Specialty Crop Outlook and FSMA update

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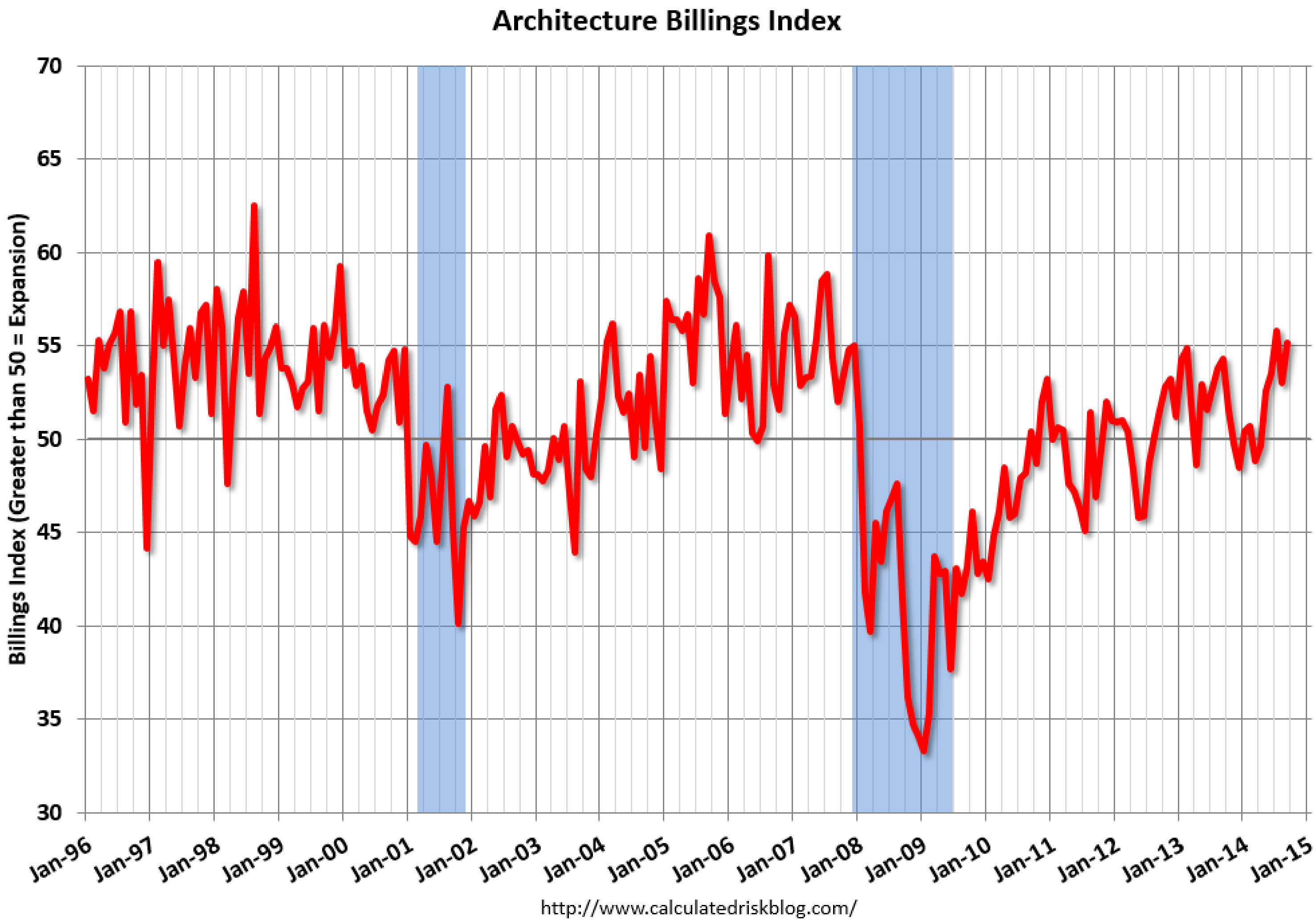
Outline

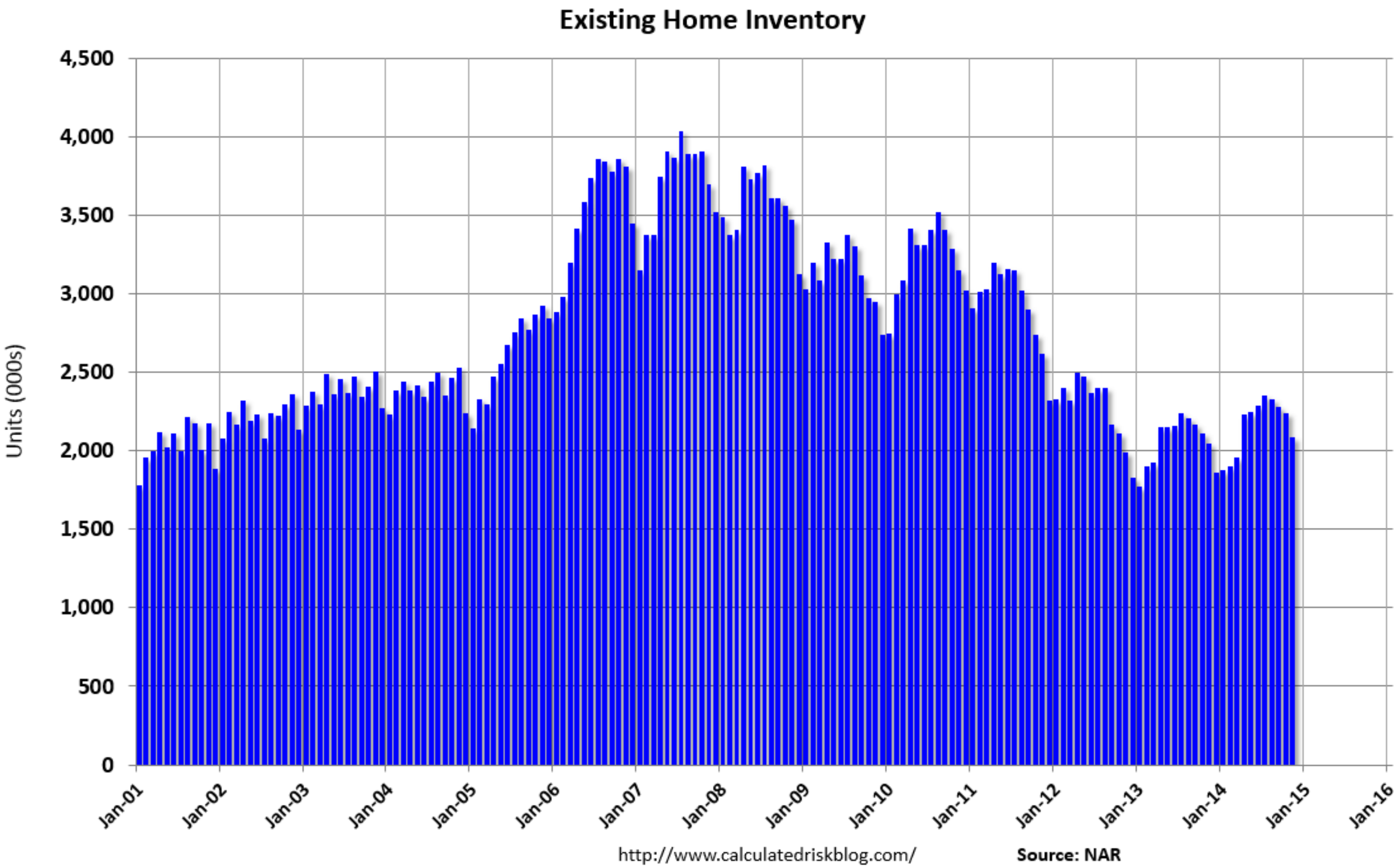
- Green Industry
- Produce Industry
- FSMA

Green Industry Indicators

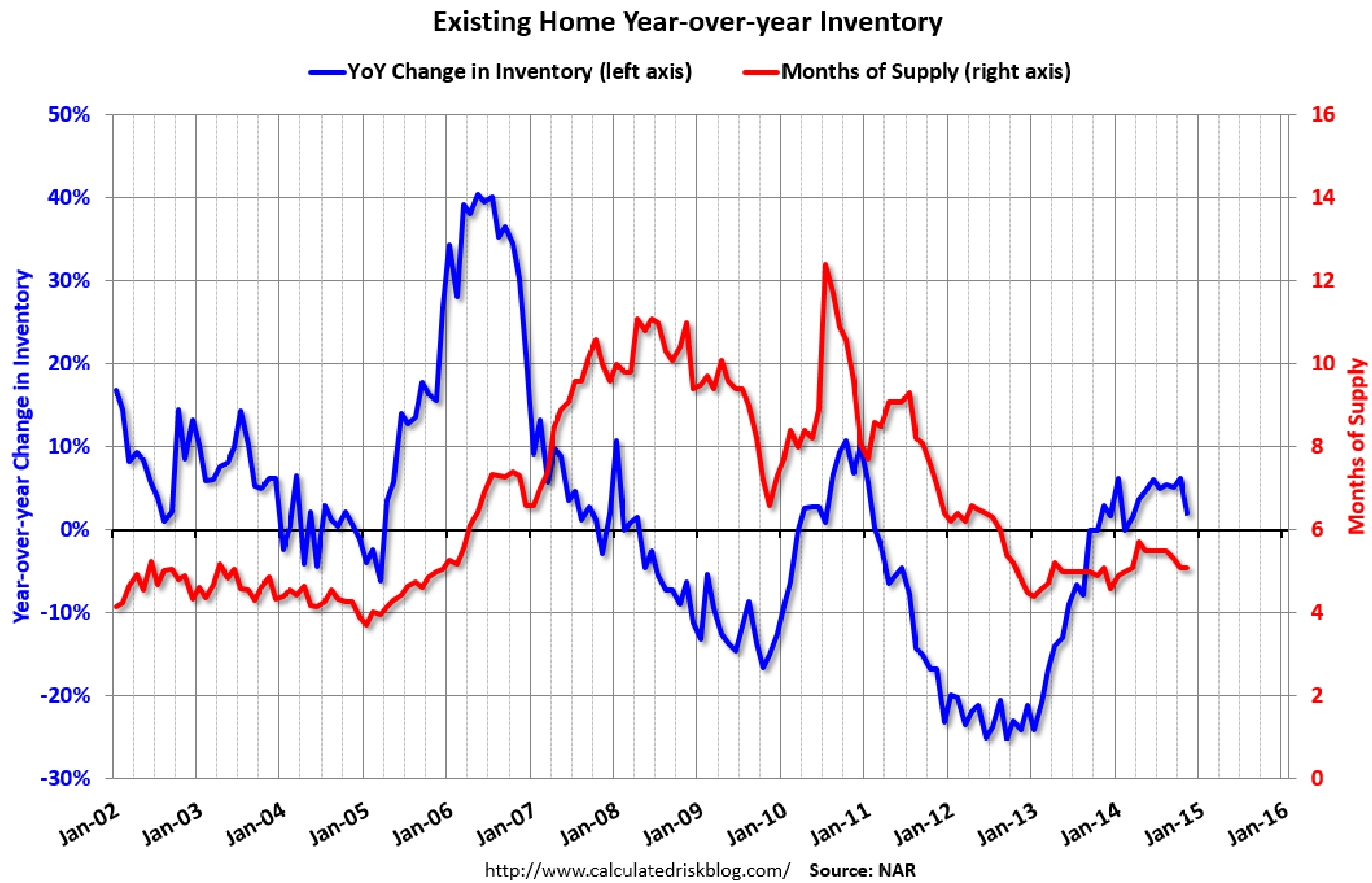


As a leading economic indicator of construction activity, the Architecture Billings Index (ABI) reflects the approximate nine to twelve month lag time between architecture billings and construction spending.

