

Mr. Chairman and Members of the Committee, my name is Doug Krahmer and I am a co-owner of Blue Horizon Farms in St Paul, Oregon. On our farm we produce a variety of commodities including blueberries, grass seed, hazelnuts, clover, wheat, flower seeds and fresh cut flower.

As an active member in Oregon Agriculture and natural resources, I appreciate the opportunity to testify before the Committee regarding the future direction of the 2007 Farm bill and what role Congress and the Administration will play in shaping policy for growers across the United States.

### Industry Overview

The produce industry has driven and experienced tremendous changes over the last several years. We have worked hard to remain profitable, satisfy consumer demands, conform to and develop new technology, and compete in an increasingly global market place.

Many of our products are highly perishable and are driven by a risk taking entrepreneurial spirit that we in the produce industry continue to engage in. We take tremendous risk each year not knowing if Mother Nature, retail channels, the market place or any other number of issues will or will not stand in the way and cause us to lose or gain from the investment that we have made.

Our markets are highly volatile, yet we have never relied on traditional farm programs to sustain our industry. Instead, we look to each other to promote efficiency and reward market competition that so marks our industry.

Unfortunately, the market place in which we operate is becoming less neutral and even-handed. Regulations, driven by food-safety concerns, responses to food defense requirements, and other very legitimate consumer and customer needs, are placing more and more burdens on farmers and their partners who pack and ship perishable agricultural commodities. In our effort to respond to these needs, we are obliged to introduce costly measures and undertake expensive actions. Farmers shoulder the responsibility of supplying high-quality food that is safe and nutritious while not being too expensive for the consumer. We work hard at this, helping to continue to ensure the miracle of abundant fresh food production in the United States at prices to the American people that are very low by world standards.

From this background, it is clear that the agriculture industry operates in a global marketplace. We are frequently being asked to be year round suppliers, which has resulted in operations that were once solely domestic to an operation that provides domestic produce in the summer and sources foreign produce in the winter months. In the produce industry, the balance of trade has shifted, where we import more produce than we export. That is why I strongly believe that it is vital that the U.S. government provide the tools necessary for domestic producers to remain viable in a global marketplace. While we have natural climate cycles and production variables that allow for counter markets - winter/summer for some products, we do have direct competition on some products, as well as direct competition for export markets.

Given the shifts and dynamics of our industry, we therefore welcome the opportunity to discuss with you today how the 2007 Farm Bill can enhance the competitiveness of our industry while increasing consumption of agricultural produces. We strive to fulfill consumer needs and affordable healthy food choices, but we need agricultural policy priorities to assist us in that effort. It is in this context that we raise the importance of fruit and vegetable crops today - not as simply one more sector of the agricultural economy, but as a vital national priority in every Congressional district and to the health of our nation overall.

### Domestic Policy Issues Facing the Produce Industry

We believe government policy should provide incentives for private investment, tools to increase profitability, and help to those producers who are committed to constant improvement to better serve consumer needs. We do not want policies that sustain yesterday's business; we want investment in the future. Ultimately, the goal of any farm policy should be to enhance the tools necessary to drive demand, utilization, and consumption of our products and not distort the production of those products with respect to domestic and international markets. The 2002 Farm Bill began to make progress toward those objectives, and was further enhanced through the Child Nutrition Reauthorization Act of 2004 and the Specialty Crop Competitiveness Act which was signed into law in December of 2004. However, so much more is required to bring fruit and vegetable producers the tools they need to meet national public policy objectives.

Four years ago during testimony before the House Agriculture Committee regarding the reauthorization of the 2002 Farm Bill, the produce industry presented broad based recommendations of the produce industry. Overall the produce industry strongly supported the development of farm policies that sustain financial stability and viability of our nation's agriculture industry while maintaining appropriate flexibility for our producers. We believe that the Farm Security and Rural Investment Act of 2002 did take a step in the right direction for the produce industry. However, we believe that there are additional areas where the federal government can assist in maintaining the competitiveness of the produce industry. As the fruit and vegetable crop production across the country varies in different states and regions, so do the individual elements that impact production from weather, to land values, local regulation and local pest and disease pressures. We also face additional costs to maintain a viable production - where it is investing in trees for several year that are not mature enough to produce a crop, or costs to maintain multiple crops on the same acreage in a given year. Therefore, I would like to highlight today some of the policy areas that we believe Congress should incorporate into the 2007 Farm Bill that will help the fruit and vegetable industry and enhance the foundation of policy tools available to this important segment of U.S. agriculture.

