunities within wholesale markets. All of this translates to growth in income for farmers and food enterprises, viable trade opportunities for new and beginning farmers, increased acreage in agricultural production, job and wealth creation for rural economies, preservation of rural community culture, and the generational transfer of agricultural practices and land. Programs and partnerships on the market side are improving the quality of and connection to regionally grown foods. This regionally grown product is now available in early childhood education centers, schools, hospitals, and through community food access programs where food insecurity is most severe. I am happy to share that after successful replication in Georgia, we are partnering with growers in Texas to offer a similar program.

We have had the good fortune to work in direct partnership with the USDA through the Local Food Promotion Program (LFPP), the Food LINC value chain coordinators initiative, the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program 2501, the Community Food Projects grant program, and Farm to School grant program. USDA investment in our communities has yielded staggering results that continue to grow. Its safe to say that as a market opportunity for American producers the Common Market would not be where we are today had it not been for these investments. It is critically important that the next Farm Bill continue support for these and other local food programs to build on our efforts and support new local and regional food systems across the country.

According to our recent farmer producer engagement survey, our growers are the stewards of nearly 21,000 acres with more than 6,600 under conservation easement and employ more than 1,050 rural workers. Eight of our farmers are Veterans, 15 are African American, and 29 qualify as "new or beginning" farmers. Again, this has translated to nearly $30M in direct investment in the communities where we work and more than 1,000 jobs. These are real jobs and real food with real impact.

As a social enterprise, we believe that fair market opportunities are the key to supporting the financial viability of agriculture and vibrant rural communities. The Local Food Promotion Program (LFPP) has played a critical role in catalyzing market opportunities for farmers and food enterprises, and creating local and regional food systems that show incredible potential for lifting regional economies. In 2014, The Common Market received an LFPP grant to improve the post-harvest handling practices of our produce growers, improving the product quality and competitiveness of local products on the wholesale market. Through the grant, we purchased cooling equipment and provided technical and marketing assistance to a cooperative of 22 farmers in Pennsylvania, which dramatically improved the quality of

their vegetables and increased the demand for their products. Over the course of the grant, we increased sales of their food by over 300%, and today they are our top vegetable producer. Additionally, the work from our LFPP grant project helped them secure new sales contracts with other food distributors and wholesale buyers.

Our LFPP project created peripheral impact for our communities beyond our intended project outcomes. The LFPP increased the competitiveness and marketability of local food and is growing demand for American grown and American-made foods. LFPP projects across the US are generating countless direct purchasing relationships that are creating new income for America's farmers and are building strong regional economies that support the health and wealth of different communities within each region. Local food systems are relatively still in their infant stage of growth. Meanwhile, low commodity prices and tightening international commodity markets, have more and more farmers looking to local and regional marketing opportunities to ensure long-term viability of their farms and the next generation of farmers. Therefore it is critical that Congress protects and increases funding for the FMPP/LFPP so that it can continue to support market development and spur economic innovation with a lasting impact.

The focus of our LFPP project in providing post-harvest handling technical assistance and marketing assistance highlights an issue area that we view as increasingly important for expanded growth within local and regional food systems and one in which additional focus in the next farm bill is pertinent – food safety. The Food Safety Modernization Act (FMSA) and its associated rules and regulations are the law of the land and all farmers including those we work with will have to become increasingly focused on understanding and in many cases on compliance with the Food Safety Modernization Act (FMSA) produce regulations, whether through direct application of those regulations or the indirect impact of driving increased reliance on third party food safety auditing in the larger local and regional markets.

Understanding FSMA, and becoming third party food safety audited for FSMA compliance and/or market access is critically important to not only the kind of producers we work with but for all American producers. However, there is a lack of resources being invested in providing robust and scale appropriate outreach, education, and training to producers regarding FSMA and compliance. Providing funding for the Food Safety Outreach Program through the next Farm Bill would go a long way in helping to address this challenge. In addition to that, looking at other ways the next Farm Bill could be re-tooled to better support producers when it comes to food safety practices implementation and demonstrating compliance through program like the USDA Good Agriculture Practices (GAP) audit and certification program would be welcomed investments.

Capital is critical when it comes to growing food and farm businesses and capital needs across the food system are as diverse as the food system itself.

From farming to manufacturing to processing and distribution, regional and local food systems are characterized by a great variety of enterprises with different capacities and financing needs. Farmers primarily need access to land and farm equipment. Processors and manufacturers, depending on their sector, need access to commercial real estate and processing equipment. Food hubs and distributors often need more cold storage and trucks. Businesses at every level of the food system need access to more flexible capital especially, working capital. For many smaller operations, the lack of entrepreneurs with strong business skills is a serious impediment to attracting the right type of capital to launch and grow their businesses. The reality is that most entrepreneurs in the food systems space manage small, often family-owned operations.

All these factors point to the need for USDA to offer a diversity of flexible financial tools and business development services. The Healthy Food Financing Initiative (HFFI) is an example of such a program. Authorized by the 2014 Farm Bill and seeded with $ 1 million in FY 2017, HFFI at USDA will use the market knowledge and financing expertise of a National Fund Manager to create new and grow existing businesses along the supply chain, with the goals of fostering new market opportunities for our nation's farmers; creating much needed jobs in rural and urban communities; and improving access to healthier and more nutritious foods at affordable prices, especially for low-income consumers.

Reinvestment Fund, a national community development financial institution (CDFI), was selected recently to serve as the National Fund Manager and is tasked by USDA with raising private capital, providing financial and technical assistance to regional, state and local partnerships, and channeling capital to fund eligible businesses that will improve access to fresh, healthy foods in underserved communities and support local and regional supply chains. CDFIs are uniquely position to attract the right resources, both capital and technical assistance, and direct them to the small businesses underserved and overlooked by conventional banks. My organization, The Common Market, received that kind of support in its early years. In 2008, we received a low-cost loan from Reinvestment Fund for our project in Philadelphia procuring fresh, local foods sourced from local, family farms.

Since 2004 when Reinvestment Fund launched the Pennsylvania Fresh Food Financing, CDFIs across the nation have played a critical role leveraging public funds with private capital to finance a wide range of projects in rural and urban low-income communities including full-service supermarkets, food hubs, mobile farmers markets, urban farms and food business incubators.

While, it is not currently considered a Farm Bill program, one of the best USDA programs that facilitate food access, farm capacity building, and job creation is the USDA Farm to School Grant Program. The Program increases the use of and improves access to local foods in schools – thus boosting farm income and economic opportunities – while also fostering experiential food education for our nation's children.

Since its inception in 2010, states have also ramped up their legislative and administrative efforts to ensure their local farms are providing nutritious food to their local schools. For example, in the last two years over 210 Farm to School Policies have been proposed in the 50 states and US territories. Certainly more can be done to improve the quality of school food, including increasing funding for regional farm procurement.

Schools purchased nearly $790 million in local food from farmers, ranchers, fishermen and food processors in SY 2013-2014 - a 105% increase over **SY 2011-2012.** Every dollar spent on local food generates up to an additional $2.16 in economic activity, indicating school districts' local food purchases can lead to over $1 billion in local economic activity. (USDA Farm to School Census 2015)

The USDA Farm to School Grant Program has helped 12,300+ schools improve nutritious meal options made with local ingredients for 6.9 million students, while expanding market opportunities for family farmers and ranchers. (USDA Summary of Grant Awards FY 2013-15) While communities have already benefited greatly from the USDA Farm to School Grant Program, demand significantly outweighs current available funding. Since 2013, USDA has received more than 1,600 applications requesting over $100 million, and was able to make only 221 awards. While the farm to school grant program has historically been treated as a child nutrition program it is much more than that it is in many ways a local and regional market development program. Recognizing this reality Congress can build on the success of

farm to school program by strengthening the program's scope and by providing $15 million per year in mandatory funding for the program through the next farm bill.

Thank you for the opportunity to testify. I encourage the committee members to give careful consideration into how the next Farm Bill can strengthen existing programs and build upon past successes.

Testimony of Dean Meyer

U.S. Senate Committee on Agriculture

July 13, 2017

Good morning Chairman Roberts and Ranking Member Stabenow. My name is Dean Meyer. I farm in Lyon County in Northwest Iowa, where I run cattle-feeding and swine-finishing operations and raise corn and soybeans. In addition to my farming activities, I serve on the Executive Committee of the U.S. Meat Export Federation (USMEF) and am a Director of the Iowa Corn Growers Association. I am here today to highlight the vital role that funding from the USDA's Market Access Program (MAP) and Foreign Market Development (FMD) program plays in building demand for U.S. red meat exports and to ask for the committee's continued support for fully funding these programs through the 2018 Farm Bill.

As the U.S. red meat industry's representative in export markets, USMEF is a long-standing participant in the MAP and FMD programs. Sustained funding from these two programs has made it possible for USMEF to build and maintain a global office network, including hiring, training, and retaining experienced, professional staff with extensive meat industry and marketing expertise. USMEF's locally-retained staff are engaged in the markets every day, serving as the red meat industry's boots-on-the-ground, building relationships with key players in the marketing chain, and compiling and reporting in-depth market intelligence.

In a very dynamic and competitive global marketing environment, USMEF's long-standing presence in our leading export markets, made possible by ongoing support from the MAP and FMD programs, has sent a clear and reassuring message that the U.S. red meat industry is committed to being a reliable supplier and a dependable partner to our international customers. This is especially important today in a time of growing uncertainty about the future of the rules-based global trading system and the broad-based consensus supporting open markets and trade liberalization that has existed since World War II.

MAP and FMD funding has also has been critical to USMEF's ability to attract and build financial support from industry partners. USDA's ongoing financial support has served as a vote of confidence for USMEF's programs to investors in the U.S. production and marketing chain. Today, investments by the beef, pork, soybean, corn and lamb checkoff organizations, as well as contributions from allied industries, account for the majority of USMEF's total revenue.

In my leadership role at USMEF, I have had the opportunity to witness firsthand the effectiveness of USMEF's market development activities funded by the MAP and FMD programs. A good example is

USMEF's approach to rebuilding consumer confidence in the safety of U.S. beef in the wake of our first case of BSE in December 2003. Markets around the world closed, and as they began to reopen, we realized that one of the biggest challenges we faced was convincing consumers that the United States, both the industry and USDA, is completely committed to ensuring the safety of our beef supply. In critical East Asian markets like Japan, South Korea, and Taiwan, USMEF conducted carefully calibrated messaging campaigns that restored consumers' faith in the safety of U.S. beef. To make this strategy work, USMEF developed culturally sensitive messages that addressed consumers' core concerns and worked with local retailers and other partners who were seen as credible sources of information on food safety to deliver these messages.

To a large degree, the impact of USMEF's strategy speaks for itself – after our exports to Japan, South Korea, and Taiwan fell to zero when all three markets closed, exports have rebounded and are on pace to set new records this year. So far this year, the average export value of every steer and heifer slaughtered in this country is $270, up eight percent from last year. Cattle producers like me rely on this export dividend to be profitable and to continue contributing to the rural economy.

Another example of the way USMEF uses support from the MAP and FMD programs is its strategy for building demand for U.S. pork by processed meat companies in markets around the world. Just like here at home, the majority of pork consumed in markets overseas is as an ingredient in processed meats like bacon, ham, and sausage. This means that some of our biggest export customers are processed meat companies in countries as diverse as Mexico, China and South Korea. One of the keys to building buyer loyalty among these companies is demonstrating the profitability that comes from using U.S. pork as a primary ingredient in their finished products. To accomplish this objective, USMEF conducts company-specific seminars on the attributes of U.S. pork and introduces targeted processed meat companies to new product ideas that are tailored to match their needs and business objectives.

USMEF's strategy is paying dividends in the form of increasing exports of hams, picnics, and other pork cuts that are traditionally used as ingredients in processed meats. In fact, U.S. pork exports set an all-time record last year of more than 5 billion bounds, accounting for one-fourth of total U.S. production. So far this year we are on pace to break that record, and even though U.S. pork production is setting new records, we are exporting an increased share of that production. Exports also are commanding higher prices, due to strong demand in foreign markets, which has pushed the average export value of every hog slaughtered to $55, a seven percent increase over last year.

Two weeks ago, Agriculture Secretary Sonny Perdue was in Beijing to welcome U.S. beef back to the Chinese market after a 13-year absence. Restoring access for U.S. beef to the world's largest red meat import market was an impressive early achievement by Secretary Perdue and the Trump administration. But now that we have access for beef and pork in this huge and growing market, developing a loyal customer base for U.S. red meat in China will be an extremely complex undertaking that will require substantial resources. Starting at the border, meeting China's restrictive import requirements will be an ongoing challenge. In addition, China's distribution infrastructure is still developing, and the sheer size of the potential consumer base is daunting. Major regional differences in eating habits and cuisines mean that separate marketing strategies will need to be tailored to each of China's particular geographical areas. Most importantly, our major competitors are all spending heavily to build their own presence in the market, and in some cases, they are being aided by preferential duty rates gained through bilateral trade agreements with China.

As these examples show, well-designed and executed market development programs, supported by FMD and MAP funding, have been, and will continue to be, a fundamental element of building global demand for U.S. red meat exports. A study completed last year by Informa Economics and a team of economists at leading agricultural research universities showed that these programs have a long track record of yielding strong and consistent returns on investment. The Informa study estimated that each dollar invested in MAP and FMD and their predecessor programs between 1977 and 2014 returned $28.30 in additional exports. Between 2001 and 2014, these investments produced an average annual increase in net farm income of $2.1 billion while creating 239,800 new full-time and part-time jobs. These impressive results clearly demonstrate the impact of MAP and FMD on U.S. agricultural exports and the associated benefits for the broader agricultural economy.

In closing, I would like to thank the committee for the opportunity to be here today to testify on the benefits of USDA's MAP and FMD programs to America's red meat industry and to producers like me. Exports will play a critical role in maintaining the future profitability of the U.S. red meat industry. Opportunities abound in the export markets, but our industry also faces many challenges in the form of market access barriers and determined competition from countries like Australia and the European Union. Overcoming these challenges so we can capitalize on the opportunities that the global market has to offer will require us to redouble our efforts as an industry. It also will require a substantial increase in private and public sector resources. USDA, through the MAP and FMD programs, has been a reliable and invaluable partner to USMEF and the red meat industry. As we focus our energies on

making a bigger push into the export markets we ask that you continue your strong support for these two vitally important programs through the 2018 Farm Bill.

DOCUMENTS SUBMITTED FOR THE RECORD

JULY 13, 2017

Testimony

of Dru Montri

Ten Hens Farm, Bath, MI

&

Michigan Farmers Market Association - East Lansing, MI

To the

United States Senate Committee on Agriculture, Nutrition, and Forestry

At the hearing, on

Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill

July 13, 2017

Good morning Chairman Roberts, Ranking Member Stabenow and members of the Committee. Thank you for the opportunity to speak to you today about my experiences as the operator of a small family farm and the executive director of the Michigan Farmers Market Association. In addition, to farming and serving as the executive director of MIFMA, I am also a board member of the national Farmers Market Coalition and the Chair of the Michigan Commission of Agriculture and Rural Development, providing me with an important understanding of the needs of Michigan farmers and rural communities.

I grew up on our family's homestead in the small town of Frankenmuth, Michigan, where my parents ran a small third generation meat processing business, Bernthal Packing. After high school, I attended Michigan State University where I received a Bachelor of Science in Horticulture. I then went on to graduate studies where I received a Master of Science in Horticulture from the Pennsylvania State University and then a Doctor of Philosophy in Horticulture and Community, Agriculture, Recreation and Resource studies. During my undergraduate and graduate work, my studies and research focused on specialty crop production and consumer demand as well as on sustaining farmers markets in low-income, urban areas.

In 2007 my husband Adam and I started Ten Hens Farm, named for the first 10 ten hens we received at the time of starting our farm from a neighbor in exchange for helping to build a new hoophouse on her farm. Ten Hens Farm is a diversified year-round vegetable farm utilizing organic practices (though we are not certified). We are able to produce a diversity of fresh vegetables year-round in six hoophouses totalling approximately 17,000 square feet in production space in addition to three acres in field production. We market the majority of our produce directly to consumers through the Bath Farmers Market, local restaurants and local retail grocery stores. In addition to direct marketing, we also sell produce into the

wholesale market through Cherry Capital Foods, a food hub that started in Traverse City with a new location in Okemos, not far from our farm.

As if farming wasn't already a full-time commitment, I also serve as the Executive Director of the Michigan Farmers Market Association, a position I have held since the Association's inception in 2006. Over the first 10 years, our focus was on supporting farmers and farmers market managers helping to build the capacity of both to meet the ever growing demand for locally and regionally produced food and farm products. During this time, Michigan has seen the number of farmers markets grow from 150 to more than 300 today. Simultaneously, MIFMA has grown from an idea to an association of more than 500 members with programming for farmers market mangers, farmers, and small businesses focused on professional development, marketing, state and national policy, and food access.

This growth has translated into real economic opportunities for Michigan family farmers and the rural communities they call home. But this growth didn't happen alone, the success of farmers markets in Michigan and overall growth in the region's production, sales and consumption of locally produce food and farm products has been strongly supported by the USDA's Farmers Market and Local Food Promotion Program. Without the support that MIFMA and the farmers and market managers we work with have received through a number of FMPP grants over the last decade, its safe to say that the local food market in Michigan would not be where it is today.

In 2009, MIFMA received a FMPP grant to create a market manager certification program. That program has been widely successful in helping to build sustainable markets for local producers. While I often use the word sustainability to talk about environmental practices, in this instance I am using it more broadly. Part of what has made the Market Manager Certificate Program so successful is that it is helping to build the capacity of market managers to organize local and community support for their markets so they become sustainable and not dependent on federal funding. In 2014, MIFMA received another FMPP grant to expand the Market Manager Certificate Program by creating a mentorship program and continued learning networks and hosting additional satellite certification trainings in three surrounding states -- Illinois, Indiana and Wisconsin.

As you work on developing the next Farm Bill, it's critically important to ensure that programs like FMLFPP are maintained. From my experience at MIFMA but also as board member of the Farmers Market Coalition and someone who lives and breathes the realities of local farming on a daily basis, I know there is a growing need for this program. Consumer demand for local food is strong in Michigan and throughout the country. This valuable and impactful program should be available for other states and communities where the market for locally produced food and farm products is growing but not quite at the mature level we have been able to achieve in Michigan with the support of programs like FMPP and LFPP.

Over the last couple years there has been a number of studies and articles about whether or not farmers market growth has plateaued. The more important reality to my way of thinking is the shortage of producers for those farmers markets. At MIFMA we consistently hear about farmers markets looking for additional producers. There is a clear need to provide the right kind of programs and policies that support beginning farmers and existing family farms that are interested in diversifying their operations by tapping into local markets. In my

professional opinion any concerns about the local food movement plateauing is misplaced; driven by consumer demand the local and regional market continues to grow and will do so for many years into the future, creating additional economic opportunities for beginning and established farmers alike.

For beginning farmers in Michigan, the barriers to entry are very similar to others throughout the country, access to appropriate capital and land. I recognize that the focus of today's hearing is not necessarily on lending programs or those focused specifically on beginning farmers, but I feel it is still important to mention those challenges. One specific germane issue that I see as an important barrier or need facing beginning farmers as well as existing producers is food safety. With the Food Safety Modernization Act (FSMA) implementation underway, there is a growing need to ensure that beginning and established farmers understand the produce rule, whether or not they have to comply, and if so how they can comply.

Recognizing the fact that one small food safety incident could mean ruin for their businesses, Michigan farmers take food safety seriously and have in many cases already implemented Good Agricultural Practices (GAP) on their farms. However, being farmers often don't speak the same language as environmental health and food safety professionals nor do they have the knowledge or time to develop and set-up the complex paper work systems necessary to demonstrate their practices. That is why I think it is critically important that the next farm bill invests in providing outreach, education and technical assistance to all farmers but especially those small to medium producers whom current related efforts are not designed for or targeted to. One way that could be achieved is through improving and expanding the Food Safety Outreach Program, a program championed by the Ranking Member during the FSMA debate in 2010. As a program that is focused on farmers and with FMSA compliance now on our doorsteps, it's critical that this program is brought into the farm bill and provided with adequate mandatory funding.

Another important place that the next farm bill could invest to help farmers relative to food safety is food safety practice implementation and food safety certification. While many of the small and beginning farmers we work with are likely, in FSMA terms, qualified exempt operations and therefore will not be required to comply with the majority of the produce rule, like every business they hope to grow and with that growth will come increased focus with the FSMA produce rule. Unfortunately, many farmers struggle to afford the cost of implementing the necessary equipment and information technology upgrades that would be necessary to comply let alone the cost of becoming food safety certified which will become even more costly when the increase in fees for becoming USDA GAP audited and certified is implemented in the near future.

I myself have struggled with the costs associated with food safety and other certifications, especially when we need to decide between buying new farm equipment or paying an annual certification cost. At this stage in our growing farm business, we opt to purchase the new piece of equipment that will allow us to scale up. Fortunately, we have the kind of close relationships with our customers such that we have not needed to become food safety certified for market access purposes. But, I am keenly aware that it may not always be the case as our markets expand, and that certainly isn't the case for all producers. Thinking about my fellow established farmers but also the next generation of farmers, I am concerned with

them being faced with the same dilemma but not having the same flexibility my husband and I have had relative to our customers.

