

**FIELD HEARING IN NEW YORK: ROOM TO GROW:
THE BENEFITS OF PARTNERSHIPS IN SMALL
AGRICULTURE BUSINESS DEVELOPMENT**

HEARING
BEFORE THE
SUBCOMMITTEE ON HEALTH AND TECHNOLOGY
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
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None.	
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None.	
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None.	

ROOM TO GROW: THE BENEFITS OF PARTNERSHIPS IN SMALL AGRICULTURE BUSINESS DEVELOPMENT

TUESDAY, MAY 13, 2014

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON HEALTH AND TECHNOLOGY,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in the Board of Supervisors Committee Room, Livingston County Government Center, 6 Court Street, Third Floor, Geneseo, New York, Hon. Chris Collins [chairman of the Subcommittee] presiding.

Present: Representative Collins.

Chairman COLLINS. The hearing is called to order.

I would like to thank the witnesses and the public for attending today's hearing to examine how developing changes in the marketplace are influencing relationships between small and large businesses in agriculture.

New York is home to some of the most productive and valuable agricultural lands in the Nation. The fruits, vegetables, dairy, and other products produced here can be found on store shelves, in kitchen cabinets, and in restaurants across the country and overseas.

The contributions of the industry to jobs and the economy are significant. According to the New York State Department of Agriculture, our farms, ranches, and dairies produced more than \$4.7 billion worth of commodities in 2010. In addition, New York ranks behind only California in the number of food-processing and manufacturing plants in the Nation. And small businesses account for a significant share of these economic contributions. According to research by Cornell University, approximately 91 percent of all farms in New York are small-business farms.

However, the importance of agriculture can be measured in more than just the direct contribution to the economy. Improvements in agriculture's productivity and efficiency have greatly reduced the cost of food for consumers. This frees up income, labor, and capital for investments that contribute to job growth and development in other sectors of the economy.

And as in other sectors of the economy, small businesses in agriculture are often the leading innovators in their industries. For example, 10 years ago Greek Yogurt that we know today was not nearly the phenomena that it is now. An immigrant entrepreneur with a dream, and the drive to realize it, started his own small

business right here in New York. This entrepreneur manufactured an innovative product and created the company we know as Chobani, which today has over 1,200 employees.

While not every small innovative business will achieve that scale of success, their success does point to positive changes occurring in the marketplace for agricultural products. In recent years, a growing number of consumers have demonstrated a willingness to pay a premium for agricultural products that have been locally grown, produced according to organic standards, or high-value artisan products. And now these marketplace changes are creating a number of opportunities for small, medium, and large businesses across agricultural industry supply chains.

Serving these emerging markets will require investing in new production technologies and processes. Accessing the capital necessary to undertake these efforts will be among small businesses' biggest challenge. Likewise, even businesses serving niche markets will need to achieve sufficient scale in order to make their investments worthwhile. Utilizing existing relationships that small producers and processors have with their larger peers may be one way to address the challenges that small businesses have in making new ventures work.

I look forward to hearing everyone's testimony today and in learning your views on this important topic.

If Committee members have an opening statement prepared, I ask they be submitted for the record.

We are not going to use timing lights today. We do that in Washington to try to keep it down, but we are going to give you all the time you need to bring your testimony forward, and then I am sure we will have some questions after you are done.

So our first witness is Mrs. Linda Hamilton. She is a part owner of Triple H Farms, located in the town of Leicester. Triple H Farms is a family owned, diversified crop operation growing corn and soybeans, as well as vegetables under contract for Seneca Foods. Mrs. Hamilton's husband and her brother-in-law are in charge of the farm on a day-to-day basis, but this arrangement may soon include Mrs. Hamilton's daughter, who is interested in adding livestock to the farm. She is testifying today on behalf of the New York Farm Bureau.

Mrs. Hamilton, thank you for appearing today, and we would love to hear your testimony.

STATEMENTS OF MS. LINDA HAMILTON, TRIPLE H FARMS, LEICESTER, NEW YORK, TESTIFYING ON BEHALF OF THE NEW YORK FARM BUREAU; MR. STEVEN VAN VOORHIS, PRESIDENT, NEW YORK CORN GROWERS ASSOCIATION, HENRIETTA, NEW YORK; MR. JOE WEBER, VICE PRESIDENT, MIKE WEBER GREENHOUSES, INC., WEST SENECA, NEW YORK; AND MR. RAY SCHUETH, DIRECTOR OF AGRICULTURE, EASTERN OPERATIONS, SENECA FOODS CORPORATION, JANESVILLE, WISCONSIN

STATEMENT OF LINDA HAMILTON

Ms. HAMILTON. Thank you to the Committee on Small Business and to the Subcommittee Chairman, Chris Collins, for inviting me

to testify before you today on how our family farm benefits from larger processing businesses. My name you have already said—you took part of my little spiel here to start off with—my name is Linda Hamilton, and my husband Roger and my brother-in-law Randy own Triple H Farms. We do vegetables and crop farming, half of it in the town of Leicester and half of it in the town of Geneseo.

If you look out this window, straight out the hallway, when you are done with this hearing today, you will see some of our land right below us. And it is really kind of moving to stand here and speak for my farm and be able to look out at some of our land.

We are third-generation farmers. While I have worked off the farm as a registered nurse, I was raised by parents who ran a full-time farm very much together. I am also speaking on behalf of New York State Farm Bureau, the largest general farm organization in the State. We have 25,000 members.

My family works 1,100 acres of farmland in the Genesee River Valley. We grow some field corn and soybeans, but we are really proud of our fresh vegetables. We process approximately 200 acres of those, some years more. This year we are planting peas, beets, green snap beans, and possibly yellow wax beans. Depends if some other farm person's land has extreme amounts of water or is so dry that they have had no water and at last minute scrambling we have an opening and we have been willing probably for over 10 years to say, all right, then we will not put in corn and we will put in some wax beans for you. We try to be very versatile and agreeable if at all possible.

These vegetables will eventually be canned or frozen at one of the local processing plants. We are very fortunate to have four plants nearby. They are owned by two different companies. This year, half of our product will go to Seneca Foods. The processing plants for Seneca Foods are in Leicester and Geneva. And half will go to Farm Fresh First-Bonduelle. Those two processing plants are in Oakfield and Bergen.

May I remind you, New York does have a very limited growing season. Getting started is half the trick usually, especially after a winter like this. This is why preserving the vegetables that we grow so people can eat them year-round is still important. It is the only way for everyone to get to eat local green beans in the month of February.

We work closely with the processing companies to decide what we will plant, how much, and then they present a contract to us. Over the years, this can change significantly as consumer demand shifts for certain vegetables or the company may change the type of vegetables that it can process at a specific plant. It used to be we could take four or five different types of vegetables to one plant. Now we are seeing more of one or two vegetables at a certain plant. So the plan between our farm and the processors needs to be very coordinated. We know them on a first-name basis.

The huge investment in processing equipment and marketing costs alone are not something a farm of our size could profitably take on. Thus we are integrally dependent on the processing companies as much as they are dependent on what we hope to be a quality product that is delivered right to their door.

My husband's family has been selling vegetables to the various processing plants for nearly 60 years. It is key for our business to have a variety of plants nearby that can accept a diversity of farm fresh vegetables. In farming, it is very risky to just grow one thing, especially nowadays, and it is also very expensive to transport vegetables while keeping them fresh over long distances. In our early married years, I can remember being called to bring in bags of ice that they would spread across the top of the trucks that had fresh peas so that they could not have sun bothering them until we got them to the processing plant. Thus we need a healthy local processing sector to continue doing what we do best.

Not only is my farm family very experienced and skilled in growing vegetables, but our actual farmland is uniquely suited to grow the crops. Our farmland sits in the Genesee Valley and is bordered by the Genesee River. This valley, where you are all sitting this very minute, contains much of the top vegetable and crop farming soil in New York State. For thousands of years the river would flood this area over and over again, depositing a deep layer of topsoil that is nutrient rich and free of stones. Being free of stones is a big deal in agriculture. That is what makes this land so great to grow vegetables. I wanted to quote from my husband and his brother. They said quite a few different things and came up with finally with a grin on their faces: This land, their land is a gift from nature.

