Situation and Outlook for Specialty Crops in the U.S.

SOUTHERN OUTLOOK CONFERENCE. SEPTEMBER, 2014. ATLANTA, GA.

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Outline

Consumption

Trade

Production and Industry Issues

Policy

- 2014 Farm Bill

Consumption

Per capita consumption of fresh Fruits and Vegetables has increased

- 1980's: ~600 lbs/year
- Mid 1990s: >710 lbs/year
- Beg 2000s: Started declining
- 2010: ~650 lbs/year

Among a subset of the population (USDA-ERS 2004)

- "High-income consumers drink more orange juice and eat more vegetables, per capita, than low-income consumers. These consumers drink more orange drinks with <10% juice"
- "1 in 5 low-income HH buy NO fruits or vegetables"

Factors that may increase demand for F&V

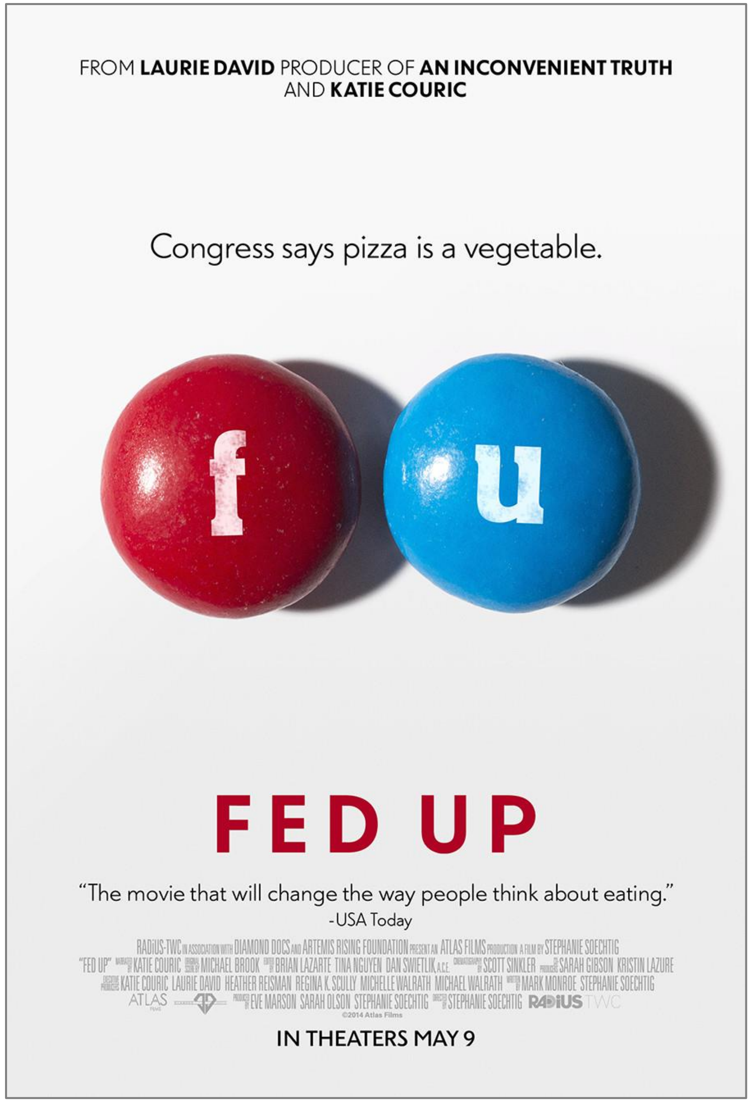
- A population increasing in number and diversity
- Higher educational attainment (income)
- Better knowledge of diet & health issues. Fueled by availability of information (social media)
- More consumers interested in the origin of their food and new trends (urban gardening)
- Consumers used to year-round availability of F&V. *Related to trade.*
- Expansion in consumer choice: New specialty varieties, new products, new colors, mini-varieties, and hothouse-grown produce. *Related to trade.*

Public health concerns are growing

Which *may* in part be driving consumer interest in:

- **Locally grown specialty crops**
- **Organic crops**
- **Direct-to-consumer marketing**
- **Farm-to-Table**
- **Farm-to-School**

May, 2014
Childhood Obesity Epidemic



September, 2014
iOS 8

Factors that may decrease demand for F&V

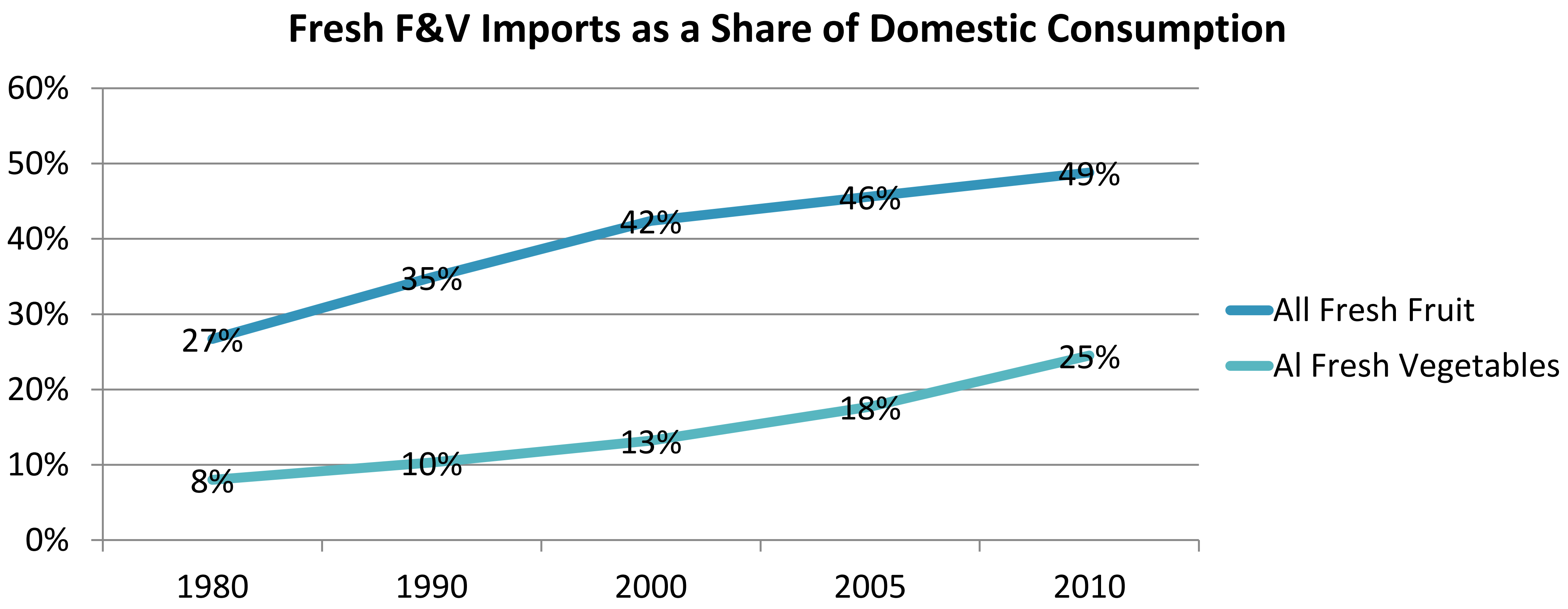
- Price increases for domestic production
- As income rises, people tend to eat out. Particularly time-constrained consumers
- At-home use dominates away-from-home use for fruits (~90%) and vegetables* (~80%)