The cost of compliance with the FSMA produce rule could make or break many established farms while also creating unnecessary barriers to growth to beginning and established farmers alike. For the good of all, as a society we have decided to require many produce farmers that have never had a food safety incident to comply with new and expansive federal food safety requirements. It seems only fair that society as a whole should help to bear the cost of compliance and to that effect I would support creating a program to provide food safety cost-share assistance to producers.

I want to continue my remarks by talking a bit about consumers. At MIFMA and Ten Hens Farm we are acutely aware of the food security and nutrition struggles many of our neighbors face. That is why MIFMA has focused considerable attention to ensuring farmers markets have the relevant technology to support acceptance of SNAP and Fair Food Network's SNAP incentive program Double Up Food Bucks. While there has been significant progress in this space, there is much more that needs to be done. SNAP incentive programs funded by the Food Insecurity Nutrition Incentives (FINI) Program have been shown to have significant impacts on consumer eating habits and also increased sales for farmers. However, the success of those programs have often depended on having the right technology and systems in place to make them successful, as result the lower-resourced markets that are often in more rural communities have struggled to successfully implement systems for accepting SNAP and SNAP incentives. The next farm bill should continue to invest in SNAP incentives through FINI and the program should be expanded to make it possible for some new resources to be invested in developing, testing and sharing appropriate technology. In addition, it would be great for there to be funding for providing technical assistance on establishing incentives programs at farmers markets and other retail outlets so they aren't "recreating the wheel."

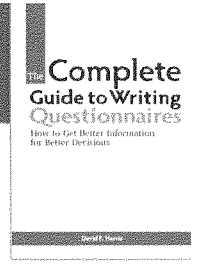
Lastly, I want to talk about an innovative program that MIFMA and our partners in the Michigan State University (MSU) Center for Regional Food Systems and MSU Department of Horticulture run in Michigan call Hoophouses for Health. Hoophouses for Health is a program designed to increase access to healthy fresh sustainable produce for vulnerable families while at the same time expanding food system infrastructure and season extension capacity of Michigan farmers. The way it works is to help farmers with the upfront cost of purchasing and constructing hoophouses in exchange for the farmers then providing produce to schools and vulnerable families. The result is that families get access to fresh, healthy, Michigan foods, and farmers get a new hoophouse through a zero-interest, five year "loan" that they pay back in produce instead of cash. While I recognize funding is tight, in an ideal world it would be great if the next farm bill were to invest in replicating this program in additional communities.

Thank you so much for the opportunity to testify about such an important topic at such an important time. I am grateful of the opportunity to provide my personal and professional insights into how the next farm bill can continue to support family farmers through maintaining and expanding investments in local and regional agriculture. I encourage members to give careful consideration into how the next farm bill can and should support

rural communities and small family farms like mine and those that sell at one of the thousands of farmers markets across this great country.

Attitudes Towards Container Growing
David F. Harris
President, Insight & Measurement, LLC
16 November 2016
Insight &
Measurement, LLC
Better Information for Better Decisions

Biography of David Harris



David has over 20 years of experience in leadership in marketing research and survey design. David's passion is helping organizations get the information and insights needed for better decision-making.

In 2014 he published, *The Complete Guide to Writing Questionnaires: How to Get Better Information for Better Decisions*. He does speaking, training, writing and consulting on both questionnaire design and research planning.

David earned his Master of Arts in Quantitative Psychology from the University of North Carolina at Chapel Hill. He also earned a Bachelor of Arts in Psychology from Reed College, in Portland, Oregon.

He has completed certification and training in the following Burke Institute Seminars: Designing Effective Questionnaires, Online Research Best Practices, Writing and Presenting Actionable Marketing Research Reports, Tools and Techniques of Data Analysis, Conjoint and Discrete Choice, Market Segmentation and Positioning Research, Customer Satisfaction and Loyalty Research, and Focus Group Moderator Training.

Introduction

- There is a movement in the organic industry to change the regulations for organic labeling to limit organic produce to soil-grown only
- Members of the Coalition for Sustainable Organics (CSO) believe regulatory agencies should factor into their thinking the attitudes of consumers before making a decision to change the regulations
- The overall objective of the survey is to assess consumer attitudes toward container growing

Sample Frame

- In late August and early September, 2016, we conducted a a survey of the general population of the United States to assess attitudes towards container growing.

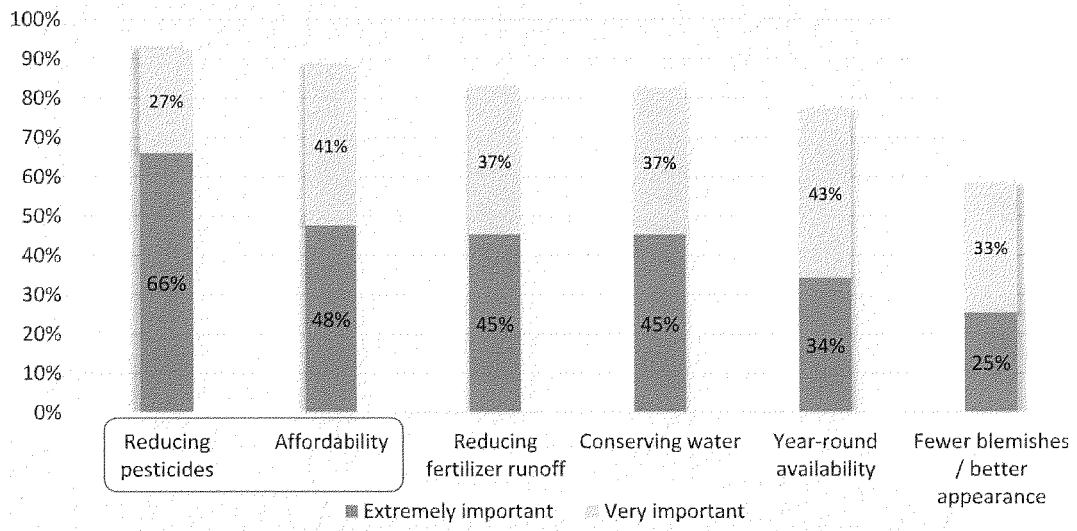
- We screened people into the survey who were:
  - Ages 25 through 64 (quota-sampled for half over 45, half under 45)
  - Had total 2015 household income before taxes of at least $25,000
  - For employment, must have been either employed full or part-time, self-employed, full-time homemaker, or retired (excluded students and not employed)
  - Must do at least half of the grocery shopping for the household
  - Overall, must purchase at least some organic produce
  - Must plan to purchase at least some organic produce in next 30 days

- Data collected 8/30/16 through 9/2/16
- The survey was administered over the internet

Main Questionnaire

These slides represent responses from the 500 people who answered the main questionnaire

Priorities for Improving Farming of Organic Produce

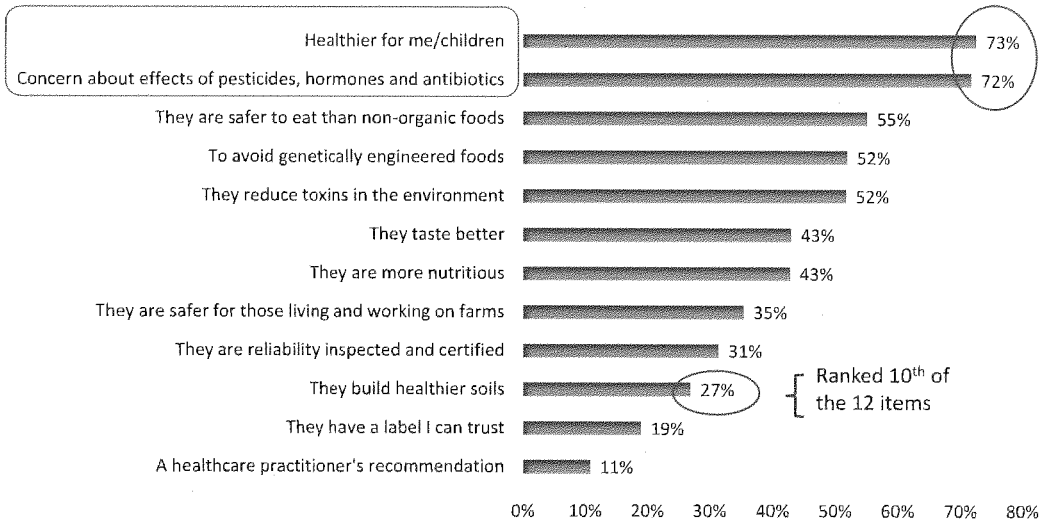


q12: Below are possible priorities for improving farming of organic produce. How important to you are each of the following priorities for improving farming of organic produce?

__ Not important
__ Somewhat important
__ Very important
__ Extremely important

(n=500)

Why You Purchase Organic Produce

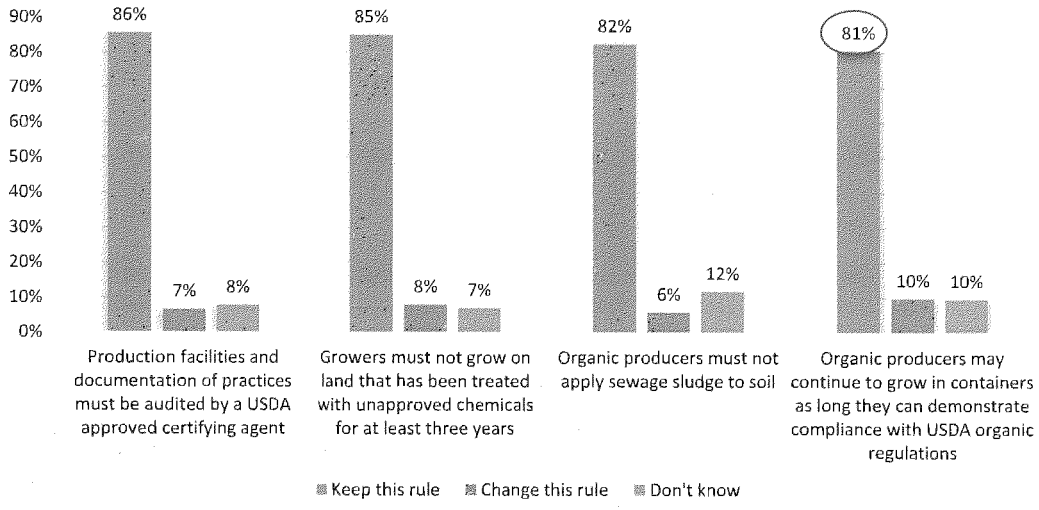


q13: Which of the following reasons, if any, best captures why you purchase organic produce? Please select all that apply.

(n=500)

Keeping or Changing Rules for Growing Organic Produce

(n=500)



q14: Below are some rules for growing organic produce. Which of these do you think we should keep or change?

Profile of Container Growing

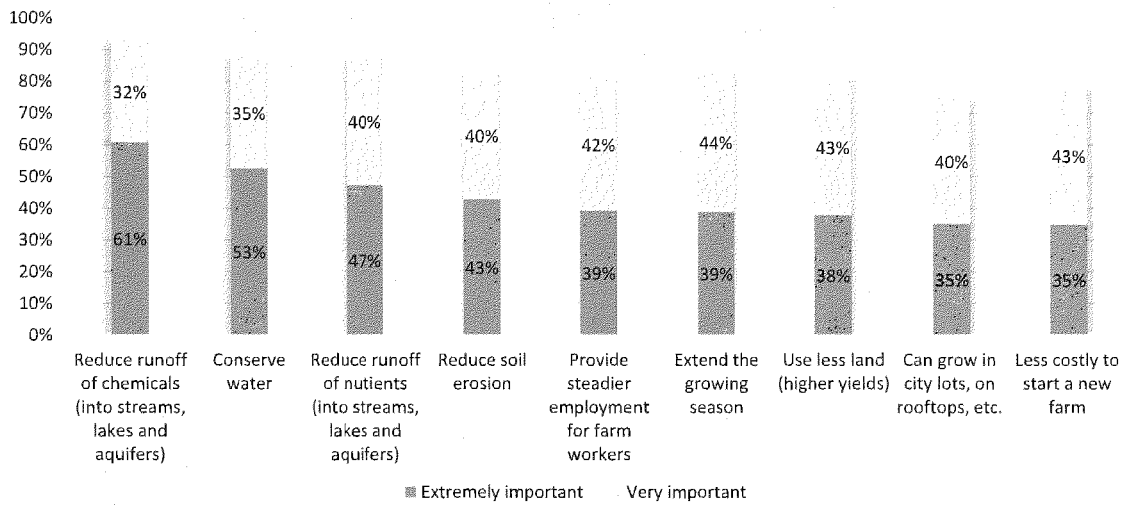
Now we are going to tell you about a type of growing called container growing.

- Container growing is a contained and controlled growing system in which plants derive nutrients from approved organic substances in water and/or growing material.
- These growing methods generally need fewer resources per pound of fruits, vegetable or herbs produced relative to food grown outdoors in the soil.
- In most cases, container growing uses less water, needs less land, significantly reduce soil erosion, extends the growing season, and reduces runoff of nutrients or other chemicals into streams, lakes and water aquifers.

* Please note that respondents answered all screener questions and questions 1 – 14 before seeing this profile of container growing.

Importance of Attributes of Container Growing

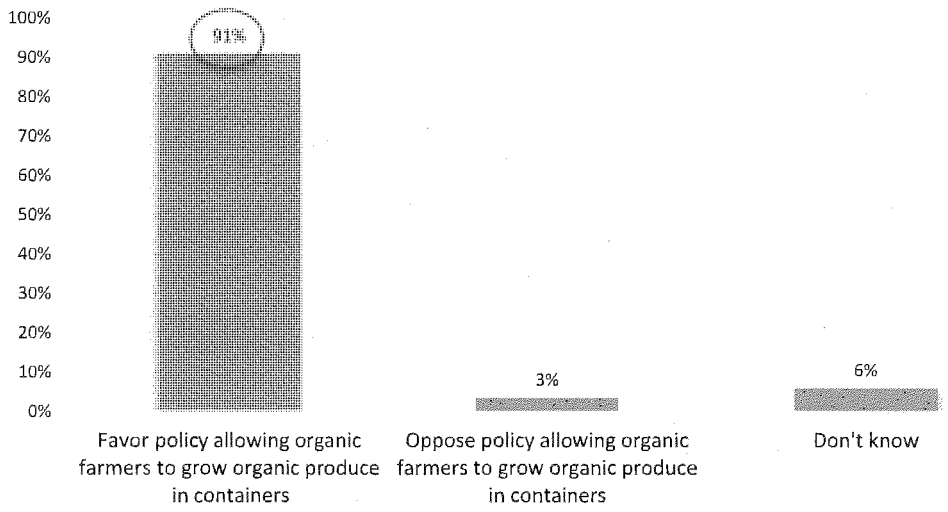
(n=500)



q15: Now we want to know what is important to you...How important to you personally are each of the following attributes of container growing?

__ Not important
__ Somewhat important
__ Very important
__ Extremely important

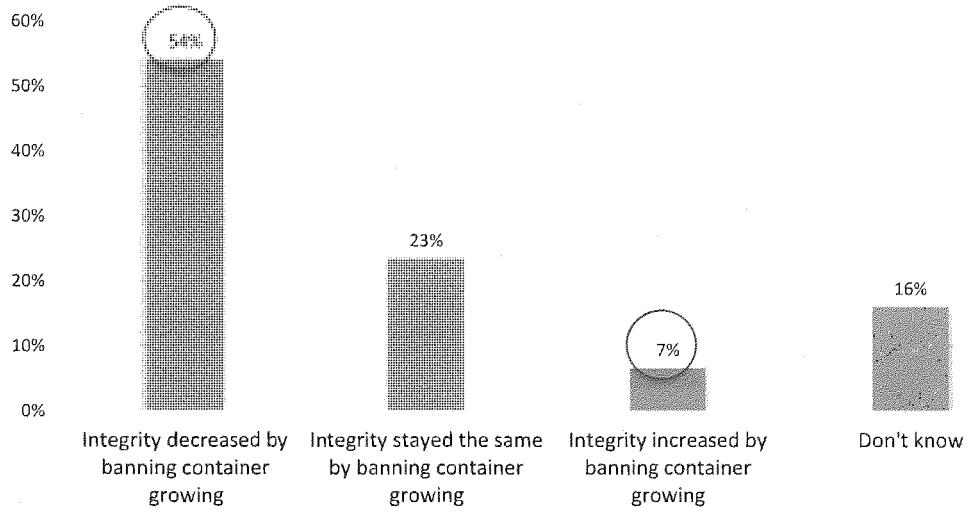
Favor or Oppose Allowing Container Growing



q16: The US Department of Agriculture (USDA) currently allows organic farmers to grow organic produce in containers. Do you favor or oppose this policy?

(n=500)

If USDA Bans Container Growing From Organic Certification, What Happens to Integrity?

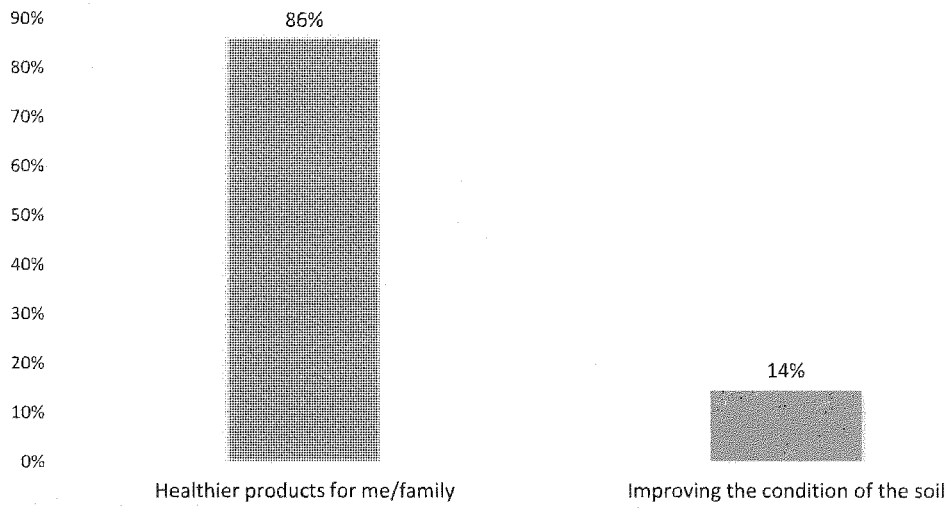


q17: If the US Department of Agriculture were to ban organic certification of food grown in containers, would you feel that the INTEGRITY of the USDA organic program has increased or decreased?

(n=500)

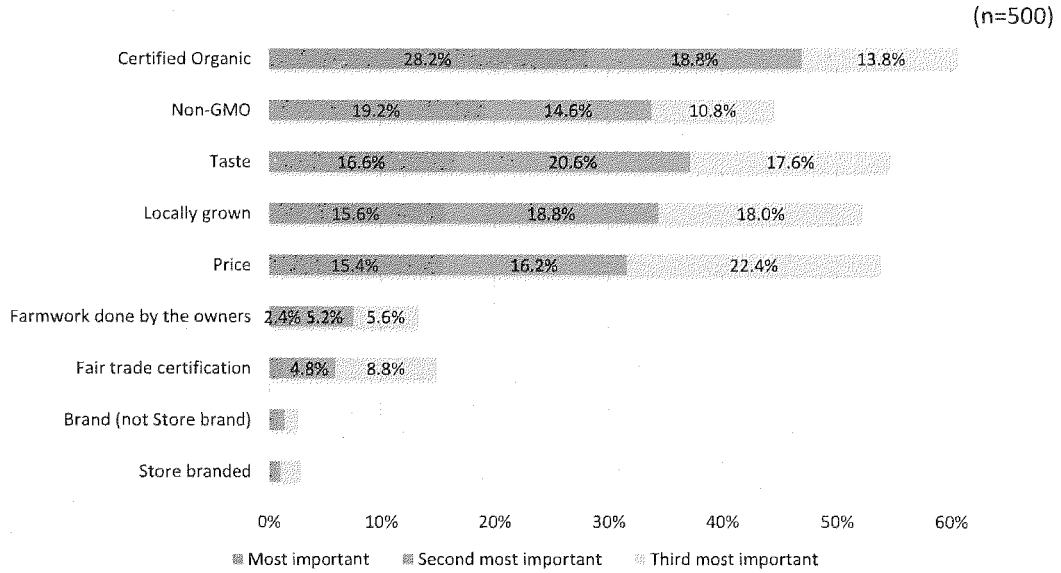
Organics is About ...

(n=500)



q18: Do you feel organics is more about...

