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**Testimony Before
House Agriculture Subcommittee On
Biotechnology, Horticulture, and Research**

Regarding

The Farm Economy: Factors Impacting Cost of Production

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Chairman Davis, Ranking Member DelBene, and members of the Subcommittee, thank you for holding today's hearing on the farm economy and factors impacting cost of production.

I am Chuck Conner, president and chief executive officer of the National Council of Farmer Cooperatives (NCFC). NCFC represents the interests of America's farmer cooperatives. There are nearly 3,000 farmer cooperatives across the United States whose members include a majority of our nation's more than 2 million farmers. NCFC members also include 22 state and regional councils of cooperatives.

Farmer-owned cooperatives are central to America's abundant, safe, and affordable food, feed, fiber, and fuel supply. Through their cooperatives, farmers are able to improve their income from the marketplace, manage risk, and strengthen their bargaining power, allowing individual producers to compete globally in a way that would be impossible to replicate as individual producers.

By pooling the buying power of hundreds or thousands of individual producers, farmer cooperatives are able to supply their members—at a competitive price—with nearly every input necessary to run a successful farming operation, including access to a dependable source of credit. Furthermore, farmer cooperative members also are able to capitalize on new marketplace opportunities, including value-added processing to meet changing consumer demand.

On behalf of my members, I thank this Subcommittee for ensuring public policy continues to protect and strengthen the ability of farmers and ranchers to join together in cooperative efforts in order to maintain and promote the economic well-being of farmers, ensure access to competitive markets, and help capitalize on market opportunities.

I also applaud this Subcommittee and the Committee as a whole for taking a deeper dive into the factors influencing the farm economy. This early action and educational focus by the House Agriculture Committee will enhance prospects for completing new farm bill legislation when the time comes. Even though every farm bill takes its own unique path to final enactment, one fact of the process remains the same: it has to start somewhere and the sooner the educational process starts, the better.

As this work begins, it is imperative that federal policies provided by the farm bill promote an economically healthy and competitive U.S. agriculture sector. These programs serve a variety of purposes, including: meeting the food, fuel, and fiber needs of consumers worldwide; strengthening farm income; improving our balance of trade; promoting rural development; and creating needed jobs here at home.

In examining the dynamics of the farm economy, we are reminded that numerous influences – some of which are out of our control—come into play. Extremely volatile weather and global markets result in equally volatile farm gate prices, yields, and costs of production. Today’s margins for most agricultural commodities are tight, and farm income has retreated significantly from its highs just a few years ago. Our common, ultimate goal— and at the heart of the farm bill— is to preserve the productive capacity of our farms by maintaining a responsive and equitable safety net, combined with adequate funding, for all regions and commodities, as well as comprehensive risk management tools, such as a strong crop insurance program.

On behalf of my members, I also appreciate this Subcommittee’s support and investment to keep U.S. specialty crop production strong, including research to enhance competitiveness and further document health benefits, and in the prevention and treatment of plant pests and diseases that could harm domestic production and international trade.

Today, I wish to highlight the positive role this Subcommittee can have on the farm economy in several areas, including a focus on research and fostering innovation, oversight on regulatory issues impacting the cost of production along the value chain, and a renewed commitment to market promotion and accessibility.

The Value of Research

American agriculture has long been at the forefront of meeting the world’s ever expanding needs for food, feed, fuel, and fiber. Many factors have contributed to the unparalleled success of American agriculture, but one of undeniable importance has been the expansion of food production enabled in large part by science-based advances in food and agriculture. Improved efficiencies begin with a foundation based on strong research.

With the support of this Subcommittee, vital research initiatives have provided essential knowledge and innovation to combat pests and diseases, address food safety and security issues, comply with environmental regulations, and enhance the nutritional value of certain crops. According to the National Coalition for Food and Agriculture Research, of which I currently serve as chair, this tremendous pay-off of public investments in agricultural research and education over the past 50 years amounts to \$3,400 of savings on the average American family's food bill. Additionally, the beneficial impact of the vital funding that effective agricultural research can deliver has been identified as a 30 to 1 return on investment for the American taxpayer.

