

Produce Market Stabilization Program

As the country faces the COVID-19 crisis, the fresh produce industry is confronted with a daunting task in continuing to serve the American customer with healthy foods they need, survive the immediate shutdown of key parts of the supply chain, and create a stable platform for the industry to serve the nation after we recover from this terrible tragedy.

Almost overnight, critical movement and economic activity in the fresh produce supply chain vanished as restaurants, food establishments, hospitality businesses and schools were shuttered, and the retail industry struggles to adjust. Over a five-day period, 30 million school lunches, 15 million school breakfasts, and 100 million meals at restaurants EVERY DAY stopped being served. The entire fresh produce industry supply chain is reeling from this sudden and immediate shut down of an estimated 40% of all produce consumed in America.

The fresh produce industry estimates that this sudden change has resulted in \$5 billion in losses to produce growers, shippers, and wholesalers during this emergency. Looking forward, the industry is experiencing as much as \$1 billion a week in lost sales that simply cannot be converted fully to a changing retail market. The impact of these losses has led to thousands of jobs lost, and the immediate potential of bankruptcies that will disrupt the produce supply chain for years to come.

The fresh produce industry is an essential part of the infrastructure to feed Americans. Congress recognized this important distinction and provided \$9.5 billion to USDA to “prevent, prepare for, and respond to coronavirus by providing support for agricultural producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools.”

With this important distinction, partnering with the federal government to address these challenges is paramount. We understand that the effects of this crisis will be felt for many months, and additional assistance to address those impacts that cannot yet be quantified will be necessary. However, to provide immediate assistance for “agricultural producers of specialty crops and producers that supply local food systems,” we respectfully urge USDA establish a **\$5 billion Produce Market Stabilization Fund** which interconnects the programs outlined below.

1. COVID-19 Stabilization Program for Growers

This program will be provided to growers who can identify economic losses related to COVID-19 emergency declaration through a defined covered period.

Eligible entities: U.S. growers of fruits, vegetables, (including farmer-owned cooperatives and grower-shippers), & tree nuts

Covered Period: March 1, 2020, through June 30, 2020

Covered Economic Losses That Occurred During The Covered Period: Contracts and agreements cancelled or reduced for produce already planted during the covered period; Unpaid or partially paid invoices for produce delivered during the covered

period; unpaid or partially paid invoices for produce in transit during the covered period; demonstrated losses by growers with direct contracts with customers that were not fulfilled; and demonstrated losses by eligible entities with appropriate documentation or evidence consistent with standard businesses practices unique to particular fruits, vegetables, and tree nuts, as determined by USDA.

2. COVID-19 Stabilization Program for PACA Licensed Produce Dealers

The sale and purchasing of commercial quantities of produce is strictly regulated under the Perishable Agriculture Commodities Act. Companies engaged in selling or buying commercial quantities of produce commodities are required to be licensed and are governed by multiple sales regulation.

With the shutdown of restaurants, schools and the hospitality industry, the licensed dealers who serve these markets saw an immediate collapse in collecting receivables for produce that has already been delivered weeks earlier. Without these payments from the end customer, these licensed dealers are unable to pay the licensed shippers and sales agents (in many cases “grower-shippers” who perform both roles) who sold them the product. In turn, these licensed shippers and sales agents are unable to pay their growers.

These licensed produce dealers are also the backbone of regional food systems, linking small growers with restaurants, other food establishments, and schools in communities across the country. Most small and local growers cannot meet the volume demands of large retailers, and therefore sell the majority of their produce to wholesalers in their region. Without immediate support, many of these PACA-licensed regional produce wholesalers will not be available to survive to link local growers with their communities in local food systems when this crisis is over. With the coming summer season upon us, this is a critical lifeline, and another important reason funding support to the produce industry must be immediate.

With the PACA program already in place, AMS has a direct relationship with every PACA licensed dealer authorized to sell or buy produce in the United States, numbering about 13,000 entities. AMS should use the PACA licensee network to verify losses at the receiver/buyer level; and verify those losses with the dealer/shipper who is due repayment. Verified losses would be processed and distributed through the \$5 billion Produce Market Stabilization Fund. This option would provide emergency economic assistance to the produce supply chain that can support grower-shippers, produce wholesalers and other licensed PACA produce dealers to sustain the supply chain for the future.

Eligible Entities: PACA Licensed Companies Trading Commercial Quantities of Produce

Covered Period: March 1, 2020, through June 30, 2020.

Economic Losses: Demonstrated actual economic losses due to COVID-19 shutdown of the foodservice sector and other customer sales channels

Market Stabilization Program Requirements

1. Growers who are also PACA licensed dealers/sellers must choose one process to file a claim through the Program for Growers or the Program for PACA-Licensed Dealers.
2. Payment to any entity in the supply chain for verified losses must be tied to relieving payables or receivables of the trading partners, with the intent to make growers whole for losses.
3. Any eligible entity would maintain their rights to enforce their PACA trust rights in cases of bankruptcy; however, they would be precluded from filing a PACA complaint for any losses that are relieved through funding under either the Program for Growers or the Program for PACA-Licensed Dealers.

3. Fresh Produce Purchase and Distribution Program

The current pandemic has resulted in a tremendous need for the federal government to address Americans' food insecurity and nutrition shortfalls. The COVID II and COVID III stimulus bills included significant investments in nutrition programs (i.e. \$500 million for WIC, \$8.5 billion for child nutrition programs and \$450 million for TEFAP). This funding, coupled with existing USDA spending authority, including, but not limited to section 32, should be used to prioritize nutrient-dense fresh fruits and vegetables in feeding programs. Specifically, USDA should:

1. Expeditiously facilitate fresh produce commodity purchases, separate from existing purchasing programs, for redistribution to food banks, schools, and other emergency feeding sites utilizing an expedited and streamlined USDA Vendor Approval process.
2. Immediately allocate \$200 million from existing USDA programs, to replenish funds for the DoD Fresh program which allow schools to procure fresh produce for meal distribution. Any unspent funds can be applied to a school's SY 2020-2021 entitlement.
3. Facilitate the Emergency Feeding Assistance Program's (TEFAP) ability to utilize existing USDA DoD Fresh and USDA vendors for fresh produce procurement through emergency funding made available through the CARES Act and COVID-II.
4. Increase the WIC cash value benefit for fruits and vegetables to \$20/month per participant (currently \$9 for children and \$11 for women) for the duration of the emergency declaration to better align with dietary recommendations.
5. Grant schools the ability to use their Fresh Fruit and Vegetable Program (FFVP) funding to complement existing emergency feeding meals and allow schools to request additional funds from section 32 should they exhaust allotment during the duration of the emergency declaration.
6. Utilize the \$8.8 billion for child nutrition programs in COVID-III to streamline eligibility requirements for emergency school feeding programs so that districts can better serve

meals to all food insecure children and ensure access to nutrient-dense fruits and vegetables.

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