



Prepared Statement

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Thank you Chairman Curbelo and Ranking Member Meng, I am Robert Guenther, Senior Vice President of Public Policy for the United Fresh Produce Association. As you know, United Fresh is the national trade association representing the entire distribution chain of the fresh fruit and vegetable production including, growers, shippers, wholesaler-distributors, processors and retailers. Fruit and vegetable farms account for nearly 10 million acres of production with a \$57 billion market value and nearly 80 percent of fruit and vegetable farms are family owned. Since 1904, United Fresh has worked with Congress and the Administration to help shape legislative and regulatory policies to provide a strong business climate for our members that encourages growth and development. We thank you for the opportunity to address an issue that impacts the ability of many of our United Fresh members to utilize key programs designed to assist small businesses as they seek to develop and diversify their operations. As you know, United Fresh provided testimony last year when this subcommittee looked at the issue of the size standards used by the Small Business Administration (SBA). We would also like to commend Representatives Bost and Meng for introducing H.R. 3714, to modernize small business size standards for farmers and ranchers by permitting SBA to updated methodologies in setting size standards. And on a personal note, I, grew up on a small family farm which is located in North Central Florida and has focused on citrus and nursery

production for over 100 years. So this issue does take on a personal appeal for me.

For a variety of reasons such as changes in the economy or fluctuations in commodity prices, the number of agriculture producer operations classified as small businesses has been on a continual decline, even though many of these operations made no significant changes that would otherwise justify a reclassification. Taking into account current agriculture business models, a standard many times higher than the current \$750,000 in annual receipts would be the norm in today's agriculture community. More importantly, fruit and vegetable producers, like producers of other commodities, will tell you that annual gross receipts are not a reliable indicator of an operation's size. Nor is it a good indicator of profitability - in light of the cost of inputs and labor, which in fruit and vegetable production, is particularly significant.

In addition to being an unrealistic representation of many agriculture operations, the current SBA standard puts agriculture small business operators at a disadvantage in their ability to avail themselves of assistance they could utilize to grow and adapt their operations. The current \$750,000 size standard applied to agriculture operations limits small agriculture producer's access to SBA's assistance programs and federal contracting preferences for small prime and subcontractors. Key SBA programs that may prove useful to produce operations include loans to start, acquire or

expand a small business or loans that provide long-term, fixed-rate financing for assets such as land or buildings, among others.

More importantly when you look at the wide variety of programs available at the U.S. Department of Agriculture to help fresh produce operations including farm loan programs, market promotion and export assistance, technical assistance for conservation compliance, nutrition programs, rural and infrastructure development, new and beginning farmers, or organic programs, we believe it is important to ensure that there is a level of consistency between USDA and other federal agencies when it comes to a small business definitions.

Finally, among the most significant challenges that agriculture operations face, like any business, is compliance with government regulations. Some agencies use SBA size standards to assess the impact of their proposed regulations in accordance with the Regulatory Flexibility Act. However, the current standard for agriculture operations to qualify as a small business of annual receipts of no more than \$750,000 was set by Congress in 2000. As discussed earlier, given the enormous changes in agriculture since that time, a review of the small business standard, which would provide agriculture producers with justifiable regulatory relief, is long overdue.

As you may be aware, in United Fresh's testimony from 2014, we suggested that Congress and the Administration consider alternatives that would eliminate the current standard and allow SBA to review industries currently considered to be small agricultural producers. Following that review, SBA could then propose new size standards through the normal regulatory process, which would allow agriculture operators to comment and provide recommendations for a new standard. United Fresh believes that such a proposal would allow SBA to routinely review and update the standard and keep pace with variations in the agriculture community such as changes in the commodities markets. As a result, the correct and appropriate size standard will be in place, better allowing producers to have access to SBA programs and ensure that agriculture producers' needs are better reflected in a variety of regulatory initiatives. In addition, in 2014 we suggested and still believe that it would be very helpful if there was greater harmonization of the standards used by SBA and the Department of Agriculture (USDA). For example, USDA uses acreage as a determining factor in how an operation is categorized. We believe that is a more accurate indicator of whether a business can be considered small and should be incorporated in any determination of what category an agriculture operation should be included.

While we still believe that such an initiative by SBA would bring about needed changes to size standards that apply to farmers and ranchers, we

also believe that Reps Bost's and Meng's legislation would also result in a much-needed modernizing of agriculture size standards that reflect present-day farm operations and the current farm economy and we support its passage. We also estimate that approximately 10 percent of our members would have better access to SBA programs if the Bost-Meng legislation were enacted. As has been noted, the standard for agriculture producers has been updated only once, in the year 2000; a review is long overdue. We agree with the statement made by the National Council of Farmer Cooperatives that Representative Bost and Meng's legislation means that "...farmers, ranchers and growers have greater access to the SBA's programs and expertise and it will help promote economic activity and job growth across rural America."

Again, thank you Chairman Curbelo and Ranking Member Meng for holding this hearing for allowing me to share United's position with you. We look forward to working with you and I will be happy to take questions.