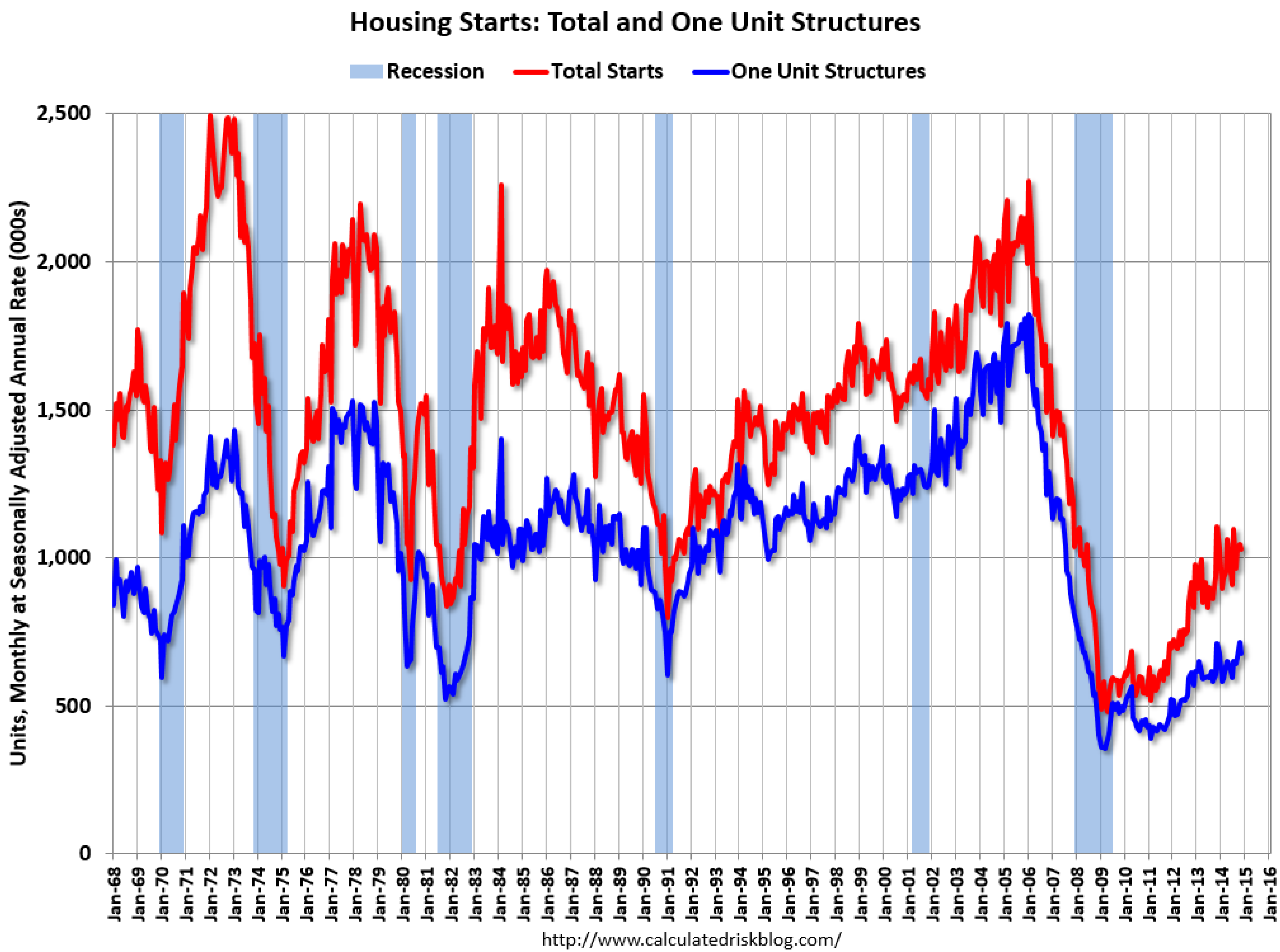
Housing trends



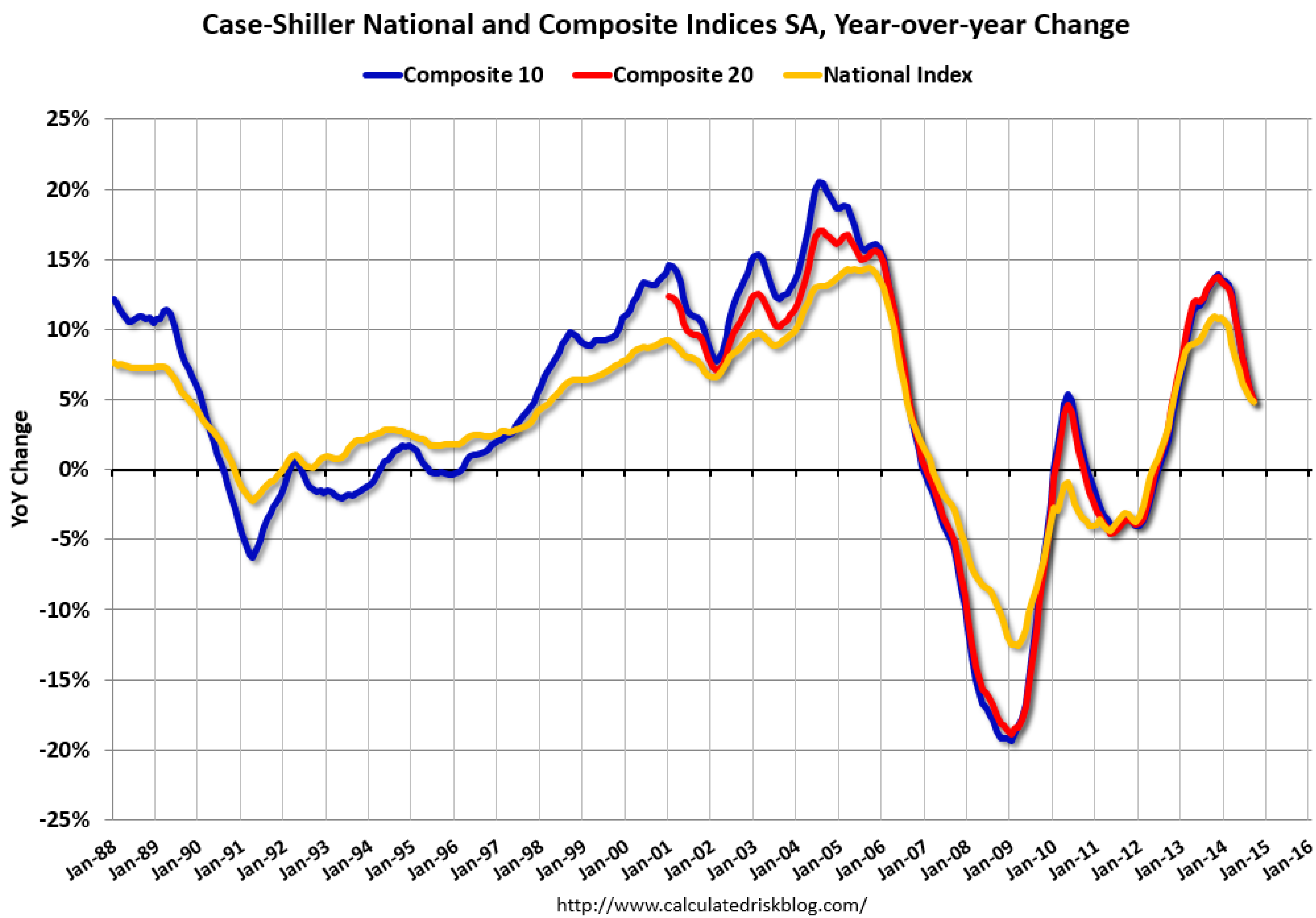
Housing trends



Housing trends



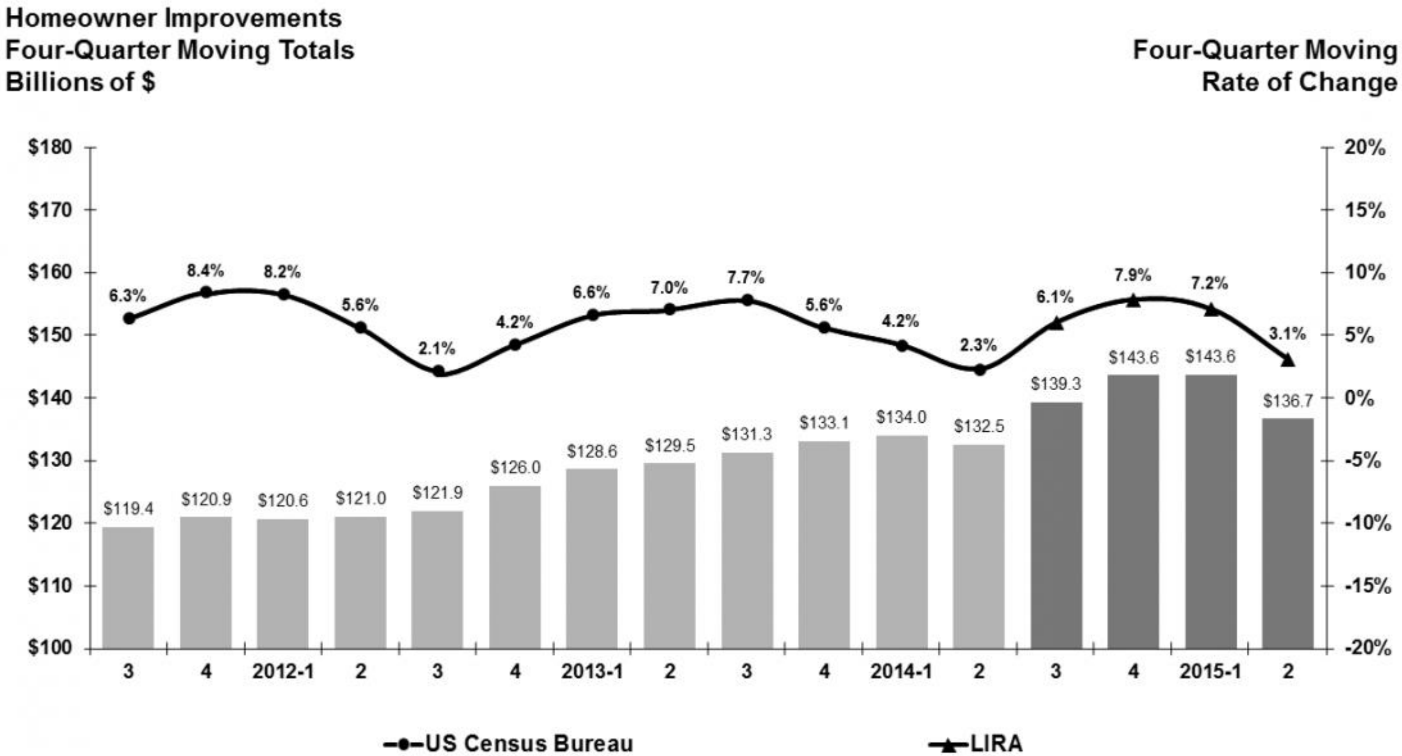
Housing trends



Housing Forecasts for 2015				
	New Home Sales (000s)	**Single Family Starts (000s)**	**Total Starts (000s)**	**House Prices[1]**
Fannie Mae	523	783	1,170	4.9%[2]
Merrill Lynch	557		1,200	3.6%
MBA	503	728	1,108	3.0%[2]
NAHB	547	802	1,158	
NAR	620		1,300	4%[3]
Wells Fargo	530	770	1,160	3.3%
Zillow				3.0%[4]

[1]Case-Shiller unless indicated otherwise
[2]FHFA Purchase-Only Index
[3]NAR Median Home price
[4]Zillow Home Value Index, Sept 2014 to Sept 2015

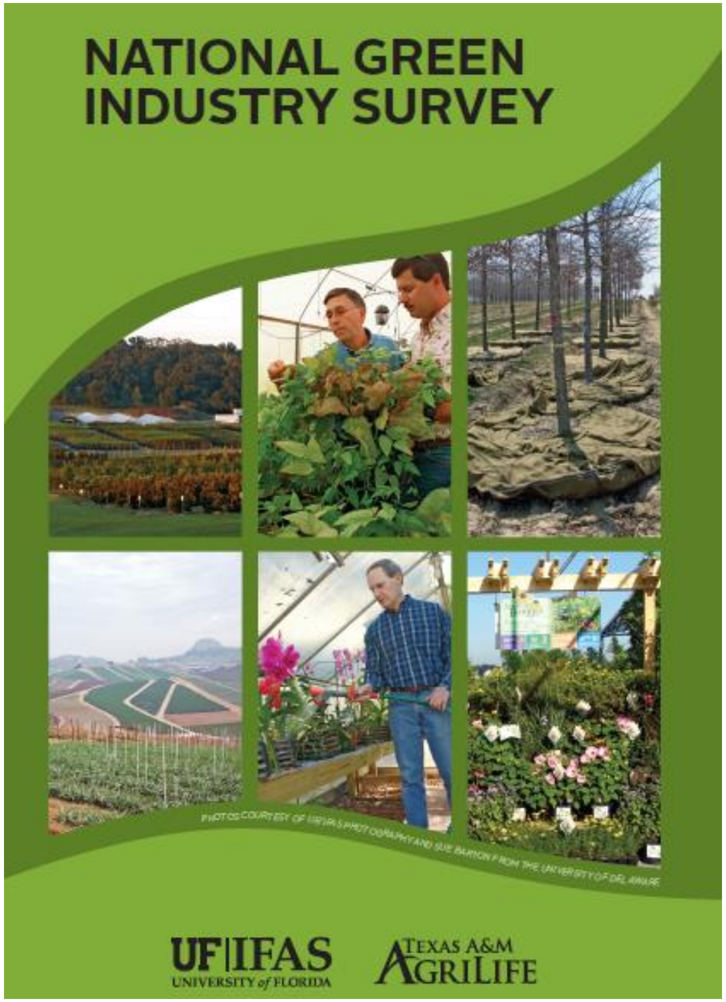
Leading Indicator of Remodeling Activity – Third Quarter 2014