  *Except fried potatoes, chips, and lettuce

- Income has two effects: Dietary knowledge may cancel out eating out! (USDA-ERS 2004)

Trade

Gains in consumption have resulted in higher import demand

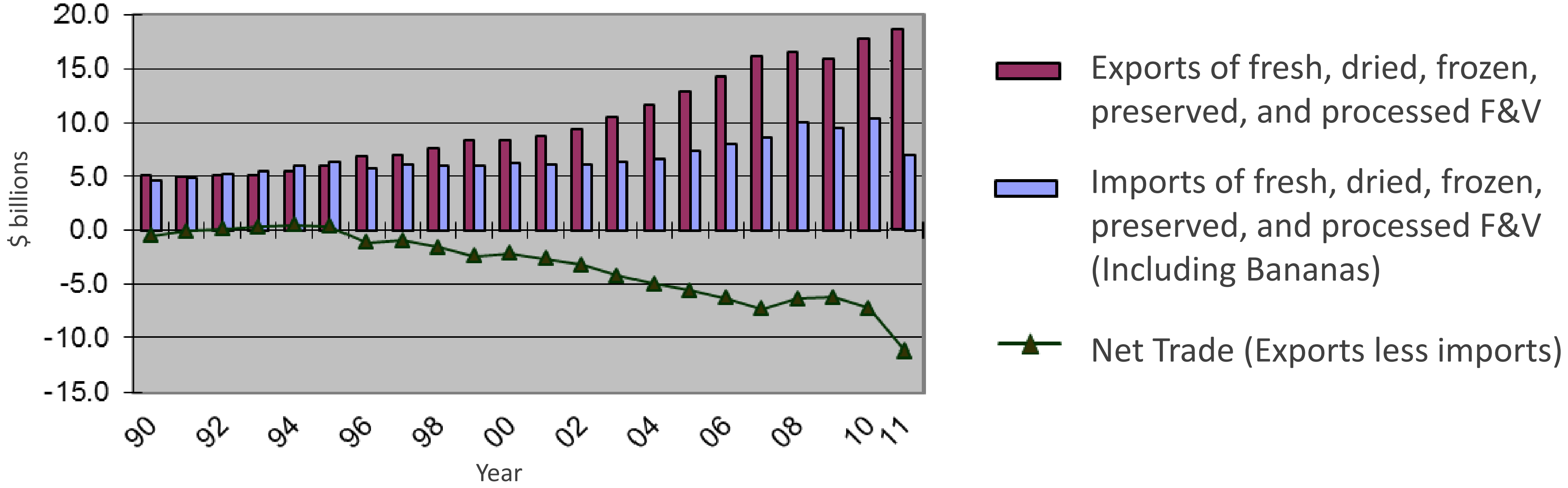


SOURCE: CONGRESSIONAL RESEARCH SERVICE, 2014
HTTP://FAS.ORG/SGP/CRS/MISC/RL34468.PDF

U.S. Fruit and Vegetable trade deficit keeps growing

- In 2011, F&V trade deficit: $11.2 billion
- Tree nuts and processed nut products trade surplus (excluding peanuts): $5.5 billion

U.S. F&V Trade Value (Excluding Nuts), 1990-2011



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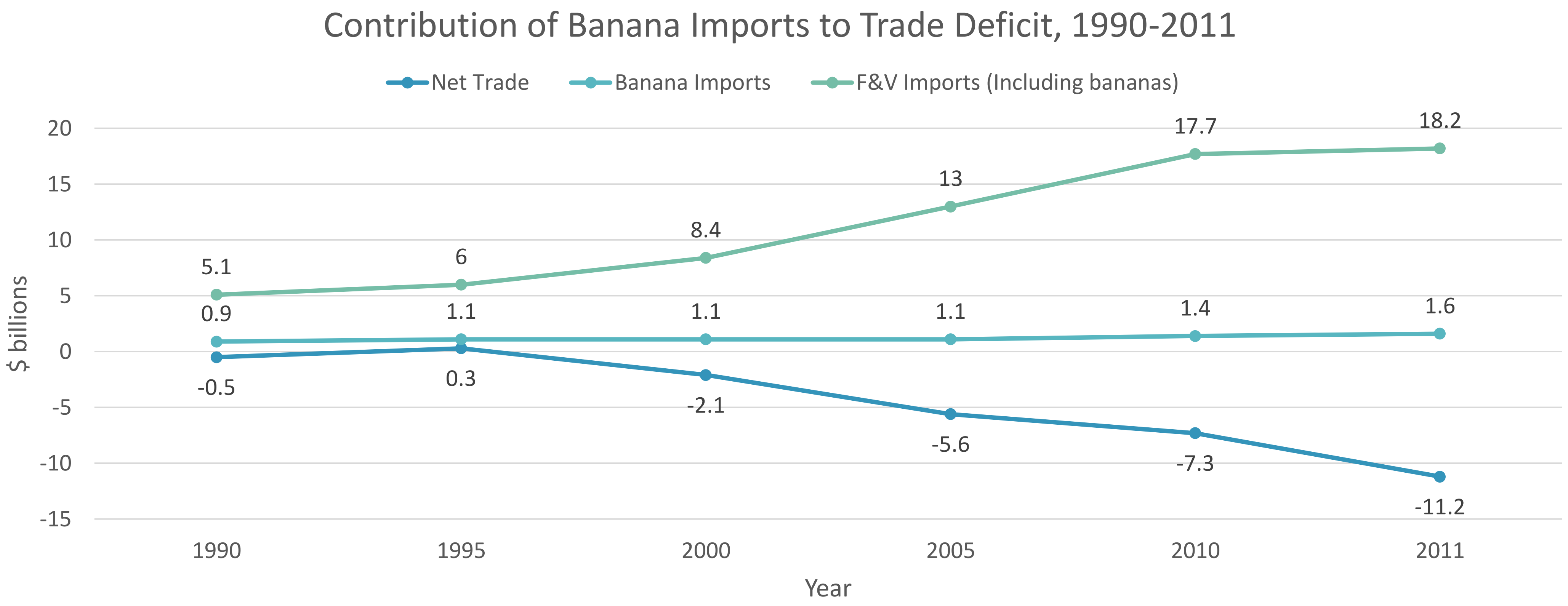
Trade deficit cannot be solely attributed Banana imports