Thanks to the contributions of agricultural research, we have a more affordable, healthier, safer, and more sustainable food, feed, fuel, and fiber supply. NCFC strongly believes an important ingredient in providing longer-term solutions to American agriculture's challenges is increased support for food and agricultural research, and we look forward to working with members of the Subcommittee to build greater opportunities for advancements through research in the years to come.

Specialty Crop Research Initiative

Of specific interest to this Subcommittee is the Specialty Crop Research Initiative (SCRI), a program supported broadly within the sector. The SCRI program was established to meet the unique needs of the specialty crop industry by supplying grants to support research and extension. In particular, the SCRI Citrus Disease Research and Extension Program (CDRE), which was authorized by the 2014 farm bill, awards funds to conduct research, extension activities, and technical assistance to fight citrus diseases and pests, such as Huanglongbing (HLB), commonly referred to as citrus greening.

This research is vitally important as citrus greening is responsible for devastating losses in the citrus industry, threatening its future viability. A solution is desperately needed as it has already destroyed millions of citrus acres across the U.S. Once a tree is infected, there is no cure; research must get out ahead of this disease before it is too late. This is just one of the many examples of the importance of agricultural research programs and its integral relationship to the success of the industry.

Fostering Innovation & Next Generation Technologies

Inextricably tied to advancements made with research, agricultural innovation is important to all Americans because it enables plant and animal producers to increase productivity of healthful food using less land, while conserving soil and water and reducing on-farm energy consumption. These benefits are passed on to consumers in the form of an affordable and nutritious food supply, a healthy environment, and a strengthened rural economy.

Growers across the country are using new equipment and information systems to improve efficiency and increase profits. Today, advanced technologies help ensure the most efficient use of fertilizers and chemicals, while modern tractors and combines use of state-of-the-art

propulsion systems that more efficiently use diesel fuel. Agricultural biotechnology also is an important part of this mix.

In the U.S., biotech crops are ubiquitous and, in fact, represent “conventional” production agriculture as more than 90 percent of corn, cotton, canola, soybeans, and sugar beets grown contain at least one biotechnology-derived trait. Farmers are also choosing biotechnology to grow crops, such as alfalfa, papaya, apples, potatoes, and squash. The traits in all of these crops help farmers manage potentially devastating insects, weeds, diseases, and weather conditions.

Biotech crops contribute substantially to the rural economy by enabling farmers to produce more food in a more time efficient way while using fewer inputs. Globally, farmers growing biotech crops saw net economic benefits at the farm level amounting to more than \$20 billion in 2013, the most recent year for which there is data, and more than \$133 billion in the thirty years since biotech crops were first introduced. Of the total farm income benefit, 60 percent is due to yield gains.

Gains in productivity associated with biotech crops also have been essential in bolstering American agricultural trade, which totaled more than \$130 billion in 2015.

Additionally, USDA’s Economic Research Service (ERS) has published reports noting how the adoption of biotech crops by farm families is associated with higher off-farm household income. Two ERS studies, which I would like to submit for the record, highlight how biotech crops allow farmers to save time, which is then used to generate income from off-farm employment. One report highlights that a 10 percent increase in the use of herbicide tolerant soybeans is associated with a 16 percent increase in off-farm household income. These statistics illustrate how more efficient farming practices, including the use of biotechnology, generate greater economic activity in rural communities.

Looking beyond what we think of as biotechnology today, advanced plant breeding techniques hold enormous promise for improving the productivity and environmental sustainability of food, feed, fiber, and biofuels. By applying newer methods, plant breeders can be more efficient and precise at making the same desired changes that can be made over a much longer period of time through earlier breeding methods. Because these new methods are efficient and economical, they are accessible to public and commercial breeders and can be used across all agriculturally important crops, including specialty crops.

As adoption of these new technologies spreads, the U.S. has an opportunity to be a leader in the global discussion over their regulation, just as it has, in many ways over the past thirty years with respect to enabling the research, development, and widespread commercialization of beneficial crops developed using agricultural biotechnology.