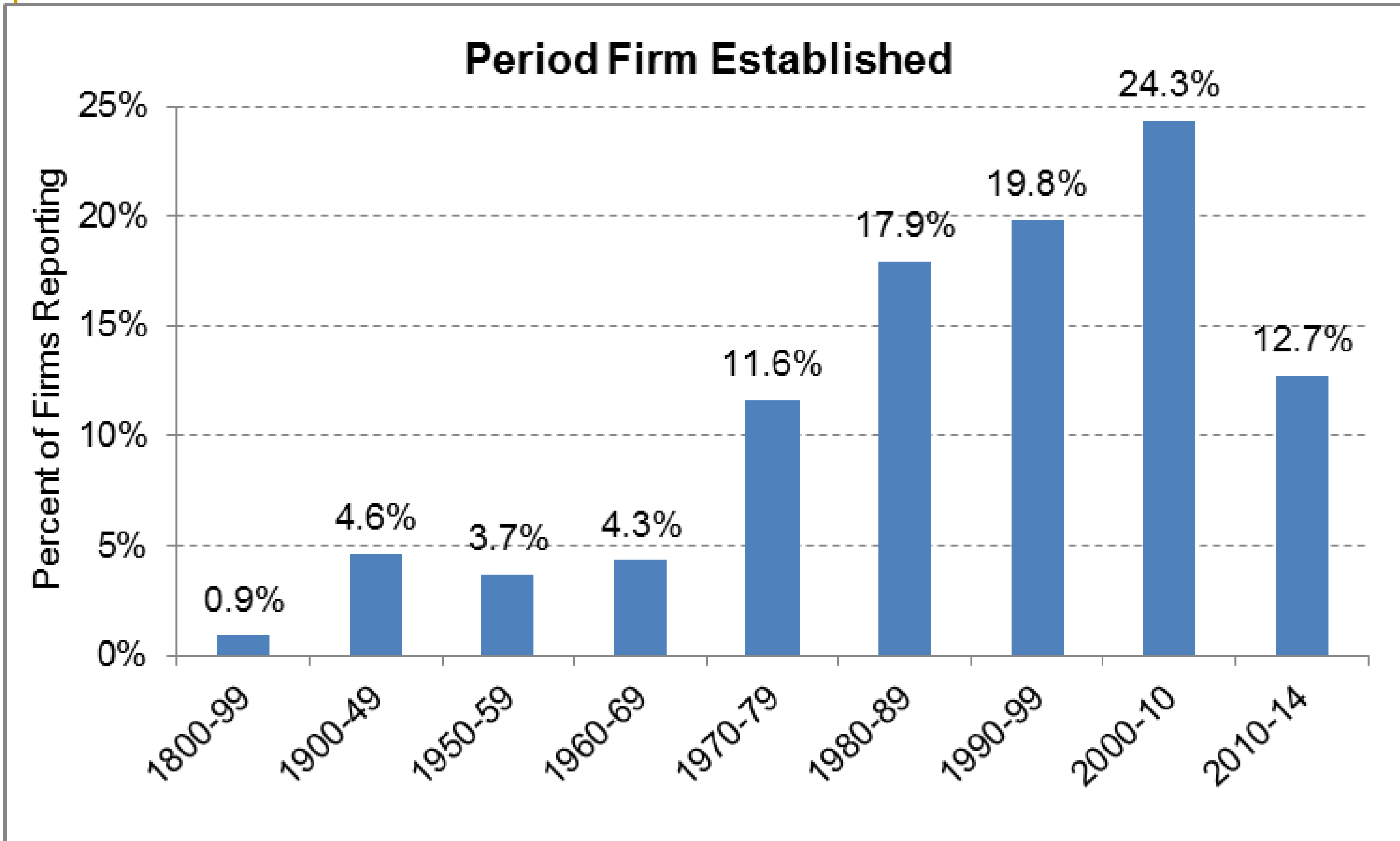


Notes: The historical data from the U.S. Census Bureau reflects annual revisions that were released on July 1st. The third quarter 2014 is calculated using preliminary Census Bureau data and LIRA projections.
Source: Joint Center for Housing Studies of Harvard University.

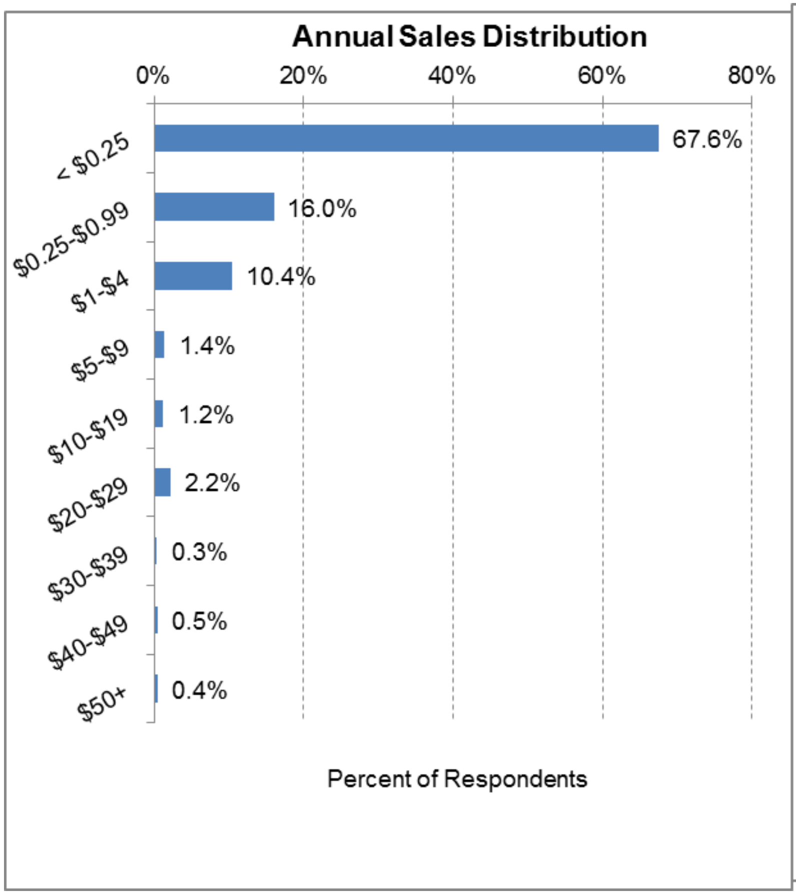
Survey Methodology

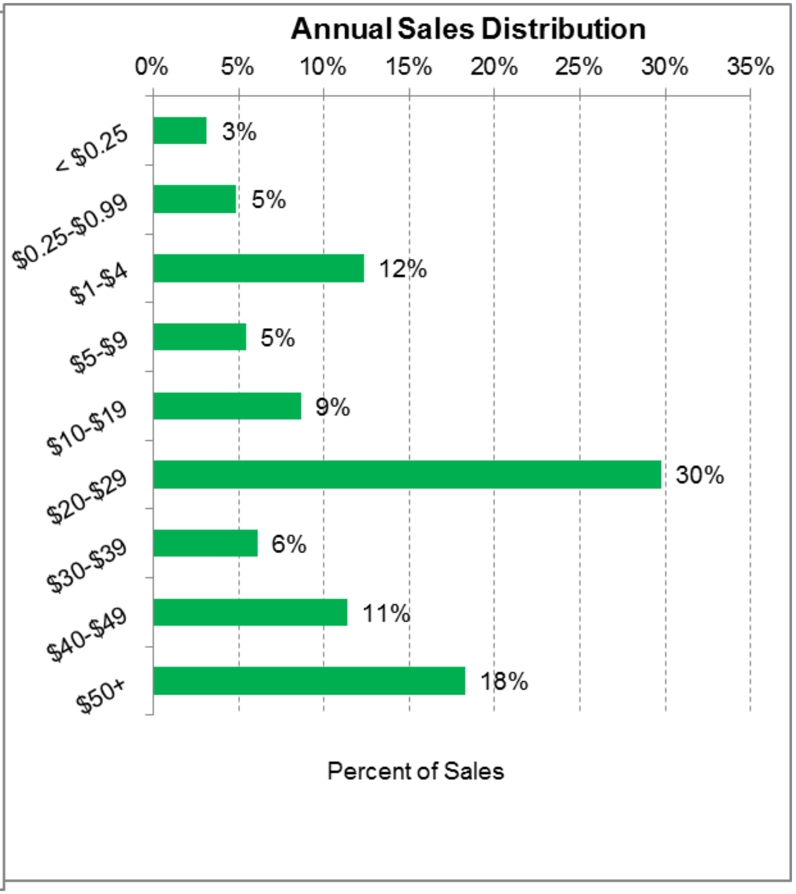
- Sixth national survey since 1989 conducted by *Green Industry Research Consortium*.
- Compiled list of 110,000 grower and plant dealer firms in 50 states.
- Stratified random sample of 15,000 firms via mail, 17,000 firms via internet (email).
- Financial support by HRI, and cost sharing by University of Florida, Texas A&M University.

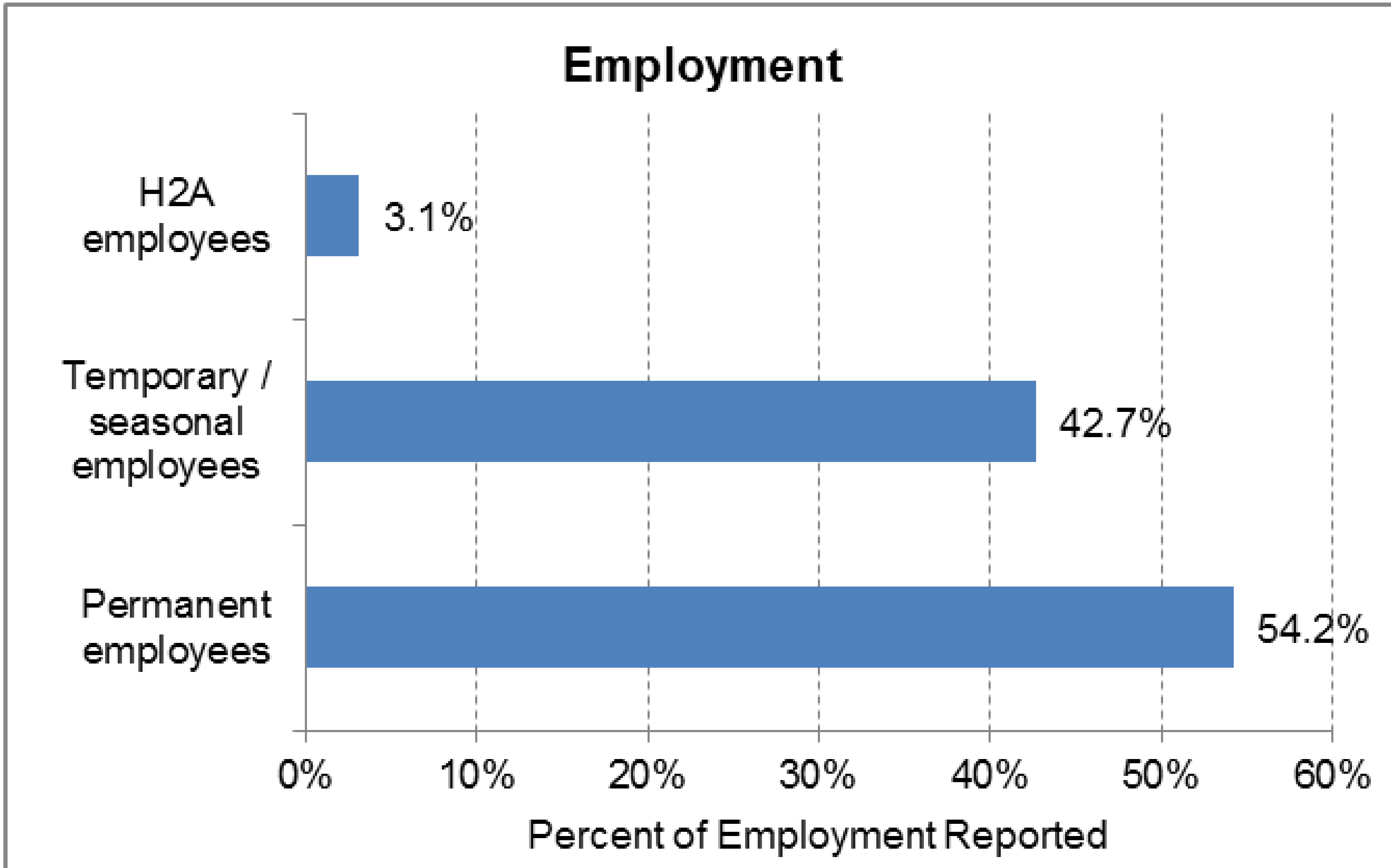



Period Firm Established
Percent of Firms Reporting
25%
20%
15%
10%
5%
0%
0.9%
4.6%
3.7%
4.3%
11.6%
17.9%
19.8%
24.3%
12.7%
1800-99
1900-49
1950-59
1960-69
1970-79
1980-89
1990-99
2000-10
2010-14