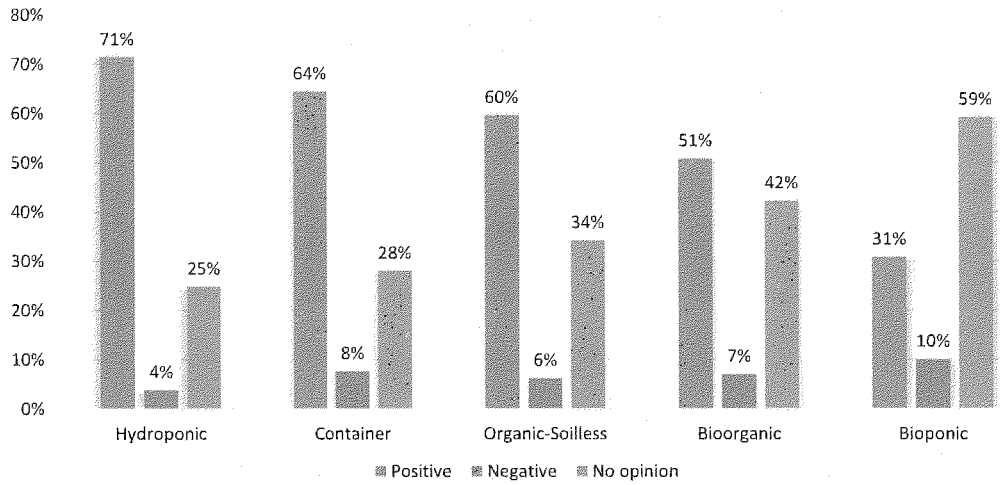
Importance of Characteristics of Fresh Produce



q19: How important are the following characteristics for the fresh produce you buy? Which one is the most important, second most important, and third most important to you personally?

Organics about …

(n=500)



q20: Do you have a positive or negative feeling about the following words when describing organic container production methods?

APPENDIX

Gender

	Percent	Number
Male	48%	240
Female	52%	260
	100%	**500**

q1: Are you...

Employment Status

	Percent	Number
Full-time Homemaker	13%	67
Employed part-time	11%	55
Employed full-time	58%	291
Self Employed	9%	46
Retired	8%	41
	100%	500

q4: Which of the following best describes your employment status?

Total 2015 Household Income – before taxes

	Percent	Number
$25,000 to $49,999	30%	151
$50,000 to $74,999	29%	144
$75,000 to $99,999	19%	94
$100,000 to $124,999	10%	51
$125,000 to $149,999	7%	33
$150,000 or more	5%	27
	100%	**500**

q5: What was your total family household income for 2015, before taxes?

Marital Status

	Percent	Number
Single (never married)	19%	93
Domestic partnership (living with someone, not married)	11%	55
Married	57%	286
Divorced	10%	48
Separated	1%	7
Widowed	2%	11
Other (Please describe)	0%	0
	100%	**500**

q21: Which of the following best describes your marital/household status?

Children Living at Home

	Percent	Number
Yes	55%	275
No	45%	225
	100%	**500**

q22: Do you currently have any children living at home for most of the year?

	Percent	Number
1	47%	130
2	34%	94
3 or more	19%	51
	100%	**275**

q23: How many children do you have living at home for most of the year?

Ethnicity

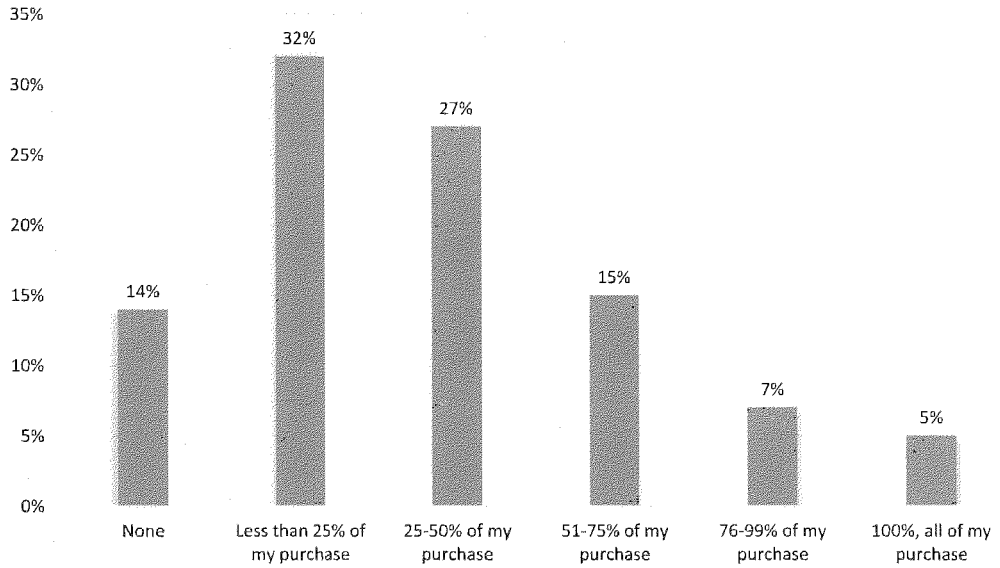
	Percent	Number
White/Caucasian	78%	388
Black/African American	9%	46
Asian	5%	26
Hispanic or Latino	7%	33
Other (Please describe)	1%	7
	100%	**500**

q24: Which of the following best describes your ethnicity?

Screener vs Main Questionnaire

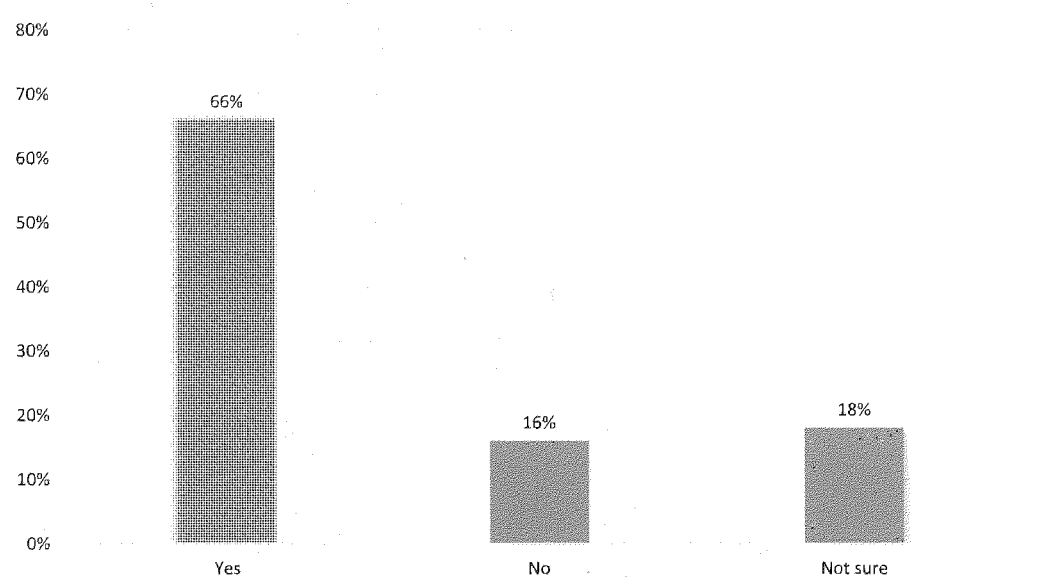
- We used to "screener" in the survey to get a few metrics for the general population
  - A total of 1,749 people answered the screener questions
- We then used the main questionnaire to get responses from people who met our screening criteria
  - A total of 500 people answered the main questionnaire
- The next three slides are from the screener, which means the data represents the 500 who answered the main questionnaire, and all respondents who were eventually screened out because of age, income, no organic produce purchases, etc.

Screener Question: Percent of Produce Purchasing that is Organic (n=1,749)



q8: Thinking about the produce (fruits and/or vegetables) you purchase, about what percent is organic?

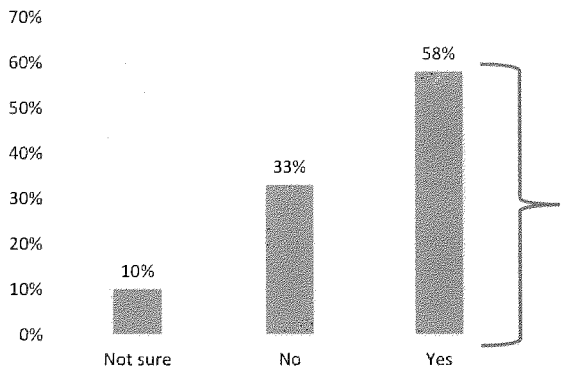
Screener Question: Percent Who Plan to Buy Organic Produce in Next 30 Days (n=1,749)



q9: Do you personally plan to purchase any organic produce in the next 30 days?

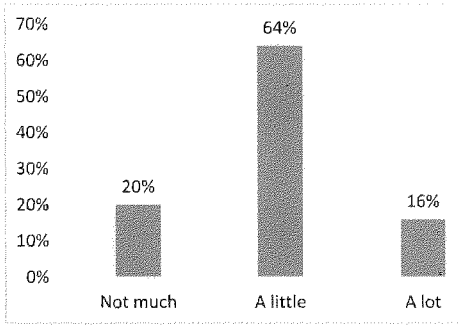
Screener Question: Awareness and Knowledge of Hydroponic Growing (n=1,749)

Heard of Hydroponic Growing
(n=1,749)



q10: Have you ever heard of a type of produce growing called "hydroponic" growing?

Knowledge of Hydroponic Growing
(n=1,010)

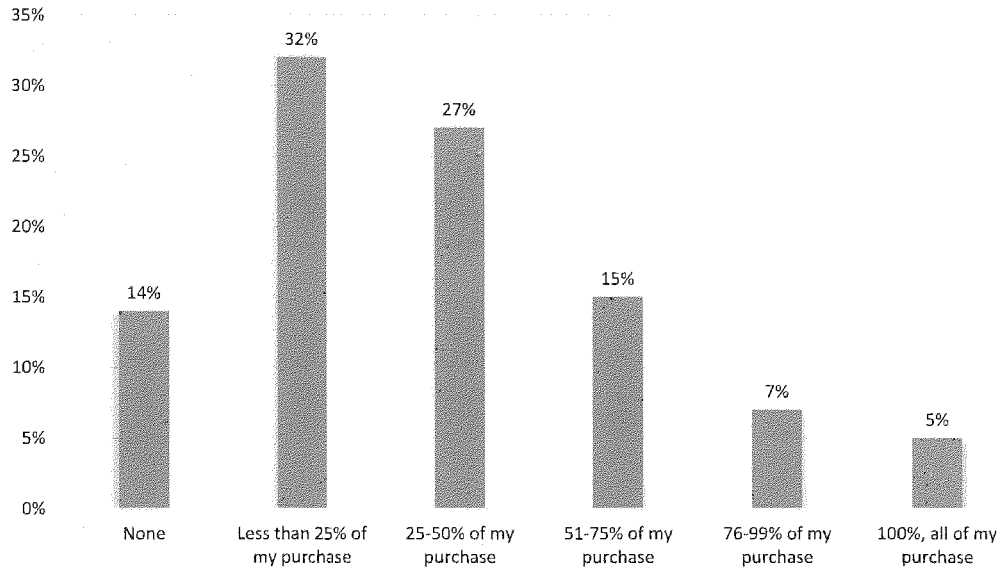


(IF YES) q11: How much do you know about hydroponic growing?

Screener vs Main Questionnaire

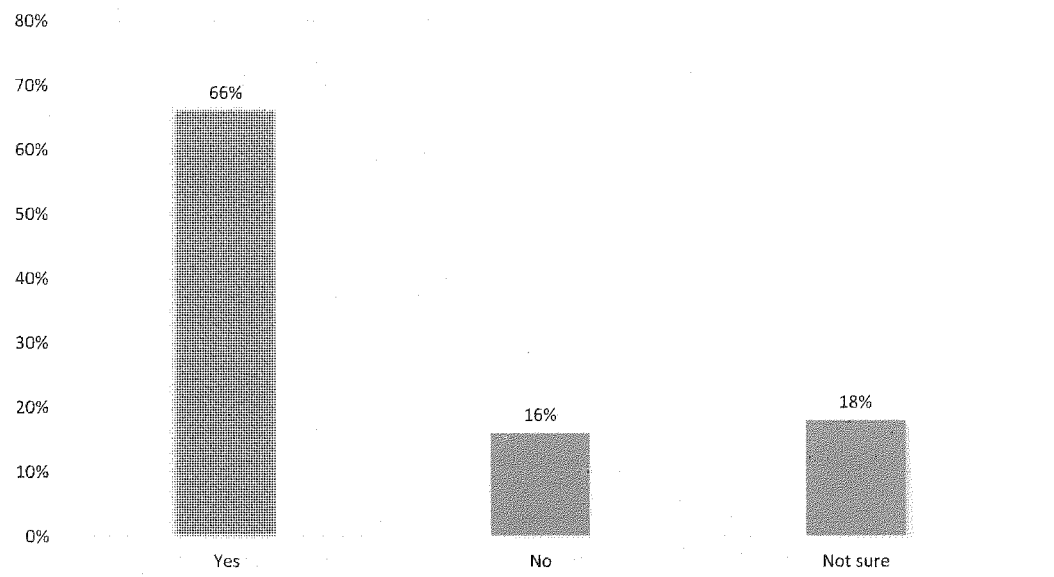
- We used to "screener" in the survey to get a few metrics for the general population
  - A total of 1,749 people answered the screener questions
- We then used the main questionnaire to get responses from people who met our screening criteria
  - A total of 500 people answered the main questionnaire

Screener Question: Percent of Produce Purchasing that is Organic (n=1,749)



q8: Thinking about the produce (fruits and/or vegetables) you purchase, about what percent is organic?

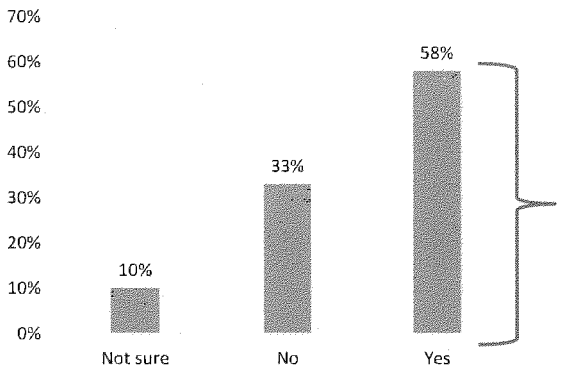
Screener Question: Percent Who Plan to Buy Organic Produce in Next 30 Days (n=1,749)



q9: Do you personally plan to purchase any organic produce in the next 30 days?

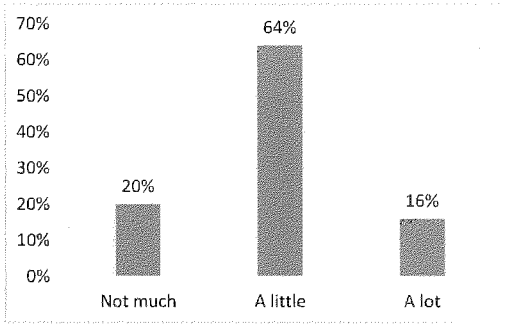
Screener Question: Awareness and Knowledge of Hydroponic Growing (n=1,749)

Heard of Hydroponic Growing
(n=1,749)



q10: Have you ever heard of a type of produce growing called "hydroponic" growing?

Knowledge of Hydroponic Growing
(n=1,010)



(IF YES) q11: How much do you know about hydroponic growing?

Q2

q2: Please enter your age below:

	Total
Total	500
Mean	44.41
Median	45.50

Q3

q3: In what state do you currently live?

	Total
Total	500
Alabama	10
Alaska	0
Arizona	9
Arkansas	2
California	49
Colorado	12
Connecticut	27
Delaware	2
District Of Columbia	0
Florida	47
Georgia	14
Hawaii	1
Idaho	1
Illinois	14
Indiana	8
Iowa	2
Kansas	4
Kentucky	7
Louisiana	2
Maine	11
Maryland	5
Massachusetts	8
Michigan	16
Minnesota	8
Mississippi	5
Missouri	9
Montana	1
Nebraska	4
Nevada	4
New Hampshire	13
New Jersey	12
New Mexico	2
New York	35
North Carolina	9
North Dakota	0
Ohio	19
Oklahoma	4
Oregon	2
Pennsylvania	25
Rhode Island	7
South Carolina	8
South Dakota	1
Tennessee	12
Texas	37
Utah	3
Vermont	3
Virginia	10
Washington	7
West Virginia	4
Wisconsin	4
Wyoming	1

Q6

*This question is used to eliminate people who may be doing the survey inappropriately. Neither of these items exist.

	Purchased a vacation on Morgan Island? (A)	Purchased a Campolini vaccum cleaner? (B)
Total	500	500
Yes	0	0
No	500	500

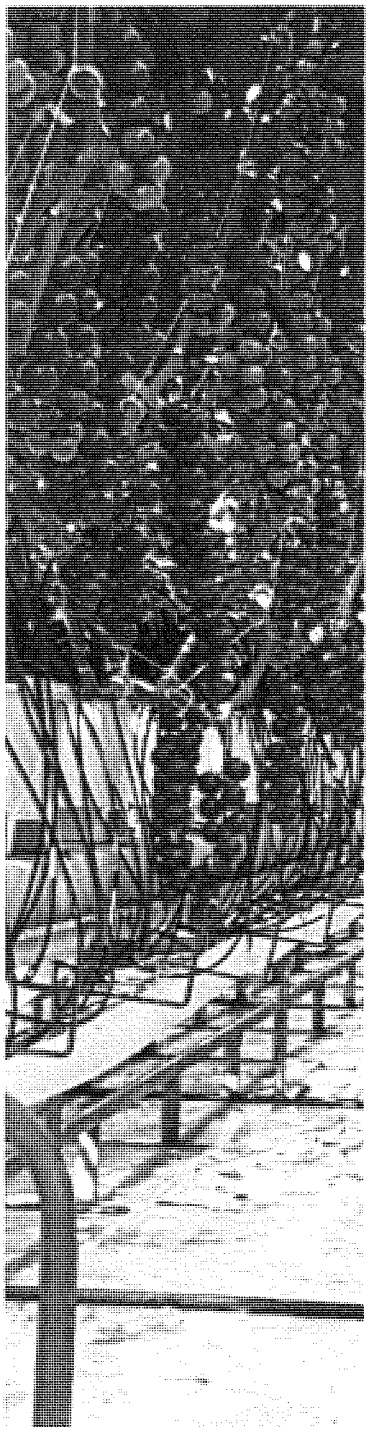
Q7

*We screened people into the study who do at least half of the grocery shopping for their household.

q7: Who does MOST of the grocery shopping for your household?

	Total
Total	500
You	439
Someone else	0
You and someone else do an equal amount of grocery shopping	61





QUESTIONS AND ANSWERS

JULY 13, 2017

Senate Committee on Agriculture, Nutrition, & Forestry
Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill
Thursday, July 13, 2017
Questions for the Record
Mr. Theojary Crisantes Jr.

Ranking Member Debbie Stabenow

1. Only about 73 percent of fruit and nut acres are covered by crop insurance, which drops to 26 percent for vegetables. These numbers are lower for organic producers since there are fewer crop insurance options available. USDA's Risk Management Agency is evaluating prices for additional organic products and by 2018 expect to expand premium organic price elections to 79 organic crops.

   Do you use crop insurance and if not, why not? No. The current insurance products do not fit our needs. For example, crop insurance is primarily designed to cover incidents related to weather issues that may strike early in the life cycle of an open field vegetable. Since we grow tomatoes on the vine, which have a much longer production cycle, the current insurance products do not seem relevant or useful to our situation.

   Have you considered Whole-Farm Revenue Insurance? We have not considered Whole-Farm Revenue Insurance.

   If you don't have access to crop insurance, do you want access? If you do use crop insurance, what type and does it adequately address the organic premium? It would be great to have access to crop insurance products that would work for the specific crops I grow. My operation would benefit from having access to the same safety net that other farmers enjoy across the country. Unfortunately, there are simply none available at this point.

   Do you believe that as an organic specialty crop producer you have equitable access to crop insurance? I do not believe that organic specialty crop producers have the same access to crop insurance as traditional commodity producers. More should be done in the upcoming Farm Bill to level this playing field.

2. Organics are the fastest growing sector of American agriculture. In your testimony you talked about some of the existing challenges and limitations of the current system. The last Farm Bill put meager investments into tools like data collection and new technology which has yielded major returns on investment and significantly strengthened the organic program. Can you talk about ways we can strengthen the overall infrastructure of organics at USDA so the National Organic Program can handle the rapidly growing organic industry? Can you discuss the

importance of the National Organic Standards Board in serving as an industry voice and advisory role to USDA?

I agree that the 2014 Farm Bill's investments into tools like data collection and new technologies have brought major returns to the industry and I thank you for your leadership on those programs. Moving forward, there should be more investment in these tools to ensure that information is shared easily across the industry between purchasers, suppliers, and producers.

With respect to the National Organics Standards Board, USDA should be empowered to take more initiative over the direction of NOSB and ensure increased communication and transparency on the front end of policymaking to give organic businesses the confidence necessary to grow and invest. The organic industry has grown from its humble beginnings in the 1990s to a $50 billion industry that is facing significant challenges, but in that time, there have been no changes to NOSB's structure or approach.