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U.S. Fruit and Vegetable Trade Deficit, 2011

U.S. F&V EXPORTS (~$7 BILLION)

- Fresh strawberries/berries, peaches/pears, apples, grapes
- Fresh lettuce, spinach, tomatoes, potatoes, and legumes/beans
- Processed potato products, preserved vegetables, fruit juices and juice mixtures

U.S. F&V IMPORTS (~$18 BILLION)

- Fresh citrus, strawberries/berries, tropical fruits such as pineapple (excluding bananas), grapes, peaches/pears, plums/apricots, and apples
- Fresh **tomatoes**, **bell peppers**, potatoes, avocados, onions, and other vegetables

- Preserved mushrooms and processed tomatoes (excluding ketchup)

! One-half of trade deficit can be attributed to bananas, fresh tomatoes (Mainly from Mexico but also Canada, and Guatemala), and bell peppers (Mexico, Canada, and Spain). Yet the value of bananas remained stable.

! A price floor was mandated for tomatoes imported from Mexico

SOURCE: CONGRESSIONAL RESEARCH SERVICE, 2014
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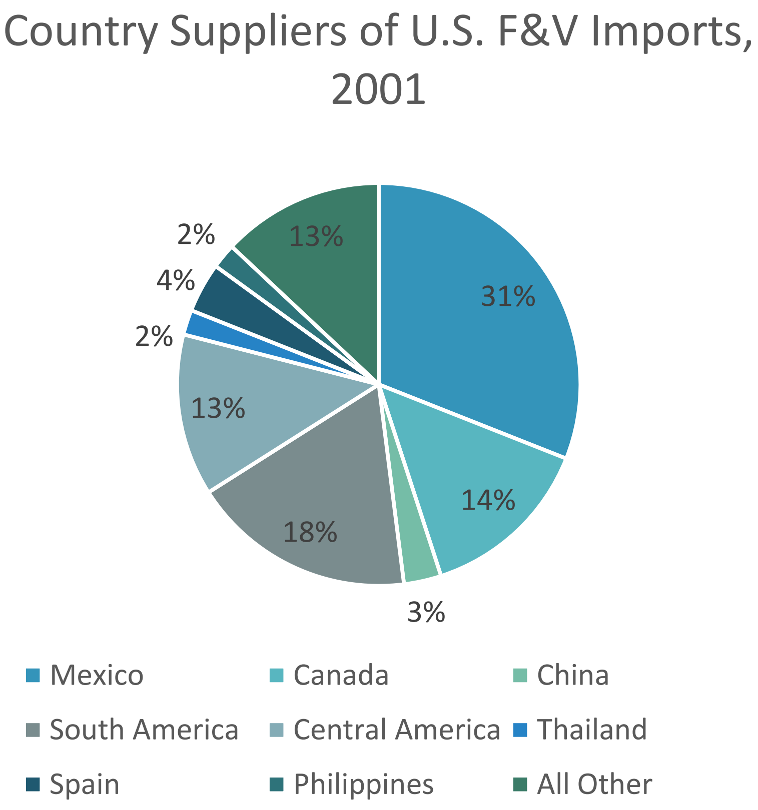
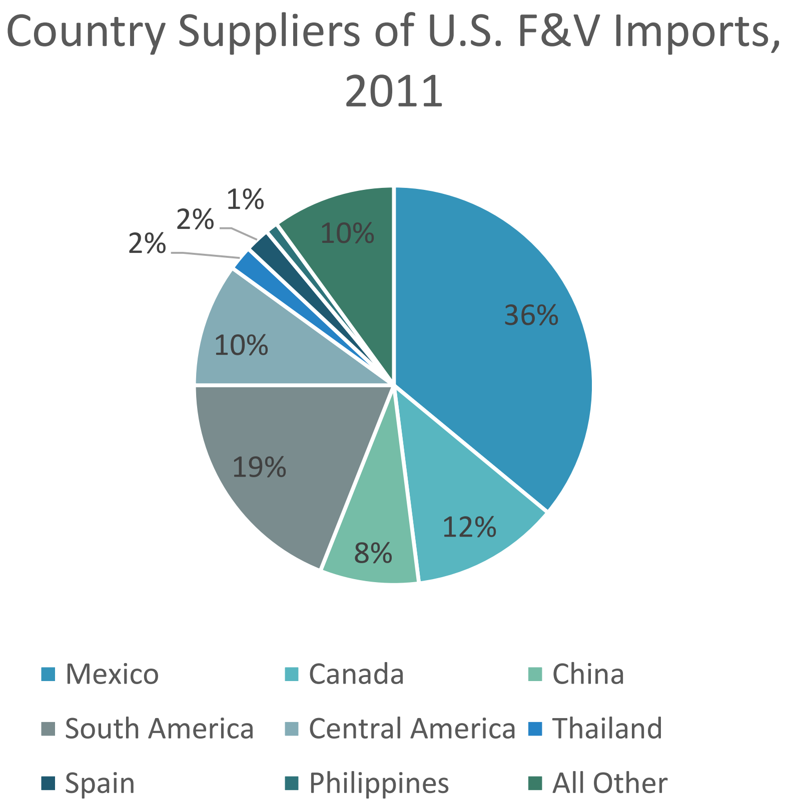
Almost half of U.S. F&V imports from Mexico and Canada