Firm Size Distribution by Annual Sales






Employment
H2A employees
Temporary / seasonal employees
Permanent employees
3.1%
42.7%
54.2%
0%
10%
20%
30%
40%
50%
60%
Percent of Employment Reported

Economic impacts by industry

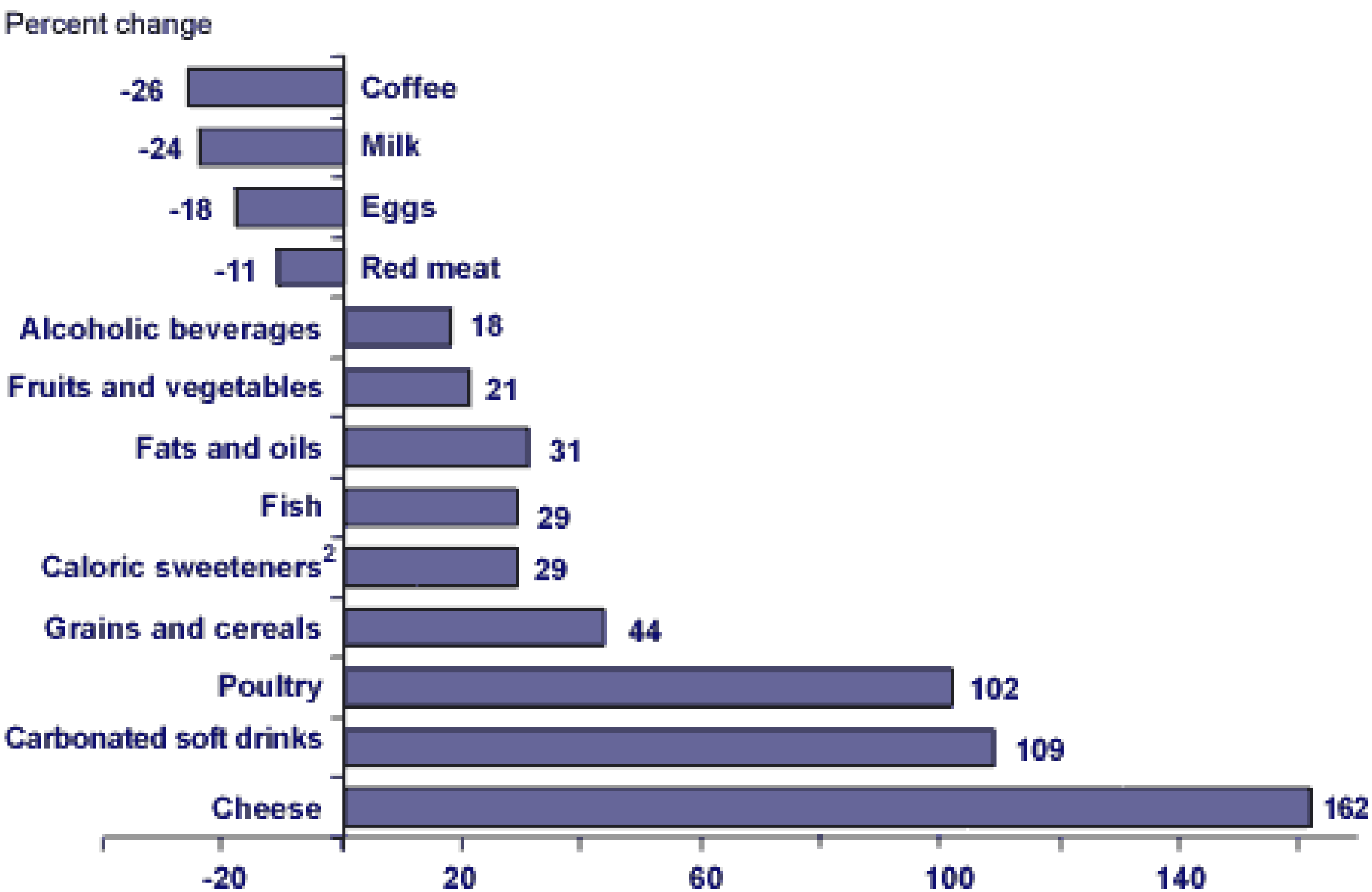
Industry	Sum of Employment (Jobs)	Sum of Employment Impacts (Jobs)	Sum of Output (M$)	Sum of Adjusted Exports (M$)	Sum of Output Impacts (M$)	Sum of Value Added Impacts (M$)
Landscape and horticultural services	914,847	1,106,946	58,284	17,355	84,196	54,715
Greenhouse, nursery, and floriculture production	256,760	354,780	16,766	7,995	29,662	19,425
Farm and garden equip. merchant wholesalers	112,387	189,700	25,245	6,123	35,322	22,478
Lawn and garden equipment and supplies stores	156,212	173,945	14,548	1,393	16,786	10,293
Florists	127,336	132,167	4,916	392	5,564	3,535
Nursery and florist merchant wholesalers	46,693	84,244	10,872	2,908	15,949	10,327
Landscape architectural services	44,361	58,717	5,619	1,057	7,522	4,266
Lawn and garden equipment manufacturing	18,143	51,053	9,135	5,520	14,365	4,477
Grand Total	1,676,740	**2,151,552**	**145,385**	42,743	**209,366**	**129,516**

Economic Impacts by State

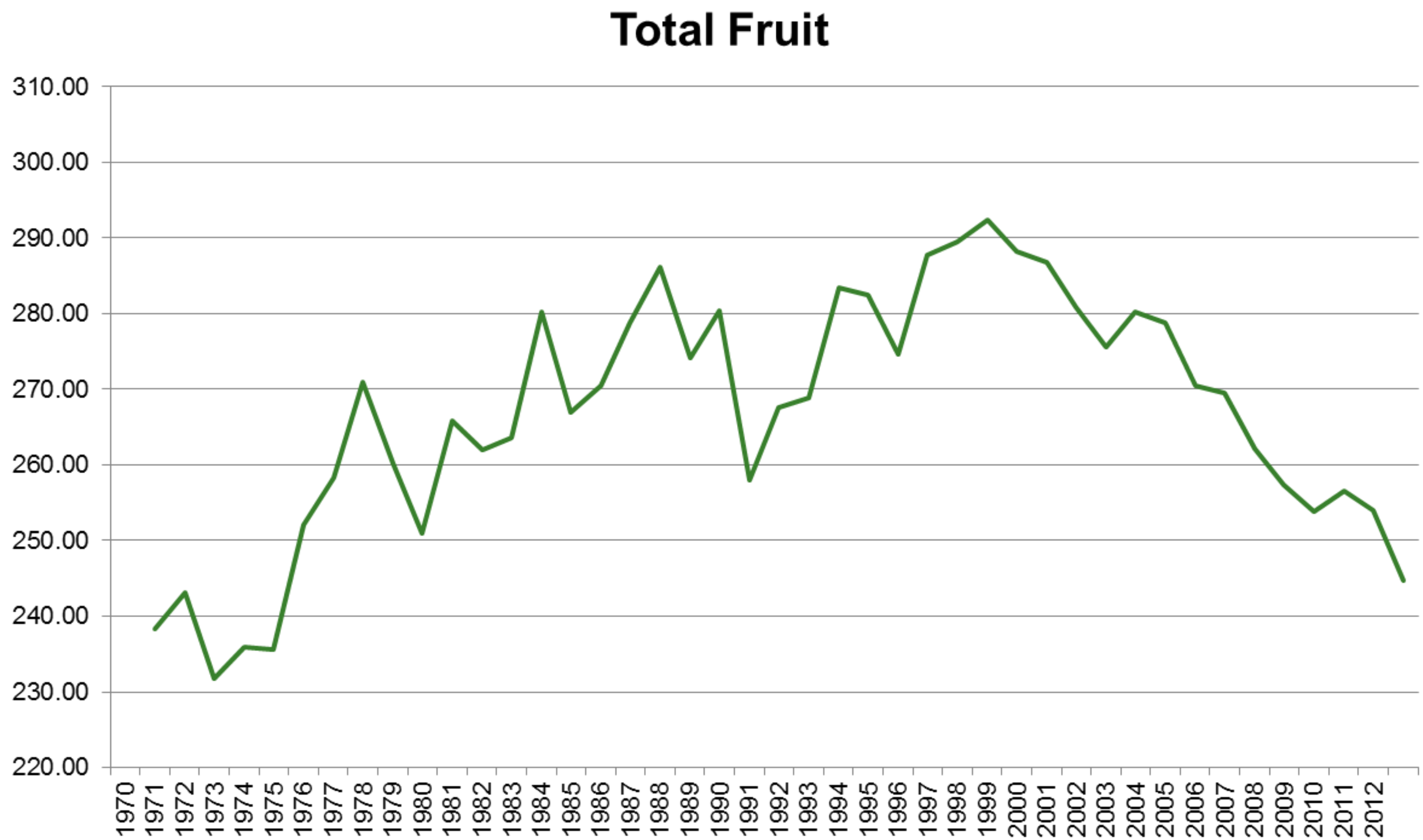
State	Sum of Output (M$)	Sum of Output Impacts (M$)	Sum of Employment Impacts (Jobs)		State	Sum of Output (M$)	Sum of Output Impacts (M$)	Sum of Employment Impacts (Jobs)
California	17,534	27,132	251,671		Kentucky	1,770	2,285	24,662
Florida	10,461	17,576	199,598		Oklahoma	1,461	1,742	21,642
Texas	10,651	14,195	167,241		Louisiana	1,613	1,964	21,711
Pennsylvania	5,356	7,435	85,706		Iowa	2,337	2,812	22,541
New York	5,884	6,626	70,350		Kansas	2,051	2,821	22,243
Illinois	6,676	9,555	81,365		Arkansas	1,991	2,865	20,793
Ohio	5,395	8,711	86,183		Mississippi	1,444	1,936	17,588
North Carolina	4,867	7,326	75,713		Utah	978	1,309	16,115
Michigan	4,180	6,127	67,697		Nebraska	1,576	1,887	15,267
New Jersey	4,166	6,098	63,123		Nevada	826	1,231	15,512
Georgia	4,840	7,318	67,423		New Hampshire	639	1,020	12,604
Virginia	3,335	4,570	55,763		Idaho	893	1,165	11,748
Tennessee	3,040	4,425	51,776		Hawaii	519	708	10,344
Maryland	2,894	4,389	47,295		Maine	616	986	11,852
Massachusetts	2,872	4,080	43,889		West Virginia	429	573	8,632
Washington	2,941	4,247	42,743		New Mexico	494	553	6,865
Missouri	2,906	3,472	37,541		Montana	533	817	8,502
Wisconsin	3,850	5,647	45,216		North Dakota	907	1,511	10,761
Oregon	2,389	3,544	41,611		South Dakota	738	943	7,595
Colorado	2,481	3,728	40,582		Rhode Island	342	603	7,001
Indiana	2,758	3,718	38,508		Vermont	367	526	6,353
Minnesota	3,427	4,618	37,771		Delaware	416	639	6,588
Arizona	2,388	3,396	36,613		Wyoming	260	354	4,260
South Carolina	2,862	4,562	39,599		Alaska	117	127	2,031
Connecticut	2,026	2,977	32,251		District of Columbia	55	62	790
Alabama	1,832	2,456	30,325					
					Grand Total	**145,385**	**209,366**	**2,151,552**