I would support efforts by the Senate Agriculture Committee to reach out to the many stakeholders in the organic industry to see how to modernize the current system so that the advisory board for the organic industry is once again serving as an industry voice in prioritizing the needs of organic farmers, marketers and consumers for USDA.

Senator Patrick Leahy

1. **I hear from Vermont farmers, as well as researchers at our colleges and universities in the state that a major concern for specialty crop growers and organic growers is pest and disease problems. USDA has a variety of programs affecting invasive species spanning several USDA agencies, with the Animal Plant Health Inspection Service (APHIS) having the lead role in preventing plant and animal pests and diseases, including non-native invasive species, from entering the United States and our Customs Border Protection (CBP) agriculture specialists also work to prevent the entry of harmful plant pests and exotic foreign animal diseases and confront emerging threats in agro- and bioterrorism.**

   It is my understanding though that the demand and need for plant pest and disease management is far outstripping our current funding levels. Do you have thoughts you can share with the Committee on how this should be addressed in the next Farm Bill?

   It is essential that Congress provides the resources and oversight to the pest and disease exclusion programs while still facilitating trade. I would urge the Committee in the next Farm Bill to increase spending for USDA's role in this vital work, particularly in the following two areas:

   a) **Staffing**. Staffing levels at APHIS have steadily eroded over the years and the Farm Bill should look to address that issue by hiring more staff. Additional staff at the Center for Plant Health Science and Technology would be helpful so that accurate risk assessments and appropriate risk mitigation documents

are produced in the first place for import programs so that resources can be more efficiently allocated during the inspection processes for shipments with the potential for higher risks. I encourage prioritizing funding for inspection and monitoring resources both here in the United States at ports of entry as well as in the foreign countries of origin. The foreign personnel can identify issues and prevent potential problem shipments from ever being sent while adequate staffing at the ports of entry can speed up the process to properly classify pests to minimize delays to shipments.

b) **Program Funding**. Both the Plant Pest and Disease Management and Disaster Prevention Program and the National Clean Plant Network (NCPN) are critical pest and disease prevention programs and I would advocate for an appropriate increase in funding for them. In addition, I would support funding to enhance the computer systems between USDA APHIS and CBP so that APHIS can more easily flag the shipments that require an intensive examination by CBP at the port of entry and more rapidly clear the other shipments.

2. **I am well aware that successful and diversified farming operations create jobs in rural communities, and they also train young farmers. Yet as a country, the last Ag Census stated that more than 31 percent of principle farm operators were age 65 or older, and the average age of a principal farm operator was 58, and rising higher every year. If we are going to focus on reducing our dependence of foreign food, we will need to encourage more young people to enter the agricultural field, which is difficult today considering the rising costs of land and other barriers to entry.**

What suggestions do you have for encouraging more young people to stay on the farm or come to farming and the agricultural sector?

Growth in demand for organic products continues to far outpace growth trends in U.S. organic production and acreage. So, I agree with your statement that federal policy should continue to encourage more new and beginning farmers.

One bright spot for new and beginning farmers in organics and specialty crops are new technologies that reduce barriers to entry. As new entrants often do not have the capital requirements to purchase large tracts of land and equipment, they are most likely to engage in fruits and vegetables. Vertical farming, greenhouses, urban farming and the like are providing an entry point for new farmers that did not exist previously. For example, Archi's Acres, a small organic hydroponic operation in the San Diego area, runs a successful training program that transitions returning Iraq and Afghanistan veterans into agriculture using small plots of land and even repurposed old shipping containers.

And what do you think we should be doing in the next Farm Bill to help draw more young people to specialty crops or the organic sectors?

Over the years the Farm Bill has created multiple outlets for new entrants to make money via local food networks as well as access capital through a variety of small farmer programs and those efforts should be commended.

With organics, however, there are there are a number of unique barriers that famers must confront when entering the sector. For example, one unique cost that organic farmers face is annual organic certification. Two programs currently exist to help farmers defray some of those costs—the National Organic Certification Cost Share Program and the Agricultural Management Assistance (AMA) program. Those programs have received mandatory funding through the Farm bill in the past, which should be continued to keep pace with the growth in number or organic farmers and handlers eligible for the program. In addition, in areas where farmers pay fees to organic certifier agents to help in transitioning to organic, those fees should also be eligible for partial reimbursement.

Another barrier to entry for organic farmers is in seed choices and availability. Organic and conventional farmers need access to cultivars that are regionally adapted to their farming systems, soils, and changing climates. Often farmers must produce with seeds that were bred in other regions, or for different farming systems, which means that their production will be sub-optimal. USDA could use its existing programs, such as the Agriculture and Food Research Initiative, the Organic Agriculture Research and Extension Initiative and the Specialty Crop Research initiative, to provide farmers with the most up-to-date, regionally adapted cultivars that are publicly available.

Organic farmers would benefit from greater access to USDA risk management programs, which mean that price elections should be available for all organic crops, so that when an organic farmer has a loss, they are reimbursed based on the higher value of their crop, not the conventional value.

Finally, in our industry, STEM-related education efforts are critical. This is true for fruits and vegetables more generally but especially true for advanced greenhouses like what we operate. We want to identify STEM qualified young people and have them enter agriculture. For example, Western Growers, which I am a member of, conducts outreach activities in high schools to identify students who are interested in STEM topics and then takes them to farms and shows them how STEM is applied in an agricultural setting. The hope is to plant a seed in kids minds about agriculture being a viable outlet for their interest in STEM.

3. **The 2014 Farm Bill opened the door for a stronger focus on public-private partnerships for specialty crops research.**

Do you feel confident that this is working as intended or are there ideas for ways to improve the system? It is my understanding that the establishment of the Foundation for Food and

Agriculture Research (FFAR) has not progressed as quickly as had hoped and I am not aware of any projects that have benefited specialty crop production thus far.

Are there gaps in the existing specialty crops research programs? If so, should we consider targeting specific programs? The most significant challenge to specialty crop research programs is that they are over subscribed. The Specialty Crop Research Initiative, arguably the most important of these programs, funds less than 10% of projects initially proposed, while AFRI programs under NIFA average a 17% funding rate. Specialty crops represents a tremendous diversity of crops each with their own set of climatic, pest, pathogen, and resource utilization challenges. Every year projects strongly supported by their respective industry, as determined through the stakeholder panel (I.e., relevancy review), and determined to be highly meritorious by the scientific review panel are not awarded due to lack of sufficient funds. Simply increasing the funds for SCRI would assure that more high quality projects that are supported by the industry would be awarded. Increasing the funding for SCRI to $93.5 million, from the current $55 million, would theoretically raise the funding rate to approximately 19%, putting it on par with the rest of NIFA.

4. **I have heard from many Vermont farmers concerned about the Food Safety Modernization Act (FSMA) Produce Safety Rule and what it will mean for Vermont specialty crop farmers. As you consider the new requirements that will be placed on specialty crop farmers under FSMA, are there areas where you would like to see the next Farm Bill offer support in these areas as farmers work to comply with new food safety regulations?**

   We are an indoor greenhouse operation so some FSMA-related concerns are different than for outdoor growers but I can convey the position of the larger industry as I know it. Generally speaking, most growers believe that FDA has done a good job of soliciting input from across the country to better understand the variance of cultural practices from region to region. As a result, FDA has changed many burdensome regulations and rules for the better. However, there is always more work that can be done to improve the regulations and to help growers understand their responsibilities under the statute.

   I support continued funding for training and outreach efforts and increased focus on food safety programs at universities to train professionals.

5. **USDA has developed a new crop insurance product called The Whole Farm Revenue Protection (WFRP) that was designed to provide coverage in a new way to farms in every county in the nation based on revenue, rather than yields or specific commodity crops. This new tool is a way for farmers with two or more enterprises, crops or livestock, and a diverse operation to access multi-peril insurance, covering losses from insects, weather or other "natural" events that occur in some or all of a farm's fields. In addition, market forces, such as less income due to lower priced imported crops is also covered under this policy. This is still a rather new product that farmers are learning about.**

Do you have any suggestions for how or if the Farm Bill should make modifications to further improve the WFRP to better support specialty crop, organic farmers, or other diversified operations?

As I do not participate in the federal crop insurance program I do not have primarily knowledge over the Whole Farm Revenue Program but through my trade associations I understand that the program could be modified to better fit the needs of organic growers. Specifically, organic farmers need USDA to continue making improvements in the farm safety net to achieve appropriate risk management tools for organic farms and recognize the change in farm revenue after a farm has transitioned to organic. USDA should also consider eliminating the 30 percent cap on increased production value under the expansion provision.

6. Do you feel the Risk Management Agency (RMA) has been putting sufficient resources towards creating new crop insurance products for specialty crops?

Significant progress was made in the 2014 Farm Bill to develop appropriate risk management tools for specialty crops with the establishment of the Whole-Farm Revenue Protection program as well as price elections for organic crops but more could be done. Most specialty crop growers, and certainly organic growers, believe that RMA is not sufficiently providing the industry with acceptable crop insurance products. To be fair, some of that difficulty comes from the lack of publicly available data sets for most of our crops. Additionally, many crop insurance policies have not necessarily reflected value to our industry in terms of what is covered.

7. The federal research and promotion programs, often referred to as checkoff programs, support many different specialty crops from avocados and blueberries to popcorn, potatoes, and watermelons and allow stakeholders across an industry to pool their expertise and resources to develop a coordinated program of research, marketing and consumer outreach efforts to improve, maintain, and develop markets for agricultural commodities and products. However, some boards have received criticism in the past for either a lack of transparency, apparent conflicts of interest, possible misuse of funds, or anticompetitive behavior.

    a. As we consider the next Farm Bill do you have any suggestions for how or if the authorizations for the checkoff programs should be updated or amended?
    b. Would you support directing USDA to establish program standards that prohibit anticompetitive behavior and engaging in activities that may involve a conflict of interest?
    c. In an attempt to address some of these conflicts of interest issues, some members of Congress have introduced legislation that would prohibit checkoff programs from contracting with any organization that lobbies on agricultural policy. Would you support such a change? Why or why not?
    d. Some members of Congress and groups have also called for additional transparency through publication of checkoff program budgets and expenditures, and requiring periodic audits by the USDA Inspector General for

compliance with the Commodity Promotion, Research, and Information Act of 1996. Would you support such a change? Why or why not?

I greatly appreciate your interest in protecting growers from conflicts of interest and anti-competitive behavior but, as a tomato and pepper grower, I am not intimately familiar with existing federal research and promotion programs. I do believe that, as a policy principle, greater transparency in decision-making authority by boards and advisory committees overseen by USDA is critically important.

8. In your testimony you mentioned that you personally felt that it was impossible to capture and reflect the breadth and diversity of the industry organic with a 15-member board. But currently the board has seven different categories on it that represent everyone from organic farm owners or operators to organic handling operation, to a retail establishment, those with expertise in areas of environmental protection and resource conservation, representatives of public interest or consumer interest groups, and even an individual with expertise in the fields of toxicology, ecology, or biochemistry. If you ask me that is a very diverse and fairly balanced group in terms of diverse interests. Certainly with any large group or industry it can be hard to have a true representation but the expectation and hope is that the elected or appointed representatives remain open to new ideas and listen to all sides of the argument to decide what is best for the integrity and growth of the organic food and fiber industry. Some might ask the same question about Congress and if it really reflects the diversity of the United States.

    a. Have you thought of how many individuals you think the board should be comprised of?
    b. With your suggested larger NOSB membership, what do you anticipate the additional costs be to USDA, the Farm Bill, and American taxpayers since the NOSB members are reimbursed by the USDA for all approved travel and associated lodging expenses at the meetings currently held twice a year across the country?
    c. Has your Coalition recommended applicants for the NOSB in the past who were not selected by the Secretary? If so how many applicants?

As a point of clarification, the Coalition for Sustainable Organics is not necessarily suggesting that the only solution to the current Board challenges is increased membership. The Coalition is simply pointing out that the deference given to the Board can be problematic when the views of those 15 individuals do not accurately reflect the wide variety of beliefs and production practices held by the organic industry. Your leadership, along with others in Congress, have helped the organic industry grow into a $50 billion industry that is facing significant challenges. However, NOSB's composition, structure, and more importantly, approach, have not been addressed to reflect those changes. While many USDA Research and Promotion Boards rebalance their seats based on changes in their industry every few years, NOSB has not taken similar steps, so it is critically important that USDA and Congress ensure that NOSB's membership and composition reflects the industry as it is today, not as it was in the 1990s.

Coalition members with substantive knowledge in hyproponics and container cultivation have submitted applications for NOSB vacancies in the past, but despite years of industry experience and willingness to serve, none have been selected.

9. In your testimony you raised what you felt there was a lack of accessibility to the National Organic Standards Board (NOSB) deliberations. However, real life farmers and consumers are all welcome to come and testify and I had heard from many meeting participants that under the leadership of the previous Board Chair Jean Richardson, that the NOSB meetings had become a lot more welcoming and open to all opinions and aspects of the industry, compared to past years. I was also told that during the last NOSB meeting you and your Coalition's Executive Director kicked off the first half hour of public testimony and also submitted extensive additional testimony that the board reviewed at length. While the Board may not have agreed with your arguments and request, it does not mean you and others testifying were not thoroughly heard.

    a. How do you specifically propose that the Farm Bill address making the NOSB more accessible?
    b. Would you recommend that they hold meetings three times a year or more, and that the federal government reimburse all of their travel costs to visit additional farms across the country that invite them to visit and learn about their operations?

I agree that the leadership of Jean Richardson has been important in making the industry feel more welcome at NOSB meetings and her successor Tom Chapman has continued to seek input from impacted industries. To be clear, I support the individuals who serve on the NOSB, and I appreciate their dedication to their work. The Coalition for Sustainable Organics is simply asking the question if the current structure is sufficient to representing the wide diversity of today's organic industry.

The Committee should be aware that nearly every formal recommendation by the NOSB will give an advantage to some organic farmers at the expense of other organic farmers. Even if the USDA National Organic Program does not act upon a formal recommendation, many auditors will incorporate the recommendations into their interpretation of the standards to which they determine if producers meet or do not meet the USDA organic standards.

If the NOSB continues to be the primary author and source for organic regulations, then the NOSB process should be at least as transparent and rigorous as other USDA policy making. For example, we could learn a great deal from the process USDA-APHIS uses to modify the regulations to determine what products can enter the United States and under what conditions.

APHIS conducts a Pest Risk Assessment and a writes Risk Management Document that lays out in writing the science and reasoning they are using to form the basis of any future policy change. They publish those documents outside of the Federal Register process and invite

comment from the public to challenge USDA's analysis. USDA then responds to say why those challenges are relevant or not relevant. USDA will then publish their proposed rule in the Federal Register where a much broader audience will have access to the proposed changes and at least 60 days to analyze the proposal and submit comments. USDA will respond to each point raised by commenters to explain why those points were incorporated into a final rule or deemed not relevant.

The current NOSB process has room for improvement with respect to transparency. Potentially additional meetings would be useful but the Coalition is also interested in better understanding, and participating in, the decision-making process. Often USDA will provide a massive data dump of the work of the NOSB committees no more than 30 days before the close of a comment period. There is no mechanism to verify if previously submitted data ever reached the NOSB members, was ignored, or was just not deemed credible. NOSB is unable to incorporate any additional information from oral testimony and written submissions that may result in a change to the proposed recommendation since operating rules prohibit them from significantly altering their proposals from what was in the USDA batch-released premeeting package. If the NOSB does want to incorporate what they learn, they need to refer the entire issue back to the subcommittee and delay progress in a new regulation for another six months. In other words, the long time it takes for the NOSB to develop a recommendation is not a reflection of careful and open deliberation, but rather the problems of how the current rules and structures regulate NOSB interactions with the USDA and the public.

In addition, the lack of funds and interpretations of open meeting requirements further limit the ability of NOSB members to actually visit the farms and operations that they will restrict or favor in their policy determinations. I do believe that if the NOSB is considering policy recommendations that would put organic operators out of business then they should be required, or at the very least strongly encouraged, to visit at least one of these operations prior to a final decision to learn first-hand if their assumptions behind their justifications for proposed regulations is accurate.

10. As a result of a change made by the 2014 Farm Bill, the USDA has recently released a proposed rule to establish an Organic Research, Promotion, and Information Program. The purpose of the new program would be to maintain and expand markets for organic products by funding promotion, research, and information programs to increase demand and create markets for organic products. However, I have heard from many organic farmers in Vermont that they are concerned that a mandatory federal USDA checkoff program is not the correct vehicle to address the well documented need for organic marketing and research. They are also concerned that generating accurate and equitable net organic sales numbers for the purposes of the checkoff program would be overly onerous for small businesses, thus exposing them to increased risk for financial audits by the Board, and open them to Federal penalties for any under payments.

    Do you have any thoughts or points you would like to share with the Committee on the

proposed organic checkoff program that we should keep in mind as we consider the next Farm Bill?

I view the proposed checkoff with some of the same concerns as your constituents. The breadth and variance of today's organic industry could make it difficult for one singular research and promotion program to adequately advocate for all commodities. As a large grower, my mandatory contribution is upwards of $60,000 annually, a significant sum. However, I know that many organic growers have historically paid into traditional checkoff programs and felt they have not received adequate marketing and research resources for their contribution. Furthermore, expanding organic research is critical to the growth potential of the industry and all avenues to achieve that goal should be explored. I understand that there are ongoing and productive discussions amongst the stakeholders on the formation of the organic checkoff and I am hopeful that my concerns, and those of your grower constituents, are resolved before the program is initiated.

11. The proposed organic checkoff program does appear to seek to reduce the burdens on farmers by exempting producers grossing under $250,000. However some farmers have complained that this proposed blanket exemption for the small farm sector is a way to potentially exclude and disqualify small and mid-size organic farmers who form the majority of organic certificate holders from the referendum. Because this checkoff program could undoubtedly have a significant time and expense impact on all certified organic entities, do you support granting all U.S. certified organic entities a vote in the initial referendum?

As a larger grower, I am not as familiar with small-farm exemptions, however I understand that producers with gross sales under $250,000 would be given the option to opt-in or out.

12. In the 2014 Farm Bill we made changes to improve crop insurance for organic farmers. Previously, when organic farmers faced losses and filed an insurance claim, they were not paid based on the price of the organic crop but instead based on the price for the non-organic equivalent crop, which is typically considerably lower. Congress recognized that organic farmers must be compensated for losses at the relevant organic prices. As a result of those changes the USDA Risk Management Agency (RMA) has added many new organic price elections and expanded a number of existing price elections to new areas and types.

Since that Farm Bill change was first proposed we have seen the number of organic crop insurance policies and acreage grow dramatically, from 5,426 policies on 682,510 acres in 2012, to 7,930 policies on 1,065,714 acres last year, including 114,298 acres in transitional organic. And as of the last report from RMA this spring, they were able to offer premium organic price elections for 79 of 98 crops in the 2018 crop year, up from 57 crops in 2016, and all 98 crops have been assessed for organic coverage. However, RMA has stated that there are still 19 crops that do not currently receive an organic price election because either there is no known organic production in insured areas; there is only limited production and no available data that meet RMA's data quality requirements; or the current pricing data suggest the organic crop does not receive a premium over conventional products.

As this committee considers improvements to the Federal Crop Insurance Act in the next Farm Bill, are there specific improvements that are still needed for the organic sector? As an organic grower who currently does not have crop insurance, I certainly believe that there is more the Committee could do to encourage more participation from the organic sector. Specifically, Congress should direct the Risk Management Agency (RMA) to review policies that cap *Contract Price Addendums* at two-times the conventional price election for any specific crop. Congress should also direct the Farm Service Agency to develop organic price elections for storage loans offered. Producers will then have the ability to access working capital based on the actual value of their crops to cash flow their operations.

Do you feel the RMA has put sufficient resource towards researching organic pricing data? The Organic Production Market and Data Initiatives (ODI) is USDA's flagship organic data collection initiative that collects information vital to maintaining stable markets, creating risk management tools, tracking production trends, and increasing exports. The organic industry cannot continue to thrive and maintain stable markets without good data collection. Congress should maintain the same level of program funding from the 2014 Farm Bill by providing mandatory funding of $5 million over the life of the 2018 Farm Bill and an additional authorization of appropriations of $5 million per-year.

Senator Sherrod Brown

1. **A major obstacle for growing local production is connecting local farmers with buyers. What best practices have you seen in making this connection?**

   I think increased technology and data sharing can increase opportunities to connect farmers and their customers.

2. **What do you think this committee and USDA can do to better assist farmers in selling locally?**

   The Committee should look for marketplace development beyond the traditional farmers markets and community supported agriculture into new and innovative ways for local farmers and ranchers to sell their products.

3. **Do you support the Organic Agriculture Research and Extension Initiative and the Organic Certification Cost Share Programs? Do you believe increased funding would help the program reach more producers and strength the organic industry?**

   Yes, I strongly support both the Organic Agriculture Research and Extension Initiative (OREI) and the National Organic Certification Cost Share program (NOCCSP) and would encourage the Committee to maintain, if not increase funding for both program.