Given economic benefit related to the current set of biotech crops and the significant potential for the commercialization of crops derived from other innovative plant breeding techniques, it is essential that Congress consistently promotes policies that encourage innovation and ensure that Executive branch actions—regulatory and otherwise—foster the growth of a strong 21st Century farming economy. We urge you to consistently monitor pre-market regulatory programs at

USDA, EPA, and FDA to ensure that they are transparent, predictable, and science-based. This is particularly important as USDA reexamines its pre-market regulatory framework for biotechnology—a process that is ongoing and with which NCFC and a large group of stakeholders are actively engaged. We will want to keep in close contact with you to ensure new pre-market biotechnology regulations at USDA foster innovation and create an environment in which farmers of all stripes have access to the best seeds.

NCFC also thanks the full Committee for its work to establish national biotech food labeling standards, shepherding a labeling uniformity bill through the House of Representatives—a bill that gained overwhelming bipartisan support. We appreciate your work and will be back to see you soon once the Senate passes their version of labeling uniformity. On a similar note related to biotech crop detractors causing problems at the city, county, and state levels of government (as they have done with labeling), we would like to note our concern about local government bans on biotech crop cultivation and restrictions on the sale of biotechnology-derived seeds. This issue is another one we are monitoring carefully and may need to revisit with you at a later date.

Regulatory Impacts on Cost of Production – Issues Beyond Farm Policy

Beyond an investment in research and ensuring access to technology, we must also ensure that our public policy does not hurt the economic viability of farm and ranch families across the country. Often these issues are outside traditional farm policy and come from corners of the federal government that may not understand production agriculture. Yet a broad range of regulatory actions—those pending at federal agencies or in the pipeline and coming soon to a farm near you—have the potential to increase the costs and reduce the margins of cooperatives and their farmer and rancher member-owners. Whether the regulations deal with the environment, immigration and labor, food safety, or financial reform, they can create an uncertainty that threatens to hold back investment and growth across the agricultural sector.

Over 20 million jobs across the country are directly or indirectly dependent on agriculture, and account for nearly \$1 trillion or 13 percent of Gross National Product. If our agricultural sector can preserve its competitiveness in the global marketplace, we can grow this number and be a strong contributor to a growing economy.

Congress must ensure that the marketplace, not the federal government, determines the cost of production for America's farmers and ranchers. If our farms, ranches, and cooperatives are weighed down with costs imposed by either regulatory actions or delays in the regulatory process, farm income will decrease and market share will be lost to our competitors.

The U.S. Environmental Protection Agency (EPA) is often thought of first as the main culprit when it comes to regulatory actions impacting agriculture, and they have rightfully earned that dubious honor. From the expansion of the definitions of the 'waters of the U.S.' rulemaking to outright circumventing the legal requirements under the Administrative Procedures Act (APA) when it comes to registration of crop protection products, the cumulative weight of their actions is cited by my members as a serious impediment to future investment in their operations and businesses.

Specific to crop protection, federal laws dictate that the U.S. Department of Agriculture (USDA) serve as an important advisor to EPA in the regulation of pesticides. Historically, USDA's expertise and advice have been evident in the actions EPA has taken to evaluate pesticides and their uses. USDA's perspective and knowledge of production agriculture is critical since we know that crop protection products can increase farm yields as much as 40 percent to even 70 percent depending on the crop.

It should concern this Subcommittee to hear the farm community expressing increasingly urgent concerns about the lack of seriousness with which EPA takes and incorporates USDA expertise, advice, and opinions, especially during formal interagency review. In particular, it is unclear to what extent USDA expertise was valued and included in recent actions, such as Endangered Species consultations, the revised Worker Protection Rule, and the recent benefits analysis for seed treatments on soybeans. If EPA fails to adequately calculate and/or consider the economic costs of these impacts— and beneficial uses— in its regulatory proposals, the consequences could be devastating.

