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Highlights of the Agricultural Act of 2014 for Specialty Crops

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The share of federal spending in the U.S. specialty crop industry has been small compared with support available for commodity crops. However, specialty crops gained considerable support in the Agricultural Act of 2014, also referred to as the 2014 farm bill. The bill increased funding levels for specialty crops by 55% to about $4 billion over ten years (United Fresh Produce Association, 2014). Most programs to solve critical needs of the specialty crop industry have been reauthorized and their funding levels have either increased or remained unchanged. Some of the existing programs were expanded and new programs were created.

Reestablished Programs and Their Major Changes

The bill reestablishes the Tree Assistance Program (TAP), a disaster relief program that provides eligible orchardists and nursery tree growers with financial assistance to replant or rehabilitate crops after losses caused by a natural disaster. Emphasis is also made on trade and international marketing assistance for U.S. specialty crop producers serving export markets. The trade title reauthorizes the Market Access Program (MAP) and the Technical Assistance for Specialty Crops (TASC) program, while increasing funding for TASC to $9 million for each of fiscal years (FY) 2014 through 2018. MAP is designed to help U.S. agricultural trade associations, cooperatives, trade groups, and small businesses build export markets by providing technical assistance and sharing the costs of overseas marketing, while TASC is designed to help overcome sanitary, phytosanitary, and technical barriers to the export of U.S. specialty crops.

The nutrition title prioritizes the consumption of fresh produce by vulnerable populations including children, senior citizens, and residents of food deserts. It reauthorizes the Healthy Food Financing Initiative (HFFI), a program that seeks to decrease the prevalence of food deserts in the United States by offering financial and technical assistance to healthy retail food stores to overcome the initial barriers to entry in these underserved areas. This title also reauthorizes the purchase of fruits, vegetables, and other specialty crops for distribution to schools and service institutions, and reestablishes the Seniors Farmers' Market Nutrition Program (SFMNP) to increase access to fresh fruits and vegetables for low-income senior citizens. Total funds available for the procurement of fruits and vegetables by the Department of Defense have been set at $200 million, not less than 25% of which must be used towards the purchase of fresh produce.

Research and extension remain high priority programs for specialty crops. The Specialty Crop Committee and the Specialty Crop Research Initiative (SCRI) were reauthorized and expanded to address research and extension needs of the various specialty crop industries. In addition to the eleven members who currently form the Specialty Crop Committee, a Citrus Disease Subcommittee composed of nine domestic producers of citrus from the states of Texas, Florida, California, and Arizona will identify research, extension, and development needs of the U.S. citrus industry. The SCRI has been expanded through the formation of the Emergency Citrus Disease Research and Extension Program. The purpose of the citrus grant program is to fund scientific research, technical assistance, and development activities focused on combating citrus diseases and pests, as well as disseminating relevant information and any new technologies discovered. Grant proposals submitted by

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eligible public and private research entities to the SCRI will be subject to a scientific peer review by a panel of subject matter experts from federal agencies, non-federal entities, and the specialty crop industry. The proposals will also be subject to a merit review and ranking by a panel of specialty crop industry representatives for the specific specialty crop. The Specialty Crops Committee and corresponding subcommittees will provide recommendations for conducting the review process, an assessment of the process, and comments on grants awarded. Mandatory funding for the SCRI has been increased to $80 million for FY 2014 and thereafter. Since it is mandatory, it will not be subject to the annual appropriations bills. The Emergency Citrus Disease Research and Extension Program will be funded from 31% of these mandatory funds plus $25 million that has been authorized to be spent under the jurisdiction of Congress through appropriations bills.

Recipients of research and extension grants awarded by the Secretary of Agriculture after October 1, 2014, will now be subject to a new matching funds requirement. That is, grant recipients will have to match at least 100% of the grant by providing funds, in-kind contributions, or a combination of both. Programs established within research agencies of the U.S. Department of Agriculture (USDA), and capacity and infrastructure programs including land-grant universities and programs to support agricultural experimental stations, will be exempt from this matching funds requirement. While non-profit research organizations and private research institutions are not exempt, the bill indicates that yearly waivers may be granted for research and extension projects that address national priorities. For example, projects are to include those that develop new uses and new products for agricultural commodities or significantly enhance the competitiveness of U.S. agriculture.

The horticulture title reestablishes programs necessary for market news dissemination, direct-to-consumer marketing of local foods, food safety education, and competitiveness enhancement of the specialty crop industry. It reauthorizes the Specialty Crops Market News to provide price and shipment information on specialty crops while maintaining the program's spending levels ($9 million for FY 2008 through 2012).