SOURCE: CONGRESSIONAL RESEARCH SERVICE, 2014
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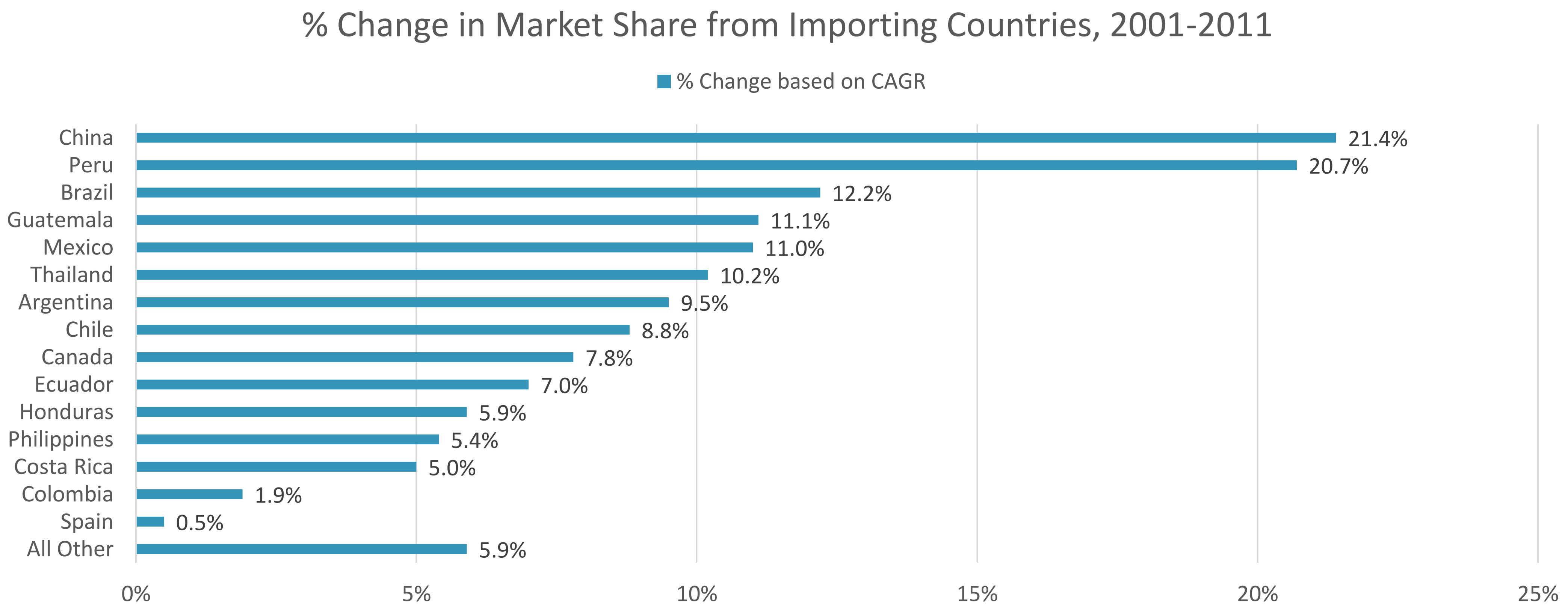
Greatest increase in market share from China and Peru



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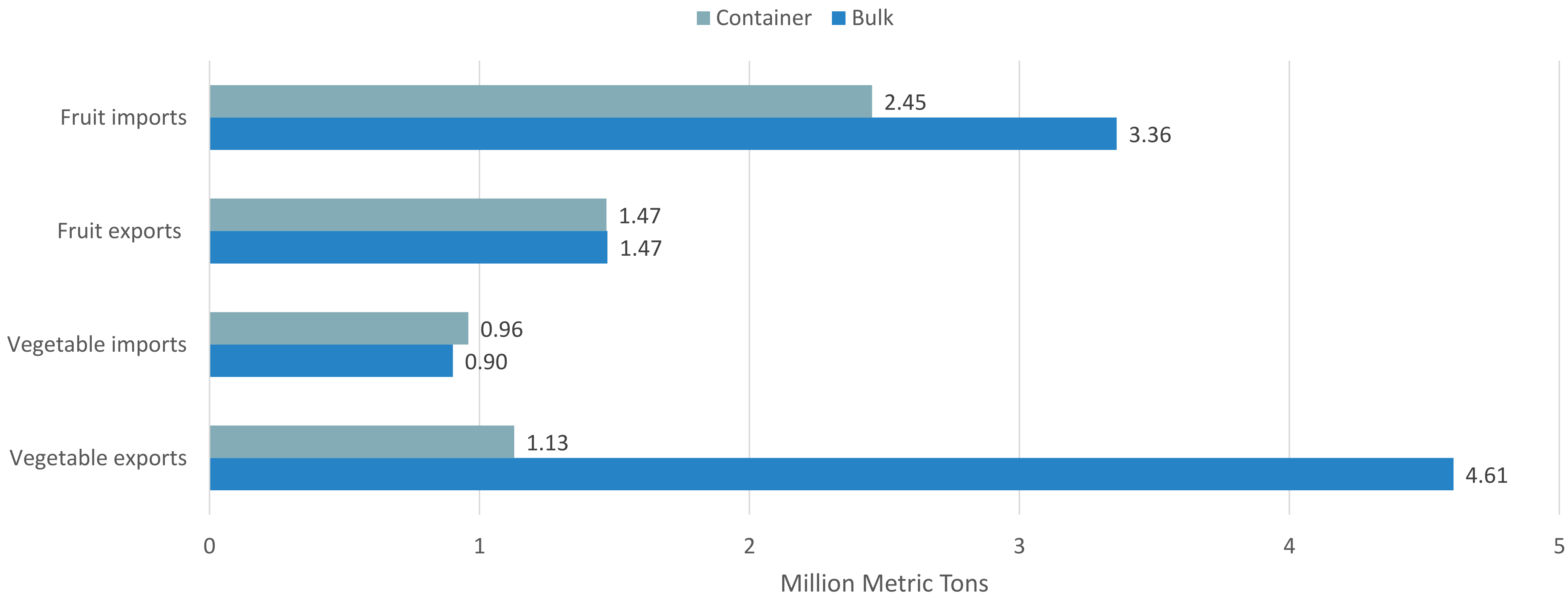
2011: Fresh F&V Trade Volume from Major U.S. Ports