The U.S. has the world's most rigorous pesticide registration and review processes. When registering a pesticide, EPA reviews voluminous data to ensure that the product is protective of people, wildlife, pets, and the environment. Furthermore, under the law, all chemicals must be reevaluated every 15 years. Pesticides are regulated by assessing 'risk' to determine whether and how a product can be used safely. In evaluating risk, 'hazard' (whether something can cause harm) and 'exposure' (whether you will be exposed to harm) are balanced against the benefit of using a product, such as protection of the public health from disease-carrying pests, protection of our nation's buildings and infrastructure, protection of the food supply, etc. This is something EPA should be confident in and proud to defend. As a matter of fact, EPA does a great job defending the merits of our risk-based system when commenting on the EU's precaution-based regulatory scheme. However, recently when EPA regulatory decisions are challenged in the U.S., the Agency seems reluctant to defend, or even more troubling, is unable to properly provide evidence of its scientific decisions.

Some recent EPA activities appear to focus only on the hazard aspect and ignore factors, such as exposure and benefits. EPA's proposed mitigation measures for pesticides that are acutely toxic to bees are one such example. Should this trend continue, EPA runs the risk of encouraging public mistrust surrounding the products that are used to protect public health, our infrastructure, and the food supply.

I anticipate my fellow panelists will cover a variety of EPA-related issues more fully, and I echo their concerns across the board. At this time, I wish to turn attention to several other regulatory issues which could have potential impacts on the farm economy.

Regulatory Scope for Innovative New Breeding Techniques

Just last week, NCFC and several other members of the agriculture community had the opportunity to comment on the USDA Animal and Plant Health Inspection Service's (APHIS) notice of intent to prepare an environmental impact statement on the introduction of the products of biotechnology with possible revisions to its biotechnology regulations (7 CFR part 340). A

prominent theme throughout our comments focused on the reducing the regulatory burdens of bringing the latest, most precise breeding techniques to market. Embracing modern agriculture is the right thing to do for our country, which has a rich history of nurturing science, research, and innovation in all areas of the economy. The United States is strong and prosperous because American leaders embrace the responsible use of technology and set forth public policies to move the nation forward in this regard.

Breeding technologies have rapidly evolved over the last half century, enabling plant breeders to be more precise and efficient at making the same desired changes that can be made over a much longer period of time through earlier breeding methods. In light of the fact that no plant pests or noxious weeds have been identified in 30 years of regulatory oversight of transgenic plants, including every transgenic plant on the market today, the expansion of regulatory scope cannot be justified by APHIS from either a scientific or risk perspective. Nor is this proposal consistent with the Coordinated Framework principle that the focus of regulatory oversight should be on the characteristics of the product rather than the process by which it was produced.

Plant varieties developed through the latest breeding methods should not be differentially regulated if they are similar or indistinguishable from varieties that could have been produced through earlier breeding methods. Therefore, the definition of ‘biotechnology product’ should only include plants that contain genetic material that has been modified through in vitro recombinant deoxyribonucleic acid (DNA) techniques for which the modification could not otherwise be obtained through conventional breeding.

Under this definition, new plant varieties should be subject to little or no pre-market regulatory review if there is no insertion and stable transmission to subsequent generations of genetic material that encodes an expressed protein. Additionally, based on over 30 years of regulatory experience, if there is insertion and stable transmission of genetic material, new plant varieties would also not be subject to a pre-market regulatory review if the inserted genetic material is from a sexually compatible plant. This regulatory scope would allow plant breeders to quickly and efficiently deliver targeted genetic improvements that would be possible, but with much greater difficulty, using earlier breeding methods. It would also facilitate the use of these newer breeding methods in a wide range of crops, including specialty crops, and by a wide range of both public and commercial plant breeders without modifying current proven and well-established standards of safety.

It is imperative that the U.S. agriculture industry continues to lead the way with innovation, research, and product development, but also do a better job communicating with the consuming public on the benefits and value of such innovation. It is incumbent on all of us in agriculture—from the policymaker to the producer—to find opportunities that better tell the good story of American agriculture that we have worked so hard to achieve. Developing a thoughtful approach to how these new technologies are brought to the marketplace will be very important and could dramatically impact the cost of production in either direction.