### Prohibition of Planting Fruits and Vegetables on Contract Acres

The fruit and vegetable industry strongly supports maintaining or strengthening the current U.S. planting policy, which restricts producers from growing fruits and vegetables on acres receiving program payments. Fruit and vegetable producers are concerned that any alternations in this provision would allow commodity producers to mitigate any start-up costs or mitigate risk inherent to fruit and vegetable production resulting in unfair competition. Current market

conditions and potential for disruption that has led the industry's support for this provision since 1985 has not changed. If anything, they have worsened and the need to retain this provision has become even more important. If the restriction is lifted by Congress, the industry believes hundreds of millions of dollars of negative economic impact will be felt by the fruit and vegetable industry.

## Nutrition Policy

The fruit and vegetable industry has the good fortune to offer consumers a healthy and nutritious product that is recognized as critical to preventing cancer and other chronic diseases, reducing obesity and diabetes, and maintaining overall good health. The Dietary Guidelines for Americans call for the consumption of 5 to 13 servings a day of fruits and vegetables as a cornerstone of good health. Yet, on any given day 45 percent of children eat no fruit at all, and 20 percent eat less than one serving of vegetables. While nutrition policy is not solely a Farm Bill issue, we have a unique opportunity to ensure that policies are carefully considered so that the new Guidelines are fully implemented.

To this end, future farm policy will not only support American agriculture; it will support and encourage the health and well-being of all Americans. Driving domestic consumption of our perishable commodities will benefit the entire fruit and vegetable industry, resulting in a stronger price for producers across the country. The School Fruit and Vegetable Snack Program is an effective and popular nutrition intervention program proven to increase fresh fruit and vegetable consumption among children in participating schools. This program allows children to experience the great taste of fruits and vegetables and thereby has the potential to build lifelong healthy eating habits. Started in the 2002 Farm Bill and subsequently expanded during the reauthorization of Child Nutrition program in 2004, this program should be significantly expanded in the 2007 Farm Bill in order for all states to participate in this program. These purchasing programs should also be expanded to include the U.S. Department of Defense.

## State Block Grants

The industry also supports continued expansion of the State Block Grant Program for Specialty Crops that was authorized in the 2004 Specialty Crops Competitiveness Act. This program allows states to invest in programs and projects that support production-related research, commodity promotion, food safety and other programs that enhance the competitiveness of specialty crop producers. Due to the variety of crop production among states, the "state grant" nature of the program is essential to the success of the program and benefit to local producers.

## Research Policy

Research serves as both a foundation and a catalyst for growth in the advancement of any industry. Federal investment in agricultural research dedicated to the economic vitality and long-term viability of the United States produce industry has been extremely limited. Fruit and

vegetable crops and their research needs are unique and important. These crops are typically characterized by high production input costs, unique market challenges, and are a significant source of essential nutrients required for good health.

Federal investments in research and development for fruit and vegetable crop production including, plant breeding, pest management, production, physiology, food science, mechanization, marketing, product development, food security, food safety, processing, marketing, and consumption which influence public access to these vital commodities must be re-emphasized in the next Farm Bill. Funding that emphasizes nutrition will provide significant return on investment through better health amongst the U.S. populace and at the same time enable specialty crop producers to secure a competitive position in the global marketplace.

In the Pacific Northwest the federally funded Small Fruits Research Center has proven to be a model of success in efficiently investing research funds to address the immediate challenges of producers.

### Conservation Policy

Today consumers want an agricultural production system that not only produces abundant, affordable and safe food and fiber, but also conserves and enhances the natural resource base and protects the environment. The public benefits of working land conservation programs are a more stable and productive farm economy and an improved environment. Protecting the environment and productivity today will mean less cost for producing products in the future and will therefore assist in ensuring sustainability in the years ahead.

For the produce industry, there continues to be mounting pressures of decreased availability of crop protection tools that can be used to provide the abundant and safe food supply the consumer demands. In turn, environmental regulations continue to put pressure on the industry's ability to be competitive in a world economy. Because of these factors, the industry supports expanding cost share and incentive programs such as the Environmental Quality Incentives Program and the Conservation Security Program that encourages producers to invest in natural resource protection measures they might not have been able to afford without such assistance. There is also a need for targeted technical assistance to help fruit and vegetable producers' access conservation programs - providing both education on available programs and technical assistance in preparing documentation and farm assessment that are necessary to apply for the conservation programs. The current administrative structure of national Soil and Water Conservation Districts could serve a key role in bringing conservation programs into practice with producers.

