



MEMORANDUM

TO: USApple Public Affairs Committee

CC: USApple Board of Trustees
State and Regional Producer Organizations

FROM: James R. Cranney, Jr.
Diane L. Coates

SUBJECT: June 2005 Public Affairs Report

DATE: July 1, 2005

The following is a report of the U.S. Apple Association's (USApple) public affairs activities during June.

Country of Origin Labeling (COOL)

USApple has been an active participant in discussions with United Fresh Fruit and Vegetable (United), the Produce Marketing Association (PMA) and other fruit and vegetable representatives to discuss how the industry can develop a consensus position on COOL. Those discussions led to development of a draft COOL bill for fruits and vegetables, which was circulated to produce groups in late May. The draft provides incentives for voluntary COOL, with a mandatory trigger in the event of insufficient labeling. USApple staff indicated support for a voluntary, incentive-based approach that would be workable for growers, packers and retail customers. The compromise would enable supporters of voluntary and mandatory labeling to support the bill.

During a June 23 conference call, USApple's Public Affairs Committee voted to recommend Board support of the bill. On June 29, the Executive Committee voted to support the bill. In the coming weeks, USApple along with United and PMA plan to meet with food retail representatives to discuss the compromise bill.

Agriculture Appropriations

On June 21, the Senate Agriculture Appropriations Subcommittee passed its FY06 spending bill. The full Appropriations Committee passed the bill on June 23. Like the House, the Senate

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funded the Market Access Program (MAP) at the full \$200 million level authorized under the farm bill. As an active member of the Coalition to Promote U.S. Agricultural Exports, USAApple has participated in Hill visits and signed onto letters of support for the MAP program.

The Senate Committee also included \$2 million in additional funds for the fruit and vegetable snack program. The snack program, which was originally a pilot, was made permanent under the Child Nutrition and WIC Reauthorization Act which the President signed into law last July. Currently, the program is available in 25 schools in each of seven states. The \$2 million in new funds will allow two more states to participate in the program. The bill does not specify which states those would be.

Though the House Committee included \$7 million for block grants under the Specialty Crop Competitiveness Act (SCCA), the Senate Committee did not.

Once the Senate bill has passed the full Senate, a House-Senate conference committee will be named to work out the differences between the two bills. USAApple will continue to work with key coalitions and on our own in support of full funding for the MAP program as well as the \$2million for the fruit and vegetable snack program and the \$7 for the SCCA.

Proposed Changes to the Supplemental Feeding Program for Women Infants and Children (WIC)

Last year's Child Nutrition and WIC Reauthorization bill called on the Institute of Medicine (IOM) to study the current WIC food package and make recommendations to USDA for updating it. In late April, the IOM issued a report calling on the USDA to revise the food packages to include fruits and vegetables.

USAApple has worked with staff from United Fresh Fruit and Vegetable to educate Members of Congress on this issue. We also contacted key members of the House and urged them to sign a letter to Agriculture Secretary Johanns in support of the IOM recommendations. The letter is expected to be sent to Secretary Johanns in early July.

The WIC program serves over 7 million people, including 45% of all babies born in the U.S. In FY03, Congress appropriated over \$4.5 billion for the program. Program recipients are issued vouchers, which can be used for approved foods at most retail grocery stores. The addition of fruits and vegetables would result in increased demand for apples at retail.

Central America-Dominican Republic Free Trade Agreement (CAFTA-DR)

Before leaving town for the July 4th holiday, the Senate voted 54 to 45 to pass the CAFTA-DR agreement. Senators voting in favor of the agreement from apple producing regions include: Cantwell(D-WA), Murray (D-WA), Allen (R-VA), Warner (R-VA), Santorum (R-PA), Coleman (R-MN), Wyden (D-OR), Smith (R-OR), and Feinstein. Senators voting against the agreement included Clinton (D-NY), Schumer (D-NY), Specter (R-PA), Dayton (D-MN), Stabenow (D-MI), Levin (D-MI), Craig (R-ID), Crapo (R-ID), Boxer (D-CA), Kerry (D-MA) and Kennedy (D-MA).

On June 30, the House Ways and Means Committee passed the agreement by a vote of 24-11. A vote in the full house is expected in late July.

USAApple has made passage of the CAFTA-DR Free Trade Agreement a top priority and will continue to do so until it passes the House.

