

Statement of

Hope Hills  
Spicebush Creek Farms, Bangor, Michigan

Member of MBG Marketing – The Blueberry People



Member of the National Council of Farmer Cooperatives



Testimony before the Senate Committee on Agriculture,  
Nutrition and Forestry

Crop Insurance and Specialty Crops in the 2012 Farm Bill

March 14, 2012

Chairwoman Stabenow, Ranking Member Roberts, and other members of the Committee, thank you for inviting me here to talk about crop insurance. Chairwoman Stabenow, it is an honor to be sitting in front of you today—and on behalf of Michigan's growers, I want to thank you for being a champion of the specialty crop industry, and for your strong support of farmer-owned cooperatives. This is my first trip to Washington, DC, and I am humbled to be here before the Committee.

Today I am here on behalf of MBG Marketing - The Blueberry People and the National Council of Farmer Cooperatives (NCFC).

My husband, Mike, and I are third generation blueberry growers in Bangor, Michigan. Mike's grandfather first planted blueberries in the late 1930s and became a MBG member in 1943.

In fact, back in the '30s, some local people thought Mike's grandfather was nuts. "What do you want to plant those for? You'll never make any money at that." Seventy five years later those same bushes are still producing. They have provided income for thousands of people through the years and have pumped millions of dollars into the economy. It's amazing to look at where the blueberry industry is today.

We started our farm in 1984 with cuttings from those bushes first planted by his grandfather. In fact, our MBG grower number is the same one his grandfather had. We farm on 213 acres, 120 of which are cultivated blueberries. The balance of our farm is woodland, wetlands, a packing facility, and farm buildings.

Approximately two-thirds of our production goes to the fresh blueberry market. Those berries are packed at our packing facility on the farm, which goes through a food safety audit each year conducted by PrimusLabs. Food safety is a top priority for our operation and we have always had consistently high scores. About one-third of our blueberries are processed by a grower-owned co-op facility off the farm. All of our blueberries are marketed by MBG.

Being a grower is full of risk and without crop insurance, it becomes a gamble, a roll of the dice. Our operation, our livelihoods are too much to gamble on. We believe strongly in crop insurance as a safety net for our operation. We began purchasing crop insurance in 2002 and have continued each year since then. We have an AGR 65/75 policy and CAT coverage. Under our policy, if our adjusted gross revenue drops below 65 percent of our five year average, it will pay 75 percent of the amount below that. We choose AGR because it is a multi-peril policy—it covers a broad spectrum rather than a specific loss.

The best safety net, however, is one that you never have to use. Like most producers today, our risk management goes far beyond crop insurance. On our farm, we have invested heavily to mitigate the risks we face and give ourselves the best chance possible to have a strong crop year in and year out. These form our first line of defense; yet, the

security provided by crop insurance allows me to invest in these other areas of our operation that are so important to the American consumer and to consumers abroad.

For instance, there is an old saying that you can't control the weather—well, when you grow a thin-skinned fruit in a northern state like Michigan, you have to try. We have installed a 30-foot-tall wind machine with an engine-driven propeller on top. It is used for frost protection mainly in the spring when the temperature drops to a point where it might damage the crop. If the trigger temperature is reached, the fan will push the warmer air down, which is sometimes layered above cold air that has settled in low areas. The wind machine can raise the air temperature by as much as 8 degrees depending on conditions, and one machine will cover about 15 acres. Ours is installed in a frost-prone field.

Drawing on the resources and expertise beyond the farm gate is also important. Our co-op, MBG, is a valued partner in how we mitigate risk and run a successful farming operation. Through the co-op, we have access to and utilize professional horticulturalists for advice and research. We use their other professional team members for assistance with food safety, labor laws, social responsibility, and a plant breeding program for improved varieties.

We also hire knowledgeable and experienced individuals each year for our harvest season. When hand harvesting fruits and vegetables, you need people with a specialized skill set.

Adherence to good farming practices for growing blueberries is perhaps the most important way to making sure that we have a good crop. This includes annually pruning each plant, weed control, and ground cover management with a goal of water and moisture conservation and erosion control. Other important practices include maintaining non-crop areas to promote native, beneficial insects and plants such as honey bees. We need them for pollination, so we work to have good habitat for the bees. Our farm also rents 150 honey bee hives to aid pollination.

