

AG ISSUES UPDATE
Edited by Brad Hollabaugh
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Labor Hampering Growers' Ability to Tap Into Markets

Jay Hoover's produce farm in Snyder County enjoyed a great growing year. But he never had enough hands to help at harvest. "Last year was the first year that we had serious trouble finding enough workers," said Hoover, a third-generation grower. "We never could get the amount of help we needed."

Hoover's story is a familiar refrain among fruit and vegetable growers across the country. While markets are growing for fresh produce, growers are facing challenges finding enough skilled laborers to help with the planting and harvesting.

A new report produced by the Partnership for a New American Economy and the Agriculture Coalition for Immigration Reform found that while produce consumption is growing, American farmers are losing market share to foreign competition. The report, "*No Longer Home Grown: How Labor Shortages are Increasing America's Reliance on Imported Fresh Produce and Slowing U.S. Economic Growth*" (<http://www.renewoureconomy.org/wp-content/uploads/2014/03/no-longer-home-grown.pdf>) found the demand of consumers and production is out of sync. While fresh produce consumption is increasing, production levels by American farmers have not kept pace.

Had U.S. farmers been able to maintain the domestic market share they held from 1998-2000, the result would have been a \$4.9 billion increase in farm income, and nearly 90,000 more jobs in 2012 alone, the report found. "On the issue of farm labor, we have a growing amount of evidence that all points in the same direction: Farmers and consumers both need responsible immigration reform," said American Farm Bureau Federation President Bob Stallman.

Farmers have pointed to the inadequacy of the current national immigration system as one of the largest impediments to their business. Congress has so far been unable to come to agreement on comprehensive immigration reform this term. Last year, the Senate passed an immigration bill that would have made it easier for farmers to secure foreign workers. However, the bill stalled in the House of Representatives.

For Hoover, who grows vegetables for supermarkets like Weis and Giant, labor is his chief business concern. "It is the deciding factor in how we grow our business," he said. "If we can't get the workers, there is no sense in planting."

Hoover relies on a broker to help secure labor before the start of the planting season. Hoover pays by the hour and uses seasonable labor from planting to harvest. Hoover has been unable to secure local workers. The farm grows a number of labor intensive crops, like cucumbers and summer squash, which need daily attention and must be harvested by hand. As he looks to the start of another planting season, Hoover hopes he does not have another repeat of last year's struggle to find workers.

EPA, Army Corps Release Waters of the United States Rule

The Environmental Protection Agency and the U.S. Army Corps of Engineers announced a proposed rule that has the potential to greatly expand the types of land that EPA may control by regulation under the Clean Water Act.

The proposed regulation is another in a series of moves to expand EPA's direct influence over land use decisions normally left to state and local governments. The proposed rule attempts to interpret the areas of land that federal agencies would consider to be part of "navigable waters" subject to federal regulation.

In a news release, EPA officials said land areas to be regulated under the proposed rule includes "seasonal and rain dependent streams," suggesting areas with zero or negligible water flow will be federally regulated as part of "navigable waters." The courts and Congress have recognized the term "navigable" significantly limits EPA's authority under the Clean Water Act, and have rejected proposed interpretations of EPA authority that virtually ignores this term. Farm Bureau fears the EPA is trying to expand their reach beyond limits already placed by the courts and Congress.

"Alisha Johnson, the EPA's deputy associate administrator for external affairs and environmental education, said the EPA's draft scientific assessment, used to inform the proposed rule, was being reviewed and wouldn't be complete until the end of this year or early next year. The EPA rule will not be finalized until the scientific assessment is fully complete, and will take into account public comments, she said." (*abcnews.go.com*, April 4, 2014)

Farm Bureau Asks OSHA to Withdraw Proposed Reporting Rules

While farmers strive to keep an injury-free workplace and encourage overall safety, new proposed federal rules could add undue burdens to agriculture operations and would do little to actually reduce injuries. The Occupational Safety and Health Administration has proposed several new rules for employer requirements when documenting injuries. Pennsylvania Farm Bureau and the American Farm Bureau Federation have submitted comments outlying serious concerns with the new regulations.

