

Senate Ag Committee Farm Bill Testimony

April 29, 2022

My name is Juliette King McAvoy and I am the Vice President of Sales and Marketing for King Orchards, a family owned and operated farm and business in Antrim County, Northwest Michigan. I am on the Michigan Cherry Committee and a Commissioner on the Michigan Commission of Agriculture and Rural Development. Along with my leadership roles within agriculture, I am on the executive board of the Northern Lakes Economic Alliance a regional economic development organization, and Co-Chair of the Great Lakes Business Network, a coalition of midwestern business leaders advocating for environmental protections and the transition to clean energy.

As diversified, specialty crop farmers in a vertically integrated business, we interact with many aspects of the Farm Bill. Thank you to Senator Stabenow for creating the Specialty Crop title in the 2008 Farm Bill and for always being a champion to specialty agriculture. We farm over 250 acres of primarily fruit orchards and have two retail stores where customers drive from all over the Midwest region to pick strawberries, cherries, apricots, peaches, apples and more. King Orchards also sells fruit into wholesale and processing channels, and has a growing value-added business, marketing fruit products to customers and manufacturers around the world. While we feel proud of the work we have done and sweat we have put in, it is hard not to feel discouraged by the many obstacles we face. Rising costs, shrinking margins, volatile markets and a changing climate are making it harder and harder for small businesses and family farms like mine to survive.

Specialty crop insurance has been a safety net that I can't imagine operating without. King Orchards purchases policies for sweet cherries, tart cherries, apples and the new whole farm revenue policy. Eight out of the past 10 years we have had a claim from a loss large enough to warrant a payout. The crop insurance plans do not make us whole (typical plans insure 60% of a crop), but they are so important to ensure that we can keep the orchards maintained and make it to another season. The Whole Farm insurance policy is a newer program that Senator Stabenow helped establish in the 2014 Farm Bill, and King Orchards has purchased only the last three years. This particular policy is beneficial for very diversified operations like King Orchards, where we have many crops that do not have their own insurance policies, like apricots, asparagus, strawberries, etc. I encourage the Committee to consider ways to make this risk management tool easier for diversified operations like ours to use. Our diversification reduces the risk of a truly crippling year, however it is still possible to have failure across the many crops we grow. In 2012, spring frosts damaged virtually all of our tree fruit crops. The specialty crop insurance was not available to us at the time and we only had access to emergency loans at low interest rates. A decade later we have still not recovered from the financial impacts of 2012.

King Orchards has always had a very close relationship with MSU Extension and are so thankful that we have those resources supporting our specialty crop growers in our state. Research for pest management, breeding, and horticultural practices are only going to be more important as we see increasing effects of climate change. The future of specialty fruit crops in our region and beyond depend on our ability to adapt to the changing conditions, whether that is through breeding programs to select cultivars that are more drought, frost, and disease resistant, or with more effective and safe chemistries to combat increased pressure of pests, bacteria and fungus.

While we do pride ourselves as a tourist destination, it is also very important to us that we are a source of fresh, healthy food for our local community. That is why we have been proud to accept EBT payments and participate in the Double Up Food Bucks program. This not only benefits us by bringing new customers to our farms but is a great benefit to the community by increasing access to local, healthy food and exposing more people to agriculture, hopefully increasing their knowledge and appreciation of where their food comes from. The Double Up Food Bucks program is particularly beneficial to small, local producers as it encourages customers to visit farmers markets and purchase unprocessed, fresh foods.

Another very important way to increase access to healthy foods is by getting more US grown fruits and vegetables into US schools and military bases. The Buy American initiative must be an essential part of the program to ensure that our own farmers are benefiting. By stimulating the demand of American grown foods on school menus, it bolsters the entire locally grown and value-added food chain. The USDA Bonus Procurement program has greatly helped specialty crop industries by removing surplus product from the market and putting it on school menus and into the hands of needy families. This has been particularly important for the tart cherry industry as we have faced market imbalances in recent years.

Imported tart cherry products have flooded the market at prices significantly less than our cost of production. The result has been a simultaneous decrease in price and demand of American grown tart cherries. Our collaborative industry marketing efforts have driven strong growth in the use of tart cherries, only to have the increased demand captured by imported product. Imports now represent more than 50% of the tart cherry market in the United States. I believe that consumers want to purchase domestically grown food and support American farmers, but lack of transparency on food labels make it nearly impossible for consumers to make informed decisions at the point of sale. The use of USDA Organic certification is another point of confusion for consumers and a way for imports to capture market share from American farmers. Consumers see the USDA Organic certification and assume that it is grown in the USA. The tart cherry juice market has been critically impacted by this practice because the target consumer market for cherry juice is aligns with the typical organic consumer.

