CHOICES
The magazine of food, farm, and resource issues
A publication of the Agricultural & Applied Economics Association
AAEA Agricultural & Applied Economics Association

The U.S. 2008 Farm Bill: Title X and Related Support for the U.S. Specialty Crop Sector

Mechel S. Paggi and Jay E. Noel

JEL Classification: H100

The Food, Conservation and Energy Act of 2008 (FCEA), provided a landmark in U.S. agricultural policy by including for the first time a separate title dealing specifically with issues related to the fruit, vegetable tree nut, floriculture and nursery sectors of agricultural economy (specialty crops). The bill dedicates almost $3 billion in funding over five years to areas of importance to the sector including nutrition, research, pest and disease, trade, conservation and block grant funding for individual State initiatives. In addition, specialty crops continue to receive direct and indirect benefits from other sections of the legislation related planting restrictions associated with programs for crops such as wheat, corn, soybeans and cotton, crop insurance and general nutrition programs. This article summarizes key provisions of Title X of the 2008 Food, Conservation and Energy Act and related support for U.S. specialty crop agriculture and discusses their potential benefit to the U.S. specialty crop agriculture.

There were approximately 304.3 million acres of harvested cropland in the United States in 2006. Specialty crops harvested acreage was 11.2 million harvested acres or approximately 3.7% of the 2006 total harvested cropland. This percentage has remained relatively constant over the past five years.

Specialty crops are produced throughout the United States. The Upper Midwest and Northwest have the largest vegetable acreage for processing, while California, Florida and Texas harvest the largest share of fresh vegetable and melon acreage. California is the largest producer of grapes, strawberries, peaches, nectarines, avocadoes, and kiwifruit. It also leads in fresh–market orange production and tree nut production. Florida is the largest citrus producer, while Washington is the largest apple producer for both fresh and processing. Midwest and Northeastern states are important producers of processed fruit products while Florida leads in the production of citrus juices. Floriculture production takes place in 40 different states. The Southern states are the largest producers of floricultural products followed by the Western states, then Midwest states and the Northeastern states. Nursery crops are produced in 17 states. Leading producing states, in order of size of production (acres) are Oregon, Pennsylvania, Michigan, North Carolina, Tennessee, Florida, and California.

The 2006 value of total U.S. cropland production was approximately $122.8 billion dollars excluding the production value of nursery and floriculture. If nursery and floriculture production value is included, the total cropland value of production becomes approximately $139.7 billion dollars. Specialty crop production accounts for $51.4 billion of that figure or 36.8% of the total crop land production value. The average 2003–2006 percentage of production value is approximately 37%. The fact that specialty crops are grown on a relative small amount of cropland acreage and yet account for a substantial share of the cropland production value was used extensively by specialty crop stakeholders in their arguments for greater federal government support in the 2008 Farm Bill debate.

U.S. Government Support to Fruits and Vegetables: Pre–FCEA

As noted, the major component of the 2008 Farm Bill of importance for this paper was the creation of a separate title and expanding existing program benefits for the fruit, vegetable and nut sector of the U.S. agricultural economy. It is useful to review briefly some of the major ways government programs affected specialty crops in the past to have a basis for determining the potential impact the changes resulting from passage of the FCEA may have for the U.S. specialty crop industry. Before turning to long–standing programs contained in previous farm bills, a review of some ad hoc support for specialty crops is in order.

Ad Hoc Legislation

Areas of federal support for specialty crops outside of specific farm bills include legislation to provide funding for states to administer programs on behalf of the industry. For example, the Emergency Agricultural Assistance Act (EAAC) of 2001 provided states with block grants to promote specialty crops. The act provided almost $160 million to all 50 states and Puerto Rico. The funds allocated to the states were used to fund a variety of programs and the decision on what programs to fund was left almost entirely to the individual states, with the provision that the programs funded improve the competitiveness of U.S. specialty crops.

