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Senate Committee on Agriculture, Nutrition and Forestry
Washington, DC

"Examining the Performance of U.S. Trade and Food Aid Programs for the 2007 Farm Bill"

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Thank you, Mr. Chairman, for the opportunity to testify with respect to phytosanitary trade issues in the specialty crop industry and how the 2007 Farm Bill can help address these issues. I want to commend you and Ranking Minority Member Chambliss for holding this hearing to review agricultural trade issues, which are extremely important to citrus growers in California and other specialty crop growers all across the United States.

First, I would like to note that specialty crop growers produce approximately 50% of the farm gate value of total agricultural crop production in the United States. However, in the past, this segment of our agricultural industry has received only a very small percentage of federal resources aimed at promoting and sustaining efficient specialty crop production. I hope that will change in the 2007 Farm Bill. I believe strongly that the allocation of resources aimed at addressing issues of concern to specialty crop growers in the 2007 Farm Bill must reflect the value of their production to our economy, as well as the dietary needs of all Americans. We look forward to working with you in the development of a Farm Bill that fully addresses issues confronting specialty crop growers in today's rapidly changing global markets.

Specialty Crop Trade Deficit

U.S. international trade policy is critically important to the U.S. specialty crop industry. Unlike many of the other agricultural crops, fruits and vegetables face a significant trade imbalance with our trading partners. Between 1995 and 2005, imports of fruits and vegetables into the U.S. more than doubled, to \$10.1 billion in 2005, while U.S. exports have increased much more modestly. As a result, the fruit and vegetable trade surplus in 1995 of over \$600 million is now a trade deficit of nearly \$2.3 billion (see Attachment 1). This trade deficit of \$2.3 billion is a manifestation of the many difficulties that specialty crop growers now confront in their efforts to remain competitive in global markets.

Phytosanitary Trade Barriers

One of the primary reasons for the \$2.3 billion trade deficit in specialty crops, which of course contributes significantly to the total U.S. trade deficit, is that access to foreign markets for U.S. specialty crops has often been blocked due to phytosanitary trade barriers. In May of 2005, a report by USDA's Foreign Agricultural Service, which was mandated by the enactment of the Specialty Crop Competitiveness Act of 2004, identified 36 different phytosanitary barriers that

serve as obstacles to specialty crop exports in various international markets. While some of these phytosanitary issues are of legitimate concern, many are not justified with sound science. It is imperative that the 2007 Farm Bill address the problem of phytosanitary trade barriers, which is a major problem of specialty crop growers.

In order to further illustrate this problem, below are several examples of problems with phytosanitary barriers in international markets experienced by the citrus industry:

? In 2006, the discovery of a peach fruit fly in Fresno County created a quarantine that prevented the export of oranges from that county and parts of Tulare. The eradication was conducted successfully and the quarantine lifted. All nations except China concurred in the lifting of the quarantine and it took substantial time, resources and frustration to overcome their scientifically unjustified concerns;

? Recently, industry representatives and APHIS officials traveled to South Korea, our largest export market, to seek modifications to an existing phytosanitary protocol. All of our suggestions were based upon sound scientific data developed by the University of California. However, we were rebuffed by the Korean officials, and we now have limited access to this important market;

? In the late 1990's, a trade agreement was signed allowing lemons to be exported to India. However, a combination of phytosanitary and tariff issues have to date prevented us from accessing this potentially major market.

These are just a few examples from our industry that illustrate this problem, which is widespread in the specialty crop sector.

When the World Trade Organization Uruguay Round Agreement was implemented more than a decade ago, it was our hope and expectation, based on the promises made by government officials, that specialty crop growers would gain access to foreign markets as a result of that agreement. Unfortunately, while the U.S. market welcomes imports from our trading partners, some of whom heavily subsidize their industries, U.S. growers have not received significant market access to these foreign markets. The reduction of tariff rates through multilateral or bilateral trade agreements is completely useless if a phytosanitary trade barrier prevents access to a given market.

