



Federal Issues Update February 2009

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FARM BILL

The Farm Bill is comprehensive legislation determining U.S. Agriculture policy and funding levels. It was first authorized in 1949 and is re-written and re-authorized every five years. Until now, it focused on “traditional” program (row) crops which are *cotton, wheat, rice, soybeans, corn*. It included programs that provided subsidies and direct payments to farmers of these crops with *no funding* provided for Specialty Crops which now account for 50 percent of the US farmgate value. (Note: farmgate value = the net value of the product when it leaves the farm, after marketing costs have been subtracted.)

Three years ago, WineAmerica, along with other Specialty Crop organizations formed the Specialty Crop Farm Bill Alliance to develop core priorities and make sure the needs of Specialty Crop producers were addressed in the Farm Bill when it was re-written. After many months of negotiations, the new bill was finally passed by Congress at the end of May 2008 by very large margins, effectively showing that this Farm Bill was truly bipartisan legislation.

The bill made history by addressing the needs of Specialty Crop producers for the first time, dedicating approximately \$3 billion out of the \$289 billion bill for Specialty Crop priorities (including pest and disease, nutrition, research and conservation). It also is important to note that none of this funding for Specialty Crops will go to direct payments or subsidies.

The five-year bill, which will expire in 2012, contains some provisions of great importance to the grape and wine industry:

Specialty Crop Research Initiative

- \$230 million (over 5 years)
- Mandatory funding to establish the Specialty Crop Research Initiative (SCRI), which will develop and disseminate science-based tools to address the needs of specific crops and their regions.
 - The research is important for priorities such as genetics, plant breeding, mechanization, pests and diseases, food safety.

Specialty Crop Block Grants

- \$466 million (over 5 years)
- Mandatory funding for Specialty Crop Competitiveness (Block) Grants that focus on local efforts to enhance specialty crop producers' ability to compete in the marketplace and improve quality.
- Each state's department of agriculture will receive a minimum grant that is at least \$100,000 or 1/3 of one percent of the total amount of available funding for each fiscal year, whichever is greater.

Value Added Grants

- Mandatory funding for Value Added Grants:
 - \$15,000,000 mandatory funding beginning on October 1, 2008 until it is used up;
 - \$40,000,000 authorization for each of fiscal years 2008 through 2012.
(Note: An "authorization" means that Congress has authorized the expenditure, but it is up to the Appropriations Committee to determine whether or not to provide the funding.)
- "Value-added agricultural product" means any agricultural commodity or product that:
 - has undergone a change in physical state;
 - was produced in a manner that enhances the value of the agricultural commodity or product, as demonstrated through a business plan that shows the enhanced value, as determined by USDA;
 - is physically segregated in a manner that results in the enhancement of the value of the agricultural commodity or product;
 - is a source of farm- or ranch-based renewable energy, including E-85 fuel; or
 - is aggregated and marketed as a locally-produced agricultural food product.

National Clean Plant Network

- \$5 million mandatory funding for each of the fiscal years 2009 through 2012.
- Establishes the National Clean Plant Network which will be made up of clean plant centers for diagnostic and pathogen elimination services to produce clean plant material for propagation; and maintain blocks of pathogen-tested plant material in sites located throughout the US.
- The clean plant material will be made available to a state for a certified plant program as well as private nurseries and growers.

Permanent Disaster Assistance

The USDA Farm Service Agency's (FSA) Tree Assistance Program (TAP) provides financial assistance to qualifying orchardists to replace eligible trees, bushes, and vines damaged by natural disasters.

- The Farm Bill increases the maximum total amount of Tree Assistance Program (TAP) payments received, directly or indirectly, by a person or legal entity from *\$75,000 to \$100,000* for any crop year, or an equivalent value in tree seedlings.
 - The total quantity of acres planted to trees or tree seedlings for which a person or legal entity shall be entitled to receive payments may not exceed 500 acres.
- It provides reimbursement of 50 percent of the cost of pruning, removal, and other costs incurred by an eligible grower to salvage existing trees or, in the case of tree mortality, to prepare the land to replant trees as a result of damage or tree mortality due to a natural disaster, in excess of 15 percent damage or mortality (adjusted for normal tree damage and mortality).
- To be eligible for disaster assistance payments, growers *must* either have catastrophic level crop insurance coverage or be enrolled in the Non-Insured Crop Assistance Program (NAP).