To help protect the environment and our employees, we have a USDA-designed chemical and fertilizer containment building. We store all of our chemicals and fertilizers in this building, and do all of our mixing there. Our spray equipment is also stored there through the year.

We do all of these things to protect us from different types of disasters that can impact us, from pest and disease infestation, a food safety emergency, frost, flood or drought, and unskilled or not enough labor. These are our first line of defense in terms of risk management. Crop insurance is the second layer of our risk management strategy.

We all know that agriculture is an unpredictable, sometimes unstable business due to factors far beyond any of our control. Having crop insurance brings stability to an otherwise volatile business. Crop insurance allows farmers to continue our businesses in the event of a disaster. And staying in business means that I am able to provide for my

family, I am able to employ people who are then in turn able to provide for their families, and money goes back into the economy. Even though crop insurance is our fourth largest annual expense, we continue to purchase it—that's just how important it is to us.

In 2008, prices fell considerably for blueberries and we knew it was going to be a lean year. We considered dropping our crop insurance due to the cost. But we decided that the cost of not having it if disaster struck was far too great, so we kept it. We have been fortunate not to have filed a claim in the past ten years. It's comforting to know however that if we had needed it, we would have had the resources available to pay our bills, keep our employees on staff, and continue with this business that was established before World War II.

Because we have crop insurance, our lender is more willing to finance our operation, which in turn allows us to continue to invest in our business and bring money into our local economy. That said, it's worth noting that the cost of crop insurance without the USDA subsidy would be unaffordable.

Additionally, the availability of crop insurance is especially important for beginning farmers and growers just getting into agriculture. It provides a safety net to protect against losses, which is particularly important given the high costs and significant investment involved with establishing a farm. New and beginning farmers often have limited resources and are unable to absorb a disaster, resulting in a much higher risk for them.

Inasmuch as crop insurance works for my operation, special caution must be taken when looking at crop insurance for all specialty crops. With many specialty crop growers' planting decisions based largely upon market indicators, there is a valid concern that crop insurance could distort the marketplace. However, there are significant differences in the potential market impacts of price and revenue insurance products on annual or semi-annual specialty crop growers as compared to more permanent crops, like trees or vines. Because planting decisions are more long-term and fixed, the development of products for permanent specialty crops would not have the same market distorting effects.

Additionally, over 300 different crops fall into the category of "specialty crops." To say that trying to address the sheer number of crops and the nuances of each industry is a challenge would be a huge understatement. Crop insurance for specialty crops is particularly complicated for a number of reasons, including that most are relatively small markets; most don't have futures or options contracts for price discovery; most have complicated good farming practices compared to our row crop friends; and a large number of non-weather related risks have to be taken into consideration.

Nevertheless, specialty crop producers must have access to a safety net—those of us who need crop insurance really do need it.

The 508(h) program is intended to make crop insurance tools more accessible by allowing the development of insurance products using a third-party crop insurance

development company. It has been successful in developing new insurance products for some specialty crops. Keeping a strong 508(h) program will continue to allow for third-party development of insurance products for specialty crops. Additionally, Congress should consider adding additional sideboards to the development process, requiring the companies who develop new products to engage the industries the products would serve. This would ensure that new insurance products have industry support and will have folks who want to utilize them once they are approved.

In fact, some specialty crop growers are interested in an insurance product that would protect against market disruptions, like a food safety incident that caused harm to an industry. There is room for innovation to meet the needs of specialty crops in the crop insurance arena.

Another issue surrounding crop insurance is whether conservation compliance should be a requirement for participation in the program. Working lands conservation should be incentive based, not mandated. NCFE opposes linking conservation compliance to crop insurance. While we support the adoption of good farming practices, cross compliance would be a new regulatory hit for specialty crop producers. We strongly support the voluntary, incentive-based conservation programs in Title II of the farm bill, but oppose tying conservation compliance to crop insurance.

I would like to conclude with two issues that, while not directly related to the issue of risk management, have a substantial and direct impact on my farm and many other specialty crop operations.

