

# AGRICULTURE & FOOD PROCESSING

---

*Goal:* Ensure that farmers and food processors in the Mid-Valley can compete on increasingly globalized markets by promoting value-added agriculture, vigorously marketing products, and boosting productivity.

---

Few sectors of the economy have suffered a downturn as long or as severe as agriculture. Agriculture's recession, which began in the 1990s when the rest of the nation was enjoying prosperity, has especially hurt Oregon because agriculture forms the foundation of much of our economy, especially in rural areas. Fortunately, agriculture's prospects are looking up, with farm income in Oregon rising again after years of decline. Agriculture now represents the second-largest traded sector industry in Oregon— behind only electronics— and accounts for \$8 billion in economic activity. With agriculture and food processing responsible for thousands of jobs in the region, the long-term health of the Salem-area economy requires a strong agricultural sector. American farmers, facing globalized commodity markets, must compete with imports from countries with very cheap labor and nonexistent environmental standards. While Oregon producers may not always be able to compete on price, they can certainly beat almost any other nation or state in quality, freshness, and variety if given the opportunity through vigorous marketing efforts.

**Promote Specialty Crops.** The federal government spends over \$10 billion every year in subsidies for "program crops" such as wheat, cotton, and rice, but virtually no assistance goes to producers of the hundreds of specialty crops grown in Oregon's Willamette Valley, even though low prices for many of these crops are driving farmers out of business. Recognizing the difficult time specialty crop producers have faced in recent years, in 2001 Congress provided grants to states to promote specialty crops. Oregon, a leading producer of specialty crops, received \$3.2 million from the federal government to distribute to farmers, trade groups, and food processors, but received 260 applications requesting nearly 10 times that amount. The Oregon Department of Agriculture funded 54 projects focused on product development, marketing, research, and production. Among other projects that affected growers and processors in the Salem area, RainSweet, a cooperative that produces a variety of berry and vegetable products, received \$38,500 to renovate a processing plant and develop new products using Oregon berries, a project that could produce dozens of jobs in the Salem area. The Oregon Department of Agriculture estimates that 3000 producers benefitted from these projects, which increased sales by \$20 million. Because of the significant impact these grants can have on an important sector of Oregon's economy, Congress should make this specialty crop promotion grant a permanent program. In addition, Congress can ensure that other agricultural programs, including crop insurance and marketing assistance, as well as trade agreements, are fair and beneficial to specialty crop producers.

*Responsibility:* State, Federal

**Support Value-Added Agriculture.** An old joke says that farmers never make any money because they buy retail and sell wholesale. Sadly, that adage is not far from the truth, as farmers must take whatever prices are offered on a globalized market, and these prices often fall below the cost of production. Farmers now receive a lower portion of food spending than ever before, with the vast majority of every dollar consumers spend on food ending up in the pockets of middlemen rather than in the hands of struggling farmers. To bring more money directly to farmers and back into the Oregon economy, the state and federal government should pursue additional opportunities for value-added agriculture, in which local agricultural producers process and market their own crops, often into niche markets, rather than selling undifferentiated bulk commodities on globalized markets. In this way, producers enhance the value of their crops and capture a greater portion of the final price of the product.

*Responsibility:* State, Federal

- **Support the Food Innovation Center.** The Food Innovation Center, a joint venture of the Oregon Department of Agriculture and Oregon State University, offers farmers and food processors assistance in developing and marketing new value-added products. The Center's work has helped move many of our state's agricultural producers into more profitable product lines.  
*Responsibility:* State, Federal
- **Improve USDA's Value Added Producer Grant Program.** The 2002 Farm Bill provided \$40 million in funding for USDA's Value-Added Producer Grant. While many Oregon companies- including local food processors RainSweet and NORPAC- have received grants from this program, the program as a whole has proven less than user-friendly and helpful to Oregon producers. For example, last year every grant application from Oregon was disqualified on technical grounds. With reforms, such as block granting funding to each state, the program can provide important opportunities for Oregon farmers to move in to value-added agriculture.  
*Responsibility:* State, Federal
- **Provide Resources for Certification.** In order to differentiate their products from others produced around the world, many farmers and processors are turning to third party certification programs that demonstrate to customers- both retailers and consumers- that their products are grown, handled, or processed according to certain standards. These certifications help expand marketing opportunities for producers and processors and bring higher prices for their products. For example, many processors are choosing to become certified in Good Handling Practices or Good Agricultural Practices because retailers prefer to purchase from companies that are certified due to quality concerns, and NORPAC is working to get its growers certified under a program of sustainable agriculture that will boost its marketing efforts. Unfortunately, these certifications may be costly for farmers and processors, and some may forgo certification because of the cost. Providing resources to offset the cost of these certifications would encourage more Oregon agricultural enterprises to become certified and open new markets.  
*Responsibility:* State, Federal

**Promote Exports of Oregon Agricultural Products.** Oregon's farmers produce some of the highest quality foods in the world, and Oregon must do more to capitalize on this reputation by aggressively marketing its agricultural products abroad to increase exports. The state's elected officials have shown leadership in doing this, with Governor Kulongoski leading agriculture

## **Agriculture Remains A Vital Part of Mid-Valley Economy**

By John Burt, OSU Extension Staff Chair for Marion & Polk Counties

I have harped over and over on the importance of the value of the agricultural sector to the overall economy of the Salem area. There are many factors related to the agricultural economy that contribute to its importance including its size, the quantity of exports, the value added to raw products, and its consistency over the long term.