Immigration Reform & Capacity Restraints on H-2A

Farmers and ranchers continue to face a significant challenge in finding an adequate, dependable, and flexible workforce. While the ultimate solution to these problems is legislative, aspects of how federal agencies run the H-2A seasonal temporary worker program pose hurdles to its usage.

This program is the sole legal visa program available to production agriculture; however, it is limited to labor of a ‘temporary or seasonal nature.’ Employment of H-2A workers has nearly tripled in the past five years; yet, it still only accounts for less than 10 percent of all seasonal farm workers. This growth has occurred despite the program’s extreme regulatory hurdles, government inefficiencies, and high costs.

Capacity and infrastructure issues at the Departments of State (DOS), Homeland Security (DHS), and Labor (DOL) are leading to greater processing delays than ever before. This means bureaucratic red tape and interruptions in the program are seriously impacting the viability and profitability of farmers and ranchers as workers show up at the farm well after the date they were needed, and millions of dollars in agricultural production is lost in the interim.

As part of the Agriculture Workforce Coalition (AWC) Steering Committee, NCFC has long advocated for immigration reform that meets both the short- and long-term workforce requirements of all of agriculture. Our primary objective remains legislation that fully addresses agriculture’s workforce crisis. Congress must come together to find a solution. Yet understanding that in the best of scenarios such reforms may not come to fruition in the near term and it could be years before new programs are up and running, we have sought any and all relief possible in order to survive in the meantime.

We believe there are significant policy measures that the DOS, DHS, and DOL could, and should, put into place that do not require legislation or even a regulatory change. There are improvements to the program that can be made within the agencies’ existing authorities that will help curtail processing delays and allow for the flexibility required to ensure that farmers and ranchers receive the workers they so critically need within an appropriate timeframe. Doing so could significantly improve the situation for growers and ranchers while the agencies continue to fulfill their duties to respect the rights of domestic workers and provide homeland security.

For example, DOL’s Office of Foreign Labor Certification (OFLC) has a policy that is not supported by the regulations which requires all workers requested in any single petition be brought onto the job on the start date of the petition. Under the current delays experienced by growers at both the OFLC and U.S. Citizenship and Immigration Services (USCIS), there is no opportunity to receive these workers by the date they are needed. Growers must be given the opportunity to provide a start date that is earlier than the actual anticipated start date as a ‘grace period’ in an effort to better manage the delays that are being forced upon them.

Additionally, the Validation Instrument for Business Enterprises (VIBE) program is inappropriate for agriculture. Consequently, it should not be utilized in verifying employers in the H-2A program.

A number of employers have been receiving Notices of Deficiencies (issued by DOL) or Requests for Further Evidence (issued by USCIS) related to proving that agriculture is seasonal in nature. These notices create an unnecessary and untimely delay in the process. It should be recognized that much of production agriculture is inevitably seasonal and analysts in both agencies should be instructed not to delay the process for that reason, especially during the current crisis.

In view of this crisis, we urge that the three agencies err on the side of expediency in processing agricultural employers' H-2A applications where possible. The livelihoods of farmers and ranchers depend upon timely application processing and visa issuance in advance of farmers' dates of need.

While American agriculture desperately waits for immigration reform, NCFC and the AWC will make every effort necessary to try to ease the regulatory burdens of the H-2A program so that farmers and ranchers have the chance to survive until the broader issue is addressed through a legislative fix to our broken immigration system.

Overtime Rule

Another example of a well-intentioned but detrimental regulation is the Overtime Exemption rule. On June 30, 2015, the DOL proposed changes to the exemptions for executive, administrative, and professional employees under the Fair Labor Standard Act's overtime pay requirements. The Department is proposing to double the salary threshold from the 20th percentile to the 40th percentile. This vast increase from \$23,660 to \$50,440 will substantially increase labor costs, significantly driving up the overall cost of doing business.