Here in New York, we have access to markets that other farmers would just envy. Our farm is located between the cities of Buffalo and Rochester, but—and this is a very important point—we are also located within 500 miles of one-third of the United States' population, with New York City, Boston, Philadelphia, Washington, D.C., Pittsburgh, and Cleveland, all areas that are hungry for the things we produce. Without vegetable processing plants, we would be forced to grow more row crops like field corn and soybeans. This area is a wonderful vegetable-growing region, and if we were not able to do that here anymore you would notice the price of vegetables going up in stores on the east coast.

As I mentioned, we are third-generation farmers, but we are very excited to have the fourth generation, our daughter Leslie Hamilton, join Triple H Farms. She graduated 2 years ago from Cornell University and chose to come back to our family farm. Leslie has been on a tractor the past 3 weeks with a 25-foot vertical tiller preparing land, ahead of the fertilizer, to plant field corn.

Young farmers are so discouraged by the challenges and stress that they face in committing to a career in agriculture, we just are not seeing people going into it like we have in the past. It used to be the farmer's sons and often the farmer's daughters would go into it. We don't see it anymore. Now it is a rarity.

Concerns that the young farmers have—and I talked to quite a few of them in the Farm Bureau—they wanted to voice that the expense of land, finding land because God isn't making land anymore, labor, fuel, energy, machinery, repairs, taxes, rules, licenses, insurances, and the list goes on. It is no secret that New York is a high-cost State with a difficult regulatory environment. This affects family businesses and farms. Despite all of this, we are very proud that she has decided to carry on our farming tradition.

Just this morning, I already had a person speak to me about it, that he had met her and that he thought it was great that she was enthusiastic and not frightened and right there doing whatever needs to be done. However, Leslie also understands that diversification is important in today's farming environment. She has a plan with one of her cousins, a male cousin, and is in the beginning stages of developing a grass-fed beef business. They plan on starting out small and will grow slowly. They plan to cater to high-end niche markets, and that is a great value-added business venture.

A little additional thing is they have been working on fences for probably the past month while they are trying to get old pastures, people that used to have cows in a certain area, people that have passed on and the kids have the land and they really didn't want to sell it for houses. And so one of the spots they have been working is 19 acres, they have put in every spare minute, usually in the rain, repairing the fences so that they can get some beef cattle in there soon.

Without the certainty of our processing vegetables and other crops, it would be hard to take this kind of risk. Our daughter's entrepreneurial spirit has the potential for a decent payout. In the meantime, the longstanding relationships we have developed with our processing companies and where we sell our grain means we can still have income to support the main farm operation.

We Hamiltons truly hope that vegetables will always be grown on our land. Just as we have diversified the crops that we have grown, it is wonderful to see our next generation diversifying even further. This kind of diversification helps minimize the risks, the top two being fluctuating market prices, and the second one, in bright bold letters, weather, both of which farmers have no control over year in and year out.

Thank you again for the opportunity to share a little about my family's farm. I would be willing to take any questions you may have.

Chairman COLLINS. Thank you, Mrs. Hamilton.

Our next witness is Mr. Steve Van Voorhis. Steve manages a corn and soybean operation in Henrietta. In addition to his family operation, Steve serves as president of the New York Corn and Soybean Growers Association. In his 7 years as president, he has seen firsthand the changes taking place in agricultural product markets and how these are affecting small business corn and soybean producers.

Mr. Van Voorhis, thank you for appearing here today. You could now deliver your testimony.

STATEMENT OF STEVEN VAN VOORHIS

Mr. VAN VOORHIS. Okay. Thank you for this opportunity to testify today about the value-added nature of corn and soybeans for our family farms and to New York's economy.

Traditionally, New York's agriculture has been known for dairy, apples, and wine. But for the last decade, New York crop growers and dairy farmers have been adding hundreds of thousands of acres of corn and soybeans to their farms' portfolios. In the last 5 years, with the growing international export market and a good price per bushel, New York farmers have continued to add soybean

acreage to their operations. In 2007, New York growers planted just over 205,000 acres of soybeans and harvested 7.9 million bushels. In 2012, soybean acres numbered over 315,000 and the harvest pulled in almost 15 million bushels, an addition of over 7 million bushels in the New York grain market in just the last 5 years.

While soybeans are a relatively newer crop to New York, farmers in New York have been growing corn for decades. However, thanks to two ethanol plants in New York State, one in central New York and one here in western New York, growers have continued to add acres of corn to their farms as well. Since 2007, farmers have planted 200,000 more acres of corn, resulting in 25 million more bushels on the market. The total corn acreage in 2012 was 1.2 million with over 90 million bushels harvested.

So why the added acreage in corn and soybeans in New York? You will remember that when I gave you the soybean statistics I mentioned a growing international market. The number one market for New York soy is Southeast Asia. With a rapidly growing middle class, Southeast Asia is buying U.S. soy for animal feed, mostly for aquaculture operations, fish farming. New York farmers sell their beans to grain dealers who then load them onto the rail cars and then they arrive to eastern seaboard ports.

From there they are loaded into containers, which originally arrived in New York full of consumer goods such as TVs, and shipped back across to Southeast Asia. Approximately 80 percent of New York's soybean crop is being exported in this manner.

Such a strong market overseas has created high demand for soy, resulting in a good price paid to growers for their crops. In the last quarter, soybeans were going for \$12 to \$14 per bushel. Because of such a good price, many dairy farmers in the State are utilizing extra land by growing soybeans as a straight cash crop.

Another big customer for New York soy are our dairy cattle. Soybeans are made up of 80 percent high protein meal and 20 percent oil. Soybeans are crushed and the oil is extracted. The meal is then mixed into the feed for animals such as dairy cows and the remaining oil is used for vegetable oil, consumer products such as lotions, lip gloss, candles, or biodiesel.

Speaking of biodiesel, the New York Corn and Soybean Growers Association is excited about the increasing potential for the use of biodiesel in New York State both in heating oil and on-road diesel. Currently, New York City requires a 2 percent blend of biodiesel into all heating oil sold in the city, and many municipal city fleets are using biodiesel blends of up to 20 percent in their trucks and vehicles.

The continued growth of the biodiesel market in New York is a great opportunity for growers to add value to their soybean crop. Increased production and use of biodiesel will also create demand for the crop, providing another market for New York soy. Finally, the higher demand for soy oil, the cheaper soy meal, will mean dairy farmers will save money because of that additional material being made available to them.

Now, back to corn. As I said, while farmers added soybean acreage to their operations, they also added corn acreage. A decade ago as the potential for the construction of an ethanol plant was being tossed around, many naysayers said New York would never sup-

port an ethanol plant with New York corn, let alone two ethanol plants. Today, we have two successful ethanol refineries that produce over 160 million gallons of ethanol from 60 million bushels of New York corn. And in fact all the ethanol for NASCAR comes right out of the Sunoco's Fulton, New York, ethanol facility.

Many of you have heard about the food-versus-fuel debate when it comes to ethanol. But this renewable fuel's production is providing additional value to New York dairy farmers as well. The by-product of ethanol production from corn is dried distiller's grain or DDGs. Since New York began producing ethanol, dairy farmers have come to rely on these DDGs as a source of high protein feed for their cows, resulting in higher milk production. The grain corn that is not used for ethanol in New York State is processed as meal for dairy, poultry, and hogs, as well as exported out of State or internationally.

Corn silage is also an important value-added crop to many dairy farmers and growers across New York State. Nearly half of New York's corn acreage is harvested as corn silage, a vitamin-rich feed for cows. In 2012, of the 1.2 million acres of corn planted in New York, 475,000 acres were harvested as silage. Instead of investing in their own planting and harvesting equipment, some smaller dairy farms will contract with larger crop operations to produce their silage, which is a win-win for both farms. The dairy gets the feed they need for their cows without the expensive upfront investment of planters and combines, and the crop businesses get additional use out of their expensive equipment, resulting in it paying for itself more quickly.