   Particularly for research, one area where more research funding is desperately needed is in the area of development of regionally adapted cultivars. Farmers need seeds and animal breeds

that are ideally suited to their local growing conditions, changing climates, and farming systems. Without these tools, farmers are handicapped and their productivity is negatively affected. Congress, USDA, and our nation's public research universities must reinvigorate public plant and animal-breeding programs to provide farmers with regionally adapted seeds and breeds.

While a well-funded OREI program could help in this area, the need for better seed options is there for conventional farmers as well, so programs like the Agriculture and Food Research Initiative (AFRI) and the Specialty Crop Research Initiative (SCRI) could also be used.

Senate Committee on Agriculture, Nutrition, & Forestry
Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill
Thursday, July 13, 2017
Questions for the Record
Dr. Kenneth Dallmier

Chairman Pat Roberts

1. You outline in your written testimony policy suggestions to help increase the supply of organic grain supplies. Specifically, you recommend utilizing and expanding upon programs such as the Soil Health and Income Protection Program (SHIPP), Conservation Stewardship Program (CSP), and Environmental Quality Incentives Program (EQIP) to provide income stability to producers during the volatile transition years to certified organic production.

    a. SHIPP is a new policy proposal. Can you elaborate further how this new program would assist with income stability during the transition to certified organic production?
    The voluntary nature of SHIPP, along with the commitment timeframe make SHIPP an excellent tool for transitioning land to organic production. The breakthrough concept of SHIPP is the 3-year contract enrollment period that coincides with the amount of time required for Certified Transition of traditional production land to certified organic production. For the acres in Certified Transition, SHIPP could provide crop options incorporated into a conservation use program. SHIPP allows for seed harvest and sale of conservation grasses, haying and grazing, and a revenue floor based upon the proven yield for that field or Farm Serial Number (FSN).

    The rules to participate in SHIPP could be modified to act as an incentive program to increase the number of acres of organic production. To participate in this modified SHIPP program, the participant must meet the standard SHIPP requirements, and have the FSN certified as being in transition to organic by a USDA accredited agency. Modifications to the standard rules would include eliminating the "less productive land" requirement to enroll the entire FSN. Finally, if the FSN is not compliant with the Certified Transition rules, the entire FSN would be ineligible and the grower responsible for the financial difference.

    b. SHIPP, as proposed, would be an entirely new conservation program with mandatory funding. In order to create a new program with mandatory dollars, inevitably there will be significant costs associated with it. How do you propose to offset the costs associated with creating a new program with mandatory funding?

Congress should direct the USDA to investigate novel approaches to funding that do not rely upon grower-funded sources of income. Grower funded sources place undo strain upon the supply chain and effectively reduce the premium incentives to the producer. The USDA should consider funding approaches for organic programs that are derived from the primary source of value in the chain. In the case of the organic supply/demand, the voluntary nature of the program suggests that consumers should be included in funding organic programs.

c. **Can you also provide further information with your reference to CSP and EQIP and what adjustments or expansions to these programs will assist with income stability during the transition to certified organic production?**

Congress should direct USDA to recognize required organic practices within the full suite of conservation programs including the Conservation Stewardship Program (CSP) and expand CSP organic bundles to transitioning organic farmers. CSP transition bundles will assist farmers with implementing organic practices, provide technical assistance during the transition period, and offset the financial costs of transitioning. Additionally, the EQIP payment caps of $20,000 per year ($80,000 for the contract term) suggest that the target scale is below what is needed to develop a sustainable supply of organic feed grains. To achieve sustained organic production targets, the USDA must incent larger operations to participate.

Ranking Member Debbie Stabenow

1. **The integrity of the National Organic Program is critical to the growing U.S. organic market. I wrote a letter with Senators Leahy and Feinstein raising concerns about this. In your testimony you highlight a number of ways USDA can address fraudulent imports from other countries. You've also estimated that domestic producers see a loss of about $410 million in annual revenue due to current domestic production not meeting U.S. demand. How do we address this local market opportunity and encourage more domestic producers to transition into organic grain production? Do these fraudulent claims make it less likely for traditional grain producers to transition into organics?**

As merchants, we witness the effect of new opportunity upon the market. In our written testimony, we suggest that the application of consistent standards, along with personal and corporate accountability when those standards are ignored would encourage the market to transition to organic grain production. Congress should encourage the FDA and USDA to collaboratively develop product recall rules when organic livestock are fed grain found not to be organic, consistent with most other food or pharmaceutical industries. Preserving

corporate brands and the Organic Seal will encourage US organic livestock producers to demand domestically produced organic feed. This in turn will support premiums paid for organic grain of known origin, which will incent the domestic US supply chain to transition more land into organic production. The sophisticated producer is always alert to changes in the market. The current situation brings abundant opportunity for the development of markets for domestic organic production. Conversely, allowing the market to absorb significant quantities of 3rd world grains and oilseeds that are fraudulently documented as being certified organic displaces US producers and discourages their conversion of resources to organic production.

The next farm bill should facilitate transitioning to organic with improved access to land and capital, investment in distribution systems and infrastructure, and targeted technical assistance. This can be accomplished by utilizing existing USDA conservation, rural development, and other programs to encourage organic transition in a way that does not distort markets but rather facilitates producer and handler choice in response to market signals.

2. **In the 2014 Farm Bill, we created a new Under Secretary for Trade and Foreign Agricultural Affairs. What roles and responsibilities would you like to see this new Under Secretary undertake?**
   The Under Secretary for Trade and Foreign Agricultural Affairs is the third ranking official in the USDA. As such, the Under Secretary has rank to ensure that the Foreign Agricultural Service, US Customs and Border Protection, and all relevant USDA departments (including the NOP) are coordinated and working with their international counterparts to ensure the integrity of the agricultural supply chain, both organic and conventional. The Under Secretary for Trade and Foreign Agricultural Affairs should establish mechanisms for collaborative investigations and enforcement between governments under all organic equivalency arrangements. (Former Trade Ambassador Darci Vetter's recent Opinion published in AgriPulse (https://www.agri-pulse.com/articles/9395-opinion-a-spotlight-on-organics-is-an-opportunity-for-all-of-us)). Where organic equivalency arrangements are not in place, the Under Secretary should coordinate with inter-governmental agencies, the USDA-NOP, and accredited certifying agencies to ensure the validity of the claims on the imported goods.

   Further, the Under Secretary should work with the International Trade Commission to add grains to the list of organic products with unique tariff codes to facilitate accurate tracking of origin and volume. Using the resources described, the Under Secretary would be the stakeholder in charge of a clearinghouse database that estimates and ground-truths the agricultural supply in regions. This is the critical part of the mass-balance equation providing warning signs of fraud.

   Trade is essential to stability. The United States has advocated for the development of agricultural capacity around the world since the Marshall Plan and the Peace Corps. The Under Secretary should coordinate USDA departments, and their international counterparts to develop the production capability in other countries to be better suppliers to US producers. If

the US market requires first-world quality and integrity for third-world suppliers, it is in our best interest to train those suppliers, and to provide a level of security from which trade and trust can develop.

Lastly, the Under Secretary of Trade should serve as U.S. agriculture's voice and advocate on behalf of U.S. agriculture's interests in close consultation with the U.S. Trade Representative's Office during the negotiation of new trade agreements. Additionally, when changes are made to existing trade agreements or trade disputes with other countries arise, the Under Secretary shall advise and work in close consultation with USTR on the impacts to U.S. agriculture.

Senator Steve Daines

1. **In your testimony, you mention that paper documents are still the predominant form of tracking international trade in organic products. What can USDA do to better modernize their import tracking system?**

   The USDA should critically evaluate block-chain applications that could be utilized to track organic grain from the producer to the end-user. As summarized in The Economist in the October 31, 2015 edition (https://www.economist.com/news/briefing/21677228-technology-behind-bitcoin-lets-people-who-do-not-know-or-trust-each-other-build-dependable), block-chain and other "distributed ledger" technologies "offers a way for people who do not know or trust each other to create a record of who owns what that will compel the assent of everyone concerned. It is a way of making and preserving truths." In the complex supply chain of organic grain production and shipping, it seems prudent to utilize physical radio tags to provide a unique identifier for each lot of grain which can be verified at control points within the supply chain. The tracking of each unique grain lot would be accomplished through an encrypted clearinghouse that is ultimately owned by the Under Secretary for Trade and Foreign Agricultural Affairs.

2. **How is the lack of modernization hindering the organic industry?**

   The greatest threat to the Organic Seal is the loss of credibility due to imported products. Antiquated control systems, lack of enforcement capability – both foreign and domestic, and a lack of accountability throughout the supply chain is eroding consumer confidence. Without consumer confidence, the market collapses along with the financial benefit to organic and specialty growers. The effect of such a collapse upon the agriculture sector has been demonstrated by the Organic Trade Association to be nearly $50 billion dollars.

   Congress can encourage USDA to adopt measures to ensure effective oversight, robust investigations and enforcement across the entire supply chain. When the organic regulations came into effect over a decade ago the industry was much smaller and there wasn't a massive global trade in organic products. While the industry has grown globally, USDA NOP has not adapted to overseeing such a complex supply chain. The original organic regulations excluded

certain operations from certification. Congress should direct USDA to reverse that and limit the application of operations excluded from certification under 205.101 (b) including: Ports, importers, brokers and on-line auctions. All these operations are part of the global organic supply chain and they should be required to be certified if they are handling or moving large amounts of organic product.

3. Being efficient stewards of taxpayer's money is imperative and it's important we get the most bang for our buck. As the National Organic Program (NOP) conducts oversight on a global industry worth tens of billions, it is critical that it is able to have the flexibility to prioritize and focus its oversight. Is the NOP communicating with industry about high risk situations like the increase in organic grain imports from Eastern Europe?

   The process by which the NOP monitors trade in organic products and investigates alleged noncompliance with Organic standards is governed by current law. The NOP must have clear, compelling, and legally-defensible evidence that can be connected directly to a responsible party. This process can take months to complete. Once completed, a report is released to the industry. To my knowledge, there is no high level geographical warning system in place to alert the industry to the potential of fraud in specific markets prior to the completion of the investigation.

4. Does NOP they operate on a risk based approach or conduct investigations on a first-come first-serve basis?

   The NOP currently does not prioritize investigations based upon geographic or crop risk factors. The industry would like USDA to heighten awareness of potential risks in a particular region or by particular product sectors. The NOP needs to adopt a risk-based approach to assessing and reporting potential fraud to the organic trade that will better allow the action needed to prevent fraud before it occurs.

   There are risk-based mechanisms in place across government programs that are working well and may provide models for which to base a communication mechanism such as FDA Import Alerts. This system provides a vehicle for industry to be alerted to risks that may require increased vigilance to prevent potentially fraudulent products from being distributed in the United States. Similarly, increasing awareness of potential risks that may be occurring in a particular region or by particular product will prompt organic businesses and certifiers to increase scrutiny in the areas that pose the greatest threat.

Senator Patrick Leahy

1. I hear from Vermont farmers, as well as researchers at our colleges and universities in the state that a major concern for specialty crop growers and organic growers is pest and disease problems. USDA has a variety of programs affecting invasive species spanning several USDA agencies, with the Animal Plant Health Inspection Service (APHIS) having the lead role in

preventing plant and animal pests and diseases, including non-native invasive species, from entering the United States and our Customs Border Protection (CBP) agriculture specialists also work to prevent the entry of harmful plant pests and exotic foreign animal diseases and confront emerging threats in agro- and bioterrorism.

It is my understanding though that the demand and need for plant pest and disease management is far outstripping our current funding levels. Do you have thoughts you can share with the Committee on how this should be addressed in the next Farm Bill?

The next Farm Bill should encourage Land Grant universities, regional state universities, and community colleges to establish public-private partnerships which address weed and disease management. Such research areas were the mainstay of the Cooperative Extension Service which has languished for the past 20 years through budget cuts and lack of focus. The University of Wisconsin has maintained specialty crop and organic production Extension personnel and they have established a Federal-State partnership forming OGRAIN. The Organic Grain Resource and Information Network (OGRAIN) was created in 2015 using a USDA grant to establish an educational network for the production of organic crops in the upper Midwest. This successful program should be supported and the model implemented across the US to provide opportunities to share practices and experience across the organic production industry.

2. I am well aware that successful and diversified farming operations create jobs in rural communities, and they also train young farmers. Yet as a country, the last Ag Census stated that more than 31 percent of principle farm operators were age 65 or older, and the average age of a principal farm operator was 58, and rising higher every year. If we are going to focus on reducing our dependence of foreign food, we will need to encourage more young people to enter the agricultural field, which is difficult today considering the rising costs of land and other barriers to entry.

    a. What suggestions do you have for encouraging more young people to stay on the farm or come to farming and the agricultural sector?
    b. And what do you think we should be doing in the next Farm Bill to help draw more young people to specialty crops or the organic sectors?

Agriculture prior to the mid-1990s was a balance of art and science. The techniques of farming and the transfer of knowledge were largely experiential. Farmers learned the land, and how tillage and fertilizer and weed control interacted with the weather to produce or deny abundant harvests. Biotechnology brought science into the ascendency because it largely removed the effect of weeds and the primary insect pests from the yield equation. This history is germane because we must bring scale into the specialty crop and organic sector to reduce our dependence on foreign food and feed imports without biotechnology tools or synthetic fertilizer and pesticides. We must therefore encourage the experiential transfer of knowledge across two generations, since the current generation of principle farm operators did not learn the skills of cultivation, pest identification, crop rotation, and long-term weed control.

The next Farm Bill should establish and support a formal apprenticeship program for production agriculture on equal footing with teachers and doctors in underserved communities. Older farmers continue farming because there is nobody able to accept their legacy. The younger leave because the debt is too high and the risk is too great. The next Farm Bill should establish a formal apprenticeship program with classroom training and hands-on application similar to the European model. Following completion of the apprenticeship, the young farmer would be required to remain on the land for a journeyman period, after which they would be eligible for apprenticeship loan forgiveness and low-cost operating loans. A similar program has been successful for teachers and doctors in underserved areas.

3. The 2014 Farm Bill opened the door for a stronger focus on public-private partnerships for specialty crops research.

    a. Do you feel confident that this is working as intended or are there ideas for ways to improve the system?

        The Federal government has reduced the priority of practical agricultural research at Land Grant universities. In this environment, public-private partnerships have the best opportunity for success. Public funding with private industry initiative will solve many of the short-term issues. How such partnerships perform over long-term challenges has yet to be seen. The vanguards of this relationship appear to be the regional state universities and the community colleges. The next Farm Bill should focus upon these institutions which can be more responsive to local needs.

    b. Are there gaps in the existing specialty crops research programs? If so, should we consider targeting specific programs?

        There is a gap in the local understanding of the development and practical application of organic production practices. Weed, disease, and pest control using non-synthetic means have become more important as specialty crop production becomes scalable. The next Farm Bill should concentrate upon public-private partnerships, as well as state universities and community colleges to provide cost-effective research and extension.

4. I have heard from many Vermont farmers concerned about the Food Safety Modernization Act (FSMA) Produce Safety Rule and what it will mean for Vermont specialty crop farmers. As you consider the new requirements that will be placed on specialty crop farmers under FSMA, are there areas where you would like to see the next Farm Bill offer support in these areas as farmers work to comply with new food safety regulations?

Congress should urge the FDA to finalize the requirements and regulations to enforce the principles of the Food Safety Modernization Act. Following the FDA action, USDA should author definitive standards and training to help producers comply with the new standards. Congress should also authorize the USDA to provide low-cost loans to small producers for FSMA implementation costs.

5. USDA has developed a new crop insurance product called The Whole Farm Revenue Protection (WFRP) that was designed to provide coverage in a new way to farms in every county in the nation based on revenue, rather than yields or specific commodity crops. This new tool is a way for farmers with two or more enterprises, crops or livestock, and a diverse operation to access multi-peril insurance, covering losses from insects, weather or other "natural" events that occur in some or all of a farm's fields. In addition, market forces, such as less income due to lower priced imported crops is also covered under this policy. This is still a rather new product that farmers are learning about.

   Do you have any suggestions for how or if the Farm Bill should make modifications to further improve the WFRP to better support specialty crop, organic farmers, or other diversified operations?

   To promote the transition of more productive land into organic practices, the WFRP should incorporate RMA organic revenue language into transition land. The land must have a contract and a formal transition plan. It should also be registered in the Certified Transition program. Congress should eliminate the 30% cap on increased production value under the expansion provision.

6. The federal research and promotion programs, often referred to as checkoff programs, support many different specialty crops from avocados and blueberries to popcorn, potatoes, and watermelons and allow stakeholders across an industry to pool their expertise and resources to develop a coordinated program of research, marketing and consumer outreach efforts to improve, maintain, and develop markets for agricultural commodities and products.

   However, some boards have received criticism in the past for either a lack of transparency, apparent conflicts of interest, possible misuse of funds, or anticompetitive behavior.

   a. As we consider the next Farm Bill do you have any suggestions for how or if the authorizations for the checkoff programs should be updated or amended?

      I will limit my perspectives since my experience with many of the other checkoff programs that you listed are limited. In general, a checkoff program should concentrate upon the short to mid-term market needs of the crop. In supply limited crops and industries, the focus should be on applied research, production training and risk mitigation. Likewise, in demand limited crops and industries the development of new domestic and international markets is important. As the US organic market for grains is largely supply limited, production training, research,

extension, and the development of risk mitigation tools to aid in the transition from traditional to organic production would be priorities of an Organic checkoff. The development of new export markets seems to be premature in the short to mid-term.

b. Would you support directing USDA to establish program standards that prohibit anticompetitive behavior and engaging in activities that may involve a conflict of interest?

In all areas of commerce, transparency and competition are redoubts protecting the consumer. The USDA (and all government agencies) must establish and enforce such standards as indicated in your question.

c. In an attempt to address some of these conflicts of interest issues, some members of Congress have introduced legislation that would prohibit checkoff programs from contracting with any organization that lobbies on agricultural policy. Would you support such a change? Why or why not?

Provided there are adequate standards in section b (above), and audits to ensure transparency and accountability from section d (below), the Checkoff Program should enlist the advice and action from the best in their field. In some cases, it would be reasonable to expect those people have corporate interests in the outcome of agricultural policy. It is important that all policies apply to all check-offs equally.

d. Some members of Congress and groups have also called for additional transparency through publication of checkoff program budgets and expenditures, and requiring periodic audits by the USDA Inspector General for compliance with the Commodity Promotion, Research, and Information Act of 1996. Would you support such a change? Why or why not?

The producers provide resources for such programs with the expectation of ethical utilization of those resources and a reasonable return over the short and long-term. It is entirely appropriate for USDA, and agents deemed necessary to annually audit the budget and expenditures. It should also be expected that the audit report should be immediately made public through the USDA without resort to Freedom of Information Act requests.

7. We have seen in Vermont that farmers markets and other forms of selling straight to customers are helping to keep farmers in business. From a national perspective, farmers markets provide thousands of economic opportunities for other small and midsize producers to grow local food and develop business ventures rooted in their local communities, often acting as small business incubators.

a. Are there improvements or changes you would like to see in the Farmers Market Promotion Program or the new Local Food Promotion Program in the next Farm Bill?
b. Considering how oversubscribed these grants are, with only 33 percent of applications being funded, should this Committee look for ways to increase the funding for this work that directly supports our farmers?

Clarkson Grain is not active in the local Farmers Market industry and cannot provide perspectives on the effectiveness of the Farmers Market Promotion Program or the Local Food Promotion Program.

8. Most smaller vegetable farms and a growing number of small beef and meat producers sell to direct markets such as Community Supported Agriculture (CSA) shares, farmers' markets or farm stands, while many mid to large scale farms sell their products in smaller grocery stores, schools, institutions, and even larger grocery chains.

    a. What suggestions do you have for this Farm Bill to better support those smaller farms who sell specialty crops or organic crops direct to consumers?
    b. What specific suggestions do you have for those specialty crop or organic farmers and livestock producers who are working with smaller grocery stores, schools, and institutions?

Clarkson Grain is not active in the vegetable or meat markets and cannot provide perspectives on the effectiveness of Farm Bill support of the Community Supported Agriculture industry, farmer's market, or farm stands.

9. As a result of a change made by the 2014 Farm Bill, the USDA has recently released a proposed rule to establish an Organic Research, Promotion, and Information Program. The purpose of the new program would be to maintain and expand markets for organic products by funding promotion, research, and information programs to increase demand and create markets for organic products. However, I have heard from many organic farmers in Vermont that they are concerned that a mandatory federal USDA checkoff program is not the correct vehicle to address the well documented need for organic marketing and research. They are also concerned that generating accurate and equitable net organic sales numbers for the purposes of the checkoff program would be overly onerous for small businesses, thus exposing them to increased risk for financial audits by the Board, and open them to Federal penalties for any under payments.

    Do you have any thoughts or points you would like to share with the Committee on the proposed organic checkoff program that we should keep in mind as we consider the next Farm Bill?

