

**Statement of the Honorable Gene Hugoson
Commissioner, Minnesota Department of Agriculture
on behalf of
The National Association of State Departments of Agriculture
before
The United States Senate Committee on Appropriations
Subcommittee on Agriculture, Rural Development, and Related Agencies
Thursday, April 1, 2004**

My name is Gene Hugoson, Commissioner of the Minnesota Department of Agriculture and President of the National Association of State Departments of Agriculture (NASDA). I present my statement on behalf of my fellow commissioners, secretaries and directors from the 50 states and four U.S. territories.

Fund Specialty Crop Block Grant Program

We respectfully ask that the Senate provide funding for a block grant program in the fiscal year 2005 Agricultural Appropriations Bill. Congress first approved a specialty crop block grant program in 2001 (H.R. 2213, P.L. 107-25). Congress chose States to administer the \$159.4 million block grant program which was directed at the specialty crop industry to address difficult circumstances caused by disease, low prices, and lack of funding in several areas including: research, promotion, and inspection. NASDA members believe that this block grant program has improved the specialty crop industry's ability to sustain, expand and enhance their production systems.

The program provided state block grants to assist the specialty crop industry, not in the traditional manner of farm assistance programs, but through a focus on projects to improve the industry's competitiveness. The demands for the grant funds were overwhelming; more than 3,900 requests for grant funding were made totaling \$1.52 billion.

State Departments of Agriculture took advice from their local constituency groups and ultimately made investments in more than 1,400 projects in significant issue areas including marketing, nutrition, education, research, pest and disease programs, and food safety. We would like to point out that an

important factor in many states' grant funding criteria was commitment to matching funds. Together, states and grant recipients contributed more than \$45 million in matching funds.

Knowing that Congress would have a keen interest in the success of the 2001 block grant program, we surveyed the states and compiled a progress report. It is available on NASDA's website at www.nasda.org or copies can be requested from NASDA's office. Each member of the subcommittee will be provided their own copy of the report.

We would like to bring to your attention that current legislation in the U.S. House of Representatives, H.R. 3242, "The Specialty Crop Competitiveness Act of 2003," provides \$470 million for a specialty crop block grant program. NASDA supports the passage of this legislation.

Changing Times

As you know, times are changing in the agriculture industry. No longer are bulk commodities the only crops that come to mind when people think about American agriculture. In the early 1900's, bulk commodities like wheat, corn, and cotton were the dominant crops grown on the majority of America's farms. While bulk commodities will always remain essential components of America's agricultural industry, today specialty crops have grown significantly in economic importance. During the last century, farmers and ranchers have become much more diversified and more involved with marketing their products from the farmgate to the consumer.

Specialty Crops – A Strong Economic Engine

The contribution of the specialty crop industry to the economic health of the United States and to our agricultural economy becomes clear when you consider the cash receipts the industry generates. For the year 2002, the United States Department of Agriculture's Economic Research Service (ERS) reported that, "Vegetables, Fruit and Nuts, All other Crops, and Hay" generated **\$57.7 billion** in cash receipts. This figure is important as it outpaces the cash receipts generated by the remaining plant crops. In 2002, "Oil Crops, Tobacco, Cotton, Feed Crops, and Food Grains" generated **\$45.7 billion** in cash receipts.

The Challenges – Low Income & Trade Deficit

As times have changed, so have the needs of farmers and ranchers in our country. Specialty crop growers are faced with a variety of challenges — many of them brought about by the diversity of the specialty crop industry. Just like any farmer or rancher, specialty crop growers face the risk of their crop being destroyed by a pest, disease or natural disaster. But they also carry additional risk due to compliance with ever changing regulatory requirements, high labor costs, high fuel costs and exotic pest pressures while competing on a non-level playing field against imports from outside the United States.

The USDA ERS reported in “Agriculture Economy Improves in 2003” that specialty crop producers should expect lower than average income: “Producers of specialty crops (vegetables, fruits, nursery products) are especially susceptible to higher energy and labor costs (the fastest rising expense categories in 2003). Lower average income is expected for these farms, since modest gains in receipts will not be enough to compensate for higher expenses.”

However, not all growers in other sectors are experiencing the same challenges. The report stated, “The financial condition of U.S. farmers and other agricultural stakeholders is expected to improve in 2003. Net farm income, a measure of the sector's profitability, is forecast to be up \$17 billion (49 percent) from the \$35.6 billion earned in 2002 and about 10 percent above the 10-year average.”

While we recognize the importance of global trade in agricultural commodities and recognize the complexity of the global economy, we are alarmed at the disparity between the explosive growth in importation of specialty crops into the United States versus the relatively flat growth in the exportation of our products to other countries. The USDA's Foreign Agricultural Service's “Foreign Agricultural Trade of the United States” reports that for the period 1997-2002 that:

Imports - increased 39% to a total of \$14.7 billion in 2002; while,

Exports - increased 6.5% to a total of \$11.7 billion in 2002.

While these trends certainly raise questions regarding “fair trade”, it's also important to emphasize the issue of “safe trade.” Can our industry remain competitive when they are asked to absorb the cumulative

risk of introduction of unwanted foreign pests and diseases imported on foreign commodities that are deemed to be “safe?”

Block Grants – An Investment in Critical Infrastructure

It's time for the public sector to realize the value of specialty crops and make long term investments in the competitiveness of the industry. Public investment in critical infrastructure will benefit not only the economy but public health and the environment. This investment can be used to support on-going research that is furthering the development of new varieties of specialty crops and contributing to advances in fighting foreign pests and diseases brought in by imports. It will help continue statewide marketing and promotion campaigns that are increasing the consumption of fruits and vegetables across the nation. It will help maintain competitive prices, both domestically and internationally. And more importantly, federal resources will support nutritional education programs in our schools which will give our children the tools to make healthy eating choices — helping us all battle the obesity epidemic that is affecting each and every one of our states.

Farmers and ranchers need government policies that make it possible for them to remain competitive. When farmers earn a profit, they are better equipped to adapt to change. These changes bring better results for the environment, for workers, for consumers and for the economy. Everyone benefits from the support of specialty crops. I ask you to please take a minute to think about what you want agriculture to look like in the next 5, 10 or even 25 years. We can shape that vision today by committing to a long-term investment in our specialty crop producers and ensuring they continue to feed the nation and the world.

The State Departments of Agriculture are ready to continue this important dialog and be a part of the solution in keeping specialty crops producers competitive and viable. Thank you for the opportunity to express NASDA's strong support for the Specialty Crop Block Grant Program.

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