There are some market access programs in the Farm Bill that have greatly helped King Orchards and many specialty crop industries. Namely, the Specialty Crop Block Grant has been an important resource for the Michigan Cherry industry. King Orchards has utilized Food Export Midwest's Branded Program (a USDA Market Access Program) to cultivate a market for our Montmorency Cherry product in Taiwan, Hong Kong and China. Through that program, we have had the ability to create and execute marketing plans to educate consumers about the benefits of tart cherries and our brand and also attend trade shows and buyers missions in target markets. Without the buyers missions organized by Food Export, King Orchards would have never had the experience or knowledge to navigate visiting a foreign market and setting up sales meetings.

King Orchards was also awarded a Value-Added Producer Grant, which is part of the Local Agriculture Market Program administered through the USDA. This 50% matching grant will be used for a comprehensive marketing plan for the Montmorency tart cherry concentrate. The Value-Added Producer Grant is unique because there are not many funding opportunities for working capital. Agriculture is an industry plagued by small margins and variable returns. There are so many benefits to vertically integrating and adding value to what you produce, from job growth in rural areas, innovation,

and retaining earnings on the farm and local community. Funding opportunities like the Value-Added Producer Grant stimulate small businesses and a diversified food system.

I would be remiss if I did not mention that King Orchards interaction and benefit from Farm Bill programs go back to our very origins in 1980. My father, John King, purchased the first 80 acre farm with a 100% loan for beginning farmers through the USDA. As a young bachelor, with no family history in agriculture and no seed money or equity to speak of, this Farm Bill program was the only way that he could realize his dream of being a cherry farmer. In today's world, barriers to entry are larger and risks greater, making USDA loans essential for stimulating new participants into our industry, bringing with them, new ideas and energy. An increase to the cap of USDA farm ownership loans makes sense to keep up with the rapid increase in land and equipment costs. There is a large population of aging farmers that are looking to see their life's work passed on to enthusiastic, hard working, young farmers. But even a small sized specialty crop farm in our area easily outpaces the \$600,000 cap for direct farm ownership. The consequence is that farms are far too often being sold to other large farms, corporations, or developers, driving the trend of consolidation and corporation run agriculture.

My biggest concern for the future of my family's business and specialty crop agriculture is the rapidly changing climate. I have often used the term "canary in the mine" when describing the circumstances on our farm with respect to climate change. Perennial specialty fruit crops are especially vulnerable to the long term effects of climate change because of their physiological characteristics. When we plant an orchard, we plan for the trees to live for 30 or more years in order to get the return on investment. Many varieties will not even produce a single crop for seven years. In order to set a crop of fruit, a fruit bud needs to be pollinated in a very short window and then survive to maturity. That is an inherently fragile and precise process. The increasingly volatile spring weather patterns are making frost damage and crop failures occur at an alarmingly increased frequency. At King Orchards, we had two back to back crop failures in Montmorency Tart Cherries, our largest crop. That is the fourth crop failure in 19 years. There are not many business plans that can support that kind of volatility. The Farm Bill has the opportunity to help mitigate the consequences of the changing climate in several different ways: crop insurance, research, environmental protections and clean energy infrastructure.

We need the Farm Bill to not only protect farm land, but also the surrounding land, water and ecosystems through increased environmental protections and incentivizing carbon sequestration. While the agriculture community has mixed views about this, I believe that voluntary programs are not going far enough to protect our invaluable resources. The agricultural industry is in a unique position of becoming a solution to the problem by implementing and improving carbon sequestration methods and this can be a great opportunity for farmers.

The need for clean energy infrastructure is throughout the entire economy, along with agriculture. King Orchards installed a 52kw solar field in 2016. In it's 6 year, life we have created renewable energy equivalent to nearly 1,000 barrels of oil. We have immediate need and desire for more solar arrays, but are constrained by access to capital. As you surely know, agriculture is a capital intensive endeavor, with most operations carrying major debt loads. At King Orchards, we have had more immediate needs with our capital and have not had the ability to invest in the clean energy infrastructure that we believe in. Without a rapid transition to clean energy, the very existence of specialty crops is in jeopardy.

Thank you for your time and consideration as I've described the many ways that my family farming business interacts with the Farm Bill. The thoughtful deliberation and work that goes into this is very appreciated.