As stated above in Question 6, the US organic market for grains is largely supply limited. It is the perspective of Clarkson Grain that the establishment of public-private partnerships focused

upon extension and training of producers to navigate the transition from traditional production to organic should be the focus of the industry. Therefore, production training, extension, and the development of risk mitigation tools would be priorities of an Organic checkoff.

Clarkson Grain takes no formal position opposing or proposing a checkoff program specific to organic products. The Organic Trade Association has attempted to clarify some misconceptions in the marketplace about the proposed checkoff. We respectfully suggest that Congress utilize experts on the topic of the checkoff to develop sound policy.

10. **The proposed organic checkoff program does appear to seek to reduce the burdens on farmers by exempting producers grossing under $250,000. However some farmers have complained that this proposed blanket exemption for the small farm sector is a way to potentially exclude and disqualify small and mid-size organic farmers who form the majority of organic certificate holders from the referendum. Because this checkoff program could undoubtedly have a significant time and expense impact on all certified organic entities, do you support granting all U.S. certified organic entities a vote in the initial referendum?**

As above, Clarkson Grain takes no position on the checkoff. In our opinion, all who would pay into the checkoff should receive a vote in the initial referendum. For consistency, the USDA should clarify the voting status of an entity holding multiple certificates.

11. **In your testimony you mentioned that we should establish mechanisms for collaborative investigations and enforcement between governments under all organic equivalency arrangements and establishing Joint Compliance Working Groups between accredited certifying agents (ACAs), State Organic Programs and NOP, and recognize ACAs as agents of USDA able to share information regarding open investigations. Do you have specific changes you would recommend for the Organic Foods Production Act (OFPA) that you can share with the Committee to accomplish those goals?**

As suggested in our perspectives to Senator Stabenow, the Under Secretary for Trade and Foreign Agricultural Affairs should coordinate all international collaborative investigations and enforcement activity. The Under Secretary has the USDA rank to ensure coordination of information between working groups of ACAs, State Organic Programs, and the National Organic Program regarding open investigations. The Under Secretary should also use this information to alert the industry when the weight of evidence suggests a higher than normal risk of fraudulent activity in a geographical region.

Congress should clarify that all parties to an active investigation (including accredited certifying agents, state organic programs, and the National Organic Program), are authorized to share confidential business information as necessary to fully investigate and enforce potential

violations of the organic regulations.

12. Do other countries have restrictions in place like those that you recommended to restrict embarkation ports for organic grain to no more than two per country?

The US would be unique in this regard. However, we have the largest organic market with the highest value attached to the Organic Seal. It is in the best interest of the USDA-NOP and the US organic industry to restrict embarkation ports until such time as the trace and track systems for the importation of organic grain are sufficiently effective to lower the risk of fraudulent organic grain entering the US.

13. With respect to increased transparency through the supply chain using physical tracking mechanisms that you recommended. Are there any obstacles that you see in using such tools and mechanisms today?

The technical requirements are well known and utilized in other complex supply chains. The equipment required is available and is robust enough to handle the grain stream. The challenges to be overcome include the establishment of universal standards of communication between the ACA monitoring devices and a USDA clearinghouse database, the registration of unique identifier codes in the "puck" with the USDA clearinghouse database, assigning those codes to specific ACA certifiers on the ground, and a web access page to facilitate the public access to information as grain lots are in transit.

14. In the 2014 Farm Bill we made changes to improve crop insurance for organic farmers. Previously, when organic farmers faced losses and filed an insurance claim, they were not paid based on the price of the organic crop but instead based on the price for the non-organic equivalent crop, which is typically considerably lower. Congress recognized that organic farmers must be compensated for losses at the relevant organic prices. As a result of those changes the USDA Risk Management Agency (RMA) has added many new organic price elections and expanded a number of existing price elections to new areas and types.

Since that Farm Bill change was first proposed we have seen the number of organic crop insurance policies and acreage grow dramatically, from 5,426 policies on 682,510 acres in 2012, to 7,930 policies on 1,065,714 acres last year, including 114,298 acres in transitional organic. And as of the last report from RMA this spring, they were able to offer premium organic price elections for 79 of 98 crops in the 2018 crop year, up from 57 crops in 2016, and all 98 crops have been assessed for organic coverage. However, RMA has stated that there are still 19 crops that do not currently receive an organic price election because either there is no known organic production in insured areas; there is only limited production and no available data that meet RMA's data quality requirements; or the current pricing data suggest the organic crop does not receive a premium over conventional products.

a. As this committee considers improvements to the Federal Crop Insurance Act in the next Farm Bill, are there specific improvements that are still needed for the organic sector?

Congress has the opportunity to include provisions for Certified Transition into the FCIA of the next Farm Bill. Farms and fields enrolled in the Certified Transition program should receive preferential treatment as it relates to price flexibility and the crops to be employed during the transition. For example, crops such as kernza are well suited for transition land and are high value in the current marketplace. The RMA should recognize the specialty nature of the niche crops often involved in the transition from conventional production to organic. The RMA should work with grain buyers to determine the previous 12-month price trends, and should pool yield potential across crop reporting districts to acquire data that meets the quality requirements or to identify suitable proxy crops correlated to the transition crop being produced. Any errors in the process or outcome will not have a material effect on RMA.

Congress should direct the Risk Management Agency (RMA) to prioritize development of additional organic price elections for crop insurance coverage, and review policies that cap Contract Price Addendums at two-times the conventional price election for any specific crop.

b. Do you feel the RMA has put sufficient resource towards researching organic pricing data?

Clarkson Grain has no direct evidence to the contrary.

Senator Sherrod Brown

1. There has been a surge of organic grains imported to the U.S. to meet domestic demand. However, there have been several recent reports of these imports being fraudulently sold as certified organic. I have heard from Ohio producers that increased imported organic grain has led to lower demand and lower prices for domestically produced grain.
    a. How does imported grain that has been fraudulently certified organic affect your business?

    Clarkson Grain strongly believes the greatest threat to the Organic Seal is the loss of credibility due to fraudulently declared organic products. Antiquated control systems, lack of enforcement capability (both foreign and domestic), and a lack of accountability throughout the supply chain is eroding consumer confidence. Without consumer confidence, the market collapses along with the financial benefit to organic and specialty growers and merchants.

    If consumer confidence can be maintained by aggressive action from Congress and the USDA-NOP, the present situation can be an opportunity for domestic production

and markets. Producers and merchants that can provide end-users the transparency and confidence in the product will be compensated by market opportunities.

b. Do you believe USDA's National Organic Program should provide more oversight of the certifiers of imported organic products? How else can NOP prevent fraud in the organic supply chain?

By law, the National Organic Program is a voluntary public-private partnership where USDA-NOP provides oversight to a network of accredited certification agencies. The USDA-NOP conducts on-site evaluations of certifiers every 2.5 years (twice during the standard 5-year accreditation term). The USDA-NOP provides regular training for certifiers to ensure consistent application of NOP standards.

Congress should examine the NOP mandate to ensure that it has the authority to enforce the standards more aggressively. In cases of fraudulent imports, the USDA-NOP should work with the Under Secretary for Trade and Foreign Agricultural Affairs to coordinate enforcement of NOP standards in imported organic grain. The establishment of an active Under Secretary office is critical to the effectiveness of the public-private partnerships dedicated to organic certification.

c. I strongly support the organic industry but believe the publicity over potential fraud in the organic supply chain can hurt consumer confidence in the organic label overall – what would it mean for your business and the industry if customers question the integrity of the organic label?

As stated above, Clarkson Grain strongly believes the greatest threat to the Organic Seal is the loss of credibility due to fraudulently declared organic products. Without consumer confidence, the market collapses along with the financial benefit to organic / specialty growers and merchants.

2. In your testimony, you touch on the role that land grant universities play in expanding organic research. As this committee works on the next Farm Bill, how can we better expand research on organic farming? How can we expand the role that land grant universities play? How can we better incorporate extension services in relaying new research techniques?

Research is essential to the success of all agricultural systems. By reauthorizing the Organic Research and Extension Initiative in the next Farm Bill, critical research and extension activity will continue to support the development of innovative solutions to the unique challenges facing organic farmers. The next Farm Bill could set research initiatives funded through competitive grants available to researchers at land grant universities, regional state universities and community colleges. As we consider expanded research and extension strategy, regional state universities and community colleges should be considered one of the main conduits to apply that research to real world problems facing organic growers. In many states, regional

state universities and community colleges are more responsive to local specialty markets and the applied research and extension needed to solve the unique challenges of organic production.

3. How can this committee better support farmers hoping to transition from conventional to organic farming?

As the Committee considers the next Farm Bill, funding the USDA-NOP at levels consistent with the growth of the industry should be a high priority. Congress should instruct the USDA to finalize the USDA Certified Transitional seal with associated process verification programs. Encourage scalable farming operations to incorporate organic production into their business plans through the incorporation of financial and crop risk mitigation tools. Finally, utilize the competitive Federal research grant system to promote field research and extension programs – not only at Land Grant Universities, but also at state and community colleges that have proven to be the vanguard of education in organic production.

4. What are the typical barriers that prevent established farmers from transitioning to higher value organic crops?

The typically cited barriers to transitioning to organic production practices fall into a few categories. The lack of differentiated market opportunities for crops grown during the transition period where crop production risk and revenue risk are highest is the most common issue. As the producer is learning the techniques of organic farming, the soil is in flux, crop yields are more variable and the producer usually receives commodity crop prices from the market. Secondly, inadequate research and extension activity in organic production practices lead to uncertainty and errors which amplify yield variability. Finally, financial tools and government programs available to conventional programs are often not available to transitioning growers.

5. What role can Farm Credit programs play in assisting farmers with this transition?

Farm Credit Services have played an active role in the growth of the organic industry. Each Farm Credit Services region has organic farms in their portfolio and some have specialists dedicated to organic producers. Due diligence is required for all lines of credit, but Farm Credit Services regions have the ability to take a longer term view of operations transitioning to organic practices. Farm Credit Services managers recognize cash flow requirements during the transition-to-organic years.

Senate Committee on Agriculture, Nutrition, & Forestry
Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill
Thursday, July 13, 2017
Questions for the Record
Mr. Eric Halverson

Chairman Pat Roberts

1. Mr. Halverson, your testimony highlights the importance of the Farm Bill export programs, including the Market Access Program (MAP), the Technical Assistance for Specialty Crops (TASC) program, and the Quality Samples Program (QSP). In the 2014 Farm Bill, TASC and another export program, the Foreign Market Development Program (FMD) were authorized at $9 million and $34.5 million per year respectively, for FY2014-2018. However, the updated baseline does not include FMD and TASC, so the next Farm Bill reauthorization will have to reduce expenditures for other programs if we are to fund these programs after FY2018.

   There are 37 other programs, besides FMD and TASC, authorized under the 2014 Farm Bill that do not have baseline after FY2018. One of those programs is the Farmers' Market and Local Food Promotion Program, which was authorized at $30 million per year for FY2014-2018. In a limited budget situation, finding offsets for any programs not covered under baseline will be a significant challenge. Can you provide information on the comparative value and utilization of these export programs and the Farmers' Market and Local Food Promotion Program to your business and your industry?

   Mr. Chairman, the potato industry relies upon MAP and TASC to maintain and grow key export markets. In regard to TASC, we are utilizing that program currently to gain access for fresh potatoes into Mexico. Without the TASC resources, it would be extremely difficult to engage experts to push back against various protectionist forces in that country who seek to use their legal system to block our access. During the current Farm Bill the potato industry has utilized TASC funds in target markets including Mexico, Taiwan, Guatemala, Thailand, China, South Korea, Japan, Philippines, Egypt, Dominican Republic, Costa Rica and Indonesia .....

   We have not utilized the Farmers Market and Local Food Promotion Programs.

Ranking Member Debbie Stabenow

1. Research investments in programs like the Specialty Crop Research Initiative are critical to facing emerging threats from changing climates, pests, and disease and developing new technologies to sustain the long-term viability of American agriculture. Can you discuss why research is critical to the success of your operation? Are there new areas of research that need to be focused on?

Ranking Member Stabenow, research is at the core of the future of our industry. New innovations in potato varieties, harvesting technologies, crop protection tools, pest and disease mitigation, and processing advancements all have the ability to enhance the value of our products. Some of these areas are high-risk long-term areas of study that may be too volatile for any one organization to take on itself. Therefore, the foundation of public funding provided under the Farm Bill allows scientists to reach into avenues of study that might otherwise go unexplored.

2. In your written testimony, you touched on Technical Assistance for Specialty Crops (TASC) and how this program helps address trade barriers for your industry. Can you elaborate on how TASC is uniquely suited to solve issues that other Farm Bill programs do not address?

   Specifically in regard to TASC, we are utilizing that program currently to gain access for fresh potatoes into Mexico. Without the TASC resources, it would be extremely difficult to engage experts to push back against various protectionist forces in that country who seek to use their legal system to block our access. Additionally, our industry has utilized TASC grants to address pest and disease issues or technical barriers to trade in Taiwan, Guatemala, Thailand, China, South Korea, Japan, Philippines, Egypt, Dominican Republic, Costa Rica and Indonesia

3. In the 2014 Farm Bill, we created a new Under Secretary for Trade and Foreign Agricultural Affairs. What roles and responsibilities would you like to see this new Under Secretary undertake?

   We would like this new position to coordinate closely with USTR and APHIS in ensuring that American producers are seeing the maximum possible benefits from our current and future trade agreements. Additionally, we want to see that this Undersecretary is a strong supporter of enhancing our export promotion programs and also ensuring that the Foreign Agricultural Service has the staff and resources necessary to be a strong advocate on behalf of American agriculture in key global export markets.

Senator Steve Daines

1. Negotiating a trade agreement is no easy task and frequently takes years, or even multiple administrations, to finalize and implement. With that in mind, what should be the top market that Congress and this administration should focus on reaching a new free trade agreement with?

   The potato industry saw great value in the Trans Pacific Partnership agreement. We believe that the countries involved there and some specific provisions of the agreement (such as the SPS+ chapter) are worthy of continued pursuit, either in bilateral or multilateral new

agreements. Priority countries for continued negotiation include Japan, Vietnam, Thailand, Taiwan, the Phillipines and China. As I mentioned in my written and oral testimony, our competitors around the world are continuing to pursue agreements with TPP countries. This summer, the European Union announced a bilateral agreement with Japan that will give those potato producers a substantial tariff advantage over American products. It is vital that we seek to close these competitive gaps immediately.

Senator Patrick Leahy

1. I hear from Vermont farmers, as well as researchers at our colleges and universities in the state that a major concern for specialty crop growers and organic growers is pest and disease problems. USDA has a variety of programs affecting invasive species spanning several USDA agencies, with the Animal Plant Health Inspection Service (APHIS) having the lead role in preventing plant and animal pests and diseases, including non-native invasive species, from entering the United States and our Customs Border Protection (CBP) agriculture specialists also work to prevent the entry of harmful plant pests and exotic foreign animal diseases and confront emerging threats in agro- and bioterrorism.

   It is my understanding though that the demand and need for plant pest and disease management is far outstripping our current funding levels. Do you have thoughts you can share with the Committee on how this should be addressed in the next Farm Bill?

2. United Fresh Food Safety & Technology Council members came to DC to discuss FSMA with members of Congress last week. Food safety is of paramount importance to the produce industry and FSMA gave FDA the authority to set minimum food safety standards that benefit both consumers and industry. United Fresh and its membership support FSMA, but would like to see FDA make a couple changes which they discussed with the Hill last week. First, FDA needs to draw clear lines between operations covered under the Produce Safety Rule and the Preventive Controls Rule. We believe the Produce Safety Rule should apply to those who simply "grow, harvest, pack or hold" fresh produce. Two, FDA has acknowledged the problems with the water testing requirements in the Produce Rule, but hasn't offered a new path forward yet, just an announcement of a delay in compliance. United Fresh would like to see FDA provide more information on what the new water testing requirements will be for the industry.
3. I am well aware that successful and diversified farming operations create jobs in rural communities, and they also train young farmers. Yet as a country, the last Ag Census stated that more than 31 percent of principle farm operators were age 65 or older, and the average age of a principal farm operator was 58, and rising higher every year. If we are going to focus on reducing our dependence of foreign food, we will need to encourage more young people to enter the agricultural field, which is difficult today considering the rising costs of land and other barriers to entry.

   a. What suggestions do you have for encouraging more young people to stay on the farm or come to farming and the agricultural sector?

b. And what do you think we should be doing in the next Farm Bill to help draw more young people to specialty crops or the organic sectors?

Y IDEAS? (Julie edits)

c. There is no one single initiative that will reverse that trend, but there are actions Congress can take to make agriculture a more appealing choice for young people who are establishing their careers. When it comes to specialty crops, USDA programs such as the Specialty Crop Block Program that serves to make specialty crops more competitive in the marketplace, trade programs such as MAP, that provide market opportunities and the Value-Added Producer Grant Program, which helps producers increased their income and expand their businesses are all helpful to making the specialty crop industry a viable career choice for young people. These programs must be maintained and supported. Congress also needs to take action on meaningful tax reform that helps small businesses survive and helps young entrepreneurs get started. Key research programs such as the Specialty Crop Research Initiative, which fosters innovative research that could allow young people to apply their technological skills to food production is another effective tool to help young Americans choose agriculture.

4. The 2014 Farm Bill opened the door for a stronger focus on public-private partnerships for specialty crops research.

a. Do you feel confident that this is working as intended or are there ideas for ways to improve the system?
Are there gaps in the existing specialty crops research programs? If so, should we consider targeting specific programs?

Research is extremely important to the potato industry. We have used the Specialty Crop Research Initiative as well as NIFA programs and ARS resources to seek solutions to new breeding challenges as well as ongoing pest and disease issues that can threaten our domestic production as well as vital export markets. We believe that investments in agricultural research can have some of the highest return on investment of any Farm Bill programs.

Also, I would like to note that the National Potato Council and the United Fresh Produce Association are leaders in The Specialty Crop Farm Bill Alliance (SCFBA) which represents the broad specialty crop industry on Farm Bill policy. The SCFBA's Research Committee has undertaken a comprehensive review of all research programs affecting the specialty crop industry and I have included their complete findings *(in italics)* below;

1. *Research for specialty crops is growing in importance. This growth will likely accelerate over the course of the next Farm Bill requiring greater federal and non-federal resources*

to meet the demand.

2. *A lack of labor is a critical threat to the long-term viability of fruit, vegetable and horticultural crop production in the United States. With a national crisis already underway regarding an adequate supply of farm labor, research into automation, mechanization and related harvesting efficiency technologies must be emphasized in this next Farm Bill cycle to ease this burden and enhance the productivity and skills of our existing labor force.*

   While the federal government cannot solve this problem alone, the government can and must act as an accelerant. The high positive returns to mechanization research means that substantial income potentially can be saved from such innovation. Resources expended on such mechanization research can yield significantly high net returns to society.

   The Specialty Crop Farm Bill Alliance will work with both Agricultural Committees during farm bill discussions to determine the best technical route forward to increase research resources flowing to this need.

3. *Given the vital importance to the specialty crop industry, food safety research is a high priority area that must receive additional, increased focus in this upcoming Farm Bill cycle. We believe that it is imperative to have resources available to increase projects that will provide solutions and good practices to help the specialty crop industry provide healthy crops, while meeting the requirements of the Food Safety Modernization Act (FSMA). We further believe that this emphasis will engage additional producer groups and increase the number of impactful proposals that will solve grower issues.*

4. *The committee is open to broad initiatives that would boost agricultural research funding generally. However, it should be noted that the specialty crop industry has been historically underserved by the various general research programs and therefore any alternatives must build on the targeted success of the Specialty Crop Research Initiative (SCRI), the Specialty Crop Block Grant Program (SCBG) and other designated programs. The committee has no desire to relinquish these vital ongoing funds with the hope that future replacements may possibly appear.*

5. *SCRI and SCBG are essential public-private partnership programs to assist in research benefitting the specialty crop industry.*

   SCBG has seen nearly 25% of its total grant awards directed toward research over the past five years. The remaining 75% are directed toward marketing, education, and related activities.

In the last Farm Bill, SCRI was increased from $50 million to $80 million annually. Most of that increase came in the form of $25 million temporarily dedicated for citrus greening research. With 31% of the program dedicated to the citrus industry, the current effective program level is $55 million for all non-citrus specialty crops.

6. *The committee is opposed to permanent carve-outs of research funding for specific purposes, due to their inherent inflexibility and inability to adapt to emerging issues.*

7. *The citrus carve-out in SCRI is a temporary emergency program. Its "reserved" amount of $25 million annually is slated to be absorbed into the overall program at the end of 2018 to benefit all specialty crop commodities.*

   However, the committee respects that citrus greening remoins a devastating threat to citrus producers. Recognizing that ongoing crisis, it is recommended that ***an additional $25 million in annual mandatory spending be provided for SCRI****. This increase will provide for the emergency needs of the citrus industry and allow the broader specialty crop industry to realize the full $80 million benefit that Congress originally envisioned. Therefore,* ***the full SCRI program request including the temporary citrus funding would amount to $105 million annually.***

5. I have heard from many Vermont farmers concerned about the Food Safety Modernization Act (FSMA) Produce Safety Rule and what it will mean for Vermont specialty crop farmers. As you consider the new requirements that will be placed on specialty crop farmers under FSMA, are there areas where you would like to see the next Farm Bill offer support in these areas as farmers work to comply with new food safety regulations?