Finally, both corn and soybeans are useful replacements for petroleum-based ingredients in everyday products. Soy is already being used in plastics, foam, lawn and field turf, rubber, and as carpet backing. Research is also being done by the U.S. Department of Energy on converting corn biomass into useful high-value chemicals and materials.

So what does the corn and soybean industries mean for New York's economy? In 2012, the direct value of corn was over \$600 million and the direct value of the New York soybean crop was \$195 million, putting corn as the second most valuable commodity—second only to dairy—in New York State, and soybeans coming in at number six. Add the indirect value of equipment purchases, fertilizer, seed and labor and more, and the value of these grains multiplies exponentially.

Given the fact that farmers are planting more and more corn and soybeans in addition to the value of the crops in dollars, one can see how large and important the grain and soybean industry in the State has become.

Chairman COLLINS. Thank you.

I would now like to introduce Mr. Joe Weber. He is vice president of Mike Weber Greenhouses, located in West Seneca, New York. Mike Weber Greenhouses was started by Joe's father and has been a family-owned operation for more than 35 years. For the past 20 years, Wegmans supermarkets has been one of their primary customers. This relationship has helped Joe expand his business and to comply with growing regulatory requirements on food products.

Mr. Weber, thank you for appearing here today. We look forward to your testimony.

STATEMENT OF JOE WEBER

Mr. WEBER. My name is Joe Weber. I am the vice president of Mike Weber Greenhouses, Incorporated, a greenhouse company located in West Seneca, New York, growing and selling quality plants for the past 35-plus years. We currently have seven full-time employees and nine part-time employees and \$1.3 million in annual sales.

My parents, Michael and Susan Weber, started this business as a traditional greenhouse company selling retail year round. My father, and then myself, have found that it was easier for us to grow the wholesale side of the business and have evolved into niche markets, including growing potted herbs which we sell under our Gardener's Own brand. We are the only ones that grow this brand. If you have seen it out in the store, it came from our family farm. Wegmans is the primary purchaser of these. It is our supermarket and we sell to independent garden centers as well.

Our relationship with Wegmans had been a positive example of how small businesses can work with larger businesses to improve efficiencies, profitability, and a unique offering to customers. The example I will highlight that relates to the work of the Subcommittee is in the area of food safety.

Wegmans has a strong brand, an excellent reputation, and a tremendous commitment to food safety and their customers. Our herbs enter through their produce department where they require all of their produce suppliers, even the smallest, to be certified by the U.S. Department of Agriculture's Good Agricultural Practice standards. We are good at growing plants and not nearly as experienced with government red tape. This certification would be very difficult to accomplish without Wegmans' help. They put on a GAP training workshop and provided materials to train growers in the importance of GAPs in reducing microbial and bacterial risks during the production and distribution of fresh fruits and vegetables. The emphasis here is on "fresh," since there is no processing for fresh herbs or melons. This is where their emphasis is on food safety.

The workshop covers areas like water quality, manure and composting, assessing food safety risks, and developing a crisis management plan. After growers have completed their own GAP program and have implemented it, we are required to undergo an annual GAP audit, but much of the cost of this audit is reimbursed by Wegmans—but only if we pass.

There is still a large cost in writing and implementing a GAP program. Each individual GAP grower has to tailor their GAP programs for their own facility. They can't be told how to write it. They can just be told what the guidelines are and how we have to develop it ourselves with value added by the Department of Agriculture.

The end result is that we have a high quality product that consumers really want and can trust in its safety and value in the market. Mike Weber Greenhouses, Incorporated, has a market and

distribution in Wegmans that far exceeds anything we could duplicate with our retail or even wholesale sales.

As far as I am concerned, that is the value in partnership between small and larger businesses. Consumers get a unique, quality product that a small, local business can offer, and the large business can help distribute the product to customers over a geographic area and volume that we could never duplicate.

I brought two particular examples of some of our herbs for you to see. They both happen to be sweet basil; different sizes. They add up to 7 percent of the herbs that we do sell.

I appreciate the opportunity to be here with you, and I would be pleased to answer any questions that you may have.

Chairman COLLINS. Thank you very much.

Our final witness is Ray Schueth. He is director of agriculture, Eastern Operations, for Seneca Foods. As many of those attending today's hearing know, Seneca Foods is one of the largest agricultural-producing companies in the United States. Ray is here today to discuss how Seneca contracts with local agricultural producers and other small businesses as part of their firm's operations.

Mr. Schueth, thank you for appearing today. We look forward to your testimony.

STATEMENT OF RAY SCHUETH

Mr. SCHUETH. Thank you to the subcommittee for the opportunity to speak to you today as a representative of Seneca Foods Corporation and discuss the benefits of the partnerships in small Ag businesses and their development.

My name is Ray Schueth. I am the director of Ag for Seneca Foods Corporation. Seneca Foods, as you had mentioned, is the largest fruit and vegetable processor in America with 22 processing facilities located in Pennsylvania, New York, Wisconsin, Illinois, Minnesota, Idaho, Washington, and California.

We are also vertically integrated with our seed production capabilities in the Northwest. We have a 12,000-acre company farm operation in Wisconsin and we have three state-of-the-art can manufacturing facilities, one in Idaho, Wisconsin, and one at Marian, New York. Basically, we produce all of our own cans needed for production of all the fruits and vegetables that we produce.

We employ about 3,300 full-time employees in all of these plants. In addition to that, we use about 9,000 seasonal in our plants during our processing times and we have an annual revenue of approximately \$1.3 billion.

In my role, I am responsible for 11 of these processing plants, in Wisconsin, Illinois and then the two here in New York that were mentioned. Leicester right down the road and Geneva, New York, are our two facilities here in the state.

In addition, basically we contract with over 2,000 growers and we contract approximately about 230,000 acres to produce primarily 11 vegetables and four fruits, throughout the United States. Some of these producers may only grow a few acres. Two where we have growers that produce over a thousand acres each for us throughout all of the different growing areas as far as it goes. While some producers specialize in vegetables and only in vegetables, with producing various crops, we have other growers that it is just a small

part of their overall operation. They use it for rotational purposes, they use it for management time, and they also utilize reduced capital expenditures by us being involved in part of their operation.

Each year, as Mrs. Hamilton mentioned, we have field reps that go out to each of these farmers and sit down with them, take a look at their operation, the land available. Naturally the pricing, whether our pricing is favorable or unfavorable compared to other commodities, and sign basically yearly contracts to produce these vegetables for us.

And in some cases, some of these crops that we are contracting, we may provide the seed, the chemicals, actually do some of the planting and the harvesting, which reduces the overall capital expenditures for some of these growers, or working capital outlay on a yearly basis, which is all advantageous in those respects, on that.

So we work through that with all of these growers, scheduling is very critical, so we sit down with farmers and put together a plan, because we need to have crops come in daily to the plants, so that we can utilize full production at our plants throughout the season. Most of the crops run from a 30-day harvest time period to as long as 90 days depending on the crop. Basically, here in New York, beans for example, we can grow them and run the plant about 70 days, by utilizing early varieties and full season varieties and planting as early to as late as we can. So we can take numerous growers and spread the season out.

Our products reach about every retailer and food service operator in the United States and we also export to 80 countries around the world. We offer various styles of commodity and numerous different package and configurations to satisfy the needs of the market.

Increasing awareness of the consumers work, where their food comes from and how it is produced is one thing that we are seeing more and more of and it continues to lead to changes in our operations. Example of this as far as consumer perception is BPA, which is basically a lining utilized in the cans. Science and the FDA continues to support the usage of this and find no flaws on it, but consumer protection basically and with the news media, phones, instantaneous information and that, the perception has really become negative. So, Seneca Foods was one of the first major canned vegetables that we are switching the majority of our cans to non-BPA lining. More expensive, but again we need to meet the consumers' wants and needs in that respect.

