More Farmers Seek Subsidies as U.S. Eats Imported Produce
By ALEXEI BARRIONUEVO

FRESNO COUNTY, Calif. — For decades, the fiercely independent fruit and vegetable growers of California, Florida and other states have been the only farmers in America who shunned federal subsidies, delivering produce to the tables of millions of Americans on their own.

But now, in the face of tough new competition primarily from China, even these proud groups are buckling. Produce farmers, their hands newly outstretched, have joined forces for the first time, forming a lobby group intended to pressure politicians over the farm bill to be debated in Congress in January.

Nobody disputes that competitive pressures from abroad are squeezing fruit and vegetable growers, whose garlic, broccoli, lettuce, strawberries and other products are a mainstay of world kitchens. But the issue of whether the United States ought to broaden farm subsidies beyond the commodity crops like corn and cotton, which have historically been protected, is a big flashpoint.

“This is like the tectonic plates of farm policy shifting, because you have a completely new player coming in and demanding money,” said Kenneth A. Cook, president of Environmental Working Group, a research group in Washington that has been critical of farm subsidies, which are mandated by federal laws that date to the Great Depression.

Although some farmers may be suffering, American consumers have been big beneficiaries of cheap food imports. On the United States wholesale market, for example, Chinese garlic costs almost half the price of garlic that is grown domestically.

Existing American farm subsidy policies have been the subject of violent protests outside some World Trade Organization meetings, with detractors calling them an antique way of subsidizing United States farmers at the expense of poorer ones. American fruit and vegetable growers, with their much smaller farms, have never been part of this debate, in part because their crops yielded higher returns, did not need much support, and were never organized around a single policy goal.

But times have changed.

Here in the fertile San Joaquin Valley, Mike Mantelli has seen firsthand the substantial changes forced by the rising tide of Chinese garlic into the United States. As the general manager of the largest American garlic company, Christopher Ranch, he remembers when there were 1,200 acres of garlic planted on a 6,000-acre farm here a decade ago.
Today the company plants less than 300 acres because of lower demand for California garlic, he said.

“The Chinese garlic totally caught us off-guard and knocked us down,” Mr. Mantelli said recently as he checked on newly planted garlic bulbs. “I think our industry has hit rock bottom. Maybe now we can figure out how to make it a level playing field.”

So Mr. Mantelli has joined the coalition of about 75 growers of specialty crops who have united to grab a much bigger slice of the federal subsidy pie.

The group, representing growers of everything from broccoli to strawberries to nuts and flowers and wine, submitted a bill in September asking for what most likely would amount to more than $1 billion for programs they say could help their crops compete better in a tougher global marketplace.

The farmers are not asking for the kind of direct subsidies that have been accused of distorting trade and hurting developing countries’ agricultural industries. Hoping to avoid a nasty battle with powerful farm-state politicians in the Midwest and Southeast, they are asking instead for money to help market their products at home and overseas, as well as for research and conservation.

But whatever money the fruit and vegetable farmers might get would probably have to come out of the allocation that already goes to other sorts of farmers. As things stand, the federal farm subsidy program supplies more than $15 billion a year, primarily to growers of five crops: corn, cotton, rice, wheat and soybeans. Those crops are considered interchangeable commodities and are traded on world markets, unlike fruits and vegetables, which are called specialty crops because their taste and quality are viewed as being highly variable.

While some vegetable and fruit groups have previously requested more funds, they have never before mounted a united challenge. “This is the first time these groups have weighed in with a sense of organization and commitment,” said Clayton Yeutter, a former agriculture secretary and United States trade representative.

The current agriculture secretary, Mike Johanns, looks favorably on the produce growers’ bill. The legislation also has the advantage that the farmers come from states with sizable representation in Congress.

Still, the proposal is likely to face a tough road. There are many other federal budget priorities, and farm experts say there will probably be less money allocated to the farm bill next year than in 2002, when there was a huge increase.