NCFC believes that the Department should maintain the salary threshold at the 20th percentile. Maintaining this threshold using updated figures would achieve the desired outcome of increasing the effectiveness of the salary test, as well as bringing the salary level above the poverty line.

However, if an increase is made, it should not be as severe as escalating the threshold to the 40th percentile. A jump to the 40th percentile is far too steep and would have grave consequences for businesses. In particular, small businesses, like the farmer-owned cooperatives NCFC proudly represents, would have a very hard time adjusting to such an unnecessarily high surge in the salary threshold percentage.

If the proposed rule were implemented without change, NCFC fears numerous unintended consequences would ensue. The reclassification of employees could lead to the loss of benefits, flexibility, and incentive compensation options. Reclassification for certain positions will require employers to track overtime for these jobs, leading employers to limit flexible work options which greatly benefit employees and their families. Additionally, many employees highly value the status that accompanies a salaried, exempt position. Employees would be reluctant to give up the professional status of these positions. Furthermore, employees may experience fewer

opportunities for upward mobility as businesses struggle to respond to the severe increase in labor costs.

NCFC has encouraged the Department to refrain from drastically increasing the salary threshold and we seek your help in promoting policies which support allowing the market to dictate an employee's compensation based on the individual's role, skillset, and experience.

Occupational Safety and Health Administration – Process Safety Management

Farmers rely on their local cooperatives to supply the inputs needed to grow crops safely and efficiently. One of the many inputs farmers rely on to return nutrients to the soil is anhydrous ammonia, a safe and cost-effective fertilizer with low environmental impact. As is the case with most commercially sold chemicals, these facilities already comply with extensive storage, handling, and security regulations for anhydrous ammonia under the direction of the EPA as well as the DHS and DOL's Occupational Safety and Health Administration (OSHA), helping to ensure a safe and secure work environment for employees and the local community.

However, on July 22, 2015, OSHA issued a revised policy for the retail facility exclusion under the Process Safety Management (PSM) Standard (29 CFR 1910.119). Since 1992, OSHA's policy has been that an establishment was exempt from PSM coverage if it "derived more than 50 percent of its income from direct sales of highly hazardous chemicals to the end user." The new policy states: "Only facilities, or the portions of facilities, engaged in retail trade as defined by the current and any future updates to sectors 44 and 45 of the NAICS Manual may be afforded the retail exemption at 29 CFR 1910.119(a)(2)(i)." Therefore, unless a facility is in NAICS 44 or 45 and holds threshold quantities of highly hazardous chemicals (NH₃ -10,000lbs, aqua ammonia- 15,000lbs), they are now subject to PSM.

These unexpected changes will place a significant time and cost burden on agricultural retailers—approximately 3,800 will be subject to new PSM standards. OSHA estimated the cost of compliance with PSM standards at \$2,100 per facility. However, industry estimates costs will be approximately \$30,000 for initial compliance, \$12,000 for annual compliance, \$18,000 for 3 year audit, making OSHA's initial estimate way off by several factors. These estimates do not include the cost of potential upgrades which could easily exceed \$70,000 per facility if the facility needs to replace one anhydrous ammonia storage tank.

Until OSHA issued its Process Safety Management (PSM) retail exemption enforcement memo, farm supply retailers were always exempt from the PSM regulations. The PSM standards are intended for chemical manufacturers, not agricultural retailers and other retail businesses that sell directly to end users. OSHA's memo is contrary to over two decades of their own enforcement. As a result, many farm supply retailers, including our member cooperatives, are either consolidating facilities or exiting the anhydrous ammonia business altogether. These outcomes could reduce the supply of fertilizer and its delivery logistics, drive up the price of food, and ultimately hurt American agriculture's ability to produce an abundant food supply.