Another important shift in our business has been a move towards organic products. A little of that has been mentioned already today. But, we have been producing peas, beans and corn organically for the last number of years. But in the last 3 years now we have actually quadrupled our acreage of organic ground. We have added edamames and we've added pumpkin to the portfolio and we are seeing more and more demand coming from the consumers for these type of products.

These crops are grown almost exclusively with smaller growers, in some cases growers that are actually just getting into the farming business, and so these people and these growers are the ones that need—are small businesses and we also see with the organic growers that we need to work with them more in a long-term relation. So they are critical to our business. If the consumers' demand,

although small, continues to grow in that field and we wish to be partaking in that and be able to deliver organic products, we need long-term working relationships with this base.

Because even more than conventional produced crops, it is just as important that we continue to try to develop those relationships. While the cost of this is higher in a competitive or alternatives for organic vegetables, such as field corn and soybeans are also growing, the consumer seems to be willing to pay the higher cost needed to sustain the shift in this here dimension.

Even our farming operation that I mentioned earlier in Wisconsin, we work very closely, we have long-term relationships with potato growers. We have small and large potato growers that exclusively want to put their time and energy growing potatoes so in their nonrotational years when they are not growing potatoes on the ground, are the years that we actually farm the ground.

So, we have different ground every year through these growers when they are not growing potatoes on them, that we actually work with that. We only grow vegetables, which works ideally with potato growers as far as the rotational crops and it is just another way of interacting with growers, whether they are large or small, and forming a long-term business relationship with them.

In conclusion, while fruit and vegetable production is not available for all producers due to the location of our processing facilities, and some crops can only be grown in certain areas, the demand associated with growing these crops may not also be of interest to every producer. It should be recognized that these producers and their relationships are developed with the processors that they supply. It plays an essential role in not only in the success of the processing industry and our mission to provide nutritional and affordable food to the consumers, but also the diversity and sustainability of the producers themselves. The development of farm policies must continue to be sensitive to the needs of these special crop producers as well as the processing partners.

Thank you for your consideration; I will be happy to answer any questions that you may have.

Chairman COLLINS. Thank you, Mr. Schueth.

I think all of us find the testimony that you have given interesting and when we think about our role in the Small Business Committee, it is really to point out in this case to America the co-operation between small and large businesses and that is what we are seeing today and I will have a few questions, maybe to expand on that important role that Seneca Foods or Wegmans would provide to the producers relative to access to capital and planning and the like.

I think America takes our food for granted because we just get in the car and drive X number of miles down the street or just a few blocks and walk into a well-stocked supermarket and have all of this variety to pick from and I think most Americans are not necessarily aware of what is going on in the agricultural community and, in this case, the cooperation between the many of the large food processors and then the growers.

So I guess you know, where I would like to maybe start a little bit is, we hear about, and I think Ms. Hamilton you mentioned the access to capital. The young farmers are not entering the business

today. The regulatory hurdles, limited land. You know, and we are trying to do some things, I serve on the Agriculture Committee, to have some incentives to get some younger folks in.

But when you look at access to capital and growth in your farm, I have got to assume it helps you to go to a bank and say I have a contract with Seneca Foods. Or, Joe, to go to a bank and stay I have a contract with Wegmans, both of whom are known to pay their bills. Is that part of—

Ms. HAMILTON. I would say that is helpful. Our daughter and her cousin are going through—looking to see if they can go through getting a loan, that is their major part. But they are using a resource that my husband hadn't used in the past because they are interested in having some younger farmers, and the name escapes me of where they are going, but it was encouraged through the Cornell Cooperative Extension and it was encouraged through one of the Federal agencies, crop agencies: Go look into this, you should have a good chance of being able to get something without a tremendously high percentage rate.

Chairman COLLINS. Yeah, so Joe, with yours I am assuming your bank is very happy to know that you are doing business with someone like the Wegmans.

Mr. WEBER. They are happy to hear that, but we are very seasonal. Right now we are extremely busy. I managed to get away today, but we have 6 weeks to make our year right now. The rest of the year we are breaking even just about. And banks don't like to see that. Always that you walking in and you see what is going on. We have a relationship there with Wegmans and it helps, but we have gone other place, other avenues for revenue.

Chairman COLLINS. So when it comes to pricing, I mean, I am just curious on this, because Mother Nature plays such a critical role, droughts in California, droughts in the Midwest. Great weather here, but in many cases crops can move not only all across the country but across the world.

You know so, Mr. Scheuth, how do you set a contract price or is it based on every day when the commodities show up, whatever the spot price is in the commodity market? How do you go to Mrs. Hamilton before we really know what Mother Nature is going to do through the year to determine the pricing on the contract?

Mr. SCHUETH. Basically, we set our contracts out here and in the Midwest, as far as the vegetables, they are set in January. Okay? And we really base it off of the December futures of the new crop year coming and actually, we set a base price and it has to be competitive with field corn and soybeans, because that is a big option that most growers have. If they don't grow our crop, then they would go to corn or soybeans as far as all of our main crops.

We have got a scenario in there that, that contract can actually go up in the month of February if the commodity prices move up. It won't go down but it can move up. But basically the growers they lock in a price on our contract then in February. And a good way to look at it, a lot of our growers look at it if they grow 5 percent of their acres, 3 percent of their acres, or 30 percent of their acres, it is the same as locking down 30 percent of their acreage against a field corn or soybean price at that point in time.

Which is, in today's marketing world it is critical that they do protect themselves to some degree. Our contracts have minimum guarantees. We have some contracts that actually are covered under Federal crop insurance. So growers are protected in about the same way as if they were growing field corn or soybeans.

Chairman COLLINS. That is an interesting piece that I guess many of us didn't know. I am just curious to hear your comments.

Ms. HAMILTON. I have to play a little bit devil's advocate here for my darling husband, brother-in-law, and daughter. And that is that, one thing about these contracts is they really are what we would consider for lack of a better word "extremely flexible," and not always in a positive way. If we have a year when we have had a lot of bird damage such as birds pecking the top of the ears of corn, the factory is not happy.

And if we had a year that we have had so much rain that we have mushy vegetables, the factory is not happy. If we have a year where it is so dry and the beets are too, almost if there is such a thing, too hard, too small, not exactly what they are looking for, that is not good. The tenderness factor is rated. How tender are our peas? That is a big deal. And those variables impact the bottom line of what type of income we will get because factories have to take out for that.

So that is always a very nerve wracking time when we are loading our fresh vegetables and we already can almost tell or predict what type of grades of beets, 1s, 2s, 3s and 4s, and the factory wants 1s and 2s. They don't want the 3s and 4s and so, and so am I being truthful about that, sir?

Mr. SCHUETH. No, no, no, no. No question about it, you know, because we pay, most of our contracts are—naturally, they all have deductions for various reasons, depending on what we can take out, what we can sell the finished product for. So there are variabilities there. So, the grower carries part of that risk along with us. There is no question about it, you know.

And that is why I think as I made in my comments, not all producers work into our portfolio, so to speak, type situation. Most of our growers that have grown for us for a long time understand and know how to measure that, and so they have already got that built into what they assume will be their final pricing to speak of; and some years they are ahead of it and some years they are probably not to that point.

And then it depends what crops you grow. Beets is a good example. There is basically to the growers really not a guarantee to speak of as far as that crop, so their protection is a lot less maybe in that commodity than some others.

Ms. HAMILTON. Farmers have to be hopeful. If you are ill, you are hopeful that you can get better. As a farmer you are hopeful that the crop will be decent because of weather, because you have the right herbicides, and because you had a decent seed. And an old farmer that I grew up with, my dad, said: Hope, I am stuck like a dope on a thing called hope and I can't get it out of my mind. Meaning that farmers just will not give up. They keep at it. It is a rare guy that really gives up. But they are always hoping that it is going to be their product, that produce will be above average

for the consumer and then for them to not have things deducted from their final payment.