### International Trade Policy

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, provides jobs for millions of Americans, and makes a positive contribution to our nation's overall trade balance. This year, the value of U.S. agriculture exports is projected to be a record of \$64.5 billion. Unfortunately, imports are forecasted in 2006 at record levels of \$61.5 billion.

With the United States' 2006 trade balance forecasted to be at its lowest point in 20 years, serious attention must be made to our current trade policies which help expand market access. Without improved international trade policies that advance open and fair trade practices in the global market, the U.S. surplus in agricultural trade which has declined over 90 percent since 1996 will continue to fall.

U.S. fruit and vegetable growers face significant obstacles in the development of export markets for their commodities and unique challenges due to the perishable nature of our products. Without further commitment to export market development by the federal government and commitment to reducing tariff and non-tariff barriers to trade, the U.S. produce industry will continue to lose market share to global market competitors. Farm bill programs that have worked well increasing access to foreign markets for domestically produced fruits and vegetables are the Technical Assistance for Specialty Crops and the Market Access Program. This program should be continued and expanded in the next Farm Bill.

### Immigration Reform

The produce industry relies on agricultural labor to harvest fruits and vegetables across the United States. Immigrants have historically provided much of that labor. In time, those immigrants and their children move up the economic ladder, following the American Dream, and being replaced by new entrants behind them. For this reason, we support programs that are designed to facilitate lawful entry of farm workers into the United States. As Congress continues to debate immigration reform the produce industry urges Congress to support comprehensive immigration reform which includes a strong guest worker program that will match a willing foreign employee with a willing employer when no U.S. workers are available. As a member of the produce industry, I know that many of the labor intensive jobs of planting, harvesting and packaging fresh fruits and vegetables are done by a temporary workforce. More than any other sector of the economy, seasonal and physically demanding farm jobs do not attract enough native born workers to get the job done. As a result, agriculture relies heavily on immigrant labor.

In addition, as a citizen of this country I strongly support homeland security which includes increased border enforcement and security. However, an enforcement-only approach offers an incomplete solution to the problem of illegal immigration. We need a legislative solution which provides a process that allows certain undocumented workers currently in the United States to gain legal status after they pay a fine and meet strict criteria. Through this approach, we can achieve our border security and enforcement goals while allowing our trained and experienced workforce a chance to earn legal status, and provide expanded legal ways for future temporary workers to enter, work, and depart in a safe and orderly fashion.

Finally, we must have immigration reform efforts that place reasonable requirements on employer verification processes. I continue to be concerned that without enough support, Congress will pass an enforcement-only bill that imposes unreasonable requirements on employers and would be impossible to comply with.

The fruit and vegetable industry needs and want access to a legal labor force but to put

enforcement alone ahead of reforms that ensure access to a legal labor force is to put the cart before the horse and is not a viable business solution for our industry. The damage to agriculture will be irreversible. Instead, Congress must pass reforms that include guest worker programs, realistic approaches to the current undocumented workforce in the United States, and reasonable requirements on the business sector dealing with employment verification processes.

It seems futile to continue to entertain proposals that suggest workers currently in the U.S. go back to their country of origin before they can proceed with applications to qualify for guest work or other legal status programs.

## Conclusion

We look forward to working with the committee on the development of the next Farm Bill. Many of the pressures that fruit and vegetable producers face are similar to those of producers of other commodities - increased regulation, high energy costs, transportation costs and input costs, but the perishability of our crops result in different marketing strategies, market requirements and the need to move our products to market quickly. We hope these unique characteristics can be addressed through agricultural policies that drive domestic consumption, and expand foreign market access while investing in research, food safety, conservation and pest exclusion policies that benefit the members of the produce industry. All too often, fruits and vegetables or "specialty crops" are often ignored when it comes to the development and implementation of U.S. farm policy. Like producers of program crops, fruit and vegetable growers face significant challenges in the production and marketing of their commodities that must be addressed if they are to be competitive in an increasingly global marketplace. Considering that nearly half of farm revenue in the United States comes from specialty crops it's very appropriate that a re-balancing of program support be examined.

We ask that the Committee continue to work with the produce industry to ensure that fruits and vegetables are appropriately addressed as you move forward in the development of the 2007 Farm Bill. We certainly recognize the fiscal constraints facing the Congress, however, the many challenges facing the fruit and vegetable industry will only worsen if real and adequate policy reforms are not provided through a Farm Bill that appropriately meets the needs of the broad U.S. agriculture community.

Thank you.