Cuba Trade

In February, the Office of Foreign Assets Control (OFAC) announced it would begin requiring full payment for U.S. agricultural exports to Cuba before the products would be allowed to leave U.S. ports. Though only U.S. food and medicine may be exported to Cuba, some in the Administration believe that trade has become too easy. This new regulation has already caused dramatic market loss for U.S. commodities exporting to Cuba. There has not been a direct affect on apples yet, as the export season does not get underway until the fall. However, U.S. apple members who ship to Cuba have told us that they expect to lose much if not all their market.

USApple has been working with affected growers as well as key members of Congress in an effort to resolve this issue. USApple signed on to several coalition letters calling on Congress to revoke the OFAC policy. On June 21, Rep. Emerson (R-MO) added a line to the Treasury appropriations bill prohibiting the Treasury Department from enforcing the new regulation (in essence overturning it). The House passed the bill on June 30. However, it is expected that there will be efforts to take out the Emerson amendment before the bill becomes law. The White House issued a statement shortly after the Treasury bill was passed by the House stating that “the Administration is strongly opposed to any efforts to weaken these [Cuban] regulations, and if in the final version, the President would veto the bill.”

USApple will continue to follow the issue closely and to work with the coalition to resolve the problem.

Agriculture Labor Reform

Though the AgJOBS bill did not receive the 60 vote “super majority” required to attach it to the supplemental spending bill that was passed in mid-April, Senator Craig is adamant that he will bring the AgJOBS bill to a vote on the Senate floor in the next few months.

Though the bill clearly has a majority of supporters in the Senate, a super majority of 60 to overcome an anticipated filibuster is a significant hurdle. Nearly all the apple state Senators voted in favor of the legislation and most are cosponsors. Senators Santorum (R-PA), Allen (R-VA) and Feinstein (D) were the exceptions, voting against the bill.

To this date, the AgJOBS bill is the only agriculture labor reform bill that has been introduced in Congress. It had been widely expected that House Agriculture Committee Chairman Goodlatte (R-VA) would reintroduce the H2A reform bill that he authored last Congress. Senator Chambliss (R-GA) will likely introduce a bill similar to the amendment (in opposition to AgJOBS) that he offered back in April.

“The Real ID Act” was attached to the FY 2005 supplemental spending bill signed into law in April. The provision creates uniform standards that states must meet when issuing drivers licenses if the licenses are to be used for federal identification purposes. States have three years to comply with the new standards. It is expected the new requirements will complicate the I-9 process for employers. This is because it may be interpreted to mean that only drivers’ licenses that qualify under the new criteria for federal identification purposes would be allowed as an acceptable identification for I-9.

Several additional enforcement bills have been introduced including the Illegal Immigration Enforcement and Social Security Protection Act of 2005. This measure would require workers to have plastic Social Security cards that include digitized photos and electronic verification strips. Before hiring a worker an employer would be required to verify that the individual

possesses such a card and confirm their work eligibility status with the Department of Homeland Security by telephone or electronically. The bill increases fines for hiring illegal aliens from \$10,000 to \$50,000 per occurrence, and increases possible prison sentences from six months to five years. The violating employer would also be required to pay the costs for removing the illegal alien from the U.S.

The bill was introduced by Rep. Drier (R-CA) and has 39 cosponsors, including Rep. Lungren (R-CA) and Platts (R-PA). It is very unlikely that the legislation has a chance of passing both the House and Senate on its own, but it could likely be included in a larger immigration reform bill.

USApple continues to make agricultural labor reform a top priority and will continue to work within the Agriculture Coalition for Immigration Reform (ACIR) and with Sen. Craig and others in Congress to pass meaningful agricultural labor reform. USApple will closely monitor developments on these other immigration-related issues as they apply to the apple industry.

Tree Fruit Technical Advisory Council (TreeTAC)

TreeTAC sent a letter to Ambassador Portman and Secretary Johanns to urge them allow a full scientific review of Chinese apples to take precedence over political considerations when meeting with the Chinese government at the Joint Committee on Commerce and Trade (JCCT) in China July 11. The letter sent a strong message to the U.S. Trade Representative's office and the U.S. Department of Agriculture that the JCCT meeting would be an inappropriate venue to discuss Chinese apple import issues, which are largely technical in nature.

USApple met with Legislative Assistant Courtney Schlieter of Rep. Frank Wolf's (R-Va.) office to discuss China trade issues in preparation for a meeting with the U.S. Trade Representative's Office to discuss a variety of China trade issues. Rep. Wolf sent a letter to U.S. Trade Representative Rob Portman expressing concerns about the impact of Chinese imports on the domestic apple industry, and urged Ambassador Portman to meet with USApple trustee (and constituent) Phil Glaize and USApple staff.