For instance, the proposed rules do not factor in seasonal fluctuations of employee numbers in some farm businesses. Depending on the time of year, farms would fall under different reporting requirements because of the number of employees. Under the new rule, employers would have to publically release sensitive information, which could be misused or taken out of context. For instance, OSHA would be allowed to obtain and release to the public detailed information about specific workplace injuries including the company local and incident-specific data. Many factors outside of an employer's control factor into workplace accidents, Farm Bureau said in comments.

Also, the data released by OSHA would not have any context—such as history of incidents at a business, or comparisons against similar sized companies. OSHA's rules are also suggesting the agency is taking the presumption that all injuries are preventable, suggesting that workplace mishaps are the fault of employers.

"By making such information publicly accessible in the manner contemplated under the rule, OSHA invites those with an incentive to target and harm agricultural and other businesses the opportunity to purposefully mischaracterize and misuse this data," Farm Bureau said.

OSHA's reporting requirements will also require the release of confidential details about businesses and their employees—including the number of people working at a location and hours worked. Those rules fly in the face of court rulings that suggest such data is private, and can provide competing companies with an edge. The issue of privacy is also particularly concerning for farmers, who in most cases live where they work.

Tax Changes Could Impact Farmers

Federal lawmakers are making tentative moves towards reforming the nation's tax code. How those

reforms will ultimately impact farmers remains to be seen, but early proposals could lower tax rates for individuals and corporations.

Recently, Rep. Dave Camp, a Michigan Republican who chairs the House Ways and Means Committee, released a tax reform proposal. His proposal, which has not been drafted into law, would lower both the top corporate income tax rate and the top individual tax rate to 25 percent from the current 35 percent for corporations and 39.6 for individuals. However, some deductions would go away in the reform proposal, including the ability to immediately deduct soil and conservation expenses.

“Farmers are being asked to give up some deductions,” said Pat Wolff, tax specialist for the American Farm Bureau Federation. “The question is does the lower tax rate make up for it? At the end of the day, are you paying more or less in taxes?”

Under the proposal floated by Camp, farmers would be allowed to continue using cash accounting principles. Most other small businesses would need to utilize the accrual method. “Cash accounting allows farmers to count income when they receive it and count deductions when they write the check,” Wolff said. “We lobbied long and hard to keep cash accounting.”

Camp’s proposal would also eliminate the current 20 percent capital gains tax rate. Instead, a portion of capital gains would be taxed at the ordinary income tax rates. For example, a person in the 35 percent income tax bracket would pay a 21 percent tax on capital gains.

However, there are some portions of the new proposal that could be problematic for farmers. The Section 179 deduction limit would be permanently set at \$250,000. Farm Bureau supports reinstating the 2013 level of \$500,000 with a \$2 million phase out level.

Farmers use Section 179 to immediately expense the cost of equipment and related purchases instead of deducting them over a multiple-year period. Also, the five-year carry-back operating loss deduction for farmers would be replaced by a two-year carry back, similar to the rules for all other businesses.

Additionally, Camp’s proposal would eliminate the ability of farmers to deduct soil and water conservation expenses and erosion prevention. Farmers would also be prevented from taking immediate deduction for fertilizer, lime and other materials used as soil conditions. Instead, farmers would have to deduct those items over time.

USDA Expands Farm Storage Loan Program

The U.S. Department of Agriculture is expanding the Farm Storage and Facility Loan program to include 22 new categories of eligible equipment. These new categories include equipment for fruit and vegetable producers and makes it easier for farmers to finance the equipment they need for expansion. The program is aimed at small and mid-sized farms.

Types of eligible projects include sorting bins, wash stations, grain bins, cold storage facilities and other food-safety equipment. Also, loans up to \$100,000 can be secured by only a promissory note. To learn more about the loan program contact your local Farm Service Agency office.