Chairman COLLINS. So Mr. Van Voorhis. GMOs. You were talking about the exporting of corn, that is in soybeans and you know, there is quite the debate in Congress and across the country on genetically modified organisms, GMOs. The seed that in many cases have allowed us to increase crop production, especially in corn. Tremendous increases taking into account, you know, pests and weather conditions and soil and the whatever.

But we have seen, and I know we have got the trade negotiations going on now, some countries trying to prevent U.S. produced crops from entering their markets and they are using the GMO issue as something to block. We are also seeing in some cities and other places the demand or requirement that companies label their products. So Seneca Foods or others would have to label the product whether there is genetically modified organisms as part of it with the I should say unfair assumption in some cases that GMO is bad. Well, I mean, that is just not the case from the science standpoint and you know, one reason we have the productions we have and are feeding much of the world is because we have had biotech type of innovations that have allowed us to produce better foods, you know, in different temperatures.

I am just curious Mr. Van Voorhis, on GMOs and you in particular and corn and so forth if you would like to make some comments on that.

Mr. VAN VOORHIS. Yes, I would agree that the GMO issue is out there and very much alive and I am glad that you mentioned sound science, because I think speaking on behalf of agriculture, I think we have to rely on sound science. But there are countries out there that and perhaps, you know, maybe they have used the GMO issue because maybe they purchased too much of one particular product like the soy is, you know, Chinese or whatever, maybe the price for when they brought the soybeans has gone down. So sometimes they use that sort of an excuse or whatever, that you know, that we can't take GMOs or we are not going to do this or that to move away from a contract, a signed contract. You know I think that is a separate issue. But that gets blamed as a GMO issue as well.

Chairman COLLINS. I know on the Agriculture Committee we are trying to push the sound science piece at every level. The good news is that people love organic. They are more aware of their foods. I think in Buffalo now we have a Whole Foods going in. They have determined that Whole Foods can open a successful operation in the Buffalo market. But there are misconceptions and what the word is, is your perception is your reality, and if your perception is that for some reason GMOs are bad then you are going to be looking for that, much like country of origin labeling.

You know, the cattle was born in the United States, fed in the United States, perhaps sent to Canada for something, brought back in the United States, slaughtered in the United States. I mean this idea of tracing where that cattle was all the way through. That is another thing that we are seeing coming down the pike. And in some cases trade barriers, I mean, trade wars can be established over things like country of origin, labeling and GMO labeling and

it is part of the world economy we are in, and it is certainly not always good.

Ms. HAMILTON. Advertising can be so frustrating sometimes. I can tell after many years of being married to my farm guy, that when his face goes red like this something is not good. We were in a large grocery store over the winter and he picked up and he said look at this, and he picked up a quart of ice cream and it said "No GMO." GMO pertains to grains. And it was just very, very, they were really pushing the edge.

Chairman COLLINS. I know they are.

Ms. HAMILTON. It is so frustrating.

Chairman COLLINS. Because again, sound science, one reason we have the production we have today is because of biotech advances that are extraordinarily positive with the perception of those driving it to try to presume it is bad.

So on the regulatory side, Mr. Weber, you were mentioning how a partnership with a larger organization, certainly Wegmans which is known for their produce and their plants and they certainly stress local, you know, associations. Maybe you could, you know, talk a little bit more about the role they play in assisting you with their resources, which they are a very large organization versus—I would think that the value, the value-added they are bringing you is quite substantial by that association.

Mr. WEBER. Yes, to be associated with them is a big bonus in our own retail store. People go out in a local area and see our product has a label showing where it was grown and trace it back to us.

They help us tremendously in the whole food safety and GAP scenario since they demand it from everybody. They put on a training session every year, usually in January, this year it was moved to March. So they invite some of—every one of their vendors to come and they will bring Bob Divine, a gentleman from Cornell that helps with the program. He comes in and goes down what is new in the program. Changes that are being made. A refresher course on it. And you first audit.

Susceptibility to surprise audits, they can walk in—USDA can whenever they want to—and inspect us. So it is really was not a big change because we were doing things the right way, but we had to make sure that we did record everything. But they have been a big help in implementing it and encouraging it. When we first initially started the program, I inquired about a lot of the labeling requirements. We added personnel and the time involved. We said what about putting a label on there that says we are doing this. And they said they don't believe it needs a label because the customers expect clean produce.

Chairman COLLINS. So one other topic that we all hear about is labor, immigration, and we are not really talking about dairy here today. I mean, dairy, that is huge. Cows have to be milked twice a day and in many cases the dairy farmers are milking three times a day and having legal labor certainly on dairy, where the guest worker program is just not designed for it.

I am just curious, the guest worker program in the crop field, is that something you take advantage of, Mrs. Hamilton, and does it work for you as it is currently designed?

Ms. HAMILTON. Actually, we have—my husband, his brother, a full-time hired man, our daughter, and over the years we would have several part-timers, usually older guys who just love to come back and do it. The thing we have all commented on that we are seeing in this past and I will say at 15-plus years is that we can't get the young kids to come and help. It was a routine thing that neighborhood kids or town kids would come and pull weeds by hand walking through our vegetable rows. I think they did that for 15 years, kids did it. The last 15, we can't get anybody to do it. They are like I am not going to do that all day in the hot sun and only get a minimum wage and we are nice to them.

Another example would be when you see the huge round bales of hay and straw out in the fields now. It was always the small bale, that was decades. Many people have gone to the big ones because they can quickly pick them up with a piece of machinery. But, smaller farmers will tell you they can't get anybody who will help load and unload those wagons and put their bales on the elevators and be up in the barn stacking them, it is hot and dusty. They are coughing, they are sweaty. It is too hot, the bales are too heavy, I don't want to do this. We can't get people to do it. We don't have to deal with straw and hay, but we know it firsthand of many, many friends and neighbors.

So it is a sad commentary. I am not seeing a whole lot of interest in our younger population even for a part-time job. Very interesting.

Chairman COLLINS. Mr. Van Voorhis, how is the immigration labor issue in the corn and soybean growing?

Mr. VAN VOORHIS. It has a big impact on the dairy as obviously as you mentioned. Roughly half of our corn acres in New York are silage. We have a number of dairy farmers that belong to our board and the labor issue for them is tremendous.

A lot of them are trying to use technology, robotics and some other things. But at the end of the day there is still manual labor that needs to be done and it is extremely hard to get local people to do it, in comparison to the quality and the dependability of those offshore people to do the work.

Chairman COLLINS. Well, in some cases this is the big elephant in the room that Congress needs to deal with, is legalizing the workforce. We have the Greek yogurt plant right here, right next door in Batavia. Two Greek yogurt plants. There is not enough milk produced in our region to serve us, so on the supply-demand side some of the older plants are having to go into the Midwest or other places for supplies paying as much as \$1 or even more per hundred weight just on transportation costs. And so you would think we would have more cows needing more feed, that is growth for everyone. Growth on the machinery side. But you need to legalize workers.

And until we in Congress can deal with the legalized immigration issue, you can't blame a dairy farmer who says how can I go to bed on Thursday and wonder if I will have a workforce on Friday morning, because every cow still needs to be milked at least twice on Friday.

So I mean, I think many of us are frustrated by the lack of movement of the politics that have entered the picture on the legalized

immigration front, especially as it enters the debate on dairy. But then you know, we sit here today and think through the impact of dairy on the corn growers and you can see the common thread.

I am interested really, it was just today that I am hearing now the price of corn, soybeans and how that could have vegetable growers switching their crops as Mr. Scheuth indicated. I don't think too many of us make that connection. But I gather it is a very real connection. That if the demand in price for corn went high, you are going to have to pay more for vegetables or you are not going to have any vegetables.

Mr. SCHUETH. That is exactly right. I mean, a few years ago when corn went to \$6, \$7 a bushel, yes, we had to move our feed corn and beans, our pricing had to take a substantial gain upward also to be competitive. So, if we are not, we sign—the great thing, all of our, basically for our vegetables all of our contracts are yearly contracts. So we start off January 1st with not an acre under contract. So if we are not competitive we do not get those acres. If we do not get those acres we have major issues.