First, I would like to emphasize that agriculture needs access to a legal, stable workforce. None of the issues that I've discussed in my testimony matter if there aren't people to harvest, pack, and process crops. The specialty crop industry provides thousands of jobs in this country and requires many individuals with specialized skills to harvest these crops. Having access to a reliable labor force is arguably the most important issue for specialty crop producers, as labor is the single largest variable cost for the industry.

Second, the economic well-being of the produce industry and other agricultural commodity sectors depends heavily on exports, which account for one-third or more of domestic production, provide jobs for millions of Americans, and make a positive contribution to our nation's overall trade balance. Given the critical nature of expanding international markets and exports, farm bill programs like the Market Access Program, the Foreign Market Development Program, and the Technical Assistance for Specialty Crop program are of utmost importance.

The Market Access Program is of particular importance, both because it is a vital tool used by producers and their co-ops to market products overseas and because it represents such a good investment of taxpayer dollars, with a 35 to 1 return on every dollar spent under the program. We urge the Committee to continue supporting these programs which are so important to specialty crop growers and their co-ops.

In conclusion, agriculture is Michigan's second largest industry, contributing significantly to the state's economy. We need to continue to support American agriculture, so that Americans can buy produce grown in America and we need to have policies in place that allow American agriculture to thrive.

Crop insurance is an important tool to protect the jobs that we provide and the safe food that we produce for the consumer—and to protect my farm, so that I can stay in the business that I love.

Thank you again for the opportunity to be here today to share my experience with crop insurance.

### **About MBG – The Blueberry People**

MBG is a producer-owned blueberry marketing cooperative that was formed in 1936 as the Michigan Blueberry Growers Association by the original blueberry growers in the state. MBG quickly gained a leadership role in the Michigan blueberry industry, and by the 1950s was a major influence in the U.S. and the North American blueberry industry as a pioneer in educating producers on good management practices for blueberry production, and marketing berries at profitable prices.

As interest in blueberry production grew in other states, MBG's membership base expanded to reflect the trend. In the late 1940s, MBG membership extended into northern Indiana; Georgia and Florida in 1983; British Columbia in 2006; and in 2009, MBG expanded its membership into North Carolina, a contract production area for over 15 years. Today, with a production base of over 300 growers and total annual sales in excess of \$130 million, MBG is the largest marketer of fresh and processed cultivated blueberries in the world.

MBG's headquarters are located in Grand Junction, Michigan. The cooperative owns and operates state-of-the-art blueberry receiving, pre-cooling, and shipping facilities in Alma, Georgia and Grand Junction, Michigan. In addition, MBG owns facilities in Holland, Fruitport, Bangor, and Covert, Michigan; and operates additional facilities in Ravenna, Michigan; Ivanhoe, North Carolina; Demotte, Indiana; and Gainesville, Florida. MBG employs over 200 seasonal and full-time people annually at its locations. The cooperative is also active in developing new proprietary blueberry varieties with its own breeding program. New investments in value-added packing and processing capabilities are taking place in 2012.

### **About the National Council of Farmer Cooperatives**

Since 1929, NCFC has been the voice of America's farmer cooperatives. NCFC values farmer ownership and control in the production and distribution chain; the economic viability of farmers and the businesses they own; and vibrant rural communities. We have an extremely diverse membership, which we view as one of our sources of strength—our members span the country, supply nearly every agricultural input imaginable, provide credit and related financial services (including export financing), and

market a wide range of commodities and value-added products, including blueberries, peaches, apples, raisins, prunes, and many other specialty crops.

American agriculture is a modern-day success story. America's farmers produce the world's safest, most abundant food supply for consumers at prices far lower than the world average. Farmer cooperatives are an important part of the success of American agriculture. Cooperatives differ from other businesses because they are member-owned and are operated for the shared benefit of their members.

Farmer cooperatives enhance competition in the agricultural marketplace by acting as bargaining agents for their member's products; providing market intelligence and pricing information; providing competitively priced farming supplies; and vertically integrating their members' production and processing. There are over 3,000 farmer cooperatives across the U.S., and earnings from their activities (known as patronage) are returned to their farmer members, helping improve their members' income from the marketplace.