SOURCE: USDA-AMS, 2013
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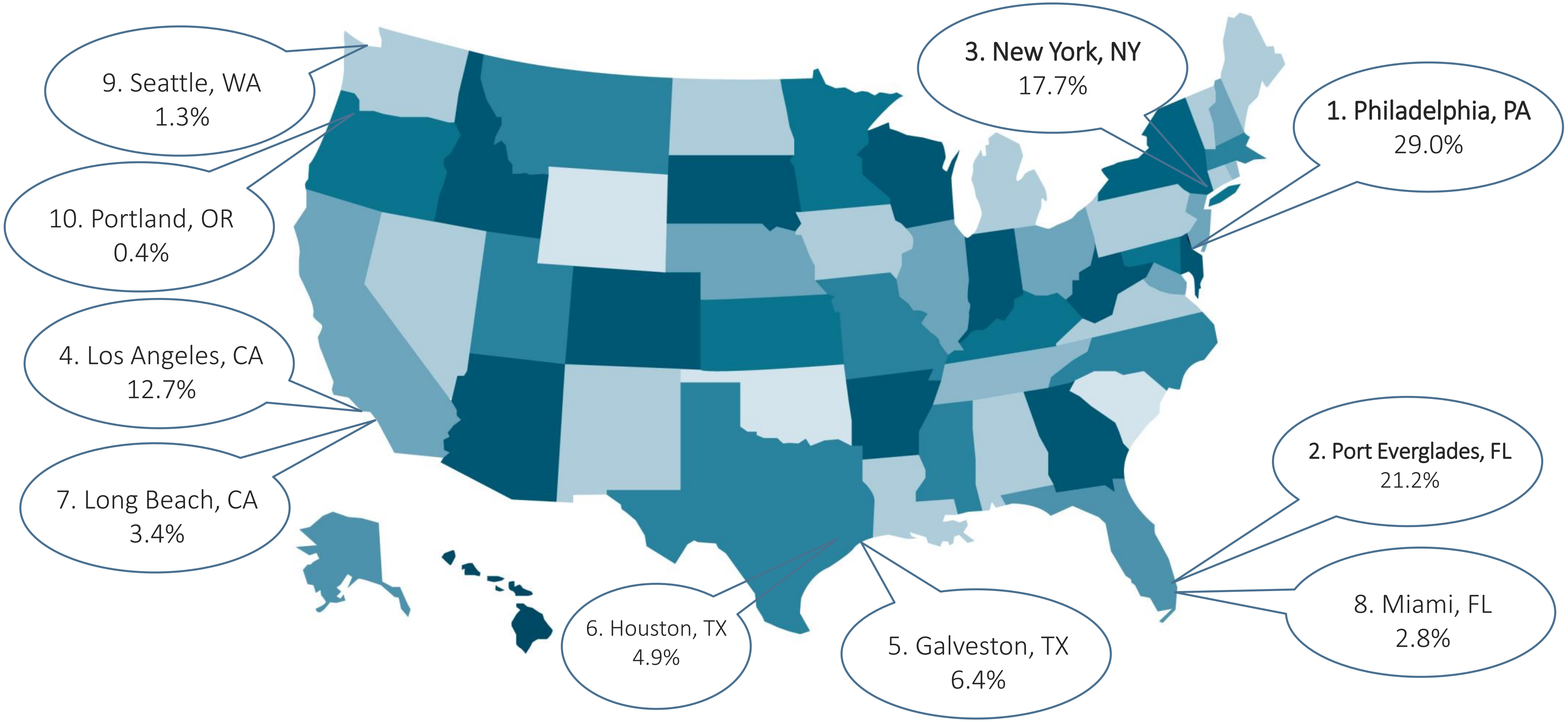
Major U.S. Ports Moving Waterborne Fruit Imports, 2011



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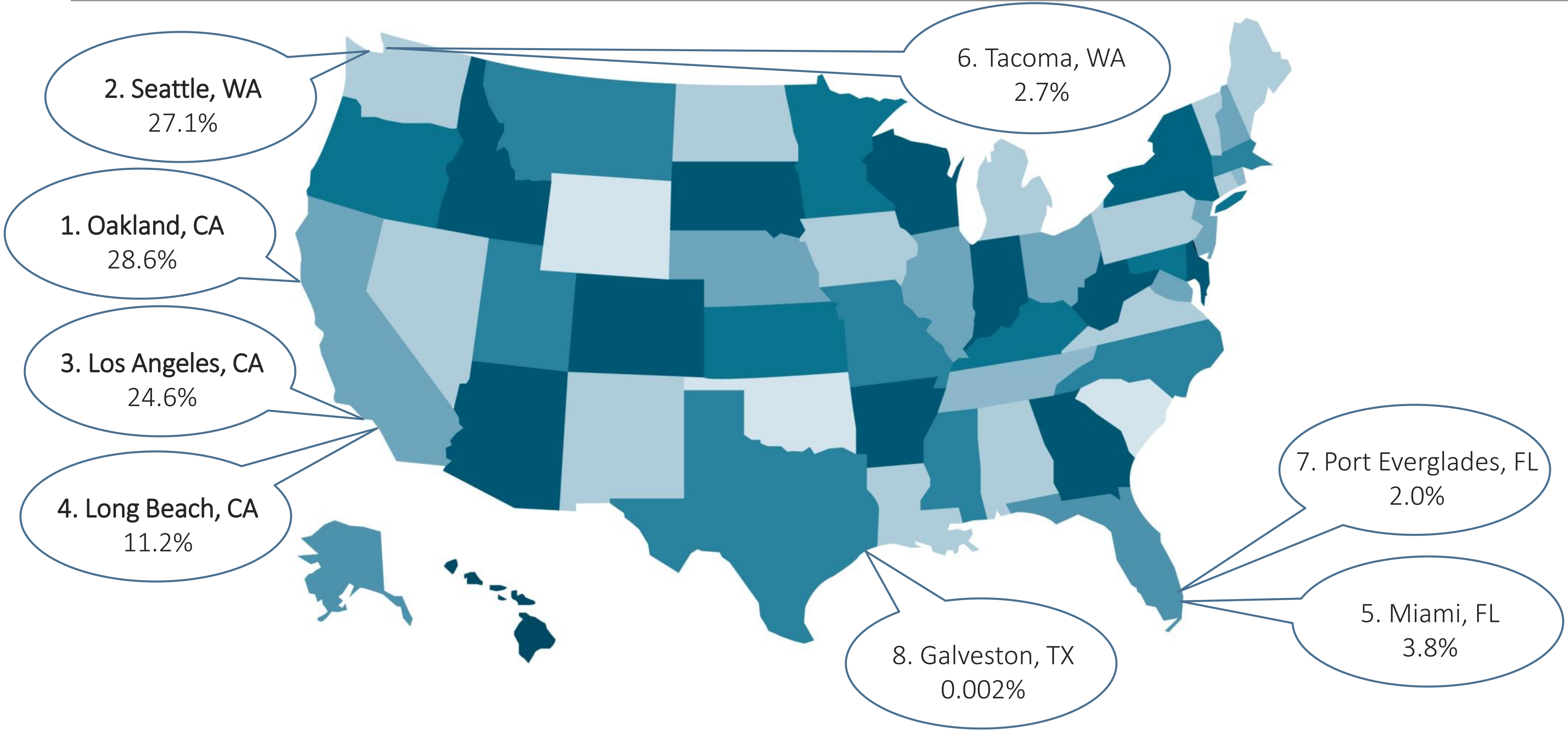