And yet that has worked very, very well for processing companies for mega years. We don't see a change in that. We have a lot of growers that are second, we even have third generation growers that are growing for us and I have been in the business 42 years and I know some of those, and fortunately, they are younger growers, younger farmers now who have taken over different operations, which is fantastic, because they understand what it takes to produce a vegetable crop. As far as the immigration thing, it needs to be resolved. It just needs—

Chairman COLLINS. There is universal agreement it needs to be resolved and nobody is doing it.

Mr. SCHUETH. You have all of this luggage that we keep postponing and have to deal with it and set it up for the future generations.

Chairman COLLINS. I am curious, you know, I am not going to try to get off topic, but take beets. You want 1s and 2s. It is almost impossible to guarantee it. You don't know what Mother Nature is going to hand you. So why do you grow beets? Because you could grow other things on that land; right?

Ms. HAMILTON. Because the processing plants near us, the beets plant in Leicester—

Chairman COLLINS. Oh it is huge.

Ms. HAMILTON. It is, correct me where I am on this, as my husband's direct quote, it is one of the largest if not the largest beet plant east of the Mississippi River.

Chairman COLLINS. It is; right? And I have been there tasting their beets, and I didn't know there were so many different kinds of beets.

Mr. SCHUETH. It is the largest beet producing plant in the United States. It is not the largest in our system this year as you are well aware, but it can produce more cases of beets than any other plant we have. But honestly we have three beet plants, two in the Midwest and one here.

Ms. HAMILTON. Well, the question you just alluded to, that is a good one. There are days my husband and his brother will say: Why the "blank" are we putting ourselves through all of this stuff?

And then they will say because there is this little part of them. It is the frustration factor that alternates with hope. But there is this little part of them that comes up within them to a bigger part: We are helping to feed the United States. And when they see a 5-acre plot that was turned down due to too much water damage, we are all just sick about it and we are like there are people starving. There are people who don't have enough to eat in the U.S. and this has to sit here like this. We tell everybody we know come and get some, but it is not reaching the really, the neediest people.

But I do want to say something about Seneca that I was very impressed by. Another story from my husband and brother-in-law is how he thought they worked hand in hand with them a few years ago. I can't tell you the year, but you probably know it off the top of your head, Mr. Schueth. That beets were trying to be grown in a three county area that were coming to Seneca and I think it was Genesee, Wyoming and Livingston County, and there was either a problem with I think it was a fungus, a mold or a something, and they needed a special herbicide and/or pesticide that they knew they had to use in the spring or it was going to be close to an extremely poor crop, and they had to get a waiver through Albany to get that and—is this familiar to you? And they went——

Mr. SCHUETH. We used the I-4. What we refer to as the I-4 to get the special label.

Ms. HAMILTON. So your company and the producers, our local farmers, all had to be in on this together and all willing to sign for it to get it. A special waiver from Albany to use what you need to use to grow your beets in your own state in an extremely fertile valley. This is why the guys get frustrated. But they were grateful they were able to work hand in hand to do it.

Mr. SCHUETH. Cornell University was very helpful on that also.

Chairman COLLINS. We were also able in the farm bill which was a big deal, the 5-year farm bill that we finally did get signed—the prior Congress had kicked the can for a year—but we actually increased the amount of money available to Cornell and some of the other land-grant universities on the research side. Because the small farmer can't afford that research.

So you need to look to the university setting some place. We are very fortunate to have Cornell in our backyard to assist, whether it is the fruits—and I know McDonald's is using more and more apples. They are very picky about what that apple looks like and how it is presented. And peaches, likewise. We had the peach festival up in Lewiston. But they are very, very picky about how the way those peaches are presented. It is not as easy as pull it off the tree and there you go.

So, Cornell I know has been a Godsend to all of our vegetable growers, our food suppliers and others who have needed in this day and age the demand for quality presentation, visual appeal, is very much different today than it was even 10 years ago.

Ms. HAMILTON. They are advocates that we are grateful to have.

Chairman COLLINS. So we did the right thing in the farm bill. We got some crop insurance available to some of the vegetables that in the past were not eligible for crop insurance. We need to remind America that the farmers, while it is subsidized insurance much like flood insurance, and that is the role of the government,

the farmers are picking and choosing the amount of coverage and they are paying a large piece of that. So it is not a handout as some would suggest.

Mr. SCHUETH. And that is something to keep in mind. We are talking about small businesses, young farmers, start-ups and things like that. A lot of these that are in the specialty crops, the small crops, in a lot of cases they can't get crop insurance on some of these specialty crops.

Chairman COLLINS. We have improved it in this farm bill but it is certainly not perfect.

Mr. SCHUETH. Beets cannot be covered under Federal crop insurance, yet at this time, neither can carrots. So those are two crops that become a higher risk to the grower to even grow. Because if they get flooded out they can't turn that 5 acres in that they lose. So, you know, a side note but something that needs to be continued to be looked at.

Chairman COLLINS. Well, we covered a lot of territory today. I think the main purpose we have achieved, which is on the small business side showing the relationship between some larger companies, the Wegmans, the Seneca Foods and others, and the production of crops, and you know we tried to touch on the issues that we need to continue to work on, whether it is GMOs or immigration reform or crop insurance.

And so the purpose of these hearings is to come locally and get local input. We are very fortunate to be able to do that here in such an agricultural district, and I am sitting here looking out at your land right now.

Ms. HAMILTON. There you go, you are.

Chairman COLLINS. I can tell you that California would die for the weather that we are having here. They are going through droughts. We had a little touch of it last year but nothing, nothing like they have seen out there in California.

So this has been I think a very worthwhile hearing and I want to thank all four of you for participating.

And Mr. Weber, taking you away from your very short season. I appreciate your time here today and I think this has been very worthwhile. I know it has been on my part. Serving on both the Agriculture Committee and Small Business, you know the two do come together.

So with that, we will call this hearing to a close. And thank you again for all of your participation.

[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

APPENDIX



**Statement of the
New York Farm Bureau**

**To the House Committee on Small Business
Subcommittee on Health and Technology**

*"Room to Grow: The Benefits of Partnerships
in Small Agriculture Business Development"*

Presented by Linda Hamilton

Tuesday, May 13, 2014

Thank you to the Committee on Small Business and to Subcommittee Chairman Chris Collins for inviting me to testify before you today on how our family farm benefits from larger processing businesses. My name is Linda Hamilton and my husband, Roger, and his brother, Randy, own Triple H Farms, a vegetable and crop farm based half in Leicester and half in Geneseo, approximately four miles apart. We are third generation farmers. While I also have worked off the farm as a registered nurse, my own parents were involved in full-time farming and I myself am the third generation in agriculture. I am also speaking on behalf of New York Farm Bureau, the largest general farm organization in the state with 25,000 members representing all commodities, all production methods and living in all corners of the state.

We have 1,100 acres of farmland in the Genesee River Valley and grow some field corn and soybeans, but we are really proud of the vegetables we grow for processing on 200 of those acres. This year we are planting peas, beets, green snap beans and possibly yellow wax beans. These vegetables will eventually be canned or frozen at one of the local processing plants. We are lucky to have four nearby plants owned by two different companies. This year half of our product will go to Seneca Foods, which is represented here today, and half to Farm Fresh First-Bondville.

As much as consumer awareness of fresh local vegetables, and farmers markets have grown in recent years, New York does have a limited growing season. This is why preserving the vegetables we grow, so people can eat them year-round is still important—and it's the only way you're going to eat local green beans in February!

We work very closely with the processing companies each year to decide what we will plant and how much and then we negotiate a contract early in the year. These decisions are based on consumer demand, what the plants can handle, and even which vegetables we are best at growing on our farmland. Over the course of many years, this can change significantly as consumer demand shifts or the company may change the types of vegetables it can process at a specific plant. So the relationship between our farm and the processing company must be closely coordinated.