   ANY INTEREST IN RESPONDING HERE (Julie edit)
   Food safety is of paramount importance to the produce industry and FSMA gave FDA the authority to set minimum food safety standards that benefit both consumers and industry. The fresh produce industry supports FSMA, but would like to see FDA address a couple of key issues First, FDA needs to draw clear lines between operations covered under the Produce Safety Rule and the Preventive Controls Rule. We believe the Produce Safety Rule should apply to those who simply "grow, harvest, pack or hold" fresh produce. Two, FDA has acknowledged the problems with the water testing requirements in the Produce Rule, but hasn't offered a new path forward yet, just an announcement of a delay in compliance. United Fresh would like to see FDA provide more information on what the new water testing requirements will be for the industry.

6.

7. Do you feel the Risk Management Agency (RMA) has been putting sufficient resources towards creating new crop insurance products for specialty crops that have historically been under

represented at RMA?

In previous years, the specialty crop industry has been one of the most underserved agricultural sectors for crop insurance. We respect that it is difficult to design policies to cover over 300 different commodities coming under the specialty crop banner. However, there are certain priorities that many specialty crops can rally around. In particular, for the upcoming Farm Bill we believe it is appropriate for RMA to consider making a quarantine rider available for specialty crops that currently have access to another crop insurance product. This type of rider would become effective in the event that the government established a quarantine area that effectively prevents access to a producer's traditional markets. In this instance, the affected farmer has a harvestable crop, but no one to sell it to due to the government's pest or disease mitigation action.

8. USDA has developed a new crop insurance product called The Whole Farm Revenue Protection (WFRP) that was designed to provide coverage in a new way to farms in every county in the nation based on revenue, rather than yields or specific commodity crops. This new tool is a way for farmers with two or more enterprises, crops or livestock, and a diverse operation to access multi-peril insurance, covering losses from insects, weather or other "natural" events that occur in some or all of a farm's fields. In addition, market forces, such as less income due to lower priced imported crops is also covered under this policy. This is still a rather new product farmers are learning about.

   Do you have any suggestions for how or if the Farm Bill should make modifications to further improve the WFRP to better support specialty crop, organic farmers, or other diversified operations?

   In general, the potato industry has been cautious about any crop insurance (or other policy) that may inadvertently stimulate production beyond the traditional market signals that producers rely upon. In our industry, a small imbalance in supply and demand can result in outsized negative pricing impacts that harm producers. While I understand that RMA has made great strides in recognizing the unique nature of the specialty crop industry and potatoes specifically, our caution remains for any policies that are being considered for the future.

9. The federal research and promotion programs, often referred to as checkoff programs, support many specialty crops from avocados to potatoes, and watermelons. For instance the potato research and promotion program operates as the United States Potato Board, which is focused on maintaining and expanding existing markets and developing new markets for potatoes and potato products. The U.S. Potato Board activities are funded by an assessment of 3 cents per hundredweight on potatoes produced in and imported into the United States. These checkoff programs have been designed to allow stakeholders across an industry to pool their expertise and resources to develop a coordinated program of research, marketing and consumer outreach efforts to improve, maintain, and develop markets for agricultural commodities and products. However, some boards have received criticism in the past for

either a lack of transparency, apparent conflicts of interest, possible misuse of funds, or anticompetitive behavior.

a. As we consider the next Farm Bill do you have any suggestions for how or if the authorizations for the checkoff programs should be updated or amended?
b. Would you support directing USDA to establish program standards that prohibit anticompetitive behavior and engaging in activities that may involve a conflict of interest? Why or why not?
c. In an attempt to address some of these conflicts of interest issues, some have introduced legislation that would prohibit checkoff programs from contracting with any organization that lobbies on agricultural policy. Would you support such a change? Why or why not?
d. Some members of Congress and groups have also called for additional transparency through publication of checkoff program budgets and expenditures, and requiring periodic audits by the USDA Inspector General for compliance with the Commodity Promotion, Research, and Information Act of 1996. Would you support such a change? Why or why not?

The potato industry has been extremely well-served by its self-assessment through the "check-off" program that funds the activities of the U.S. Potato Board. As a long-time leader on the USPB, I have seen first-hand the value that these programs provide to our industry. That is the reason that my farm has elected to pay the substantial assessment that funds the USPB's operations.

We appreciate the transparency that is provided by the USPB due to its USDA oversight and the mandated referenda that are held to ensure that the vast majority of the potato industry remains supportive of these vital marketing, research and promotion activities.

Though I cannot speak to every marketing order or research and promotion order, the vast majority of potato producers recognize the value of undertaking these research and promotion activities since they cannot be conducted by individual farmers. Those producers likewise view it as their responsibility to pay a fair share of their cost.

Despite that broad support, in general it is extremely difficult to gain unanimous support of any group of voters on any issue. We appreciate that a vocal minority will always exist and they appear to be the source of the legislative reforms that have been introduced.

Careful examination of the legislation in question reveals that many of the "reforms" are actually mandates of the existing orders and are already adhered to both by USDA and the individual participants. For example, the USPB is already prohibited from engaging in any lobbying activity. However, we would

not want to broaden that prohibition such that the National Potato Council (an entirely separate entity that works with the USPB) could not fulfill its constitutionally-protected mission to represent the industry before the federal government.

Other "reforms" would fundamentally weaken the marketing orders perhaps to the point of insolvency. The dissenters who seek to avoid participation in America's agricultural marketing orders make the same arguments as citizens who do not want to pay taxes to support their local fire department. If governments were to make the payment of such taxes optional, as some of the legislative proposals would make participation in marketing orders optional, it is hard to imagine how the industry could equitably fund its essential functions.

10. We have seen across the country that farmers markets and other forms of selling straight to customers are helping to keep farmers in business. From a national perspective, farmers markets provide thousands of economic opportunities for other small and midsize producers to grow local food and develop business ventures rooted in their local communities, often acting as small business incubators.

    a. Are there improvements or changes you would like to see in the Farmers Market Promotion Program or the new Local Food Promotion Program in the next Farm Bill?
    b. Considering how oversubscribed these grants are, with only 33 percent of applications being funded, should this Committee look for ways to increase the funding for this work that directly supports our farmers?

    Our operations have not been involved in either of these programs.

11. Many smaller vegetable farms and a growing number of small beef and meat producers sell to direct markets such as Community Supported Agriculture (CSA) shares, farmers' markets or farm stands, while many mid to large scale farms sell their products in smaller grocery stores, schools, institutions, and even larger grocery chains.

    a. What suggestions do you have for this Farm Bill to better support those smaller farms who sell specialty crops or organic crops direct to consumers?
    b. What specific suggestions do you have for the Farm Bill to better support specialty crop farmers who are working with smaller grocery stores, schools, and institutions?

Senate Committee on Agriculture, Nutrition, & Forestry
Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill
Thursday, July 13, 2017
Questions for the Record
Mr. Haile Johnston

Chairman Pat Roberts

1. Mr. Johnston, I have heard from many small producers that attaining Good Agricultural Practices certification is a significant paperwork burden. At the field hearing in Michigan, we heard about the onerous requirement to document every animal that walked across a field or through an orchard. Do you have any budget-neutral recommendations for reducing barriers to smaller producers seeking to expand, while maintaining adequate levels of food safety?

Chairman Roberts,
Thank you for your question.
Fundamentally, farmers are business people and farms are vital American enterprises. As such, farmers need to be nimble and responsive to shifting market dynamics. This includes making appropriate investments to prepare for new market opportunities or increased consumer safety. Improving the safety of the American food supply needs to be a shared responsibility and all levels of government have a meaningful role to play in supporting farmers in making appropriate transitions. As an aggregator and distributor of local foods, we are strongly supportive of food safety improvements and have assisted all of our growers in reaching Harmonized GAP certification in the Mid-Atlantic and are working with growers in the southeast to get there currently.

Some states have used existing Specialty Crop Block Grant funds to offer GAP certification cost-share, though this has not occurred in all states. If all states offered such a cost share, or there were a national cost-share program, that would go a long way toward supporting smaller producers seeking to attain food safety certification and access new markets.

GroupGAP is another option that USDA has developed that allows groups of smaller producers to certify their quality management system as a group, thereby sharing the costs and administrative burdens associated with food safety certification. GroupGAP has just recently moved from a pilot stage into a fully available option, and will require significant support and promotion to ensure it is a viable and widely accepted option for smaller producers.

Ranking Member Debbie Stabenow

1. The Food and Drug Administration has begun implementing the Food Safety Modernization Act. Over the next several years, new requirements for produce safety will be enforced. Can you describe your work on with local producers and getting them GAP certified? How can

we implement similar practices across the country to ensure all local producers have access to training so they can comply with the new standards?

Senator Stabenow,
Thank you for your questions.
Funding for food safety training and technical assistance is critical to helping local producers prepare for FSMA compliance, and GAP training and certification is one way to help get them on the right road. What is especially critical is that the training and technical assistance is tailored to the needs of the particular community in question; while you can certainly share best practices and replicate modes that work, you can't take a one-size-fits-all approach to food safety training. While the practices may ultimately be the same, the message and the messenger may need to be modified to meet local needs. The Food Safety Outreach Program offers funding for programs like that – that are community-developed and community-led – but only has $5M available for grants each year; not nearly enough to meet the training needs of local producers across the country.

So far, most of the funding for FSMA training has focused on a standardized curriculum. It is critical that funding also go toward these tailored approaches to food safety training that are specifically tailored to local producers. One thing holding some of these more innovative trainings back is that there still isn't any clear guidance from FDA as to how trainings are to be evaluated against the standardized curriculum, so that they can be considered "equivalent to" to the curriculum for purposes of FSMA compliance. The sooner FDA provides that kind of guidance and process for evaluating and validating other types of trainings, the sooner they can be deployed nationwide.

2. According to USDA, since 2009, food hubs have led to approximately 3,000 new jobs and $600 million in sales. Common Market has benefited from a number of different USDA local food programs to develop local food distribution along the eastern corridor between Washington D.C. and New York City.

    a. Can you describe how these programs have helped you grow your operation and expand into new markets in other parts of the country?

We have had the good fortune to work in direct partnership with the USDA through the Local Food Promotion Program (LFPP), the Food LINC value chain coordinators initiative, the Outreach and Assistance for Socially Disadvantaged Farmers and Ronchers and Veteran Farmers and Ranchers Program 2501, the Community Food Projects grant program, and Farm to School grant program. USDA investment in our communities has yielded staggering results that continue to grow.
Each of these grant opportunities have supported the parallel development of capacities within our organization and within a variety of communities along the "value chain." A good example is Our 2014 Local Food Promotion Program grant. The "Local Fresh Food Project" aimed to improve local small farm post-harvest handling practices ta improve marketability to wholesale customers in Greater Philadelphia. Through the grant, we purchased on farm cooling and cold-storage equipment that was shared and used by a cooperative of Mennonite farmers in Lancaster County, PA. The equipment greatly improved the quality and shelf-life of their

products, and our sales team dramatically increased the amount of their food sold to our wholesale customers in Greater Philadelphia. Sales from their farmers in the final year of the grant period were over $115,000, approximately 680% higher than the $16,000 of sales made in the year prior to our LFPP grant. We learned that making investments in our farmers was important to our ability to market their products. Because the grant also supported a sales positian, we learned that having extra capacity to market and sell our products is the best long-term investment we can make for the farmers we work with, and is the most important aspect of creating lasting partnership with them that generates economic value for them. Because of this lesson, we are placing a greater emphasis on supporting sales staff as the most effective way to support our farmers in this proposal.

b. What are the challenges and opportunities you've faced in other regional markets, like Atlanta, GA?

The most significant challenges we have found in different markets relate to the different levels of capacity of small and mid-sized grawers. This comes as a result of regional differences in market opportunity, collective community wealth, access to resources, and in some cases, overt racism and oppression. The opportunity our model brings to new markets, in partnership with regional farmers, is to bring our process for investment in partner capacity and infrastructure along with access to fair and transparent markets.
USDA investment in our farm and community engagement has proven critical to preparing growers to meet the evolving needs of the marketplace with GAP and food safety issues. There continues to be tremendous need far more resources for programs like the Food Safety Outreach Program and new resources/investments for food safety certification cost-share assistance, and many other programs that reach those who have been historically excluded from opportunities through programs like 2501.

c. Are there any gaps in existing local food programs? Can you describe ways these programs can be improved to help facilitate local and regional food system growth across the entire supply chain?

One of the greatest needs acrass the entire supply chain is various types of infrastructure. Currently, most of the local foods oriented programs do not support permanent capital improvements or vehicle purchases. In order to develop capacity that transcends any given grant period and builds long term wealth, these programs needs to allow grant investment in assets.
There are also significant structural impediments to participating in these programs that create challenges for those most in need of support. One barrier to participation is the matching requirement. While the USDA allows a degree of creativity in accounting for matching values, pure matching grant dollars can be hard to come by for farmers, low income applicants, and for profit entities. Another barrier is the reimbursement requirement of the grants. This requires that a recipient expends the resources before being able to draw down grant money from the grant. This only works for those with resources to begin with.

Value-chain analysis and value-chain coordination is one programmatic area where there are gaps with existing local food programs and within the local and regional food sector in general. Value-chain coordination as a concept is focused on the soft infrastructure or human capital that is necessary to develop efficient supply chains. Value-chain coordination is a well-established concept in the larger manufacturing community that is just beginning to be understood among those in the local and regional food sector of the agriculture economy. Recognizing the need to better support the work of local and regional food system value-chain coordination, in early 2016 the USDA launched a new initiative called "Food – Leveraging Investment for Network Coordination" or "Food LINC." Food LINC is focused on developing private-public partnerships to support the establishment of the human capital necessary to build and coordinate successful and efficient value-based supply chains. Similar mid-tier value chain projects are currently allowed through the Value-Added Producer Grants Program, however that is limited to just producer cooperatives and producer controlled entities adding value to their own commodities, USDA's Food LINC initiative is much broader and inclusive. Common Market Georgia has been fortunate enough to be one of the limited number of partners in this initiative. The next Farm Bill should codify this program and provide adequate mandatory funding to ensure that this important work can continue into the future.

Another important area, in which there are gaps within USDA local food programs, is support for the development of meat and poultry processing facilities. The lack of federal inspected independent meat and poultry slaughtering and processing facilities has created bottlenecks and barriers to growth within local and regional food systems. The 2018 Farm Bill should do more to support the development of small meat and poultry processing facilities through improved access to financial resources and scale and risk appropriate guidance from the Food Safety Inspection Service.

Food hubs are growing in part because the Farm to School movement is growing. Only 42% of school districts say they participate in farm to school programs. That's 5,254 districts and over 42,000 schools. We can increase the local market if we can help the other 58% of school source local products. The USDA Farm to School grant program is a catalyst for schools still not participating. These grants help with the planning and technical assistance needed to get school districts sourcing local foods.(USDA Farm to School Census)

The USDA Farm to School Grant Program has helped 12,300+ schools improve nutritious meal options made with local ingredients for 6.9 million students, while expanding market opportunities for family farmers and ranchers. (USDA Summary of Grant Awards FY 2013-15) How can we expand to all schools?? By expanding the farm to school program to $15 million and charging the USDA farm to school staff or NFSN to be more proactive in helping all school districts apply for grants to establish local procurement logistics.

Schools purchased nearly $790 million in local food from farmers, ranchers, fishermen and food processors in SY 2013-2014 - a 105% increase over SY 2011-2012. Every dollar spent on local food generates up to an additional $2.16 in economic activity, indicating school districts' local food purchases can lead to over $1 billion in local economic activity. (USDA Farm to School Census 2015).

Senator Patrick Leahy

1. We have seen in Vermont that farmers markets and other forms of selling straight to customers are an important way to help to keep farmers in business. From a national perspective, farmers markets provide thousands of economic opportunities for small and midsize producers to grow local food and develop business ventures rooted in their local communities, often acting as small business incubators.

    a. Are there improvements or changes you would like to see in the Farmers Market Promotion Program in the next Farm Bill?

Senator Leahy,
Thank you for your questions.
Most importantly the Farmers Market Promotion Program needs to be renewed and provided with increased funding in the next farm bill. In addition, there is confusion about whether or not the program includes direct-ta-retail, direct-to-restaurant, and direct-to-institution projects within the scope of allowed direct-to-consumer projects. Generally, in the eyes of locol and regional food practitioners, direct-to-consumer sales include direct-to-restaurant, direct-to-retail, and direct-to-institution. The next farm bill should clarify that these types of direct marketing are included within the scope of allowed projects. Finally, as part of providing additional resources *to the program the next farm bill should allow some of those resources to support project outcome evaluation and, outreach and technical assistance for grant recipients or prospective recipients.*

    b. From your direct experience with the new Local Food Promotion Program, what suggestions do you have for how the program could be improved in this next Farm Bill?

Like FMPP, LFPP should be provided with increased funding in the next farm bill and same of those resources should be allowed to support project outcome evaluation and, outreach and technical assistance for gront recipients and prospective recipients.

    c. Considering how oversubscribed these grants are for Farmers Market and Local Food promotion, with only 33 percent of applications being funded, should this Committee look for ways to increase the funding for this work that directly supports our farmers?

Yes. LFPP should also be provided with additional funding.

2. Many smaller vegetable farms and a growing number of small beef and meat producers sell to direct markets such as Community Supported Agriculture (CSA) shares, farmers' markets or farm stands, while many mid to large scale farms sell their products in smaller grocery stores,

schools, institutions, and even larger grocery chains.

a. What specific suggestions do you have for this Farm Bill to better support farmers and livestock producers who are working with smaller grocery stores, schools, and institutions?

For direct sales to schools it is imperative that the oversubscribed USDA Farm to School grant program be injected with funds. In the past 2 years over 200 farm to school policies have been proposed in the states and territories. We can attribute this to the commitment of USDA and this committee.

While communities have already benefited greatly from the USDA Farm to School Grant Program, demand significantly outweighs current available funding. Since 2013, USDA has received more than 1,600 applications requesting over $100 million, and was able to make only 221 awards from $20 million. Congress needs to build on the success of farm to school by strengthening the program's scope and by providing an additional $10 million per year in mandatory funding.

Clarifying that FMPP includes direct-to-retail, direct-to-restaurant, and direct-to-institution related projects should be included in the next farm bill. In addition, the next farm bill should better support efforts to develop meat and poultry slaughtering and processing facilities with improved scale and risk-appropriate guidance and financial tools for small and very small processing facilities. The lack of federal inspected independent meat and poultry slaughtering and processing facilities has created bottlenecks and barriers to growth within local and regional food systems.

b. Are there improvements we should make through the Farm Bill to better support groups like the Common Market on the wholesale side as well as smaller grocery stores, schools, and institutions to better work with farmers to support local food systems?

Providing meaningful funding for the Healthy Food Financing Initiative while codifying the program's ability to make grants to a broader group of organizations would be helpful. Previous structures under Treasury and HHS limited grant placement to Community Development Financial Institutions (CDFIs) and Community Development Corporations (CDCs) respectively. Now under the direction of the USDA, these funds should be available to other nonprofit and forprofit structures.

Value-chain analysis and value-chain coordination is one area where there is gaps within existing local food programs and in the local and regional food sector in general. Value-chain coordination as a concept is focused on the soft infrastructure or human capital that is necessary to develop efficient supply chains. Value-chain coordination is a well-established concept in the larger manufacturing community that is just beginning to be understood among those in the local and regional food sector of the agriculture economy. Recognizing the need to better support the work of local and regional food system value-chain coordination, in early

2016 the USDA launched a new initiative called "Food – Leveraging Investment for Network Coordination" or "Food LINC." Food LINC is focused on developing private-public partnerships to support the establishment of the soft human capital necessary to build successful and efficient value-based supply chains. Similar mid-tier value chain projects are currently allowed through the Value-Added Producer Grants Program, however that is limited to just producer cooperatives and producer controlled entities adding value to their own commodities, USDA's Food LINC initiative is much broader and inclusive. Common Market Georgia has been fortunate enough to be one of the limited number of partners in this initiative. Codifying the Food LINC initiative and providing adequate funding for that program would help those local food entities working in the wholesale space better work with farmers and local food entrepreneurs in expanding local food systems.

Food safety training and technical assistance is critical to helping local producers access wholesale markets. Training ond technical assistance that is tailored to the needs of the porticular community in question is critical; while you can certainly share best practices and replicate models that work, you can't take a one-size-fits-all approach to food sofety training. While the practices may ultimately be the same, the message and the messenger may need to be modified to meet local needs. The Food Safety Outreach Program offers funding for programs like that – that are community-developed and community-led – but only has $5M available for grants each year; not nearly enough to meet the training needs of local producers across the country. The next farm bill should provide that program with increased funding.

Providing technical assistance to access wholesale market channels goes beyond food safety. The Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program also known as the 2501 grant program, which supports organizations and entities providing outreoch and technical assistance to socially disadvantaged farmers and ranchers has been an important tool in helping to facilitate access to new markets, including through wholesale channels. The next farm bill should provide increased funding for the 2501 program.