Fruit and Vegetables

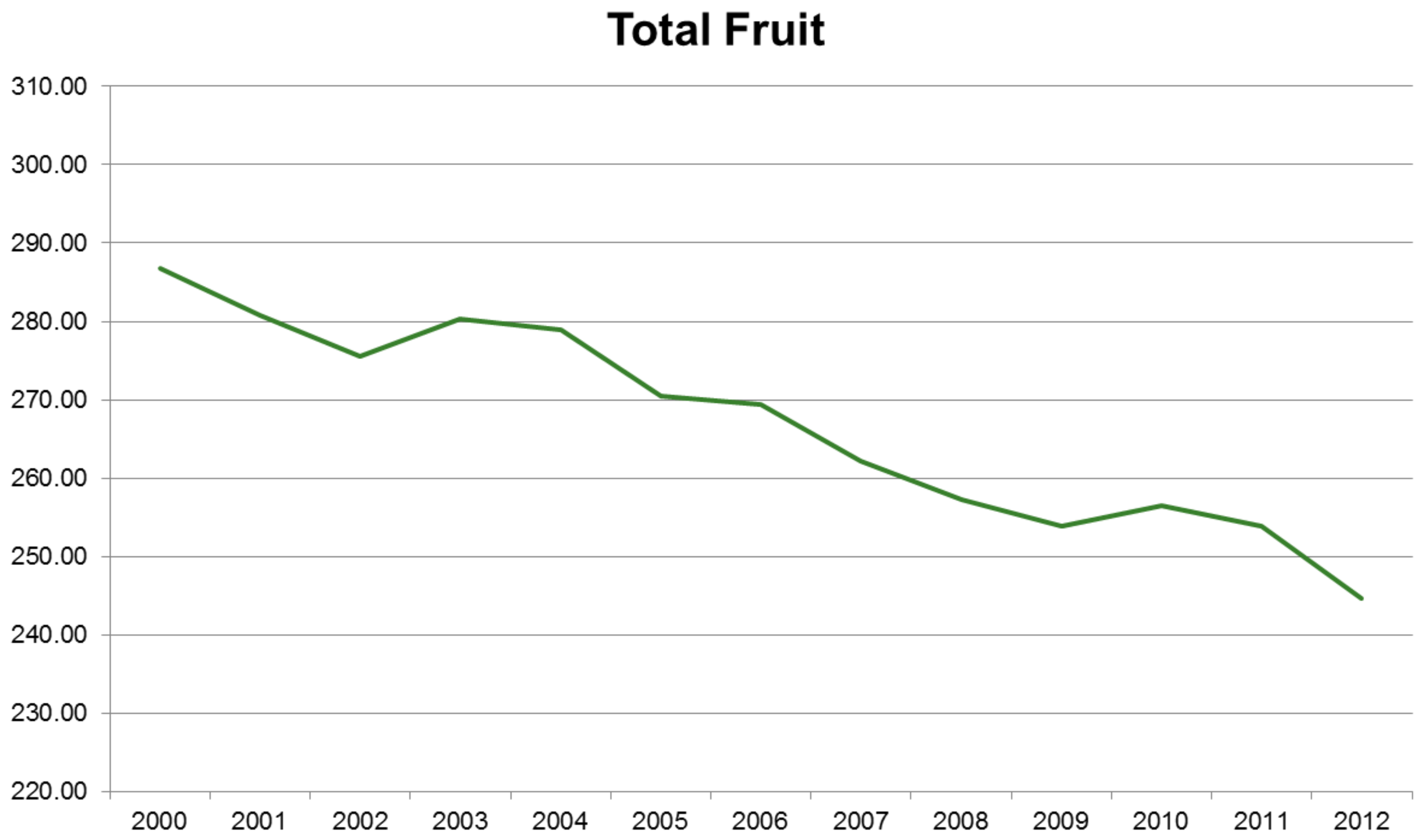
Percapita Consumption 1970-2000



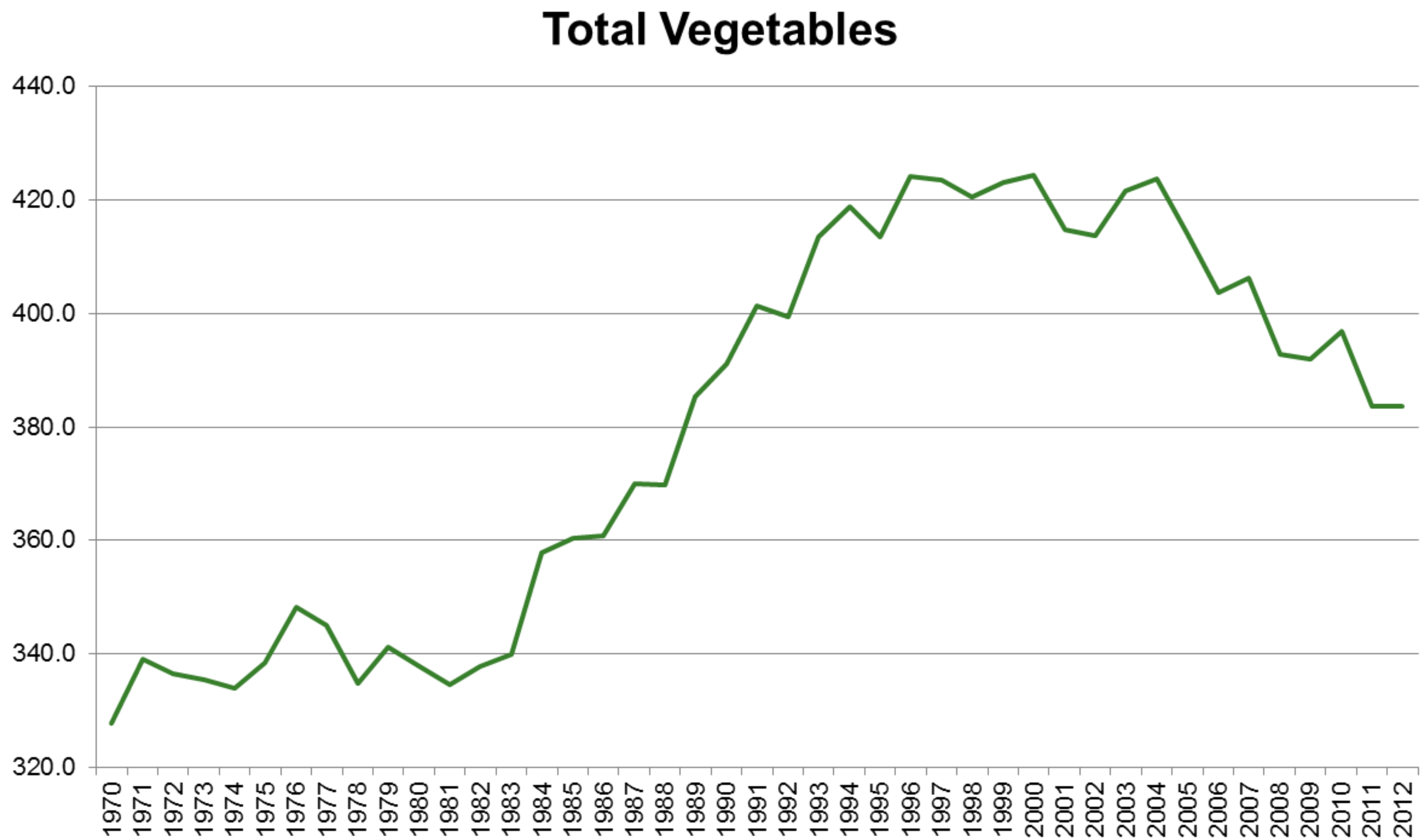
Per Capita Consumption 1970-2012



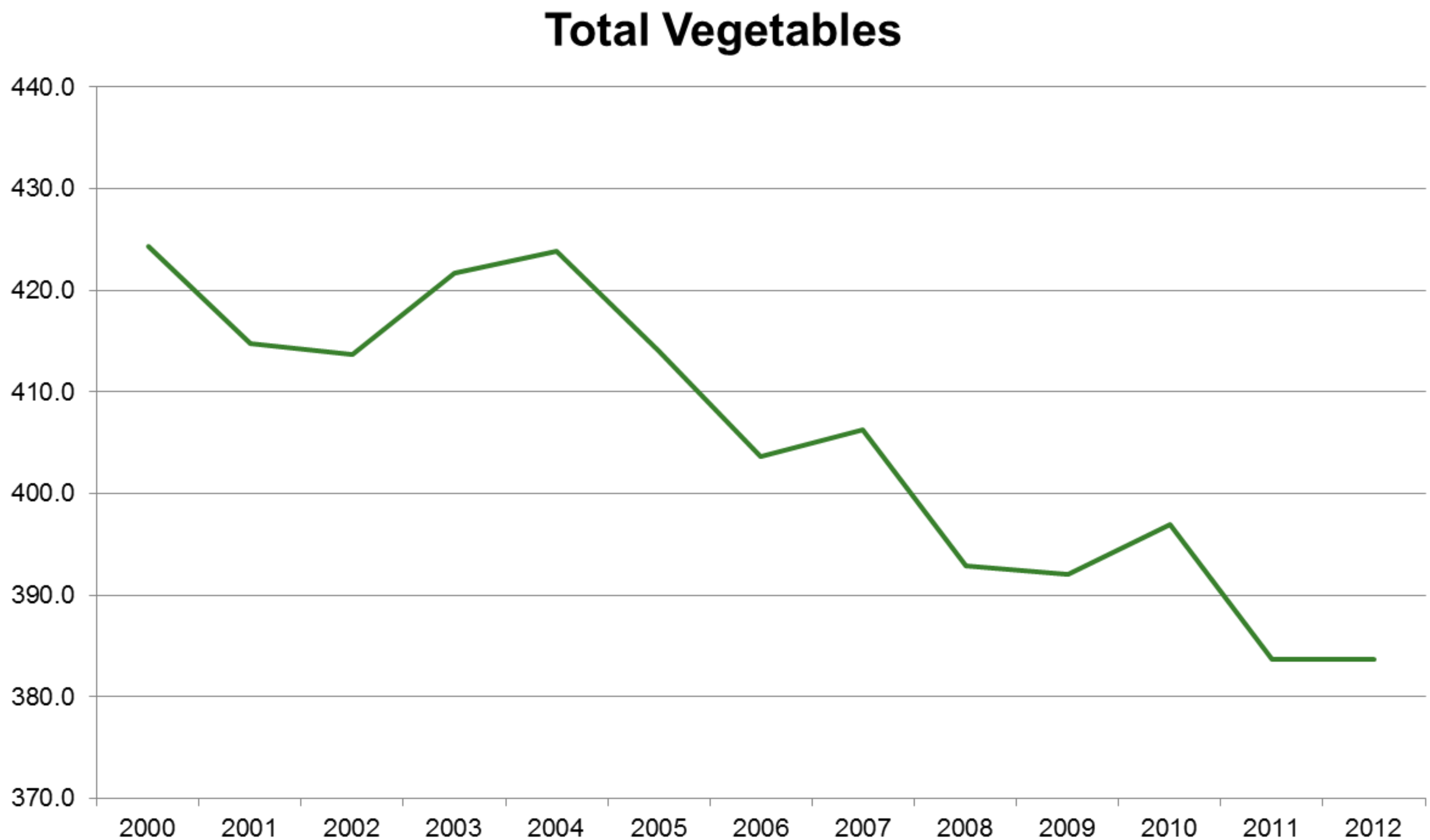
Per Capita Consumption 2000-2012



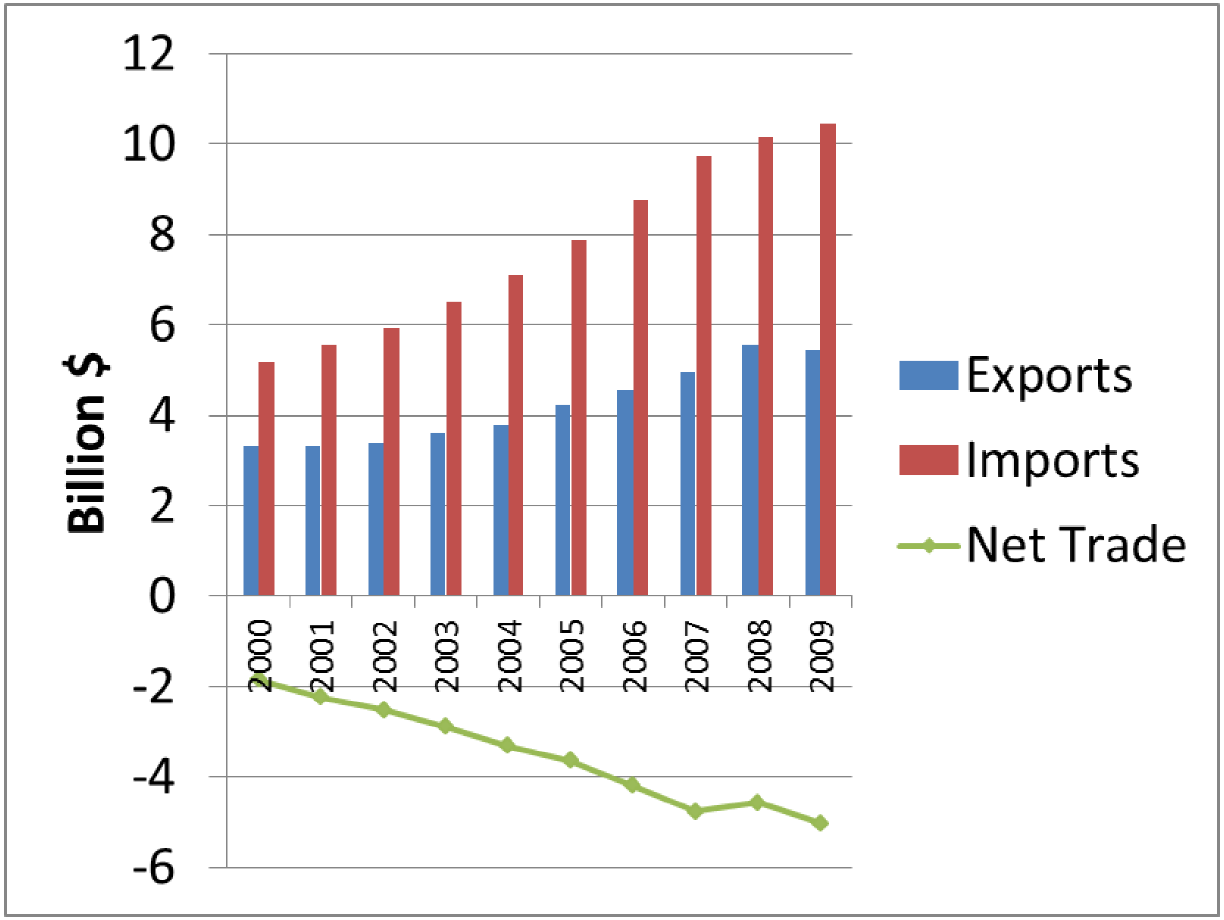
Per Capita Consumption 1970-2012

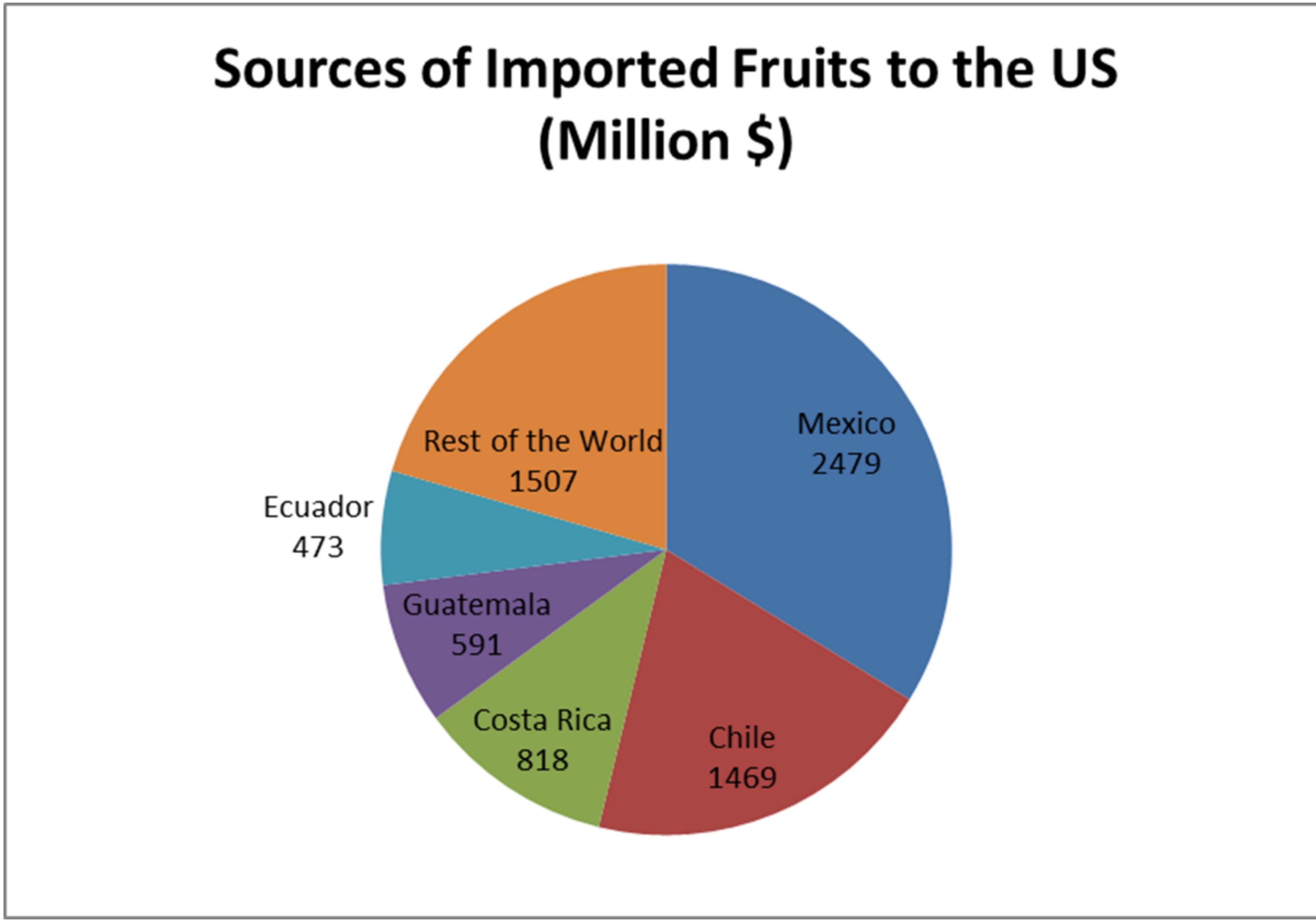


Per Capita Consumption 2000-2012

