

Chairman Chambliss and Members of the Committee,

Thank you for inviting us to be here today and for holding this meeting in Oregon. My name is Jim Bernau and I'm the Founder and CEO of Willamette Valley Vineyards, a publicly-held winery in Turner, Oregon. We currently farm over 250 acres of vineyard and sold approximately 140,000 cases of wine in 2005. I also serve as Chair of the Legislative Committee of the Oregon Winegrowers' Association and am here on their behalf.

At \$3.5 billion, grapes are the sixth largest crop in the United States. MKF Research Inc. conservatively estimated that the production of wine and wine grapes and their related industries produced more than \$90 billion of economic value to the U.S. economy in 2004. The industry accounts for 514,000 full-time jobs with \$17.9 billion in annual wages. Additionally, about 30 million tourists visit wineries each year, spending approximately \$2 billion. The industry pays \$4.3 billion in federal taxes and almost \$5 billion in local and state taxes.

Almost 10% of the approximately 3,500 wineries in the United States are in Oregon. Oregon's focus on high quality wine and wine grapes translates into a high quality of life for our neighbors and communities. It goes well beyond what we grow, make and sell. It's the added value we bring to our state and our country. We're environmental stewards of the land - over 37% of our acreage is farmed with certified sustainable practices. Preserving the land means we can continue to produce high quality wine and provide for future generations.

New and diverse winegrowing regions bring dynamic growth and commerce opportunities to the entire state. A 2005 study of the Oregon grape and wine industry found that our economic impact was over \$1.4 billion. We generate over 8,500 jobs and pay more than \$200 million in wages. We attract high-value tourists who spend more than the average visitor, boosting hotel and restaurant sales. In 2004, our wineries generated tourism revenue that approached \$100 million. Not only do Oregon vineyards and wineries expand farm employment and help provide rural stability, they keep poor soils in agricultural use and are a primary driver of general rural economic benefits.

Grapes and wine are the ultimate high-value, value-added crop, but they are capital- and labor-intensive. The workers in our fields are the life blood of our businesses. The Hispanic workforce of the 21st century is much like the European immigrants of the 19th and 20th centuries. Unfortunately, many immigrants are here illegally and this needs to be addressed. We only ask that in the effort to correct the challenges of illegal immigration, opportunities remain in place to sustain the workforce in our fields. Failure to do so will bring our economy to its knees.

Roughly 25 percent of the wine consumed in the United States today is imported, supported by well-financed foreign government programs - a threat to the development of the Oregon industry. The 2007 Farm Bill can help us lead in the production of wines offering superior quality and excellent value in the face of strong international competition.

Specialty crops are reported to me to be about 50% of crop agriculture yet receive little help. Our industry requests that the 2007 Farm Bill reallocate funds from the vast agricultural subsidies currently in place to finance greater support of specialty agriculture. We believe the

distribution of federal funds should be more equitable, and we have several specific suggestions:

- 1) Sustain and grow the funding for the Northwest Center for Small Fruits Research--this program is a model of cooperation between states, crops and institutions.
- 2) Provide continued support for the Market Access Program, or MAP. American wineries currently have only a 5 percent share of the world market. There are many more countries and new markets to enter as well as market share to grow in countries where we currently sell our wines.
- 3) Expand the Conservation Security Program to reward more farmers for using best practices. Protecting the environment and productivity today will mean less cost for producing products in the future and will help to ensure sustainability in the years ahead.
- 4) Authorize mandatory funding of \$5 million a year from the Commodity Credit Corporation to establish the National Clean Plant Network for diagnostic and pathogen elimination services.
- 5) Expand the State Block Grants for Specialty Crops Program. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.
- 6) Provide a mechanism to support industry-government research partnerships, such as the National Grape and Wine Initiative (NGWI), which will enhance the competitiveness of specialty crops.

We appreciate our growing partnership with Rural Development. The Oregon Wine Board has applied for a Value Added Producer Grant to support our efforts to increase sales of Oregon wine in other parts of the nation. The State of Oregon constitutes only approximately 1% of the nation's population but accounts for nearly half of all Oregon wine sales.

If these things can be accomplished in the 2007 Farm Bill, specialty agriculture in the Pacific Northwest will successfully compete on the national and world stage. Thank you for the opportunity to testify today and we appreciate your efforts to improve American agriculture.