The Uruguay Round agreement contained the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) for the purpose of preventing phytosanitary restrictions from being used as non-tariff barriers to restrict trade in agricultural products. Under the WTO SPS Agreement, all phytosanitary restrictions must be based on sound science. Unfortunately, it appears from the experience of specialty crop growers over the past decade that the success of the WTO SPS Agreement is a one-way street. While the U.S. has abided by the WTO SPS Agreement and opened our market to imports of many types of specialty crop products, unfortunately a number of countries have maintained phytosanitary barriers because they interpret the SPS Agreement differently than does the U.S. government.

Obtaining greater access to foreign markets in order to expand exports is critical to U.S. specialty crop growers in order to remain competitive in global markets. Since the negotiation of multilateral and bilateral trade agreements has not resulted in substantial market access for specialty crop growers in large part due to the continued existence of phytosanitary barriers, our government must commit more resources to addressing this problem in order to help specialty crop growers compete in world trade. In order to remove phytosanitary trade barriers, APHIS must conduct the scientific research needed to prove that such a barrier is not warranted. The only way that APHIS can effectively commit to do this is with additional resources.

Recommendations for the 2007 Farm Bill

It is imperative that Congress take action in the 2007 Farm Bill to address the problem of phytosanitary trade barriers that block access to international markets for U.S. specialty crop growers. We have worked with the APHIS and FAS teams on this objective, and to a person they work hard and are knowledgeable, but they are stretched thin. Congress needs to provide more resources and reforms through the Farm Bill to properly address this issue.

California Citrus Mutual has been an active member of the Specialty Crop Farm Bill Alliance (SCFBA), which has developed a number of recommendations for how the 2007 Farm Bill can help increase exports of U.S. specialty crops by implementing measures which facilitate the removal of phytosanitary trade barriers. Some of these provisions will be included in legislation that is expected to be introduced in the Senate by Senators Stabenow, Craig and others. We greatly appreciate the strong leadership of Senators Stabenow, Craig and other cosponsors on behalf of specialty crop growers.

I would now like to discuss these recommendations for the 2007 Farm Bill.

Technical Assistance for Specialty Crops Program

The Technical Assistance for Specialty Crops (TASC) program was established in the 2002 Farm Bill to provide assistance to U.S. growers to engage in research and other activities needed to remove phytosanitary trade barriers. The 2002 Farm Bill provided \$2 in mandatory funding annually for TASC. This program has proven to be very successful in removing such barriers, but funding is not sufficient to keep up with demand.

CCM and the Specialty Crop Farm Bill Alliance believe that we should immediately accelerate efforts to increase exports through the removal of phytosanitary barriers by increasing TASC funding in the 2007 Farm Bill to meet demand. We recommend that the existing level of \$2 million per year in mandatory funding be increased to \$10 million per year (a phased increase of \$2 million increments per year). USDA should also ensure that the Foreign Agriculture Service has the personnel available to implement an expanded TASC program. Also, TASC funds not obligated as part of the yearly TASC allocations should be allowed to be carried over for utilization in the next fiscal year.

We believe greater funding for TASC would be an extremely prudent investment that would

allow specialty crop growers to significantly expand exports, thus benefiting the U.S. balance of trade.

Coordination of Trade Objectives between Federal Agencies

It is clear that phytosanitary trade issues must be more effectively addressed as part of future trade agreements if significant market access is to be obtained for specialty crop growers in many international markets. CCM and the SCFBA believe that increased coordination between all federal agencies that are responsible for agricultural trade matters would help increase the likelihood for success in removing phytosanitary trade barriers. We therefore recommend that language be included in the 2007 Farm Bill that will require or encourage key agencies, such as USDA and USTR, to work toward increased coordination of export trade objectives and greater transparency on phytosanitary issues.

APHIS Phytosanitary Export Petitions

Another impediment to increasing exports of U.S. specialty crops is that it often takes many years for USDA's Animal and Plant Health Inspection Service (APHIS) to process and approve phytosanitary export petitions that must be granted to growers before they can export to a certain country. This problem greatly limits the ability of U.S. specialty crop producers to expand exports and contributes to the expanding U.S. trade deficit.