The Farmers' Market Promotion Program (FMPP), now called the Farmers' Market and Local Food Promotion Program, has been reauthorized and mandatory funding has been introduced. Although its funds cannot be invested in infrastructure development, this program is crucial in helping small- and mid-size producers improve and expand direct-to-consumer opportunities such as farmers' markets, roadside stands, community supported agriculture (CSA) businesses, and agri-tourism operations. Funding for this program has been increased to $30 million for each of FY 2014 through 2018, in addition to $10 million that remains authorized to be appropriated in each of the fiscal years. Of the total funds available to conduct this program, half will be allocated towards projects that deal with direct producer-to-consumer opportunities, while the other 50% will be allocated to local and regional food business enterprises including those that are not direct producer-to-consumer markets. However, if the project does not involve direct producer-to-consumer markets, grant recipients will need to match at least 25% of the total cost of the project in the form of cash or in-kind contributions. Moreover, a limit of 4% on administrative expenses has been established for the FMPP program.

Food safety education initiatives and the Specialty Crop Block Grant (SCBG) program will also continue with the passage of the 2014 farm bill. Changes to the SCBG program include increased funding, adjustments to the grant allocation formula, and allowance of funding for multistate projects related to food safety, plant pests and diseases, research, and crop-specific projects. Mandatory funding for the SCBG program was introduced in the 2008 U.S. farm bill. The new farm bill increases its funding levels to $72.5 million for each of FY 2014 through 2017 and to $85 million for FY 2018 and thereafter. Moreover, grants awarded through the SCBG program will now be allocated to states considering the state and nationwide acreage of specialty crop production in addition to the average value of production. Yearly administrative expenses made under this program by the Secretary of Agriculture are limited to 3%, whereas administrative expenses incurred by states are limited to 8%.

Lastly, the bill consolidates the National Clean Plant Network and the Pest and Disease Management and Disaster Prevention program into a single program. Funding for the combined programs has been increased to $62.5 million for each of FY 2014 through 2017, and $75 million for FY 2018 and thereafter.

Other important crop and product-specific provisions in the horticulture title that will likely impact the specialty crop industry include: 1) establishment of an industry-funded promotion, research, and information program for fresh-cut Christmas trees sold in the United States, which involves the collection of $0.15 per tree on farms that cut 500 or more per year; 2) exemption of apple shipments to Canada in bulk containers—containers over 100 lbs.—from the provisions of the Export Apple Act; 3) changes in notification requirements for plant-incorporated protectants in imported seeds; and 4) exclusion of non-pesticide sources of sulfuryl fluoride from residues tolerance assessments performed by the U.S. Environmental Protection Agency (EPA).

What's New and What's Out?

New provisions in the bill relevant to the specialty crop industry are much more numerous than the provisions revoked. The grant program established to improve the movement of specialty crops to markets was discontinued. The nutrition title, however, contains important changes and new provisions with great potential for specialty crop producers, Supplemental Nutrition Assistance Program (SNAP) eligible households, and school feeding programs. Changes in the definition of a "retail food store" in the nutrition title allow agricultural producers who market directly to consumers to accept SNAP benefits, implying that not only farmers' markets but also CSAs and roadside stands will be able to accept electronic benefit transfer (EBT) cards as forms of payment when selling fruits and vegetables or seeds and plants for eligible household use.

The feasibility of households redeeming SNAP benefits through online and mobile transactions will be tested through new pilot projects that seek to help retail food stores adopt new technologies. To participate in the mobile pilot project, retail food stores and producers selling directly to consumers will need to apply to the Secretary of Agriculture, specifying the technology to be used and the manner in which the household will be given proof of the transaction, among other requirements yet to be determined in the rulemaking process. To participate in the online pilot project, other interested parties will also need to apply, describing the manner in which they will ensure the purchase of eligible items only and educate the public in the use of the technology. Both pilot projects are expected to be completed by July 1, 2016. If they prove successful and implemented nationwide, specialty crop producers who sell directly to consumers may be able to accept SNAP benefits through online and mobile transactions starting January 1, 2017.

The details and requirements to participate in these programs will be clearer as the regulations are written and released by the U.S. Secretary of Agriculture, but the new farm bill provides an overview of expected sellers' obligations. Sellers nationwide will need to ensure the privacy of customer data and the security of transactions, and will not be allowed to price-discriminate through higher online prices. They will be responsible for covering the costs of obtaining, installing, and maintaining mobile technologies, and will not be allowed to use SNAP benefits to pay delivery, ordering, convenience, or other fees. These two implications from the nutrition title open the door for online purchases of specialty products sold directly to consumers and digital marketing opportunities in the near future.