New Farm Bill Offers Program for Young Farmers

The 2014 Farm Bill has a number of programs aimed at helping new and young farmers establish their business, or expand current operations.

The bill also provides incentives to young farmers to help them purchase crop insurance, and places an effort on helping returning military veterans break into the agriculture industry.

The U.S. Department of Agriculture recently published details for programs aimed at beginning and young farmers. Here are some highlights:

- Increases funding, to \$100 million through 2014-2018, for the Beginning Farmer and Rancher Development Program.
- Establishes a Military Veterans Agriculture Liaison to connect returning veterans with beginning farmer training programs.
- When it comes to crop insurance, the Farm Bill defines a beginning farmer as one who has no more than five years of experience. That designation improves beginning farmers' access to crop insurance by providing a 10 percentage point reduction in insurance premiums and exempting new farmers from paying the \$300 administrative fee for catastrophic level polices.
- Funds training, education, outreach and technical assistance for new farmers. Priority is given to partnerships that including non-governmental and community-based organizations.
- Increases the maximum conservation loan to 90 percent, from 75 percent, of the total amount for producers under the Conservation Loan and Loan Guarantee Program.
- Makes permanent the USDA microloan program for new farmers.
- Increases—to \$63 million—the amount of money available to beginning farmers that want to expand or add value-added agriculture products.

To learn more about these programs visit: www.ers.usda.gov and search for the 2014 Farm Act.

PDA Hires PA Preferred Coordinator

Zachary Gihorski, a native of Port Norris, N.J., has been named PA Preferred coordinator for the Pennsylvania Department of Agriculture. In the role, he will lead the state's official branding program for agricultural products made or grown in Pennsylvania.

"PA Preferred represents the diversity of Pennsylvania's agriculture industry," said Agriculture Secretary George Greig. "Zach's agriculture background, paired with his understanding of local food systems and consumer education, will make him an asset as the program grows in size and scope to support its members and raise public awareness about the range of products made here in Pennsylvania."

Gihorski previously served as Community Liaison with Delaware Valley College in Doylestown, Bucks County, where he developed outreach programs to boost community awareness of agriculture and involvement in local food systems.

A 2012 graduate of Del Val with a degree in agriculture education, Gihorski student taught at W.B. Saul High School in Philadelphia, the nation's largest agricultural high school. He helped launch Del Val's Hope of the Harvest, a charitable garden initiative that produced more than 50,000 pounds of food for undernourished members of the greater Philadelphia area. He was honored with Del Val's Founders Award for being the school's most outstanding student leader.

Gihorski earned the National Agricultural Communication Award through the National Young Farmer Education Association and serves as a judge at livestock shows and as a presenter at the New Jersey Livestock Symposium at Rutgers University.

He grew up on a livestock farm and was a member of 4-H and FFA. "I welcome the opportunity to promote Pennsylvania farmers and businesses through the PA Preferred program," said Gihorski. "I am

passionate about those who help feed the world and am ready to tell the story about how they are making a difference in Pennsylvania by producing quality products, boosting the economy and creating jobs.”

PA Preferred identifies agricultural products made or grown in Pennsylvania to consumers and major retail, wholesale and distribution chains interested in supporting local farmers and businesses.

(Source: *Pennsylvania Department of Agriculture*)

Farm Bureau Pushing For State Vehicle Code Changes

Pennsylvania Farm Bureau is working with state lawmakers on a series of bills that would address farm transportation needs, including covered loads and distances that farm vehicles can be driven. These restrictions were not addressed when the Pennsylvania General Assembly overhauled its Vehicle Code laws for agriculture transportation in 2012.