Processing vegetables for the consumer market is not something that our small business could do on our own. The huge investment in processing equipment and marketing costs alone are not something a farm of our size could profitably take on. So we are integrally dependent on the processing companies, as much as they are dependent on the quality product that we deliver to their doors.

My husband's family has been selling vegetables to the nearby processing plants for nearly 60 years and it is key for our business to have a variety of these plants nearby that can accept a diversity of fresh vegetable crops. In farming, it's very risky to grow just one thing, and it is very expensive to transport vegetables and keep them fresh over long distances. Thus we need a healthy local processing sector to continue doing what we do best.

Not only is my family very experienced and skilled in growing vegetables, but our farm is uniquely suited to grow these crops. Our farmland sits in the Genesee Valley and is bordered by the

Genesee River. This valley, where you are right now, contains about 7% of the top vegetable and crop farming soil in the United States. For thousands of years the river flooded this area over and over again, depositing a deep layer of topsoil that is nutrient rich and free of stones. That's what makes this land so great for growing vegetables. My husband and his brother call it "a gift from nature."

Here in New York, we have access to markets that other farmers would envy. Our farm is located between the cities of Buffalo and Rochester, but we are also located within 500 miles of one-third of the U.S. population with New York City, Boston, Philadelphia, Washington, D.C., Pittsburgh, and Cleveland all areas hungry for what we grow.

Without access to processing plants for our vegetables, we would be forced to grow more row crops like corn and soybeans and we wouldn't be taking advantage of our expertise, our wonderful soil resources, or the consumers that are so close. This area is a huge vegetable growing region and if we weren't able to do that here anymore, the price of vegetables would go up on the East Coast!

As I mentioned before, we are third-generation farm, but we are very excited to have the fourth generation, our daughter, Leslie Hamilton, on Triple H Farms. She graduated two years ago from Cornell University and chose to come back to our family farm. Leslie is on a tractor as we speak with 25-foot vertical tiller preparing land to plant field corn.

Young farmers are so discouraged by challenges they will have to face by making a career in agriculture—the expense of land, labor, fuel, energy, machinery, taxes, rules and regulations, the list goes on and on. It is no secret that New York is a high-cost state with a difficult regulatory environment for family businesses and farms. And despite all this, we are so proud she has decided to carry on our farming tradition.

However, Leslie also understands that diversification is important in today's farming environment. She has a plan with a cousin and is in the beginning stages of developing a grass-fed beef business. They are starting out small and will grow slowly, but they plan to cater to a high-end niche market and this is a great value-added business venture.

This is a new way for our farm to continue to grow and bring in the next generation, but without the certainty of our processing vegetables and other crops, it would be hard to take this kind of risk on the farm. Our daughter's entrepreneurial spirit has the potential for a big payoff at the end of the road, but in the meantime, the longstanding relationships we have developed with our processing companies and where we sell our grain means we will still have income to support the farm operation while this new venture is in its formative years.

We Hamiltons hope that vegetables will always be grown on our land, but just as we have diversified the crops we have grown, it is wonderful to see the next generation diversifying even further into a new value-added market. This helps minimize the risks of

fluctuating market prices and weather that farmers have to deal with year in and year out.

Thank you again for the opportunity to share a little about my family's farm and how our small business benefits from larger processing businesses here in Western New York. I would be glad to take any questions you may have.

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Steve Van Voorhis, Voorhis Farm, Henrietta, NY

My name is Steve Van Voorhis. I am a fourth generation farmer, growing five hundred and fifty acres of corn, soybeans, and wheat in Henrietta, NY. I also serve as the President of the New York Corn & Soybean Growers Association, a membership and soybean checkoff organization that focuses on promotion, education and production research in the corn and soybean industries of New York.

Thank you for this opportunity to testify today about the added value of corn and soybeans for our family farms and to New York's economy.

Traditionally, New York agriculture has been known for dairy, apples, and wine. But for the last decade, New York crop growers and dairy farmers have been adding hundreds of thousands of acres of corn and soybeans to their farms' portfolios.

In the last five years, with a growing international export market and a good price per bushel, New York farmers have continued to add soybean acreage to their operations. In 2007, New York growers planted just 205,000 acres of soybeans and harvested 7.9 million bushels. In 2012, soybean acres numbered over 315,000 in New York and the harvest pulled in almost \$15 million bushels, an addition of over 7 million bushels to the New York grain market in just 5 years.

While soybeans are a relatively newer crop to New York, farmers in New York have been growing corn for decades. However, thanks to two ethanol plants in New York state, one in Central New York and one here in Western New York, growers have continued to add acreage of corn to their farms as well. Since 2007, farmers have planted 200,000 more acres of corn resulting in 25 million more bushels on the market. The total corn acreage in 2012 was 1.2 million with over 90 million bushels harvested.

So, why the added acreage in corn and soybeans in New York?

You'll remember that when I gave you the soybean statistics, I mentioned a growing international market. The number one market for New York soy is Southeast Asia. With a rapidly growing middle-class, Southeast Asia is buying US soy for animal feed, mostly for aquaculture operations (fish farming). New York farmers sell their beans to grain dealers, who then load the crop onto rail cars, which then head to eastern seaboard ports. From there they are loaded onto containers (which originally arrived in the US full of consumer goods such as TVs), and shipped back across the world to Southeast Asia. Approximately 80% of New York's soybean crop is being exported in this manner. Such a strong market overseas has created high demand for soy, resulting in a good price paid to growers for their crop. In the last quarter, soybeans were going for \$12 to \$14 per bushel. Because of such a good price, many dairy farmers in the state are utilizing extra land by growing soybeans as a straight cash crop.

Another big customer for New York soy are our dairy cattle. Soybeans are made up of 80% high protein meal, and 20% oil. Soybeans are crushed, and the oil is extracted. The meal is then mixed into feed for animals—such as dairy cows—and the remaining oil

is used for vegetable oil, consumer products such as lotions, lip glosses, candles, etc., or biodiesel.

Speaking of biodiesel, the New York Corn & Soybean Growers Association is excited about the increasing potential for the use of biodiesel in New York state both in heating oil and on-road diesel. Currently, New York City requires a 2% blend of biodiesel into all heating oil sold in the City, and many municipal city fleets are using biodiesel blends of up to 20% in their trucks and vehicles. The continued growth of the biodiesel market in New York state is a great opportunity for growers to add value to their soybean crops. Increased production and use of biodiesel will create additional demand for the crop, providing another market for New York soy. Finally, the higher the demand for soy oil—the cheaper the soy meal, which means dairy farmers will save money.

Now, back to corn. As I said, while farmers add soybean acreage to their operations, they are also adding corn acreage. A decade ago, as the potential for the construction of an ethanol plant was being tossed around, many nay-sayers said that New York could never support an ethanol plant with New York corn, let alone two ethanol plants. Today, we have two successful ethanol refineries that produce over 160 million gallons of ethanol from 60 million bushels of New York corn. In fact, all the ethanol for NASCAR comes right out of Sunoco's Fulton, New York ethanol facility.

Many of you have heard about the food vs. fuel debate when it comes to ethanol. But this renewable fuel's production is providing additional value to New York's dairy farmers as well. The byproduct of ethanol production from corn is dried distiller's gain or DDGs. Since New York began producing ethanol, dairy farmers have come to rely on DDGs as a source of high-protein feed for their cows, resulting in higher milk production.

The grain corn that is not used for ethanol in New York state is processed as meal for dairy, poultry and hogs as well as exported out of state or internationally.

Corn silage is also an important value-added crop to many dairy farmers and growers across New York state. Nearly half of New York's corn acreage is harvested as corn silage, a vitamin-rich feed for cows. In 2012, of the 1.2 million acres of corn planted in New York, 475,000 acres were harvested as silage. Instead of investing in their own planting and harvesting equipment, some smaller dairy farms will contract with larger crop operations to produce their silage, which is a win-win for both farms. The dairy gets the feed they need for their cows without the expensive upfront investment of planters and combines, and the crop businesses get additional use out of that their expensive equipment, resulting in it paying for itself more quickly.