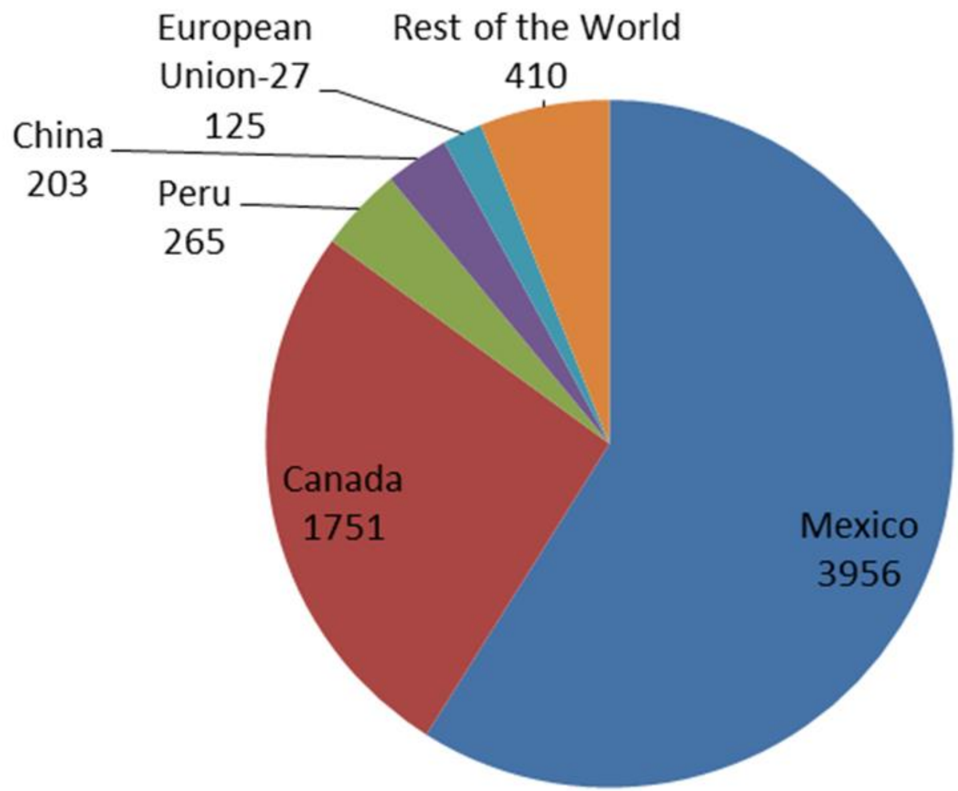


Net trade of Fresh Fruit and Vegetables

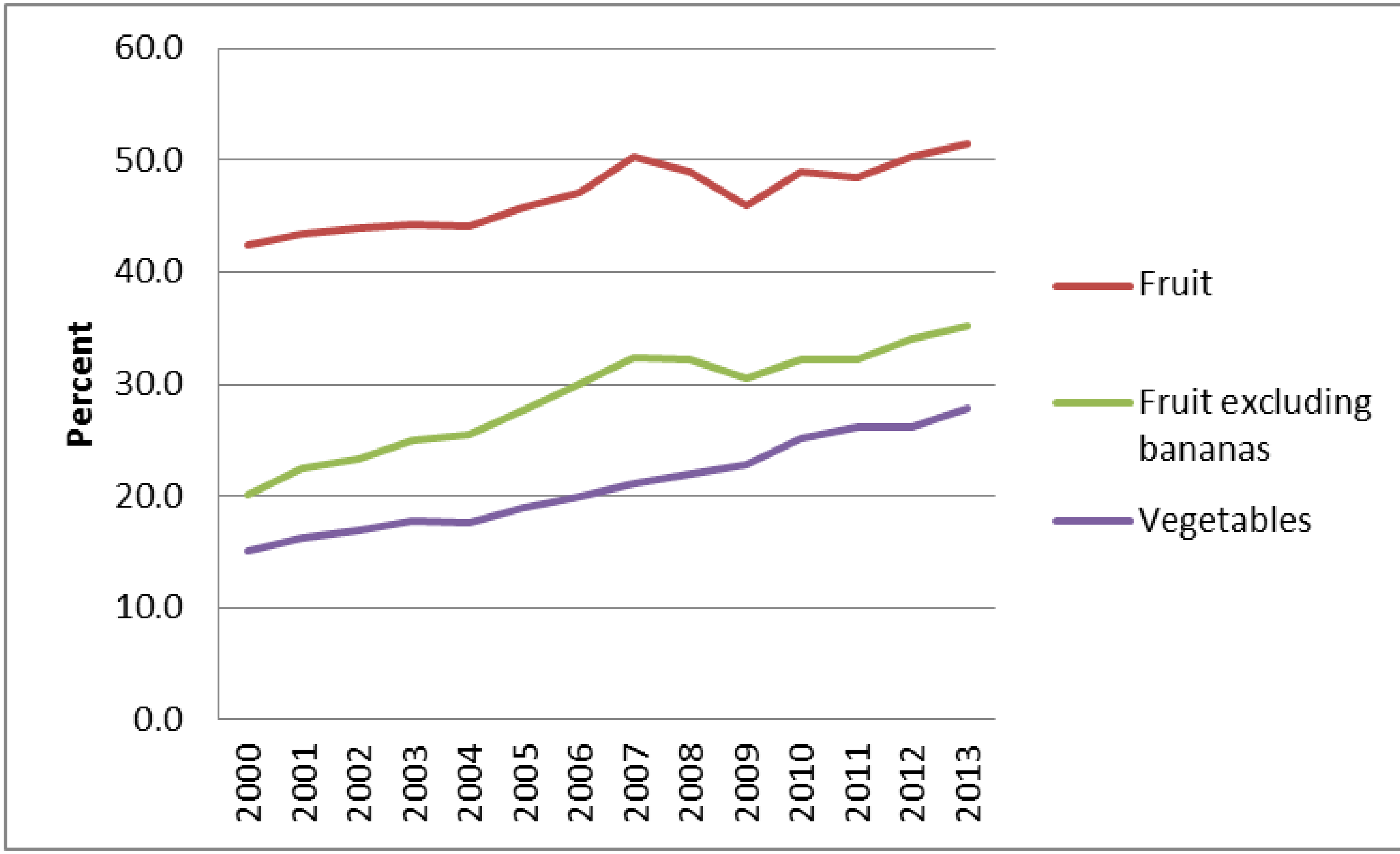



Sources of Imported Fruits to the US
(Million $)
Mexico
2479
Chile
1469
Costa Rica
818
Guatemala
591
Ecuador
473
Rest of the World
1507

Sources of Imported Vegetables to the US (Million $)



Share of Consumption from Imports



Total horticulture value is increasing

Why?