Further, while commodity growers are making courteous noises about the fruit and vegetable farmers’ requests, they have historically enjoyed a near monopoly on federal subsidies.
But fruit and vegetable farmers have been gaining influence. The group’s combined cash receipts of $52.2 billion rival or exceed those of the five major commodity crops, which are expected to generate $52 billion this year.

The produce farmers can also point to the competitive situation. California growers once dominated the garlic industry in the United States, but imports from China and Hong Kong have increased from less than 1 million pounds in 2000 to 112 million pounds last year. This year, for the first time, more Chinese garlic will be sold in the United States than California produces, Commerce Department figures show.

China’s farmers, who are broadly subsidized, have the advantage in that their nation’s currency, the yuan, is tightly regulated to maximize trade opportunities. And the country has a glut of workers for the labor-intensive jobs of growing and harvesting fruits and vegetables.

“Of course consumers are benefiting now,” said Peter Morici, an economist at the University of Maryland business school and a former chief economist at the United States International Trade Commission. “But competition should not be based on subsidies.”

Other specialty crop groups are also struggling with foreign competition, in particular from China, which has geared its agriculture industry towards labor-intensive, higher-value fruits and vegetables. China has begun to dominate everything from apples to onions. Chinese exports have also eaten into American growers’ share of markets in Japan and Hong Kong for items like broccoli and lettuce.

Fruit and vegetable growers have the political advantage of being in states like California, Florida and Arizona, which are likely to be critical in the 2008 presidential election. But it is unclear how important the farm vote will be to the Democrats in the next election.

Under the proposed bill, an overseas marketing program would rise 75 percent, to $350 million a year. An existing specialty crop block-grant program would leap tenfold to $500 million a year. And the government would buy at least $400 million worth of fruits and vegetables annually for school lunch programs.

While the total cost of the proposed bill has yet to be tallied, it will probably reach a few billion dollars, coalition officials said. Whether the fruit and vegetable farmers can win that much will depend in large part on just how much money Congress allocates to farm spending next year.

If the farmers get what they want, consumers could benefit from more information and choice at the grocery store, said Professor Morici of the University of Maryland. At the same time, American growers could become more efficient and competitive.

“Things that help farmers band together and compete are not inherently protectionist or harmful,” Professor Morici said. “It is not an unreasonable thing for a fragmented
industry to ask the government for assistance to make the virtues of their industry better known.”

He added, “Whatever money they put for research would benefit the consumer. That would run down their price, and eventually that information would get around the world.”

Mr. Johanns, the agriculture secretary, said in a speech last month that American farm policy needed to be “equitable, predictable and beyond challenge.” Noting the fruit and vegetable farmers’ proposal, he said that farm programs could no longer be decided among a few commodities in a few parts of the country. “That day has changed,” Mr. Johanns said.

The vegetable and fruit growers stood by silently for decades in large part because they did not need government assistance to be successful. While generating close to half of farm receipts, the specialty crops are grown on just 11 million acres of farmland, versus 215 million for the major commodity crops.

In California, new financing could not come soon enough for garlic farms like the Christopher Ranch. The Christophers, fourth-generation farmers in the state, have struggled to hold their market share, and it is not hard to see why: On the wholesale market, Chinese garlic recently cost $15 to $16 for a 30-pound box, compared with $28 for a box of California garlic.

In the late 1990s the Christopher Ranch’s garlic production peaked at about 100 million pounds. Since then sales and acreage have fallen by more than 40 percent. In 2001 China began flooding the market with garlic, after managing to find ways around an import tariff of 377 percent.

As the demand for their garlic has fallen, the Christophers have turned to growing crops like pearl onions and shallots. The family hired a trade lawyer in Washington to try to battle tariff violations. Now they hope that the proposed crop bill will give them a chance to educate consumers and pay for more research into crop diseases.

“We don’t want handouts,” Mr. Mantelli said. “You don’t want to just give people subsidies, because nobody learns from subsidies. But you want to give them opportunities and resources and tools to make their industry better.”
Garlic Pouring In

U.S. garlic imports from China have skyrocketed over the last five years.

Source: Global Trade Atlas

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