Finally, both corn and soybeans are useful as replacements for petroleum-based ingredients in everyday products. Soy is already being used in plastics, foam, lawn and field turf, rubber and as carpet backing. Research is also being done by the US Department of Energy on converting corn biomass into useful high value chemicals and materials.

So what does the corn and soybean industries mean for New York's economy? In 2012, the direct value of corn was over \$600 million, and the direct value of New York's soybean crop was \$195 million, putting corn as the second most valuable commodity—second only to dairy—in New York state, and soybeans coming in at number 6. Add in the indirect value of equipment purchases, fertilizer, seed, labor and more, and the value of these grains multiplies exponentially.

Given the fact that farmers are planting more and more corn and soybeans in addition to the value of the crops in dollars, one can see just how large—and important—the grain and soybean industry in the state has become.

Testimony of Joseph Weber

Vice President, Mike Weber Greenhouses, Inc.

West Seneca, NY

<http://www.webergreenhouses.com/links.php3>

Before the U.S. House of Representatives

Committee on Small Business

Subcommittee on Health and Technology

May 13, 2014

Geneseo, NY

Mr. Chairman and Members of the Committee:

My name is Joseph Weber. I am the Vice President of Mike Weber Greenhouses Inc., a greenhouse company located in West Seneca, NY growing and selling quality plants for the past 35 plus years. We currently have 7 full time employees and 9 part time employees and \$1.3 million in annual sales.

My parents, Michael and Susan Weber, started this business as a traditional greenhouse company selling retail year round. We have found that it was easier for us to grow the wholesale side of the business and have evolved into niche markets including growing potted herbs we sell under our Gardner's Own brand, primarily at Wegmans supermarkets and independent garden centers. Our relationship with Wegmans has been a very positive example of how small businesses can work with larger businesses to improve efficiencies, profitability and a unique offering to customers. The example I will highlight that relates to the work of this Subcommittee is in the area of food safety.

Wegmans has a strong brand, an excellent reputation and a tremendous commitment to food safety and their customers. Our herbs enter through their produce department where they require all of their produce suppliers—even the smallest—to be certified to the U.S. Department of Agriculture's Good Agricultural Practice (GAP) standards. We are good at growing plants and not nearly as experienced with government red tape. This certification would be very difficult for us to accomplish without Wegman's help. They put on a GAP training workshop and provide materials to train growers in the importance of GAPs in reducing microbial and bacterial risks during the production and distribution of **FRESH** fruits and vegetables. The workshop covers areas like water quality, manure and composting, assessing food safety risks and developing a crisis management plan. After growers have completed their own GAP program and have implemented it, we are required to undergo an annual GAP audit, but much of the cost of this audit is reimbursed by Wegmans. There is still a large cost in writing and implementing a GAP program. The end result is that we have a high quality product that consumers really want and can trust in its safety and value in the market. Mike Weber Greenhouses, Inc. has a market and distribution in Wegmans that far exceeds anything we could duplicate with our retail or even wholesale sales.

As far as I am concerned, that is the value of a partnership between small and larger businesses—consumers get a unique, quality product that a small, local business can offer; and the large business can help distribute the product to customers over a geographic area and volume that we could never duplicate. I brought a sample of some of our herbs for you to see.

I appreciate the opportunity to be here with you and would be pleased to answer any questions you may have.

Testimony

Committee on Small Business

Subcommittee on Health and Technology

Tuesday, May 13, 2014

10:00 am Livingston County Government Center

6 Court Street Geneseo, New York

Honorable members of the Subcommittee, thank you for the opportunity to be here today as a representative of Seneca Foods Corporation to discuss “The Benefits of Partnerships in Small Agriculture Business Development”.

My name is Ray Schueth; I am Director of Agriculture for Seneca Foods Corporation. Seneca Foods is the largest fruit and vegetable processor in America with 22 processing facilities located in New York, Pennsylvania, Wisconsin, Illinois, Minnesota, Idaho, Washington and California. We are vertically integrated with vegetable seed production capability in Washington, a 12,000 acre farm in Wisconsin and three state of the art can manufacturing operations in Wisconsin, Idaho and New York. We employ approximately 3,300 full time and as many as 9,000 seasonal employees and generate annual revenue of approximately \$1.3 billion. In my role I am responsible for all agriculture activities for 11 of our facilities in Wisconsin, Illinois and New York, located in Geneva and Leicester.

In addition, we contract with approximately 2000 producers located near our processing locations for more than 230,000 acres of fruit and vegetable crops. These producer relationships are absolutely essential to our ability to secure the needed produce for canning and freezing. The number of acres contracted with each producer may be as small as a few acres of peaches or pears under multiple year contracts in Washington and California to in excess of 1000 acres of peas, sweet corn, green beans or any of the other fruit and vegetable crops that we process in the Midwest and New York.

While some producers specialize in vegetable production and producing the various crops that we need is their primary focus, for others it may be just a small part of their operation providing diversity for rotational purposes as well as management and working capital requirements.

Each year representatives of the Agricultural Departments at each of our plants work with their local producers to determine number of acres and varieties of crops that will be grown for that year. In some cases we might provide the full range of inputs from seed to planting and harvesting while in other cases our larger producers have their own capabilities in some areas. In all cases we are closely coordinating with our local producers to assure that crops are managed and ultimately harvested and delivered to our

facilities on schedules that vary by commodity over a 30 to 90 days harvest season.

Our products reach just about every retailer and foodservice operation in the United States and we export to more than 80 countries. We offer various styles of each commodity in numerous different packaging configurations to satisfy the needs of the market. Increasing awareness by consumers of where their food comes from as well as how it is produced has led to changes to our offerings. An example might be the consumer perception of bisphenol A (BPA). While sound science as well as FDA continue to support that these products used in the linings of many food cans for food safety reasons are safe, consumer perception based negative information but small but vocal activist groups has made BPA an issue. In response, Seneca Foods was the first major canned vegetable producer to switch the majority of our products to more expensive materials that do not utilize BPA in their manufacture.

Another important shift in our business has been the move towards organic products. While we have offered organically produced canned peas, sweet corn and green beans for a number of years we have seen significant increased demand for these and other products over the past couple of years. In response we have quadrupled our organic acreage over just the past three years and have added pumpkin, edam me as well as frozen peas and sweet corn to our line up. These crops are grown almost exclusively with smaller producers, many of whom are new into farming and have made the decision to focus on organic. Even more than with conventionally produced crops the importance of developing longer term relationships is paramount in order to achieve needed stability to allow proper rotation and markets for these crops. We see this shift as just beginning and are actively developing new organic sourcing in order to supply market needs in to the future. While the cost to produce these crops is higher and competitive alternatives for organic vegetable production such as field corn and soybeans are also growing, the consumer seems to be willing to pay the higher costs needed to sustain the shift.

Even in our own farming operations the need for collaboration and working hand in hand with local producers is paramount. We have developed a successful model where we have long term leases with varying sized potato producers for most of the land that we directly farm. These are producers who wish to focus exclusively on potato production and rely on us to farm the land when not being used for potatoes. We only grow vegetables that we need at our facilities vs other commercial crops that may not be the best rotation for potatoes and we in turn have reliable, high quality land under longer term arrangements in order to produce our crops.

In conclusion, while fruit and vegetable production is not available for all producers due to the location of processing facilities and crops that can be grown in certain areas and the challenges and demands associated with growing these crops may not be for every producer even in the areas that they can be grown. It should be recognized that these producers and the relationships that are developed with the processors that they supply, plays and essential

role in not only the success of the processing industry and our mission to provide nutritious and affordable food to consumers, but also the diversity and sustainability of the producers themselves. The development of Farm Policy must continue to be sensitive to the needs of the specialty crop producer as well as their processor partners.

Thank you for your consideration and I would be happy to answer any questions that you might have.

