

**TESTIMONY BY
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SUNKIST TAYLOR, LLC
SUBMITTED TO THE
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON RURAL DEVELOPMENT, SPECIALTY CROPS
AND FOREIGN OPERATIONS,
RURAL DEVELOPMENT, AND RELATED AGENCIES
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC
March 21, 2007**

Mr. Chairman, members of the Subcommittee, my name is Rick Harris. I am the president of Sunkist Taylor LLC, a joint venture of the Sunkist Growers farmer cooperative and Taylor Farms formed in July of 2006 in large part to expand the reach of a product line we developed and marketed through the Value-Added Agricultural Market Development Producer Grant program. It is my pleasure to briefly discuss our experiences with that program.

Background

As you may know, Sunkist Growers is a farmer-owned cooperative that primarily markets citrus both domestically and throughout the world. There are approximately 6,000 grower-owners of this cooperative in California and Arizona. They average approximately 30 acres of citrus and therefore would be considered small farmers. Earnings derived from Sunkist's activities are returned to the grower-owners on a patronage basis, thereby enhancing their overall income.

In recent years Sunkist, and all citrus producers in the U.S., have seen dramatically increased competition from foreign suppliers. Now we experience significant competition throughout the year from both northern and southern hemisphere production. Additionally, the cost of production for citrus has risen significantly due to a variety of factors including taxes, regulatory labeling, labor, environmental and food safety compliance.

These competitive issues have compelled Sunkist to search for new market niches, beyond traditional citrus marketing, in order to increase returns for our grower-members. However, as a farmer-owned cooperative, our exploration of some of these new market niches is constrained by the capital required to undertake research and development of the infrastructure necessary to bring them to reality.

Sunkist Grant Experience

In 2004, Sunkist was in the process of exploring one of these market niches involving the delivery of fresh cut ready-to-eat citrus and other fruits to schools. We anticipated that if the proper technology was applied, and infrastructure available, it would be possible to enhance our sales to school districts throughout the U.S., and then later bringing the product lines to the

general public through other distribution channels.

In order to help offset the expensive nature of product launch, where we are often competing against the massive marketing budgets of the major corporations comprising the snack and beverage industry, Sunkist undertook the process of applying for one of USDA's Value-Added Agricultural Product Market Development Grants.

That program was specifically designed to encourage and enhance farmer participation in value-added businesses, including through farmer cooperatives, to help them capture a larger share of the value of their production and improve their overall income from the marketplace. It also helps promote economic development and create needed jobs in rural areas.

We were extremely pleased to have been awarded a \$450,000 grant in fiscal year 2004 to assist Sunkist in those efforts. Our cooperative's growers matched that award with over \$1,000,000 in other funds.

Those combined public-private funds were utilized to develop the packaging and provide working capital to begin marketing this line of fresh-cut fruit products named Fun Fruit® to major school districts across the East Coast.

Fun Fruit is a line of fresh-cut orange wedges, called Smiles®, de-stemmed seedless grapes called Giggles®, wedges of pineapples called Pals®, sliced apples called Grins®, and baby carrots called Kidders®. As nearly everyone has seen in news articles about childhood obesity, our growers have been particularly worried that if we lose kids to salty snacks at an early age, we may not be marketing whole fruit later on to them as adults. In addition, we continue to be facing trends that mean more eating away from home... "cupholder cuisine" as some term it. This has required us to think about more convenience.

We had originally been approached by Boston Public Schools who challenged us to find a way that we could get kids to eat more fruits and vegetables, especially because of the difficulty many younger kids have with managing whole fruits. The Fun Fruit concept we created was to help wean kids away from salty and sugary snacks—in other words, let's mimic what the big snack companies do, but make the items healthful. We even put the USDA ½ cup requirement on the Fun Fruit packages so the school district foodservice personnel know that the kids are getting the correct serving size. And there is no fat in fruit!

Sunkist Growers has also spent significant resources on technology related to this product line in order to improve shelf life and food safety. Since the original grant, millions of packages have been distributed to school kids from Boston to New York City to North Carolina and with our new joint venture, we are now on the West Coast, too.

Recommendations for Program Enhancement

Looking forward, Sunkist Growers strongly recommends that the Subcommittee look favorably

upon increasing the mandatory authorization for this program to \$60 million annually in the upcoming Farm Bill and also encouraging full funding of that authorization level. The history of the program has seen it repeatedly funded at less than 50% of its current \$40 million authorization.

That funding shortfall has caused USDA's Rural Development Agency to apply an overall award cap of \$150,000 in FY2005 and \$300,000 in FY2006. Furthermore, penalties have been applied to applicants that have previously received awards or have gross sales over a particular level. Those penalties significantly compromise our ability to return to this program for a successful award based upon competitive merit.

Please remember that Sunkist Growers' single grant award was \$450,000. That translates into \$75 per individual grower-member of the cooperative under this program.

While we recognize the difficult position that USDA has been placed in, the net effect of these restrictions has been to limit the effectiveness of the program. Clearly the program needs robust funding. Concurrently, a balanced approach to eligibility for future grants is necessary. By limiting the ability to receive multi-year competitive merit awards, and utilizing gross sales as a measure of fiscal merit, the program is turning away the very entities -- such as farmer-owned cooperatives -- that may have the best likelihood of bringing sustainable products to the market place.

If USDA is to continue to seek to limit the recipients of these awards and seek to ensure distribution of funds to entities with the greatest producer benefit, we believe that it may be more appropriate to apply standards such as those used in the Market Access Program. Under the MAP program, no penalties are applied to applications submitted by farmer cooperatives.

However farmer cooperatives are obligated to provide a competitively merit-based application to USDA and to demonstrably carry out the terms of that application over the course of the award period. In short, the MAP program eligibility guidelines recognize that farmer cooperatives are a collection of individual producers acting together for their mutual benefit and thereby maximizing the public-private investment of funds.

Conclusion

Congress faces many challenges in the current budget environment. We appreciate the difficulty of your task and at the same time, we want to emphasize the continued importance of the Value-Added Agricultural Market Development Producer Grants and other essential programs that seek to enhance the competitiveness of the U.S. agricultural sector, strengthen farm income, improve our balance of trade, promote rural development, and create jobs.

Thank you again, Mr. Chairman and members of the Subcommittee, for the opportunity to share our views. I would be pleased to answer any questions that you may have.