The specialty crop block grant program continued with the passage of Specialty Crop Competitiveness Act (SCCA) of 2004 (PL 108–465). SCCA block grants are used to support programs in research, marketing, education, pest and disease management, production, and food safety. The initial legislation (HR 3242) called for an annual appropriation of $470 million in mandatory funds from the Commodity Credit Fund to support the block grant program. The final bill authorized the program subject to annual appropriations, and limited funding to $44.5 million per year; $7 million was actually appropriated in FY 2006.

Crop Insurance and Disaster Assistance

Federally subsidized crop insurance programs are available for many crops, including specialty crops. Under the federal crop insurance program, USDA authorizes private insurance companies to sell and service insurance policies, while the government provides subsidized reinsurance and compensates them for administrative costs. Besides paying costs and covering losses for insurance companies, the government pays much of the premium.

Marketing Orders and Agreements

Marketing orders and agreements allow collective action among industry participants for product definitions, promotion, and research. Federal marketing orders and agreements for fruits, vegetables, melons, and tree nuts were first authorized in the Agricultural Marketing Agreement Act of 1937(AMAA). There are currently 32 authorized federal marketing orders in place for fruits, vegetables and tree nuts, covering many of the major crops and production locations.

Generic Promotion, Research, and Information Programs (Check–off Programs)

Federally regulated but industry funded generic promotion, research, and information programs have also been used in the marketing of specialty crops. The origin of check–off programs dates back to the 1954 promotion program for wool. Currently specialty crops with free standing promotion, research and information programs include mangos, cultivated blueberries, popcorn, potatoes, watermelons, and Hass avocados.

Export Promotion

The federal government also provides direct support for the international marketing of many specialty crops. The USDA Foreign Agricultural Service Market Access Program (MAP) provides federal matching funds to assist in the overseas marketing of U.S. agricultural commodities. Funding is provided in annual allocation of USDA Commodity Credit Corporation funds on a competitive grant basis. In 2007 MAP allocated almost $200 million to promote a variety of U.S. commodities. Specialty crops accounted for 35% of MAP fund allocations, with about $56 million going to promote export marketing efforts of 30 commodity groups and related organizations.

Food Assistance and Nutrition/ Food Purchases

Nutrition assistance programs play a role in federal support for the fruit and vegetable sector through direct commodity purchases and increased demand for food. The USDA operates 20 nutrition assistance programs with expenditures of about $54 billion in FY2006, accounting for 55% of USDA total spending. These programs are operated by the USDA's Food and Nutrition Service (FNS). In addition, USDA's Agricultural Marketing Service (AMS), Farm Service Agency (FSA), and Commodity Credit Corporation (CCC) play roles in the procurement and distribution of food commodities for some programs.

An important component of these programs for the fruit and vegetable sector is the purchases made possible from "Section 32" allocations. The Section 32 funds are a permanent appropriation that has been part of federal support programs since 1935. The program sets aside the equivalent of 30% of annual customs receipts to support the farm programs. Most of that appropriation is transferred to the U.S.D.A. to fund general child nutrition programs. A certain amount of Section 32 money is set aside each year to purchase commodities that are not supported by other federal programs and make them available to schools and other food distribution programs. Purchases of these commodities by the AMS currently exceed $750 million per year. A five year average of $308 million has been spent to purchase fruits and vegetables from these funds.

Research and Extension

USDA conducts research, extension and economics projects for programs related to the specialty crop industry through four USDA agencies: the Agricultural Research Service (ARS), Cooperative State Research, Education and Extension Service

(CSREES), and Economic Research Service (ERS) and the National Agricultural Statistics Service. The total FY 2007 research budget of these agencies was approximately $2.6 billion: about 2.1 percent of USDA's FY 2007 budget.

A recent review of research efforts on the part of ARS, CSREES, NASS, and ERS provides a perspective on the level of federal research expenditures relative to specialty crops. The total ARS budget for research on crops in FY 2005 was $476.1 million, with 33.7% allocated to fruits, nuts, and vegetables and 6.3% to trees, shrubs, flowers, potted plants, bedding and ornamental turf. In FY 2003, CSREES invested approximately $79.6 million to support research, extension, and education focused on specialty crops, representing about 7.2% of a total budget of $1.1 billion.