Congress sent OSHA a clear message to withdraw the memo in the *Consolidated Appropriations Act of 2016* with the inclusion of an explanatory statement that prohibited OSHA from using

funds to implement the retail exemption memo unless it goes through the formal rulemaking process and the Census Bureau creates a new North American Industry Classification System (NAICS) code under either Sector 44 or 45 for farm supply retailers. In response to the Congressional directive, OSHA indicated that they are unwilling to follow the will of Congress and withdraw the memo. Therefore, we have requested that the Appropriations Subcommittee on Labor, Health, and Human Services, Education, and Related Agencies include the following directives in the statutory text (not just the explanatory statement or report language) of their appropriations bill:

- 1) OSHA should withdraw the July 22 memo and submit the proposed rule change for full notice and comment rulemaking to allow for adequate stakeholder input.
- 2) OSHA should submit the rule change for an independent third-party cost analysis.
- 3) Congress should include similar language in the actual text of the FY2017 Labor HHS Appropriations bill.

Food Safety Modernization Act Implementation

NCFC is very supportive of science- and risk-based enhancements to our nation's food safety system and have been actively engaged as the Food and Drug Administration (FDA) implements the Food Safety Modernization Act (FSMA). Our association and members appreciate FDA's outreach to the agricultural community as it elicited feedback, evaluated public comments, and updated regulations to make them more appropriate for diverse operations.

Many of our farmer cooperatives were able to modify their operations as the regulatory processes played out and get out head of the changes the regulations would mandate. However, given the sheer size of FSMA and the multitude of regulations needed to implement the law, producers and farmer-owned cooperatives have had to, and will continue to make, significant adjustments to the way they do business; these changes are not without significant costs.

While many improvements were made through FSMA, there are still parts of the regulation that remain overly burdensome, duplicative, and many of which do not actually result in a safer food supply. We continue to encourage FDA to consider the additional costs, staff time, and recordkeeping as operations adapt the way they do business and retain records. FDA must ensure that any increase in regulation is justified by measureable food safety benefits and that there is flexibility to ensure that entities can continue to stay profitable while addressing actual risks that are present.

Specific to the Feed Rule, there have been ongoing discussions regarding the use of current Good Manufacturing Practices (CGMPs) in lieu of preventive controls to mitigate animal feed manufacturing risks and hazards wherever applicable. Use of CGMPs to mitigate these risks and hazards would not mean a CGMP is a preventive control. NCFC strongly supports this approach and urges FDA to issue a formal written concurrence to ensure that stakeholders and FDA staff have a clear understanding of this important issue.

For some of our cooperatives, the Preventive Controls Rule has necessitated a rewrite of their Food Safety Plans and a change in focus from critical control points to preventive controls for all

risks. However, a majority do not believe that this has necessarily changed any assessment or analysis of the risks inherent in their business, but rather just the written plans for addressing those risks, which clearly required significant staff time and resources.

The FDA's enforcement of the Preventative Controls Rule and others will be the telling factor. We hope FDA will approach industry with a sense of a cooperative effort to ensure food safety for the public, a common goal shared with FDA by NCFC and our cooperatives. Additionally, precipitous use of the administrative detention or mandatory recall could cause market disruption, economic harm, and consumer confusion. We encourage FDA to act thoughtfully and in consultation with the operations affected in these situations.

Lastly, we have remaining trepidations concerning the Sanitary Transportation Rule. We are apprehensive that the rule may be detrimental to the use of byproducts for cattle feed. Currently, some of our members are working with third party dairies or ranchers and have a workable program for cattle feed or soil amendments. Some of the restrictions in the Sanitary Transportation Rule may cause our members to cease using these outlets and turn to landfills instead. Many industries have developed a sustainable and cost-effective way to manage byproducts of processing facilities and NCFC does not wish to see the new requirements hinder a process that has ample benefits and has been working successfully for many years.

The regulatory hurdles faced by producers and their cooperatives outlined above are certainly not all inclusive; there are dozens of more minor issues whose costs, on their own, may not seem to be unreasonable but, when taken as a whole, impose real increases in the cost of production. It should be noted, however, that agriculture is not reflexively against any regulation. There are many examples of sensible regulations that address real needs, are science-based, and whose benefits outweigh costs; further, there are many examples of regulatory agencies working collaboratively with stakeholders to develop targeted, sensible programs to address common goals. Such a process, however, often requires more resources than simply imposing top-down regulatory requirements and depends on public confidence in regulatory agencies.