To address this problem, Congress directed APHIS, through the Specialty Crop Competitiveness Act of 2004, to reduce the backlog of phytosanitary export petitions that are now pending at the agency. CCM understands that APHIS is moving forward with the implementation of an expedited review process for phytosanitary export petitions, in accord with the mandate provided by Congress in the SCCA of 2004. We want to commend APHIS for moving forward with this effort, and look forward to continue to work with the agency and with Congress to ensure it accomplishes the goal of increasing U.S. specialty crop exports.

Protecting U.S. Agriculture from Invasive Pests and Disease

Equally critical to the objective of increasing foreign market access for agricultural exports is the need for the federal government to protect U.S. agriculture against invasive pests and disease. With the large increase in international trade of agricultural products over the past decade, the threat of invasive pests and diseases to U.S. agriculture has grown exponentially.

Invasive species can and do have devastating economic and environmental impacts on agricultural producers, as well as other industries, such as recreation, fisheries and forestry. A 2004 study by Cornell University researchers estimated the costs of invasive species at \$120 billion annually. Given these enormous potential adverse impacts, ensuring that the federal government has programs in place to effectively protect U.S. agriculture from invasive species is one of the highest priorities of our industry.

Given the increased level of risk of introducing invasive species here in the U.S. brought about

by increased international trade, CCM and the Specialty Crop Farm Bill Alliance recommend several initiatives that the federal government should implement as part of the 2007 Farm Bill to minimize and manage this risk.

Pest and Disease Threat Identification/Mitigation

First, we recommend that the Farm Bill direct APHIS to develop a Threat Identification and Mitigation Program that clearly identifies and prioritizes foreign invasive species threats to the domestic production of specialty crops. This program would be modeled after the Cooperative Agricultural Pest Survey approach. As a component of this task, APHIS should work with the Agricultural Research Service in developing appropriate domestic mitigation and eradication measures. The goal of this program is to protect the interest of the U.S. specialty crop industry by preventing pest and disease threats from entering the U.S.

Emergency Eradication

Second, CCM and the SCFBA believe that the 2007 Farm Bill should contain language that directs the Secretary of Agriculture to access Commodity Credit Corporation funding for emergency response and eradication programs needed to combat invasive species in a timely and effective manner. The legislation should also grant the Secretary the authority to provide compensation to growers if the Secretary believes this is warranted, and if so, such a program should be administered with existing Farm Services Agency services so it will not dilute APHIS resources needed to accomplish eradication goals.

Transfer of Border Inspectors

Finally, our industry is very concerned with the effectiveness of the Department of Homeland Security in protecting our nation's borders from the introduction of foreign invasive species into the United States. As members of this Committee know very well, some 1,800 agricultural specialists within APHIS were transferred to the DHS as Customs and Border Protection (CBP) employees in 2003. At the request of Congress, the U.S. Government Accountability Office issued a report in May, 2006, which assessed whether this transfer has been carried out effectively. The report contains a number of disturbing findings and identifies several areas where improvements are needed. For example:

? CBP has not developed sufficient performance measures that take into account the agency's expanded mission or consider all pathways by which prohibited agricultural items or foreign pests may enter the country....

? [A]griculture specialists are not consistently receiving notifications of changes to inspection policies and urgent inspection alerts...we estimate that only 21 percent of agriculture specialists always receive urgent alerts in a timely manner...Finally, CBP has allowed the agriculture canine program - a key tool for targeting passengers and cargo for detailed inspections - to deteriorate.

CCM and others in the specialty crop industry have always questioned the re-assignment of agricultural specialists from APHIS to CBP. These agents are on the "front lines" of working

to keep plant pests and diseases from entering the country through any of numerous border entry points. The GAO report provides evidence that the original misgivings about the transfer were well founded.

As such, CCM recommends that the 2007 Farm Bill direct the Administration to transfer our nation's border inspection responsibilities back to APHIS. We believe this would more effectively protect specialty crop growers and other U.S. interests against the increasing threat of foreign invasive species being introduced into our nation.

Conclusion

Mr. Chairman and Senator Chambliss, it should be abundantly clear by now that phytosanitary issues are of critical importance to specialty crop growers throughout the nation. Specialty crop growers greatly appreciate your efforts to review this matter through this hearing, and we look forward to working with you on the development of a 2007 Farm Bill that addresses these issues.