Regarding school feeding programs, three new provisions were created to facilitate the inclusion of fruits and vegetables in the National School Lunch and National School Breakfast programs.

First, a pilot project will be conducted to help states buy unprocessed fruits and vegetables in a flexible manner. Eight states currently participating in the National School Lunch Program will be allowed to buy unprocessed fruits and vegetables from multiple suppliers, and to buy local if desired. Participating states will be selected based on the quantity and variety of local fruits and vegetables on a per capita basis, demonstrated commitment to Farm-to-School efforts, and the quantity of local educational agencies.

Second, schools currently participating in the Fresh Fruits and Vegetables Program (FFVP) will be selected to participate in a pilot project to evaluate the impacts of offering canned, frozen, or dried fruits and vegetables on children's consumption levels and school participation. Schools outside the pilot project, however, will need to continue offering fresh fruits and vegetables.

Third, pulse products such as dry beans, dry peas, lentils, and chickpeas, will be incorporated into the National School Lunch and National School Breakfast programs. Child acceptance of these products and product suitability for school programs will be evaluated in 2016.

The bill's inclusion of provisions that benefit locally or regionally produced agricultural products translates into direct support for small and medium agricultural businesses. Ways to determine the value of crops used in locally or regionally produced agricultural products will be determined to facilitate lending of operating loans to local and regional food producers. Also, exploring ways for producers to establish a price history for these crops has been added to the agenda.

Besides credit-related solutions, the bill offers incentives for the consumption of locally or regionally produced agricultural products. For instance, it creates the Food Insecurity Nutrition Incentive program, which provides cash incentives to SNAP-eligible households for the purchase of fruits and vegetables at farmers' markets. It also mandates a study on locally or regionally produced agricultural products to collect data on production and marketing practices of Local Food Systems (LFS) and the direct and indirect costs that LFS incur in complying with federal regulations. Other novel commodity-specific provisions in the horticulture title include a new report on the appropriate federal standard for the identity of honey to help domestic producers compete with low-priced imports of altered honey.

Organic Agriculture

Provisions for the rapidly expanding organic agriculture sector received broad support from both major political parties. The bill expands the definition of "agricultural commodity" to include certified organics, it mandates a technology upgrade for the database and technology systems of the National Organic Program, it creates permission for an Organic Commodity Promotion Order, and it grants specific powers to the Secretary of Agriculture to investigate products that are being fraudulently marketed as organic. Importantly, three key farm bill programs that have helped shape the success of U.S. organic farmers over the past decade have been reauthorized including the Organic Agriculture Research and Extension Initiative (OREI), the Organic Production and Market Data Initiatives (ODI), and the National Organic Certification Cost-Share Program (NOCCSP). The latter program seeks to help U.S. organic crop and livestock producers defray the costs of obtaining an organic certification by reimbursing as much as 75% of certification costs. Funding for the cost-share program was increased to $11.5 million for each year from FY 2014 through 2018.

Finally, though the lack of federal crop insurance remains a major issue for specialty crop producers, this bill attempts to help level the field for organic farming. The bill mandates increased efforts in developing and improving federal crop insurance for organic crops and in implementing price elections for organic products. No later than the 2015 reinsurance year, certified producers of organic crops will be offered price elections that reflect their retail or wholesale prices. A new annual report will include the progress of implementing these price elections and advances on developing new federal crop insurance approaches for organic producers.

Going Forward

The Agricultural Act of 2014 advances many priorities of the U.S. specialty crop industry. Not all concerns of the industry were addressed, but this farm bill did significantly broaden the scope of U.S. agricultural policy. The bill's provisions discussed will likely benefit different stakeholders in the specialty crop industry. It may be expected that consumers, including SNAP-eligible households, children in school feeding programs, senior citizens, and residents of food deserts will gain increased access to specialty crops, which may result in an increase in demand for local foods. Greater access may bring about a rise in consumption of fresh produce among the general population, but notably it has the potential to change eating habits among vulnerable groups, thereby helping address public health concerns. Conventional and organic producers of specialty crops may benefit from greater consumer demand, as well as from provisions designed to facilitate lending and conduct research and extension initiatives. These incentives may serve to strengthen existing local farms, but also to bring new farms to market. Given rising concerns of obesity and child malnutrition, the alarm people have over food deserts, as well as the rising popularity of lifestyle programs such as Let's Move or the Farm-to-Table and Farm-to-School movements, it may be expected that food policy issues related to horticulture, specialty crops, organic production and related issues will continue to be at the forefront of the policy debate. Clearly there will be a multitude of research and outreach opportunities.

For More Information:

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