At the time, Pennsylvania was concerned the state could lose federal funds in establishing different standards than those imposed under federal regulations. However, legislation passed by Congress has removed any potential for states to lose federal funds when providing special standards to farm trucks and drivers. Lawmakers in the state House and Senate are considering three bills that will address some lingering concerns of farmers transporting goods and meeting federal requirements for safety regulations. Here’s a look at the proposed legislation:

House Bill 2092

Prime sponsor: Rep. Mark Keller

Would exempt the drivers of farm-registered trucks from federal commercial driver’s license requirements when the truck is driven anywhere in Pennsylvania, or within a 150-mile radius of the farm when crossing state lines. This bill would make state regulations consistent with federal regulations.

House Bill 2101

Prime sponsor: Bryan Cutler

Would exempt the transportation of products during harvest from the Vehicle Code’s strict rules that prohibit any material escaping the vehicle—essentially placing tarps over trucks—as long as the load is not higher than the side of the truck and the vehicle is kept at speeds below 45 miles per hour.

Senate Bill 1301

Prime sponsor: Sen. Elder Vogel

Would restore exemptions granted to farm vehicles with biennial certificates of exemption, and their drivers, from Pennsylvania’s interstate motor carrier safety regulations. Similar exemptions were in place for those vehicles prior to 2010.

Ag Census Shows Growth in Farm Sales, Decline in Farm Numbers

Preliminary data from the 2012 Ag Census paints a mixed picture for Pennsylvania.

Pennsylvania’s market value of agriculture products was \$7.4 billion in 2012, a 27 percent increase over 2007 numbers. But at the same time, both the number of farms and the amount of farmland in Pennsylvania decreased over a five-year period.

The U.S. Department of Agriculture is expected to release a more complete look at agriculture in Pennsylvania in May. The five-year Census of Agriculture is used as a benchmark tool and helps government agencies, agribusinesses and trade organizations when looking at potential investments, said King Whetstone, regional director of the Nation Agriculture Statistic Service.

“When we look at the data for our state, we can all use it as a snapshot in time to see how Pennsylvania agriculture is changing over time and how it compared to the rest of the country,” he said.

Here’s a look at some of the preliminary data:

- There is 7.7 million acres of farmland in Pennsylvania, a reduction from 7.8 million acres in 2007.
- The number of farms in Pennsylvania is 59,302, a reduction from 63,163 in 2007.
- The average age of a Pennsylvania farmer was 56 years in 2012, an increase from 55 years in 2007.
- Nationally, the amount of farmland declined by less than one percent—from 922 million acres to 915 million acres. This is the lowest drop in farmland since 1950.
- While farmers are growing older, they are also becoming more diverse. Nationally the average age of a farmer is 58 years. Farms operated by women and minorities is increasing.
- The national value of agriculture products is \$394.6 billion, a 33 percent increase from 2007.

Organic, Conventional Growers Learning to Coexist

When John Painter became organically-certified at his Tioga County farm, he knew there would be changes. His crop system would differ from his neighbors. Seed stock would vary. He’d have to find other ways to combat weeds and other pests, rather than following the methods of other nearby farmers. But he never questioned whether organic and conventional farms could coexist next-door to each other. “I think we can farm together,” he said. “It is a lifestyle choice and it is a market choice.”

A committee of farm organizations and groups has been exploring this issue of coexistence, at the request of the U.S. Department of Agriculture. The committee, which is chaired by Russell Redding, dean of agricultural and environmental sciences at Delaware Valley College (and formerly PA Secretary of Agriculture), has made recommendations to the USDA on ways to minimize problems and devise solutions to issues that can arise, including cross-contamination from genetically-modified organisms (GMOs).

A final report by the Advisory Committee on Biotechnology & 21st Century Agriculture (AC21), examined areas for further research, including mitigation techniques that could minimize GMO cross-contamination, develop standards for joint coexistence plans and the possibility of eliminating crop insurance surcharges for organic crops.

Among the recommendations from the advisory committee is the need to gather case studies that bring a greater understanding to the challenges faced by producers. The group also suggested that seed growers provide educational and marketing material on stewardship tools and farmer-to-farmer communications.