Plant Health and Safety

The USDA Animal and Plant Health Inspection Service (APHIS), is the agency responsible for dealing with issues related to invasive pests, harmful insects such as the Mediterranean fruit fly, dealing with foreign countries' import requirements, and negotiating science–based standards to protect U.S. agricultural exports from unjustified barriers to trade. The total APHIS budget for FY 2007 was about $1.2 billion. However the amount going to deal specifically with fruit and vegetable issues is difficult to isolate. The one program that is uniquely related to fruits and vegetables is the fruit fly exclusion and detection program, with an annual appropriation of $59 million.

Fruit and Vegetable Planting Restrictions

Beginning with the 1990 Farm Bill, producers who were participating in government commodity programs were allowed to plant other program crops on a portion of their program crop base acres but were generally prohibited from planting fruits, tree nuts, melons crops, wild rice or vegetables, including dry edible beans and potatoes. The amount of benefits gained by the fruit and vegetable sector from these restrictions is not directly measurable. Recent attempts to measure the benefits have provided a wide range of estimates. The results of studies providing quantitative estimates of the loss to the industry of removal of the restrictions range from $1.7 to $4.0 billion in the first year following removal.

The 2008 Farm Bill changed the fruit and vegetable planting restrictions by creating a CY 2009–12 pilot program to allow production of cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes for processing on limited amounts of base acreage in Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, and Wisconsin.

Provisions of the Food, Conservation and Energy Act of 2008

The difference in policy development in this farm bill can be traced to the organized efforts on the part of the industry to identify specific programs and policies, link the positive attributes of increased consumption of fruits and vegetables with human health and nutrition and to highlight equity issues surrounding a potential removal of planting restrictions on program crop subsidy beneficiaries. In large part this was accomplish by the formal coalition of over 120 organizations representing growers of fruits, vegetables, dried fruit, tree nuts, nursery plants and other products, The Specialty Crop Farm Bill Alliance. The alliance worked for almost three years to have their issues addressed explicitly in the 2008 farm bill. The following provides a review of the subtitles of Title X.

Subtitle A—Horticultural Marketing and Information

The programs included in Subtitle A cover a variety of issues including authorization for funding of initiatives for food safety education ($1 million); promotion of farmers markets ($3 million increasing to $10 million annually in 2011 and 2012); increasing the coverage of specialty crop market news reporting ($9 million annually); and perhaps most importantly the State Specialty Crop Block Grant program that allocates $10 million increasing to $55 million annually across all 50 States, Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands, with each entity receiving a minimum of $100,000 with the balance allocated according to their value of specialty crop production.

Subtitle B—Pest and Disease Management

As the name implies, Subtitle B provides procedures and programs to better coordinate the work of federal and state agencies in their roles related to early plant pest detection, management and surveillance. The major components include funding for the various initiatives from the Commodity Credit Corporation and begin in 2009 at $12 million, increasing to $50 million annually in 2012 and each fiscal year afterwards. In addition, $5 million annually is provided for the establishment of a National Clean Plant Network to establish centers for diagnosis and elimination of plant pathogens in planting stock.

Subtitle C—Organic Agriculture

Highlights of Subtitle C include increases in funding for the U.S.D.A. national organic certification cost–share program from $5 million to $22 million along with $5 million to enhance the collection and reporting of data related to the production and marketing of organic products. In addition, funding is authorized to carry out the activities of the national organic program that regulates the harvesting and handling of organic products in the amount of $5 million annually, increasing to $11 million for fiscal year 2012.

Subtitle D—Miscellaneous

In Subtitle D, a matching grant program of an undetermined amount is established to address issues related to specialty crop transportation and a market loss assistance program for asparagus producers of fresh market and for-processing product to compensate growers for injury from imports during the 2004 to 2007 crop years. In addition, there are provisions for the transition of the National Honey Board that is composed of producers and packers to two boards: a Packer–Importer Honey Board and a U.S. Producer Honey Board, along with requirements that honey labels which bear any official certificate of quality or grade mark or statement must also show the country or countries of origin near the grade mark.