- Increase in population
- New international markets
- Year round demand
- Consumers willing to try new products

Generic advertising

versus

Total Demand

Market Share

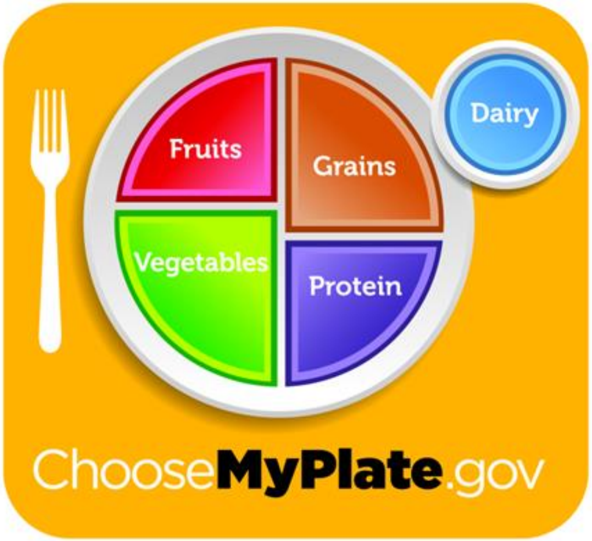
Brand advertising

Major Macro-Trends

- **Local and specialized Markets**

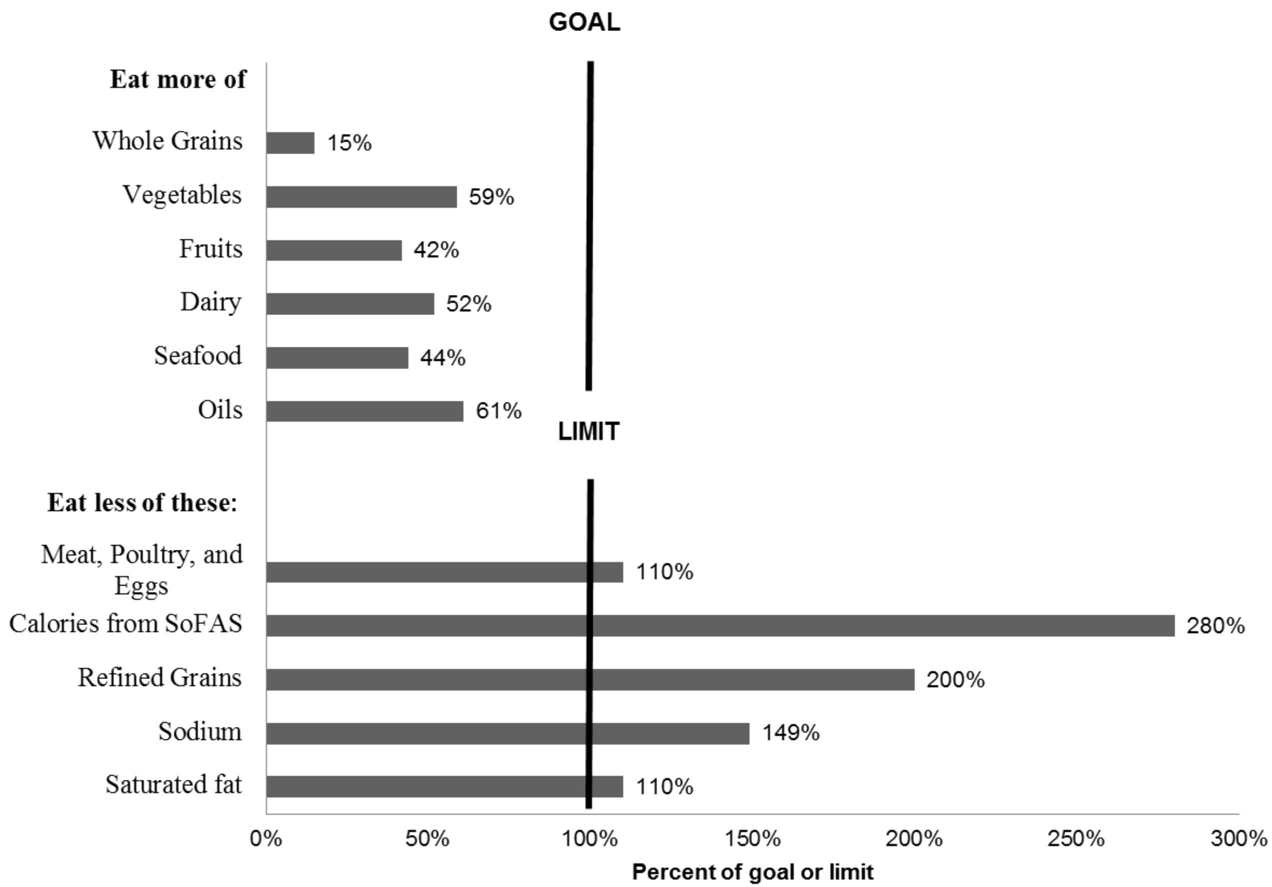
Major Macro-Trends

DGA 2010

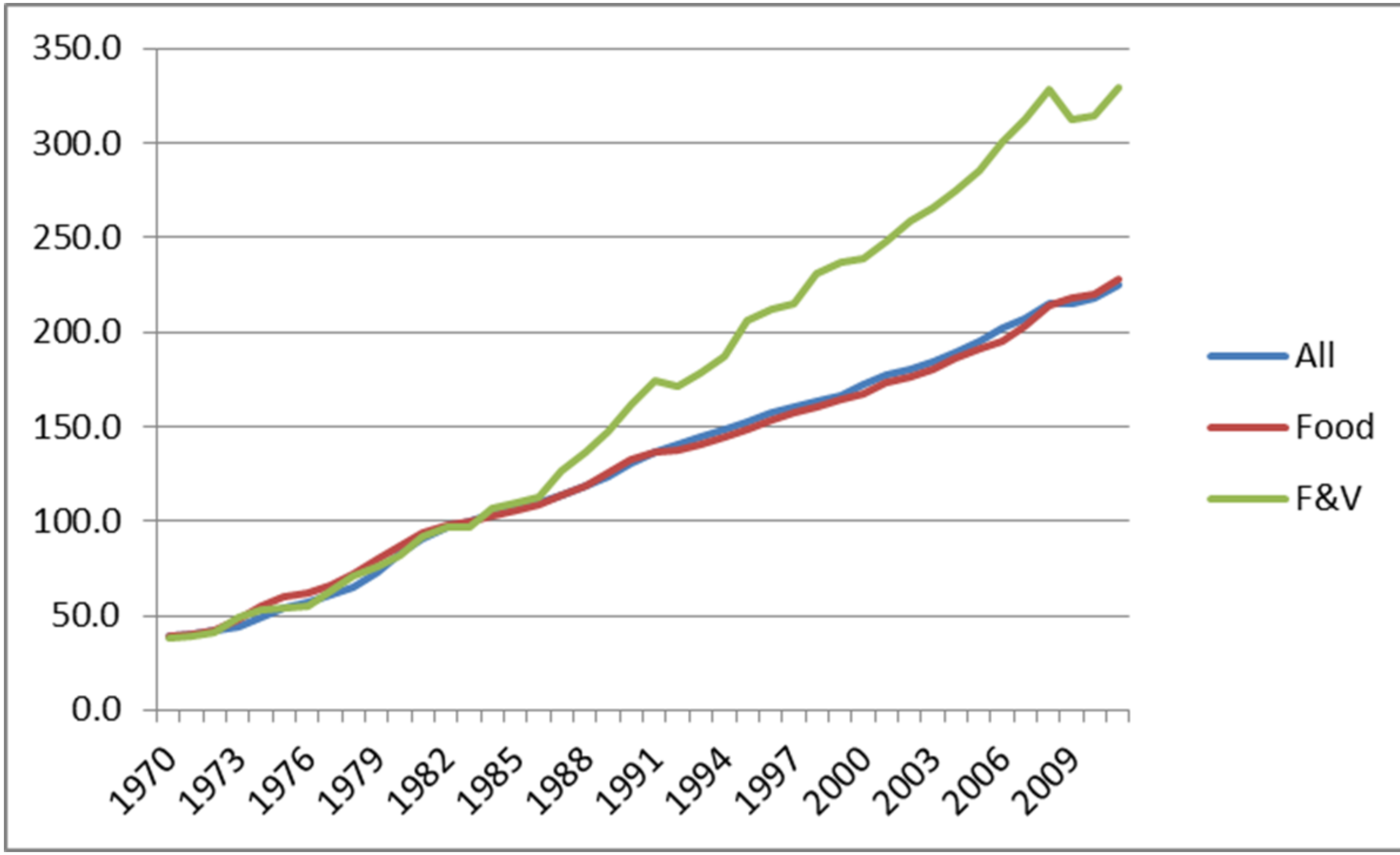


2015?