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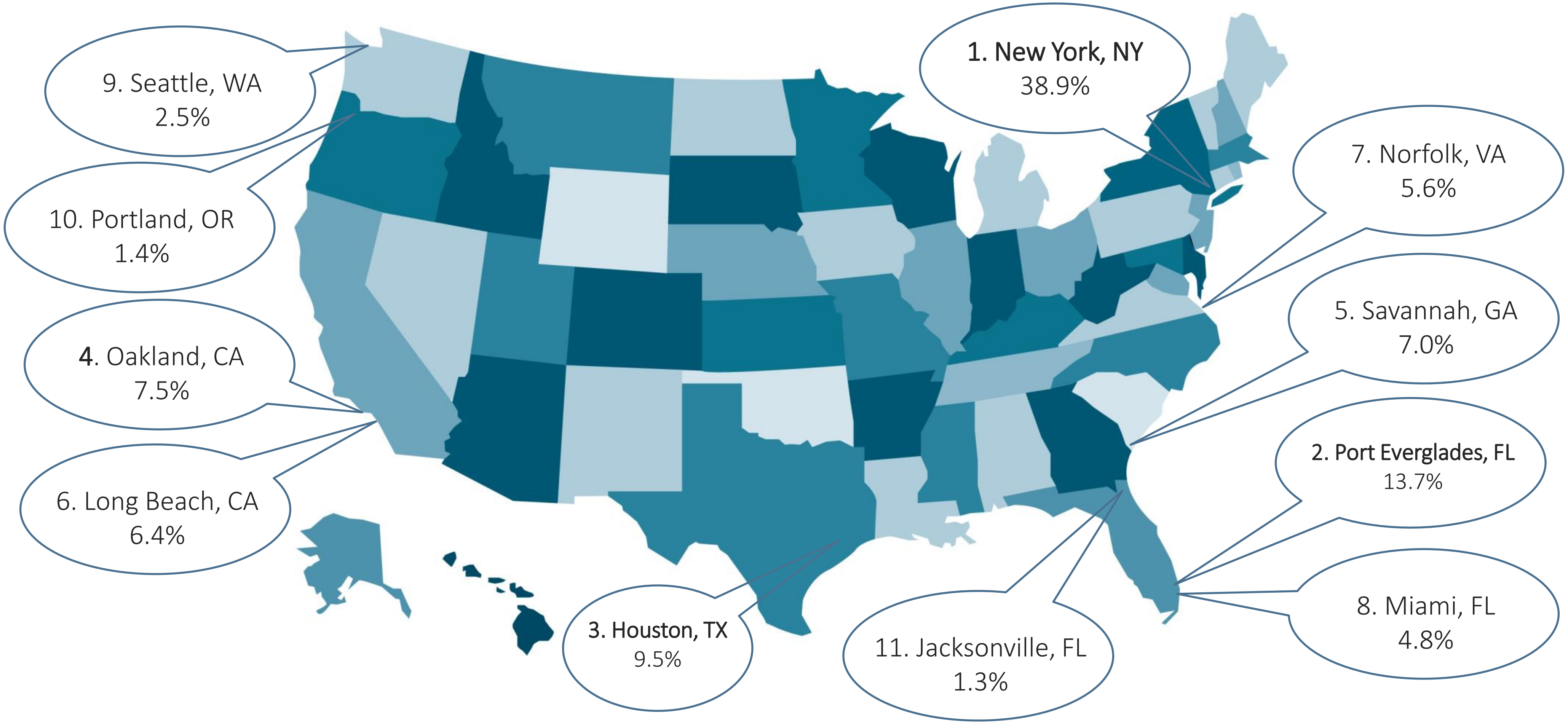
Major U.S. Ports Moving Waterborne Vegetable Imports, 2011



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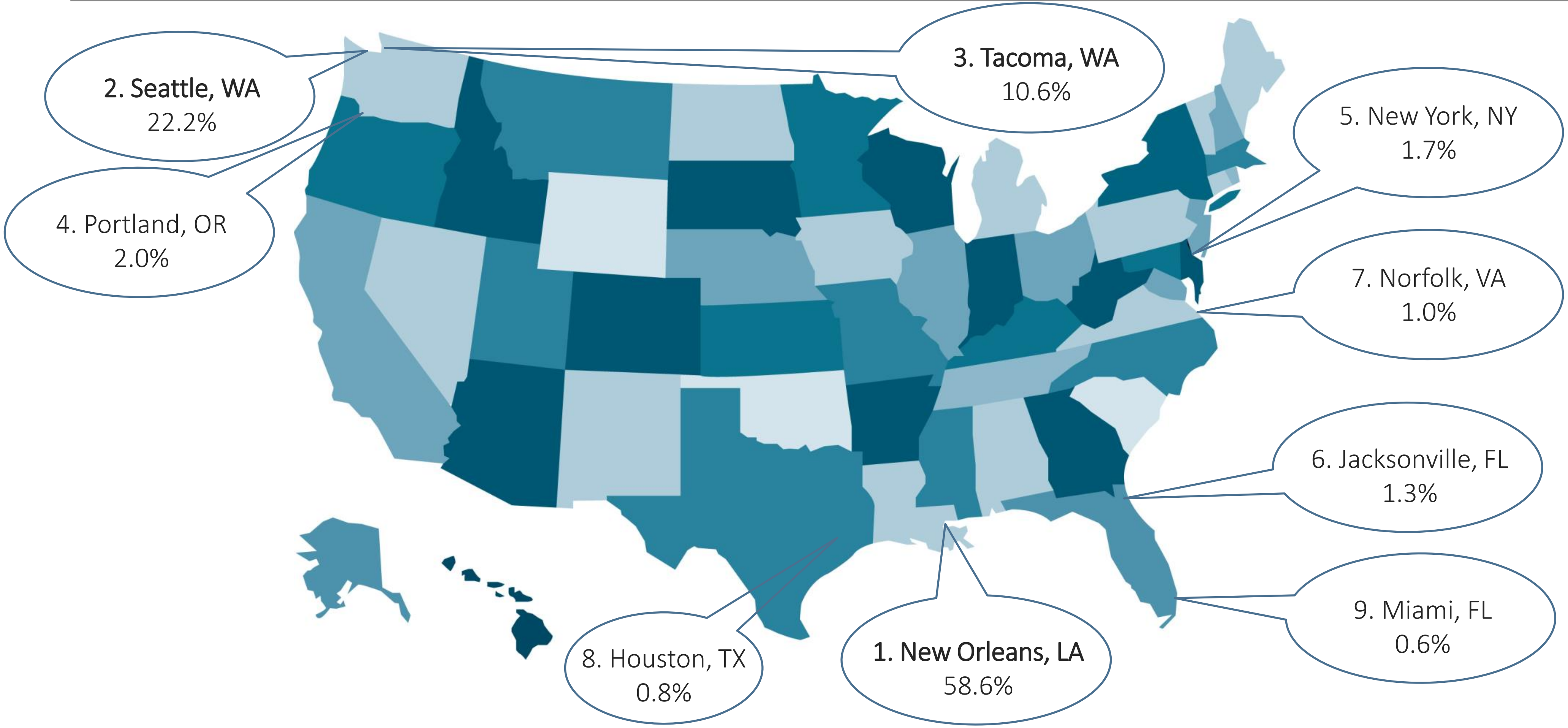