Finally, it should also be noted that farmers, ranchers, and cooperatives face regulations beyond those imposed by government. Increasingly, we are seeing what we call "regulation by retail." Many food companies and retailers, responding to what they see as consumer demands, are asking much more of our farmers and cooperatives in terms of sustainability, animal welfare, and other issues. Agriculture has great stories to tell in many of these areas; however, much work remains in helping to bridge the gap between farmers and manufacturers or retailers. While much of this work will be done by the private sector, USDA has been playing an important role in public education about agriculture and we hope to see this work continue in the future.

Market Promotion & Accessibility

Trade is vital to the continued prosperity of cooperatives and their farmer and rancher members. With over 95 percent of the world's population living outside of the United States, our agricultural producers need foreign markets to grow demand and programs that serve as catalysts to increased market access.

I encourage this Subcommittee to continue its strong support of export programs that are vital to maintaining and expanding U.S. agricultural exports, counter subsidized foreign competition, meet humanitarian needs, protect American jobs, and strengthen farm income.

Market Access Program

The Market Access Program is of particular importance, both because it is a vital tool used by producers and their cooperatives 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.

Many specialty crop producers view MAP, above all other programs, as their ‘farm safety net’ program. The ability of cooperatives to use MAP helps give individual farmers the ability to market their products overseas, which they otherwise would not be able to do on their own.

Accessibility

Additionally, NCFC strongly supports provisions that improve accessibility and bring neutrality of form to the Fruit & Vegetable Snack Program. Allowing dried, canned, frozen, and fresh fruits and vegetables to be offered through the Snack Program will give schools more choice in what they offer, and as a result more children to benefit from the program. Doing so ultimately also is an efficient use of taxpayer dollars as often dried, canned, and frozen fruits and vegetables are more the more affordable option. All of these efforts work to increase the consumption of healthy, nutrient-rich fruits, vegetables, and nuts. NCFC has long advocated that eligibility in nutrition programs should be based on the nutritional and health properties of food, which are not distinguishable between fresh, frozen, canned, or dried forms of fruits, vegetables, and nuts.

The American Institute for Cancer Research supports the consumption of all forms stating, “Canned and frozen fruits not only offer great nutrition, but they are inexpensive and convenient ways to make sure we maximize the variety and number of fruit servings needed to protect our health.” Not only is expanding the program in line with sound science and the Dietary Guidelines, but it also empowers local school districts to decide which forms best fit the needs of their students from a nutritional and economic perspective.

Specialty Crop Block Grants

Since 2006, the Specialty Crop Block Grant Program (SCBGP) has served to improve the competitiveness of specialty crops. While specialty crops have access to research and federal marketing programs, the industry has not had the benefit of a farm bill direct aid program. To make up for the lack of such a program, the SCBGS has offered additional federal assistance to specialty crops. The program delivers grants to state departments of agriculture for projects dealing with many of the issues touched on in my testimony—education, research, food safety, pest and plant health, and marketing and promotion—as they relate to the specialty crop industry. In Fiscal Year 2015, 755 grants were awarded to fund integral specialty crop projects. One example of the important projects funded by the program is a project that included a partnership with the University of Arizona to improve food safety by increasing the speed, accuracy, and

affordability at which E. Coli. can be detected. As food safety continues to be a focus of regulators and consumers, this research plays an imperative role in protecting consumers and increasing consumer confidence.

In conclusion, I realize that this testimony covers a lot of ground, some of which may be outside the jurisdiction of the Subcommittee, but these issues are no less important and impactful to the cost of production and overall farm economy, and are worthy of your oversight. Especially at a time when producers across the country are facing tight margins, we must identify ways for our agriculture sector to prosper, and reduce the burden and uncertainty that threatens to hold back investment and growth across the agricultural sector.

Thank you again for the opportunity to testify today and I look forward to your questions.