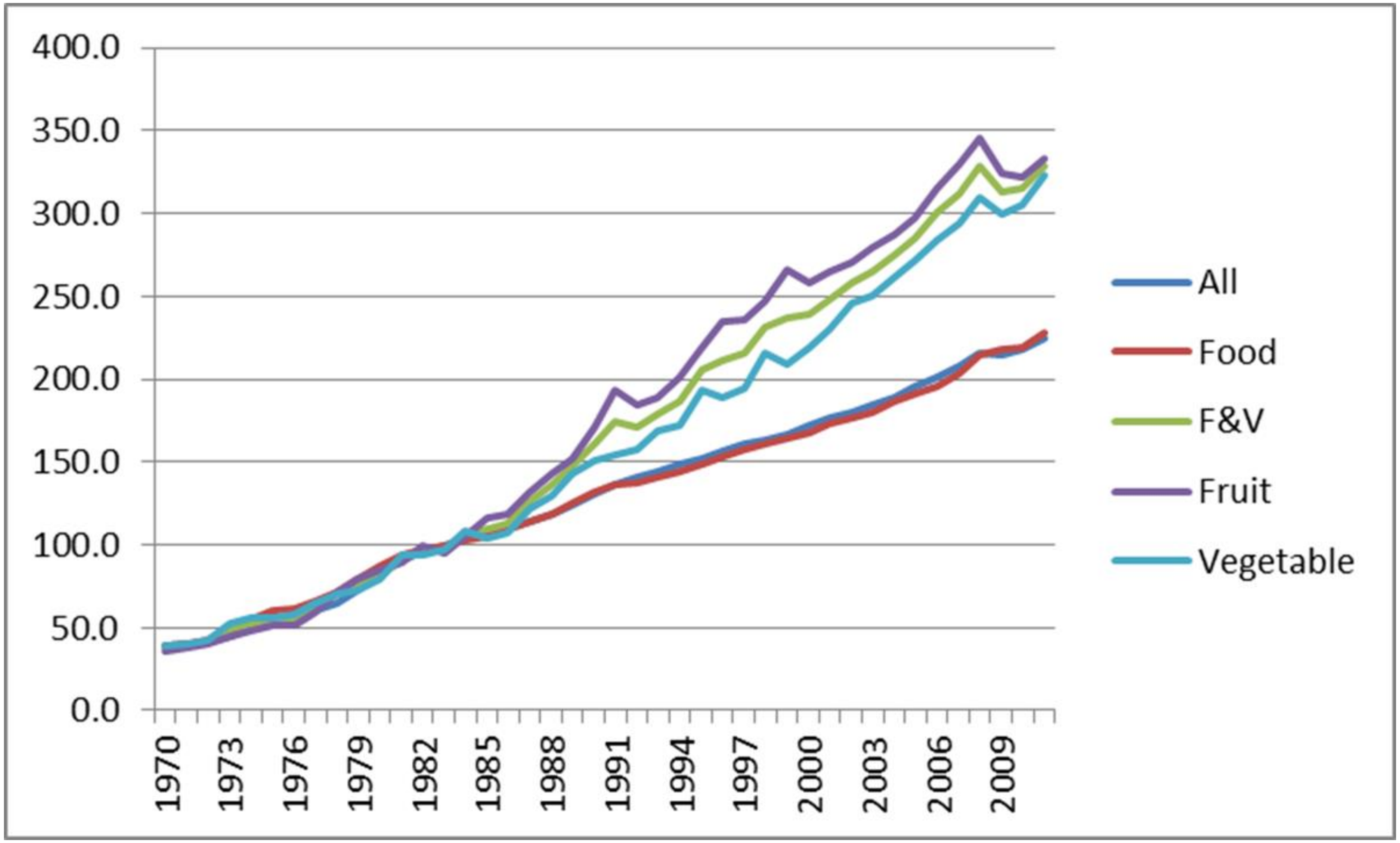
Recommended vs actual



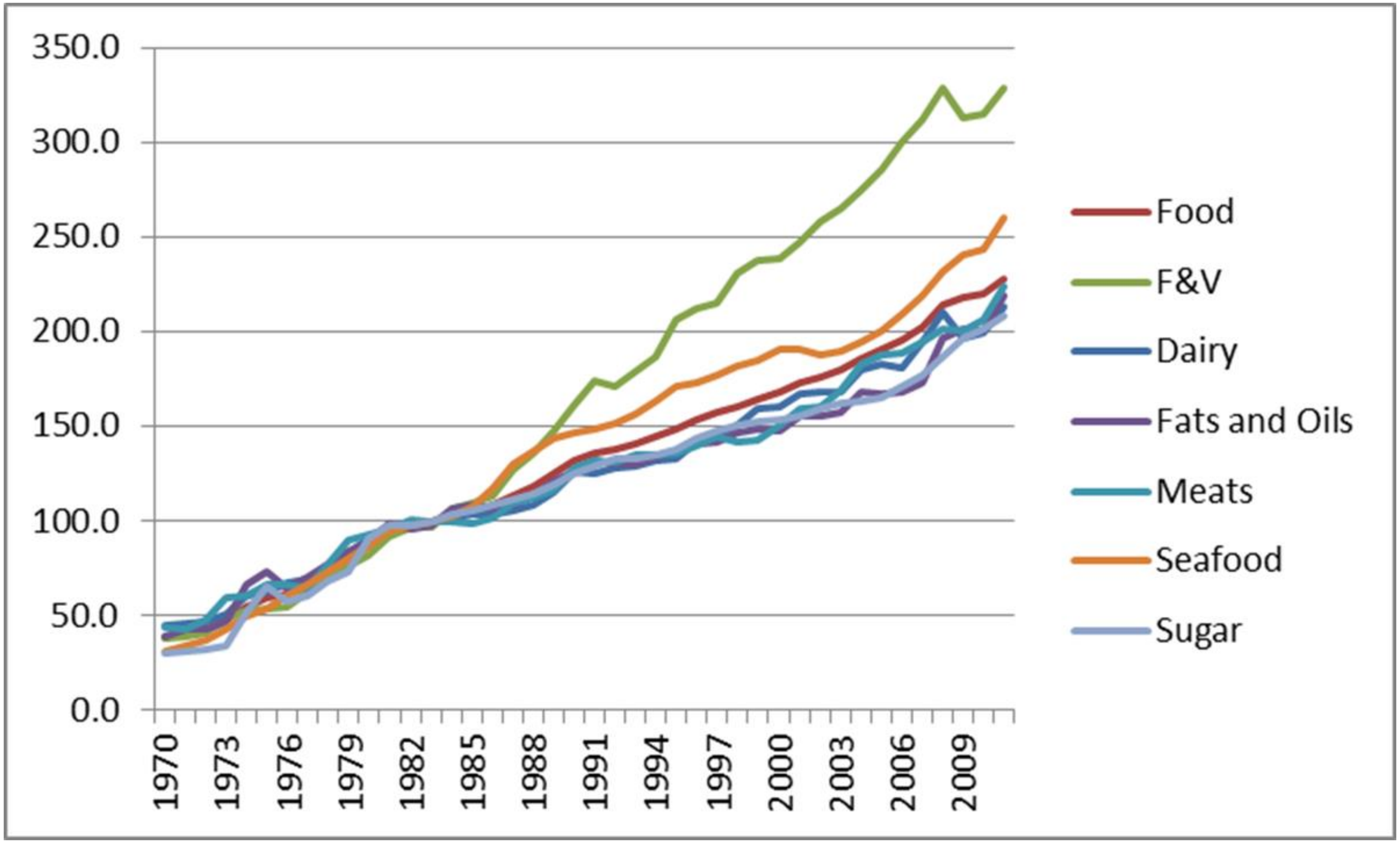
Consumer Price Index



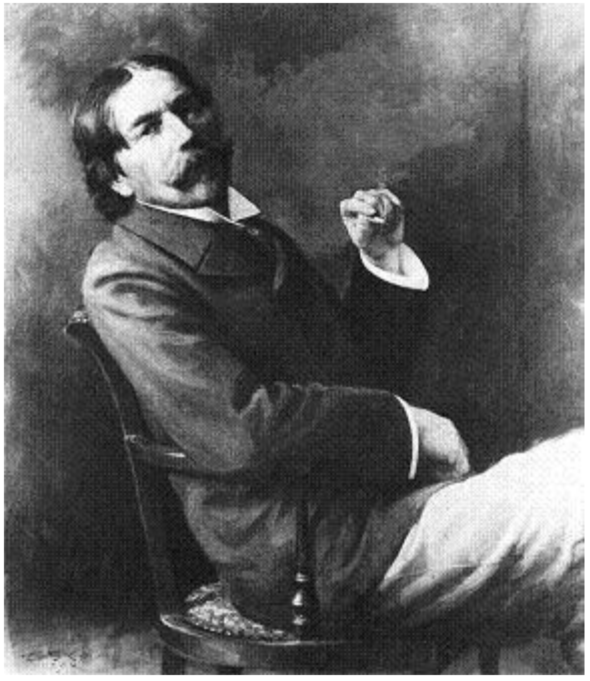
Consumer Price Index



Consumer Price Index



Food as "social status"?


Thorstein Veblen (1857-1929)

"In order to gain and hold esteem of men it is *not sufficient merely to posses wealth or power.* The wealth or power **must be put in evidence**, for esteem is only awarded on evidence. "

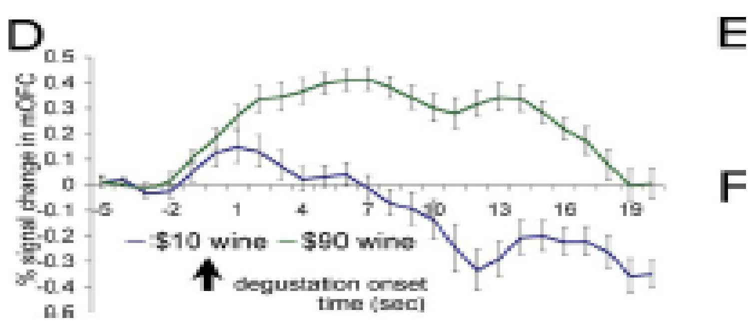
"Conspicuous consumption"

Is it possible?

Seeking prestige

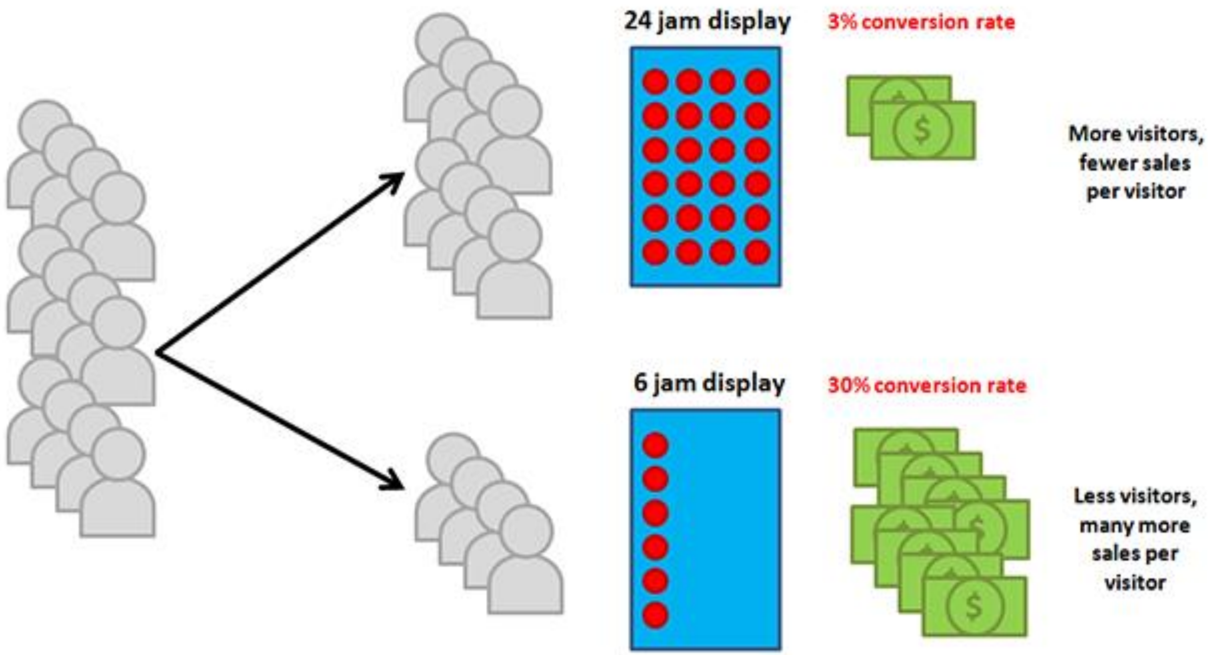
$10

$90



Plassman et al. (2008)

Choice overload



(Iyengar and Lepper 2000)

Choice overload

1997: 345 **2008: 2,200**

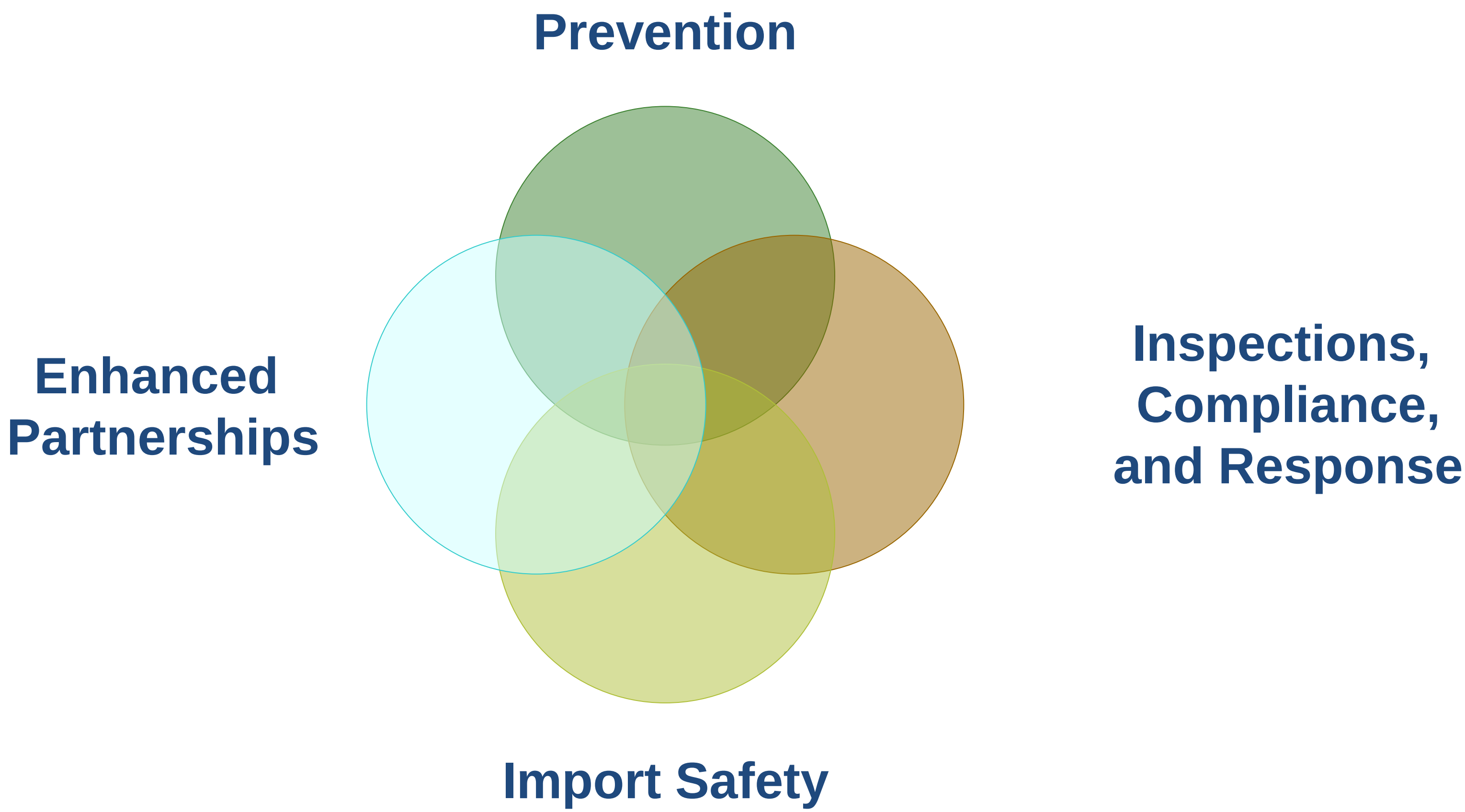
Major Macro-Trends

- **FSMA**

Final rule: September 10, 2015

Slides from FDA site, available at:
http://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm247546.htm

Main Themes of the Legislation



Prevention: The cornerstone

- Comprehensive preventive controls for food and feed facilities
  - Prevention is not new, but Congress has given FDA explicit authority to use the tool more broadly
  - Strengthens accountability for prevention
- Produce safety standards
- Intentional adulteration standards
- Transportation

Inspection, Compliance, and Response

- Mandated inspection frequency
  - More inspections, but with preventive controls in place, we can consider new ways to inspect
- New tools
  - Mandatory recall
  - Expanded records access
  - Expanded administrative detention
  - Suspension of registration
  - Enhanced product tracing
  - Third party laboratory testing

Import Safety: Most groundbreaking shift

- Importers now responsible for ensuring that their foreign suppliers have adequate preventive controls in place
- FDA can rely on third parties to certify that foreign food facilities meet U.S. requirements
- Can require mandatory certification for high-risk foods
- Voluntary qualified importer program--expedited review
- Can deny entry if FDA access for inspection is denied
- Requires food from abroad to be as safe as domestic

Enhanced Partnerships: Vital to Success

- Reliance on inspections by other agencies that meet standards
- State/local and international capacity building
- Improve foodborne illness surveillance
- National agriculture and food defense strategy
- Consortium of laboratory networks
- Easier to find recall information

Who is Covered by Preventive Controls?

- In general, facilities that manufacture, process, pack or hold food
  - Facilities required to register with FDA under sec. 415 of the FD&C Act
  - Not farms or retail food establishments
- Applies to domestic and imported food
- There are some exemptions and modified requirements for certain facilities

Evolution of Farm Definition

- In September 2014, in response to stakeholder input, FDA proposed a revised farm definition for public comment.
  - A farm would no longer be required to register as a food facility if it packs or holds RACs grown on another farm under different ownership.
  - In general, on-farm packing or holding of produce would fall under produce safety rule.

Evolution of the Farm Definition

- The final Preventive Controls for Human Food rule clarifies the definition and expands it further to cover two kinds of farming operations:
  - Primary production farm
  - Secondary activities farm

Questions

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