USApple Trustee Phil Glaize, Agriculture Legislative Assistant Courtney Schlieter of Rep. Frank Wolf's (R-Va.) office, USApple staff and the Apple Processors Association met with officials of the U.S. Trade Representative's office to discuss China trade issues. USApple staff briefed participants on the Chinese apple juice concentrate antidumping case, the threat posed by processed apple imports from China and the need to ensure that China's fresh apple import request receives a thorough scientific review. Additionally, USApple reiterated its concerns regarding the JCCT meeting. USTR officials agreed to collaborate with USApple to address apple industry trade concerns.

China Working Group

USApple hosted a meeting of a newly formed working group known as the China Working Group to develop recommendations for a strategy to deal with Chinese processed apple imports. The idea of forming this small working group arose from grower concerns that China is on the verge of moving into the applesauce or canned apple export business.

Given the industry's traumatic experience regarding Chinese apple juice concentrate imports; there is a significant level of anxiety among some segments of the apple industry about this

possibility. While apple growers are likely to survive the onslaught of Chinese concentrate, many apple growers would not survive a significant expansion of Chinese applesauce imports. USApple Chairman Jeff Crist formed the China Working Group as the initial step in formulating a strategy for dealing with the prospect of surging imports of Chinese applesauce and other processed apple products.

Tree Top President Tom Stokes is chairing the China Working Group and serving on the working group with Jeff Crist, Knouse Foods President Ken Guise, Michigan Processed Apple Growers Executive Director Dawn Drake, Northwest Horticultural Council President Chris Schlect and USApple's Nancy Foster and Jim Cranney.

Chinese Apple Juice Concentrate Antidumping Case

The Commerce Department and International Trade Commission on May 2 announced the initiation of their five-year sunset reviews of the antidumping order on imports of apple juice concentrate from China. USApple submitted extensive comments to the Commerce Department and ITC on behalf of Tree Top, Inc. and Naumes Concentrates, Inc., the two remaining apple juice concentrate firms. USApple argued that revocation of the dumping order would recreate the apple juice concentrate market scenario that existed before the antidumping petition was filed by the U.S. industry, and that the antidumping order should remain in force for five more years.

The Commerce Department is likely to recommend the dumping order remain intact. Meanwhile, the ITC will consider USApple's statement and make a decision to conduct a full sunset review or an expedited review on Aug. 5.

Legislation to Prevent Requiring Approval Permits Prior to Pesticide Application

Legislation to prevent farmers and other pesticide users from being required to obtain an approval permit before applying pesticides was introduced recently in the House and Senate. "The Pest Management and Fire Suppression Flexibility Act" amends the Clean Water Act (CWA) to affirm that pesticide applications do not need pollution permits when applied according to their label directions and applied directly to or near a body of water .

During a June 23 conference call, the USApple Public Affairs Committee voted to recommend that USApple support the legislation. (The USApple Executive Committee subsequently agreed to approved the recommendation during a conference call on June 29.)

In recent years environmental interests began suing government agencies and individual growers who made pesticide applications that drifted near bodies of water, and failed to acquire National Pollution Discharge Elimination System permits required under the Clean Water Act prior to pesticide application. Under the CWA, pollutants may not be released into bodies of water without a permit. Environmental interests have exploited this element of the Clean Water Act law to gain legal rulings that define small amounts of pesticide drift as pollution in order to deter routine pesticide applications near water. If this situation is not corrected, growers will likely have to obtain a CWA permit prior to each pesticide application in areas that could result in runoff or drift into water.

Cider Safety

USApple and representatives from the Apple Processors Association and the National Food Products Association met with Food and Drug Administration Center for Food Safety and Applied Nutrition Director Dr. Robert Brackett and his staff to outline USApple's revised

position regarding mandatory treatment of all apple cider and juice to achieve a 5-log reduction in pathogens. While Dr. Brackett was receptive to USApple's new position and agreed to explore options to address the issue, it was apparent that complex regulatory issues must be overcome before regulations could be revised to satisfy USApple's request for a regulatory change.

If you have questions or need more information about any of these issues please contact Jim Cranney or Diane Coates at 800/781-4443 or via email at jcranney@usapple.org or dcoates@usapple.org.