Other Farm Bill Support for Specialty Crops

As in previous bills support for specialty crops also exists within the programs and provisions of other Titles. Among the more important in non–Title X provisions are:

- Section 7311 — The Specialty Crop Research Initiative – provides CCC funds in support of matching grants on research topics related to the development and dissemination of science–based tools to address the needs of specific crops and their regions. ($30 million in 2008; $50 million each year 2009–2012.
- Section 3102 — Maintains the Market Access Program funding at $200 million annually
- Section 3203 — Technical Assistance for Specialty Crop – Creates a Technical Assistance for Specialty Crop (TASC) fund of $19 million over 10 years to report on and address issues related to significant sanitary and phytosanitary issues and/or barriers to trade facing U.S. producers of specialty crops.
- Section 4304 — Expands the Fresh Fruit & Vegetable Snack Program to all 50 states. Funding provided $40 million in 2008 expanding to $150 million in 2012.
- Section 4404 — Expands purchases of fruits and vegetables under Section 32 program. Increases the minimum threshold (currently at $200 million per year) of funding levels: $390 million in FY08; $393 million in FY09; $399 million in FY10; $403 million in FY 11; and $406 million FY12.
- Section 1107 — Fails to repeal the planting restrictions provisions associated with program crops; establishes a pilot project limited to production of vegetables for processing in limited quantities in selected states.

Concluding Observations

Perhaps the most notable accomplishment of U.S. specialty crop agriculture as the 2008 Farm Bill negotiations took place was the building an alliance of disparate specialty crop organizations that had the overall goal of getting the U.S. specialty crop specifically included in Farm Bill legislation.

That goal was achieved with the inclusion of Title X in the 2008 Farm Bill. The direct inclusion of U.S. specialty crops into the 2008 Farm Bill allowed two issues of importance to U.S. specialty crop agriculture to be addressed. These issues are: 1) increase domestic and international demand for U.S. specialty crops; and 2) expand research, technical, economic, market, and product development funding for U.S. specialty crop agriculture.

The above review of Title X and other sections of the 2008 Farm Bill that relate to U.S. specialty crops indicate that those issues were addressed with some success. It is difficult to determine at this point what the economic impact of U.S. specialty crop agriculture inclusion in the 2008 Farm Bill will be. Will the increase in nutrition and food assistance funding directed at U.S. specialty crop agriculture increase profitability? If so, what specialty crop sectors will benefit the most? Will the research sustain or increase U.S. specialty crop agriculture's domestic and international competitiveness?

Perhaps the most intriguing question that will be addressed by U.S. specialty crop agriculture over the course of time that the 2008 Farm Bill is in place is whether U.S. specialty crop agriculture can maintain and build on its success.

For More Information

Food, Conservation and Energy Act of 2008, H.R. 2419, ENR, Title X – Horticulture and Organic Agriculture (Sec. 10001 – 10109).

Noel, J.E. & Schweikhardt, D. (2007). *Specialty Crop Block Grants: Concept, Design, and Public Finance Issues.* California Institute for the Study of Specialty Crops. http://www.cissc.calpoly.edu/farmbill/policies.

U.S.D.A. FY 2008 Budget Summary and Performance Plan. http://www.obpa.usda.gov/budsum/fy08budsum.pdf

U.S. Specialty Crops: Opportunities and Challenges, Report of the Specialty Crop Committee on the National Agricultural Research, Extension, Education and Economics Advisory Board, June,2006. http://nareeeab.ree.usda.gov/nal_display/index.php?info_center=20&tax_level=2&tax_subject=419&topic_id=1813&&placement_default=0#I

Richardson, Joe. Domestic Food Assistance: Legislative Issues in the 110th Congress. Congressional Research Service Report for Congress, RL33892, January 24, 2007.

Johnson, Rene and Jim Monke. Eliminating the Planting Restrictions on Fruits and Vegetables in the Farm Commodity Programs, Congressional Research Service Report for Congress, RL34019,May 25, 2007.

Mechel S. Paggi (mpaggi@csufresno.edu) is Director of the Center of Agricultural Business, California State University, Fresno. Jay E. Noel (jnoel@calpoly.edu) is Professor and Director of the California Institute for the Study of Specialty Crops, California Polytechnic State University.