3. Thank you for your testimony regarding the importance of Farm to School. I wholeheartedly agree with you that this work is far more than a child nutrition program, it also serves as a way to help develop local and regional markets for farmers and those producers entering into value added processing. You mentioned in your testimony that one of the best ways that USDA can facilitate food access, farm capability funding, and job creation is the USDA Farm to School Grant Program, a program that I first authored in the 2004 Child Nutrition Reauthorization and again championed in the Healthy and Hunger Free Kids Act of 2010.

   In addition to the reauthorization for that program in the Child Nutrition Reauthorization debate, are the additional ways that you feel that the USDA can help this important work to get more locally grown foods into our schools?

Current geographic preference and product specifications rules are confusing and lack clarity. Current law does not allow schools to explicitly require "local" or "regional" as a product specification in a food procurement request. The existing local procurement and geographic

preference language should be expanded in the next farm bill to specifically allow "local" as a product specification option.

4. Have you had any involvement with the Value Added Producer Grant Program? And can you think of ways that we could expand that program or emphasize projects that can support expanding accessing local foods in schools?

We have not had direct involvement with the Value Added Producer Grants Program. We have heard from colleagues and producers that the inconsistent funding cycles that have often resulted in funding notices being announced during the height of the growing season has made it very difficult for producers to apply for the program whether for farm to school related projects or not. Also, we have heard that it is a very complicated program and there is a lack of outreach and technical assistance available to help producers access the program. The next farm bill should provide consistent annualized funding, direction on releasing funding for that program at consistent and appropriate time of the year, as well as, providing resources to support outreach and technical assistance.

5. Congratulations on what you have been able to build at The Common Market to support regional food systems, improve accessibility of local food for all people, and improve economic opportunity for vulnerable rural and urban communities. Can you share with the Committee any additional ways that you believe the Farm Bill or other potential legislation outside of the oversight of this Committee could help other groups or new companies to replicate what you have been able to do at The Common Market and make it easier for them to achieve what the Common Market has in other regions and communities across the country?

The regional foods oriented programming provided by the USDA has been tremendously supportive to us and others who operate similar entities. We are small businesses, creating jobs and economic opportunity for thousands in rural and urban communities in virtually every state in the country. It would be beneficial if Congress could do more to support growth in regional food systems by adequately funding programs to build capacity and infrastructure here. Our impact is real and more equitable funding would go a long way toward greater impact.

Senator Sherrod Brown

1. As co-founder of the Common Market, you have seen two different Farm Bills, each with varying focus on local and organic food. Within this time period, what sort of increase in demand have you seen in locally and regionally sourced food?

Growth in demand has been tremendous. Our sales have grown more than 30% per year over the last nine years. Many others in our space have experience equal and greater growth in demand for their service. Our experience has been that we cannot invest in our own capacity fast enough to meet the growing demand for locally sourced and sustainably grown foods.

2. The last Farm Bill had a major focus on local agriculture. Now that we have had some time to see how those programs work, what feedback can you provide this committee as it considers

the next Farm Bill as it relates to improving local and regional food systems? What is working from the previous bill, and what can we improve?

Overall the programs created and investments made in the last farm bill have been popular and impactful in supporting tremendous growth within the local food sector. Most importantly those local food programs created or expanded in the last farm bill need to be renewed and provided with increased funding. Beyond that, the next farm bill should codify USDA's "Food – Leveraging Investment for Network Coordination" or "Food LINC" value-chain coordinators initiative and provide adequate funding for the program.
The next farm bill can improve upon what has been working well and address gaps in current programs by providing increased resources to support outreach and technical assistance to producers and applicants of USDA local food programs.

Lastly, funding for food safety training and technical assistance is critical to helping local producers prepare for FSMA compliance, and GAP training and certification. The next farm bill needs to invest more in helping small and medium sized farmers access risk and scale appropriate training and technical assistance, providing adequate funding for the Food Safety Outreach Program is one important way the nest farm bill can help. In addition, to providing increased funding for the Food Safety Outreach Program, providing financial support in the form of cost-share assistance to producers to become food safety compliant and certified is critical to continued growth within the local and regional food sector.

3. A major obstacle for growing local production is connecting local farmers with buyers. What best practices have you seen in making this connect?

Farm to school summits that have been funded by the USDA F2S Grant program have connected farmers with school nutritian supervisors which are reluctant to reach out or procure local foods because of the lack of knowledge of sources, the fear of year round availability, lack of cooking equipment in schools and concerns of recipes for local products. Increasing the grant program to help link the school districts with farms and provide technical assistance for school districts has been an excellent incubator for small farmers looking for new markets especially markets that are regular and constant like school systems.

Recognizing the importance of the concept of value-chain analysis and coordination is critically important but a largely misunderstood best practice in the local and regional food sector of the agriculture economy. Value-chain coordination as a concept is focused on the soft infrastructure or human capital that is necessary to develop efficient supply chains that connect local producers with buyers. Volue-chain coordination is a well-established concept in the larger manufacturing community that is just beginning to be understood among those in the local and regional food sector of the agriculture economy.

4. What can this committee do to better assist farmers in reaching their local and regional markets?

The most important thing the committee can do in the next farm bill to better assist farmers in reaching local markets is providing increased funding for USDA local food programs; that

includes the Farmers Market and Local Food Promotion Program, the Value Added Producer Grants Program, the Food Safety Outreach Program, the Senior Farmers Market Nutrition Program, Community Food Projects Grants, Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers and Veteran Farmers and Ranchers Program (aka the 2501 grant program), and the Food Insecurity Nutrition Incentives Program. The next farm bill should also codify and provide adequate funding for USDA's Food LINC value chain coordinators initiative and create a new food safety cost-share program. In addition, to praviding additianal funding to key local food programs those increases in funding should allow increased investments in outreach and technical assistance. Finally, in providing additional funding for the Food Insecurity Nutrition Incentives program, the next farm bill should authorize grants to support the development, testing and sharing of appropriate technologies for the processing of SNAP and incentive transactions.

5. How can this committee improve the Local Food Promotion Program to better serve farmers?

First and foremost, as discussed above, the program should be provided with increased funding. Also, as discussed above, in providing additional resources to the program those investments should be allowed to support increased outreach and technical assistance as well as program outcome evaluation.

Senator Michael Bennet

1. This past spring, in listening sessions and town halls, I heard about the importance of local and regional food programs. For instance, in Steamboat Springs, we learned how the community was using the Farmer's Market Promotion Program to train producers to package and price their products for local markets. In Alamosa, I had the chance to learn about the San Luis Valley Local Foods Coalition that received a Farm to School Grant last month to boost their distribution of locally grown produce to 14 rural school districts in the region.

    a) What are some of the challenges faced by rural food groups like the San Luis Valley Local Foods Coalition and how do specialty crop programs fill the gap to help them overcome these hurdles?

School nutrition supervisors are reluctant to reach out or procure local foods because of the lock of knowledge of sources, the fear of year round availability, lack of cooking equipment in schools and concerns of recipes for local products. Increasing the grant program to help link the school districts with farms and provide technical assistance for school districts has been an excellent incubator for small farmers looking for new markets especially markets that are regular and constant like school systems.

There are two regulatory issues that have created barriers and challenges for distributing locally grown produce to rural and urban school districts, which could be addressed in the next farm bill or through other legislative vehicles.

The first issue is that current geographic preference and product specifications rules are confusing and lack clarity. Current law does not allow schools to explicitly require "local" or

"regional" as a product specification in a food procurement request. The existing local procurement and geographic preference language should be expanded in the next farm bill to specifically allow "local" as a product specification option.

The second issue is the Department of Defense Fresh Fruit and Vegetable Program "DOD Fresh Program" which allows schools to use their USDA Foods entitlement dollars to buy fresh produce but is currently limited to fresh produce, thus prohibiting schools from obtaining products from vendors that are even minimally processed (such as flash frozen). This restriction makes it difficult for schools to have local produce available year round. A simple fix to correct this deficiency in the DOD Fresh Program would be to change the term "fresh" to "unprocessed," in the next farm bill.

2. In the orchards and vineyards on the Western Slope of Colorado, growers sometimes feel like our farm policy fails to serve their needs. In the last farm bill, I worked to ensure organic producers had the opportunity to access tools like crop insurance. Specialty Crop Block Grants are also very important to Colorado. These funds are used to improve production, explore different crop varieties, and more effectively market Colorado grown fruits and vegetables like peaches and potatoes.

    a) What steps can the USDA take, and what can we do here in this Committee in the next Farm Bill, to ensure that fruit and vegetable growers have the tools necessary to develop and grow their business?

As FDA implements the Food Safety Modernization Act, the importance of food safety compliance and GAP certification to increasing market access grows. Some states have used Specialty Crop Block Grant funds to provide cost-share assistance to fruit and vegetable growers seeking GAP certification. This is a very helpful step, and more states should be encouraged to do this. But it doesn't guarantee cost-share assistance to all growers. A national food safety certification cost-share program would ensure that fruit and vegetable growers can attain GAP certification, thereby opening new markets to them, regardless of where they are located.

Crop insurance is an important tool for producers, however only about 36 percent of vegetable acres are covered by crop insurance, and most farmers growing produce for local and regional markets, including farmers markets, have little or no access to individual crop insurance policies. The only crop insurance policy available in every state and every county is the Whole-Farm Revenue Protection policy, which is growing in popularity; however, it can be complicated for both farmers and agents. The next farm bill should direct reforms to the program focused on streomlining and improving the delivery of that crop insuronce product.

3. Over the past few years, Fort Lewis College in Southwest Colorado has received Specialty Crop Block Grant funding to expand their new farmer education programs. This led to the creation of a Farmer in Training program, provided access to land and water for emerging farmers, and expanded markets for specialty crops produced at their farm incubator - the

Old Fort Market Garden. Across Colorado, new farmers are looking to specialty crops and organics when they consider a career in farming.

a) What can we do through the specialty crop and organic programs, or other farm bill programs, to support young people, low-income communities, or veterans who want to become farmers?

There are several key programs in the farm bill that have been helpful in supporting the next generation of farmers – including those programs serving specialty crop and organic farmers. In addition to continuing support for the Specialty Crop Block Grant program, which serves a number of priorities facing the specialty crop sector, it is vitally important that Congress reauthorize and increase support for the Beginning Farmer and Rancher Development Program, which remains USDA's only program focused exclusively on training the next generation of farmers. Since this program was created nearly a decade ago, hundreds of new farmer training programs have been launched with the support of BFRDP funding, and now serve thousands of young and aspiring farmers in every corner of the country. In Colorado, for example, over $1 million has been invested in four new farmer training projects serving new farmers of all kinds. However, with the continued aging of our farm population, and the continued need for new farmers to fill all sectors of our agricultural economy – including within the growing specialty crop and organic sectors, reauthorizing and providing permanent funding for this program in the next farm bill should be a top priority for Congress.

4. Colorado's organic agriculture industry is growing rapidly, with a doubling in sales between 2012 and 2015. Organic farmland now covers about 155,000 acres in Colorado, along with 70,000 acres of organic rangeland. Despite this, demand for organic products continues to outpace supply, and farmers in Colorado often find it challenging to switch over to organic agriculture.

a) Given the demand, and the interest in organic farming, how could we expand conservation programs to help producers who want to transition into organic agriculture?

Farmers and ranchers transitioning to organic production have unique conservation needs, and working lands conservation programs can and should provide assistance that is tailored to their production systems. Transitioning to organic production can provide numerous environmental benefits – such as improved soil quality through reduced erosion, increased organic matter, and balanced plant nutrients; reduced energy consumption due to the use of inputs with lower energy embodiment; wildlife habitat protection and reduced impact on water quality. Organic Transition reduces the impact of the farming operation on water quality by managing pests, weeds, and diseases through biological, mechanical, and cultural practices, and transition activities should be better coordinated within both the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP). Within the EQIP, the current Organic Initiative should be improved by eliminating the lower payment limit within the initiative, eliminating the state allocations of designated organic funds, and providing increased clarity with regard to the connection between transition support, an Organic System Plan (OSP), and the Conservation Activity Plan Supporting Organic Transition (CAP 138). It is disappointing

that recent updates to CSP including the elimination of transition-specific conservation activities, but this program can and should be improved to clearly support transition through targeted activities and suites of activities, coordination with an OSP, and as should be the case with EQIP, a clear allocation of CSP funds to supported targeted transition activities in each state.

Senate Committee on Agriculture, Nutrition, & Forestry
Opportunities in Global and Local Markets, Specialty Crops, and Organics: Perspectives for the 2018 Farm Bill
Thursday, July 13, 2017
Questions for the Record
Mr. Dean Meyer

Ranking Member Debbie Stabenow

1. 20 percent of our agricultural exports currently go to customers in emerging economies, and these markets are expected to grow rapidly in the coming years. For example, the World Bank estimates that the African market for food and beverages will reach $1 trillion by 2030. What obstacles to trade have you experienced with these emerging markets? How can USDA and Farm Bill programs address these barriers and facilitate opportunities for your industry in these countries?

Response
Senator Stabenow, the U.S. Meat Export Federation (USMEF) shares your interest in emerging markets. We are actively engaged in a number of developing countries in Southeast Asia, Central and South America, and Africa. Building a presence for U.S. beef and pork exports in these countries poses many challenges, many of which can be addressed effectively through Farm Bill programs like the Market Access and Foreign Market Development programs.

For example, most consumers in emerging markets are extremely budget-conscious and are naturally inclined to choose the lowest-priced sources of protein. This means that many beef and pork cuts that are preferred in more affluent markets are beyond the economic reach of these consumers. But USMEF and the U.S. industry have been successful at introducing consumers in emerging markets to U.S. pork and beef by focusing on exports of lower-priced items like livers, hearts, and kidneys as well as more exotic (at least to American tastes) items like feet, stomachs, and intestines. In many cases, offals are preferred by consumers in developing markets and sell for prices above those that prevail in the U.S. market. In a handful of slightly more developed markets, like Vietnam, the Philippines, Guatemala and Peru, USMEF and the industry also have been successful at establishing a presence for U.S. beef and pork muscle cuts on menus in top tier hotels and restaurants and at modern, higher-end retail outlets.

I have just returned from Peru, where I was able to see the positive response that U.S. beef and pork is receiving in that market. While I was there I also had the opportunity to meet with leaders in the local pork producers' organization and talk about ways we can work together to improve consumers' perception of pork and increase overall pork consumption. This kind of outreach to local producers has proven to be an effective strategy in other markets and has the potential to be a "win-win" for the pork industries in both countries.

Farm Bill programs have permitted USMEF, through its on-the-ground presence in Peru and other emerging markets, to identify opportunities in these countries, promote these opportunities to U.S. packers and exporters, and introduce buyers in the markets to U.S. suppliers. USDA-funded programs have been instrumental in permitting USMEF to build up a network of contacts in emerging markets and educate buyers in these markets on the quality, availability, and attributes of U.S. pork and beef.

Senator John Boozman

1. Mr. Meyer, like you, I am very glad that after 13 years, China has finally opened its market back up to US beef. This will really be a boon to the industry. You mentioned in your testimony, that although we now have access to the Chinese market, now, we have the task of developing the Chinese market.

   Could you describe how the industry is planning to develop the Chinese market for US meat? Would the Market Access Program (MAP) and Foreign Market Development (FMD) programs play a role in developing this market?

Response

Senator Boozman, the U.S. Meat Export Federation (USMEF) shares your excitement about regaining access to the Chinese beef market. China is a market that has the potential to make a significant contribution to maintaining beef industry profitably as we look to a future when the industry is going to be increasingly reliant on exports.

As the U.S. beef industry returns to China after a 13-year absence, we are acutely aware that the market has changed fundamentally since 2003. This means that one of the earliest challenges USMEF faces is educating buyers in the Chinese market on U.S. beef and the U.S. beef industry. This includes everything from the structure of the industry, to our grain-feeding production system, the role of the USDA in food safety and quality grading, and U.S. beef product specifications.

With the support of MAP and FMD funding, USMEF already has launched this process with a series of meetings and seminars with importers, distributors, chefs, butchers, and meat buyers for top-tier restaurant and supermarket chains. USMEF also is arranging meetings between U.S. packers and exporters and qualified Chinese buyers. In September, USMEF will host a series of product showcases for U.S. exporting companies in Beijing, Shanghai, and Guangzhou. Each of these events is expected to attract upwards of 250 members of the Chinese meat trade, providing a great opportunity for U.S. exporters to showcase their products and for their company representatives to meet face-to-face with Chinese buyers.

Given the importance of e-commerce in China, USMEF also is partnering with leading e-commerce companies to feature U.S. beef. Through e-commerce, USMEF is able to connect directly with Chinese consumers and educate them about the attributes of U.S. beef. Funding from the FMD and MAP programs has permitted USMEF to maintain an on-the-ground presence in China and build up a network of contacts with Chinese buyers that will now be instrumental to the launch of U.S. beef back into the market.

Senator Patrick Leahy

1. The federal research and promotion programs, often referred to as checkoff programs, support many different specialty crops from avocados and blueberries to popcorn, potatoes, and watermelons and allow stakeholders across an industry to pool their expertise and resources to develop a coordinated program of research, marketing and consumer outreach efforts to improve, maintain, and develop markets for agricultural commodities and products. However, some boards have received criticism in the past for either a lack of transparency, apparent conflicts of interest, possible misuse of funds, or anticompetitive behavior.

    a. As we consider the next Farm Bill do you have any suggestions for how or if the authorizations for the checkoff programs should be updated or amended?
    b. Would you support directing USDA to establish program standards that prohibit anticompetitive behavior and engaging in activities that may involve a conflict of interest?
    c. In an attempt to address some of these conflicts of interest issues, some members of Congress have introduced legislation that would prohibit checkoff programs from contracting with any organization that lobbies on agricultural policy. Would you support such a change? Why or why not?
    d. Some members of Congress and groups have also called for additional transparency through publication of checkoff program budgets and expenditures, and requiring periodic audits by the USDA Inspector General for compliance with the Commodity Promotion, Research, and Information Act of 1996. Would you support such a change? Why or why not?

2. We have seen in Vermont that farmers markets and other forms of selling straight to customers are helping to keep farmers in business as they are able to avoid the middle man and keep more of the consumer's dollar. From a national perspective, farmers markets provide thousands of economic opportunities for other small and midsize producers to grow local food and develop business ventures rooted in their local communities, often acting as small business incubators. We see a growing number of beef and other livestock operations making use of these markets and other direct sale opportunities.

    a. I recognize that the U.S. Meat Export Federation is focused on increasing the value and profitability of the U.S. beef, pork and lamb industries by enhancing demand for their products in export markets, and that direct sales are not a

good fit for every farm, but can you speak to how we can increase our farmers profitability here in the U.S. markets through direct marketing?

b. Are there improvements or changes you would recommend for the Farmers Market Promotion Program or the new Local Food Promotion Program in the next Farm Bill to better support the U.S. beef, pork, lamb, and poultry industries?

3. A growing number of small beef and meat producers sell to direct markets such as Community Supported Agriculture (CSA) shares, farmers' markets or farm stands, while many mid to large scale operations are finding new ways to sell their products in smaller grocery stores, schools, institutions, and even larger grocery chains. What specific suggestions do you have for how the Farm Bill can help U.S. livestock producers who are working with smaller grocery stores, schools, and institutions to increase their value and profitability?

Response

Senator Leahy, the U.S. Meat Export Federation (USMEF) is a recipient of beef, pork, lamb, soybean, and corn checkoff funds, which it uses in conjunction with funding from USDA's Market Access and Foreign Market Development programs to build U.S. red meat exports. USMEF is extremely grateful for the support it receives from beef, pork, lamb, soybean, and corn producers through their national and state checkoff programs and values the productive working relationships it has with each of the checkoff boards. As a farmer who produces cattle, hogs, and corn, I am a big supporter of the producer checkoff programs. The fact that the checkoff boards are composed of producers like me and that decisions about how to spend checkoff dollars are made by producers is important to me. I also have faith that those decisions are being made in a transparent way, and I consider it important that the finances of the boards are audited and closely reviewed by USDA. I have seen firsthand the results that USMEF's programs have achieved in export markets, and I am proud to have the opportunity through the checkoffs to contribute in a small way to funding those programs.

As you suggest, the topics your other questions touch on do not directly relate to the mission of the U.S. Meat Export Federation. However, I would be remiss if I did not take this opportunity to note the benefits of participating in the export markets for the small producers that your questions refer to. Often small producers are especially well-positioned to take advantage of niche opportunities for specialty products in foreign markets by meeting production requirements and quality specifications preferred by certain markets or international customers. Although identifying these opportunities and entering these markets poses certain challenges, USMEF through its overseas staff is exceptionally well-qualified to provide this service to small producers. I have had the opportunity to see how companies that sell specialty meat products benefit from USMEF's product showcases, "meet-the-buyers" sessions, and trade show pavilions. These and other events create opportunities for smaller companies to meet with prospective customers from international markets that otherwise would be beyond these companies' reach.

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