VITICULTURE CONSORTIUM

The University of California (UC), Cornell University in New York, the University of Pennsylvania, and United States Department of Agriculture (USDA), formed a Viticulture Consortium (VC) in 1996 to promote research and extension education that will assist the viticulture industry in remaining competitive.

- The Viticulture Consortium is funded by the USDA Cooperative State Research, Education, and Extension Service (CSREES) to supplement and encourage the viticulture industry to continue to provide industry funding for research and extension education.
- The consortium coordinates joint priority setting and matching industry funding requirements.
- Congress must approve Viticulture Consortium funding as an earmark.
 - Earmarks are not permanent parts of the budget and can be reduced, increased or eliminated from year to year.
 - Funding must be lobbied for on an annual basis.

Appropriations Committees are currently considering a fiscal 2009 funding request for \$2.5 million.

Previous funding levels:

2008 - \$1.5 million

2007 – No agriculture earmarks funded

2006 – \$2.1 million

2005 – \$1.8 million

FOOD SAFETY

Concerns about food contamination from China, along with a recent salmonella outbreaks and the lengthy Food and Drug Administration and Centers for Disease Control (CDC) investigations that followed, have heightened lawmakers' desire to fix what is considered by many to be a broken national food safety system. With their motivation to solve the problem comes a potential pitfall for the industry in the form of registration fees to pay for stepped up inspections and oversight.

- The House Oversight and Investigations Subcommittee of the House Commerce and Energy Committee is holding a series of hearings on food safety.
- A focal point is the *Food and Drug Administration Globalization Act of 2008*, drafted by former House Energy and Commerce chairman Rep. John Dingell (D-MI).
 - The intent of the legislation is to provide the FDA with funding and authority to adequately ensure the safety of the US food, drug, medical device and cosmetic industries.
- The legislation includes a requirement of an annual fee for food facilities who register in compliance with the Bioterrorism Act – including wineries:
 - \$2,000 registration fee on food facilities that would be adjusted each year for inflation with each re-registration after fiscal year 2009.
- There also is a food safety draft bill on the Senate side that contains annual registration fees.
- The Senate legislation differentiates between business sizes when determining fees:
 - a \$1,000 fee for businesses whose annual gross receipts are \$1,000,000 or greater;
 - a \$500 fee for businesses whose annual gross receipts are less than \$1,000,000, but greater than \$250,000;
 - a fee exemption for businesses whose annual gross receipts are less than \$250,000.
 - these fees will increase and be adjusted for inflation each year after fiscal year 2009.
- Other House committees such as Agriculture and Appropriations plan to hold meetings on the issue also.

WineAmerica is meeting with members of that committee in an effort to secure an exemption for wineries from fees for the following reasons:

- many wineries are small businesses that would find a \$2000 annual fee extremely onerous and;
- it is not an expense that can be readily passed on to consumers;

- the wine industry is a very low risk for contamination because pathogens do not survive in wine and;
- the wine industry is regulated by the Tax and Trade Bureau (TTB) not the FDA, therefore the industry should not be paying fees to an agency that does not have direct oversight.

IMMIGRATION / LABOR

Comprehensive immigration reform is unlikely this year.

- The issue is too politically charged.
- A piecemeal approach may be considered.
- AgJobs is eyed for introduction.
 - AgJobs is a reform of the existing H-2A guest worker program. Its provisions regularize the permit process and allow workers, who abide by the law, to gain credits towards attaining permanent residency while promoting U.S. border and food security.
 - AgJobs is strongly backed by the Agriculture Coalition for Immigration Reform (ACIR).