SOURCE: USDA-AMS, 2013
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Factors affecting F&V trade

1. **Free Trade Agreements** with leading import suppliers of F&V (NAFTA, CAFTA, Generalized System of Preferences, Caribbean Basin Economic Recovery Act, Andean Trade Preference Act, U.S.-Chile FTA)

2. **Increased competition from low-cost production**, particularly for labor. China does not benefit from preferential import treatment, but has lower costs

   "Average per unit production costs in China for tomatoes, peppers, and citrus are about 1/10 those in the U.S."

1. Imports of **counter-seasonal supplies.** Improvements in transportation and refrigeration

1. **Non-tariff trade barriers to U.S. exports** (technical, product, and sanitary requirements – e.g. fresh fruit to Korea despite FTA, EUROPGAP requirements in Europe). Two way street: U.S. imports are also subject to requirements + marketing orders

2. **Other market factors**

SOURCE: CONGRESSIONAL RESEARCH SERVICE, 2014
HTTP://FAS.ORG/SGP/CRS/MISC/RL34468.PDF

Prices remained strong despite increase in imports

- Concern: Imports may be lowering prices
- Between 1980 and 2005 prices paid for fresh F&V remained strong and, in many cases, about doubled *for all F&V*, including processed products. Price changes may vary for individual commodities (Johnson, 2014)
- In 2013, grower prices rose sharply and retail prices responded to some extent. Feb 2013 CPI for all fresh vegetables rose 6.3% over the previous year (USDA-ERS, 2013)

SOURCE: USDA-ERS, 2013
HTTP://WWW.ERS.USDA.GOV/MEDIA/1068084/VGS353.PDF

Long run Outlook to 2022

- Grower *prices* for vegetables are forecasted to *increase* by 0.7 annually on average from 2013 to 2022 (USDA-ERS, 2013)

- U.S. vegetables *import value* is forecasted to *grow* by 4.6%, whereas *export value* is projected to *grow* by 2.9% per year through 2022 (USDA-ERS, 2013)

SOURCE: USDA-ERS, 2013
HTTP://WWW.ERS.USDA.GOV/MEDIA/1068084/VGS353.PDF

Production and Industry Issues

Production and Industry Issues

F&V industry: Over $40 billion in sales (USDA-AMS, 2014)

Some issues:

1. Global competition
   - Increasing imports may now be directly competing with domestically produced commodities throughout the year
   - Imports from lower-cost producers and from countries with subsidized F&V production (EU)
   - Some producers have complained that recent FTAs allow more access to U.S. without creating equal access to foreign markets

SOURCE: USDA-AMS (2014)
HTTP://WWW.AMS.USDA.GOV/AMSV1.0/GETFILE?DDOCNAME=STELPRDC5108882

Production and Industry Issues

2. Costs of production rising as costs of energy and inputs rise
3. Weather impacts (drought and freeze), particularly in desert-growing regions (TX, CA)
4. Increased regulation
   - Workers’ compensation requirements
   - New bill in CA introduces Groundwater regulations
   - “$1 of every $9 in farm capital investment goes toward regulatory compliance” (USDA-ERS)
5. Labor Costs
   - In 2005, the Westerns Grower Association warned of a *labor shortage crisis*, especially for harvesting tree fruits, given higher wages in **other ag sectors** and higher-paying **construction work** as a result of ongoing development

Production and Industry Issues

6. Food Safety remains high priority
   - Producers adding food safety to marketing orders (Cantaloupes in CA)
   - Food Safety Modernization Act (January, 2011)

6. USDA programs
   - F&V producers do not directly benefit from federal farm support programs. They may benefit indirectly from government research and farm assistance programs
   - 2014 Farm Bill

Policy

2014 Farm Bill's Key Provisions

Victory for Specialty Crops. Small share of federal spending, but considerably expanded

- Funding levels increased by 55% over 2008 Farm Bill to about $3 Billion

Funding highlights through FY 2018

- $1 Billion to purchase specialty crops for schools and service institutions
- $400 Million Specialty Crop Research Initiative
- $375 Million Specialty Crop Block Grants
- $325 Million Consolidated Clean Plant Network
- Up to $200 Million Farmers' Market and Local Food Promotion Program
- $167.5 Million Organic Agriculture
- Up to $140 Million Food Insecurity Nutrition Incentive
- $45 Million Technical Assistance for Specialty Crops

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill’s Key Provisions

What’s New?

1. Use of SNAP Benefits for Purchase of Community-Supported Agriculture (CSA) Share

Title IV-Nutrition, Subtitle A, Sec. 4012

2. Technology Modernization for Retail Food Stores

Title IV-Nutrition, Subtitle A, Sec. 4011

3. Pilot Project for Buying Unprocessed F&V

Title IV-Nutrition, Subtitle C, Sec. 4202

4. Pulse Crop Products

Title IV-Nutrition, Subtitle C, Sec. 4213

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

What's New?

5. Pilot Project for Canned, Frozen, or Dried F&V

Title IV-Nutrition, Subtitle C, Sec. 4214

6. Food Insecurity Nutrition Incentive

Title IV-Nutrition, Subtitle C, Sec. 4208

7. Valuation of Local or Regional Crops

Title V-Credit, Subtitle B, Sec. 5105

These provisions may increase access to specialty crops for SNAP eligible households and children through school feeding programs

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill’s Key Provisions

ORGANIC AGRICULTURE

Provisions for the rapidly expanding organic agriculture sector received broad support from both major political parties.

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

ORGANIC AGRICULTURE

9. Reauthorization of the Organic Agriculture Research and Extension Initiative (OREI)

Title VII-Research, Extension, and Related Matters, Subtitle B, Sec. 7211

10. Organic Agriculture

Title X-Horticulture, Sec. 10004

- Expands the definition of "agricultural commodity" to include certified organics
- Technology upgrade for the **National Organic Program**
- Exempts certified organic producers from commodity promotion orders on their organic production. Permission is established for an **Organic Commodity Promotion Order**
- Reauthorization of **Organic Production and Market Data Initiatives (ODI)**
- Reauthorization of the **National Organic Certification Cost-Share Program (NOCCSP)**

SOURCE: COLLART AND COBLE (2014)
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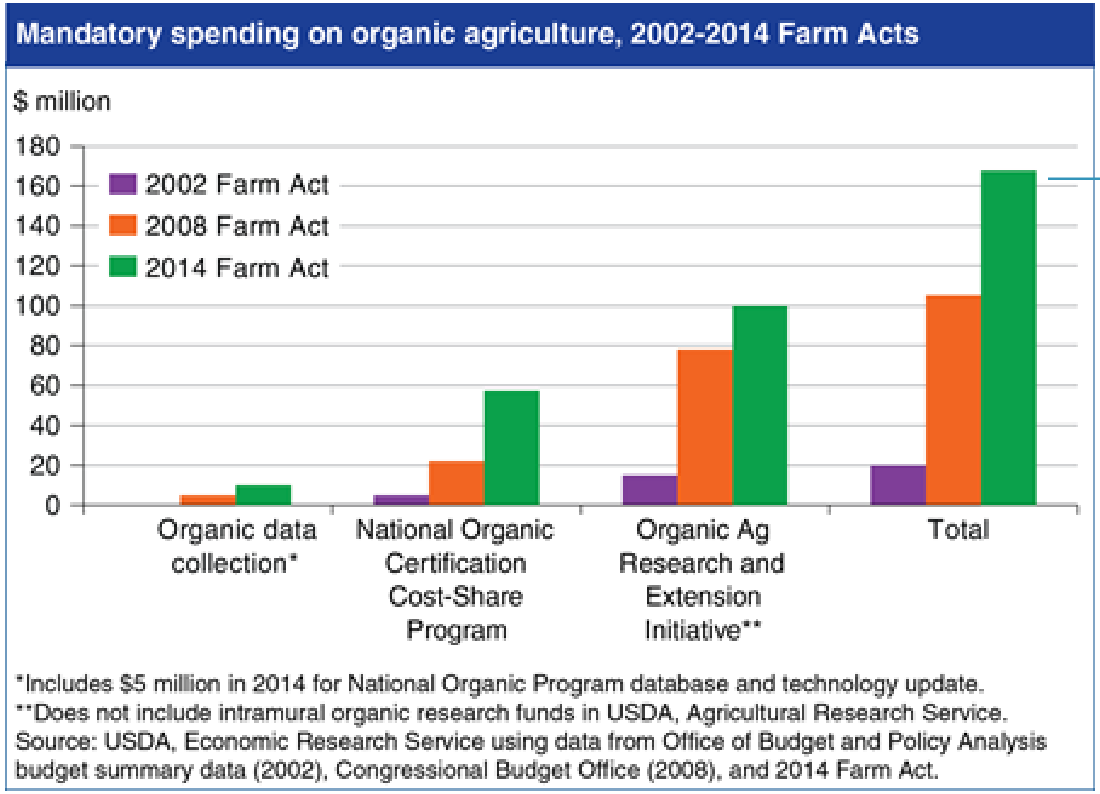
2014 Farm Bill's Key Provisions

ORGANIC AGRICULTURE



$167.5 Million in mandatory funding over the lifespan of the 2014 Farm Act

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

ORGANIC AGRICULTURE

11. Crop Insurance for Organic Crops

Title XI-Crop Insurance, Sec. 11023

- New program for F&V growers: **Whole-Farm Revenue Protection pilot policy**

12. Investigations and Enforcement of the Organic Foods Production Act of 1990

Title X-Horticulture, Sec. 10005

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

What has been re-established?

13. Tree Assistance Program (TAP)

Title I-Commodities, Subtitle E, Sec. 1501

14. Reauthorization of the Technical Assistance for Specialty Crops (TASC) Program

Title III-Trade, Subtitle C, Sec. 3205

15. Reauthorization of the Market Access Program (MAP)

Title III-Trade, Subtitle B, Sec. 3102

These provisions may help specialty crop growers with weather-related losses, technical trade barriers, and overseas marketing

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

What has been re-established?

16. Reauthorization of the Healthy Food Financing Initiative (HFFI)

Title IV-Nutrition, Subtitle C, Sec. 4206

17. Reauthorization of the Seniors Farmers' Market Nutrition Program (SFMNP)

Title IV-Nutrition, Subtitle C, Sec. 4203

18. Purchase of Fresh Fruits and Vegetables (F&V) For Distribution to Schools and Service Institutions

Title IV-Nutrition, Subtitle C, Sec. 4201

These provisions may increase access to specialty crops for rural population and senior citizens

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

What has been re-established?

19. Locally or Regionally Produced Agricultural Food Products

Title VI-Rural Development, Subtitle A, Sec. 6014

20. Specialty Crop Committee

Title VII-Research, Extension, and Related Matters, Subtitle A, Sec. 7103

21. Reauthorization of the Specialty Crop Research Initiative (SCRI)

Title VII-Research, Extension, and Related Matters, Subtitle C, Sec. 7306

22. Reauthorization of and changes to Specialty Crop Block Grants

Title X-Horticulture, Sec. 10010

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

2014 Farm Bill's Key Provisions

What has been re-established?

23. Reauthorization of Specialty Crops Market News Allocation

Title X-Horticulture, Sec. 10001

24. Reauthorization of the Farmers' Market and Local Food Promotion Program (FMPP)

Title X-Horticulture, Sec. 10003

25. Reauthorization of Food Safety Education Initiatives

Title X-Horticulture, Sec. 10006

Research, extension, and food safety remain high priority

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

Policy summary

Overall this Farm Bill may help increase F&V demand (fresh, frozen, and canned):

- Direct-to-consumer marketing (Farmers' markets, CSAs, food stands, and specialty regional food hubs)
- Efforts to improve access for vulnerable populations (schools, senior citizens, SNAP eligible HHs), which may have the potential to change eating habits, thereby helping address public health concerns

Conventional and organic agriculture will benefit from:

- Research and extension initiatives
- Provisions to facilitate lending

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

Going forward

Rising concerns about obesity and child malnutrition

+

Rising popularity of lifestyle programs: Let’s Move, Farm-to-Table, Farm-to-School, Farm-to-Restaurant

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Food policy issues related to specialty crops may continue to be at the forefront of the policy debate. Opportunities for outreach and research!

SOURCE: COLLART AND COBLE (2014)
HTTP://WWW.CHOICESMAGAZINE.ORG/MAGAZINE/PDF/CMSARTICLE_373.PDF

Thank you.

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