The first measure of an economic sector is the value of the product as it leaves the gate. We call this the "Farm Gate" value for agriculture. Oregon State University Extension Service collects data from every county in Oregon each year and reports on the value of agricultural production. We take acres times price times yield or head of livestock times price for the gross value of production.

The best news is that the numbers are up 5.6% over 2003 for the total. The gross aggregate value for all commodities is \$519 million for Marion County and \$124 million for Polk. Remember that these figures are at the farm gate, before any processing or value is added.

Once we have these Farm Gate values for crops and animal products we have only begun to measure the impact of agriculture on the economy. Economists use a process called the multiplier effect to further measure economic impact. This takes into account the purchases a particular economic sector makes locally of basic inputs, services like legal and accounting, and then factors in how much of the product is sold out of the region. For agriculture a very conservative multiplier is about 2.0, which means the impact on the local economy from agriculture in Marion and Polk counties is our region is \$1.3 billion!

The agricultural economy has remained strong and has shown continued growth over most of the last decade. In addition to the many food related processors and direct agricultural supply businesses there are many other ag-related businesses. Welliver Metal Products Corp. in west Salem and Steffen Systems, Inc. east of Salem are just a couple worth mentioning. All of this activity around agriculture translates into jobs in our economy.

Ranking the top commodities in Marion, Polk, and Yamhill counties shows nursery and greenhouse commodities first with \$289 million, a whopping 32.6% of the total, grass and legume seeds next at \$135 million, then Dairy products at \$86 million, Vegetables at \$76 million and Tree Fruits and Nuts at \$44 million. Once again Marion County at \$519 million is the number one agricultural producing county in Oregon, followed by Clackamas County at \$354 million.

Consistency is another attribute that keeps the agricultural sector strong. Looking back over the last 15 years gives credence to this statement. The total value for the three counties was \$511 million in 1990, \$602 in 1995, \$760 in 2000, and now \$885 in 2004 for an average growth rate of 4.9% over this span. Since the value of agricultural products aren't directly a product of inflation these growth numbers don't need to be adjusted for inflation. The only

time there was a decrease was between 2001 and 2002 when the value dipped 1.9%. This is a track record other sectors are hard pressed to follow.

We are blessed in this region with an abundance of world-class soils, excellent growing climate and availability of a good water supply for irrigation and for processing. We are also the benefactors of a skilled work force, both resident and migrant, that works our fields, harvests our crops, and processes our value-added products. We have a University system of research, teaching and extension that have aided the development of the infrastructure of agriculture and continue to support it. Through this system we have developed a mix of commodities that are well suited for our area and are in high demand throughout the world. In fact about 80% of what we grow is exported out of state with about 15% actually going to foreign markets. This is another factor leading to the higher multiplier for agriculture.

### **Mid-Valley Agriculture By the Numbers**

	<b>Marion</b>	<b>Polk</b>	<b>Total</b>
<b>Gross Farm &amp; Ranch Sales</b>	<b>518,728,000</b>	<b>124,435,000</b>	<b>643,143,000</b>
<b>Crops</b>	<b>421,787,000</b>	<b>30,873,000</b>	<b>452,660,000</b>
Special Products*	218,917,000	27,584,000	246,501,000
Grass & Legume Seeds	57,450,000	39,746,000	97,196,000
Vegetable Crops	63,323,000	2,453,000	65,776,000
Small Fruits & Berries	29,628,000	2,664,000	32,292,000
Field Crops	27,142,000	2,384,000	29,526,000
Tree Fruits & Nuts	12,262,000	11,533,000	23,795,000
Hays & Forage	10,535,000	3,881,000	14,416,000
Grains	2,529,000	3,317,000	5,846,000
<b>Animal Products</b>	<b>96,941,000</b>	<b>30,873,000</b>	<b>127,814,000</b>
Dairy Products	51,923,000	18,757,000	70,680,000
Eggs & Poultry	25,511,000	4,615,000	30,126,000
Cattle & Calves	11,489,000	5,191,000	16,680,000
Misc. Animals	8,018,000	2,310,000	10,328,000

\*Primarily nursery, greenhouse, and Christmas trees.

trade missions to countries such as China, while Congresswoman Hooley led a delegation of foreign dignitaries on a tour of Willamette Valley's agriculture in 2002 to help build relationships that can lead to trade deals. Several state and federal programs are particularly important for providing farmers and food processors the technical assistance they need to market their products abroad, meet foreign import requirements, and break down sanitary and phytosanitary barriers to trade.

*Responsibility:* Private Sector, State, Federal

- **Support the Oregon Department of Agriculture's Export Programs.** The Oregon Department of Agriculture's Agricultural Development and Marketing Division

(ADMD) works to open and develop export markets for Oregon producers. ADMD's export development program helps open markets for Oregon agricultural products through a range of services, including trade missions, trade shows, and technical seminars.

*Responsibility:* State, Federal

- **Preserve the Market Access Program.** The USDA's Market Access Program (MAP), helps U.S. producers, exporters, private companies, and trade organizations finance promotional activities for U.S. agricultural products. The MAP encourages the development, maintenance, and expansion of commercial export markets for agricultural commodities. Despite the benefit MAP provides American farmers, the program has come under fire in recent years for focusing too much on large agribusinesses. While the program can be restructured to provide better support to small businesses and family farmers, Congress should continue to provide funding.  
*Responsibility:* Federal
- **Increase Funding for the Technical Assistance to Specialty Crops Program.** The 2002 Farm Bill created the Technical Assistance for Specialty Crops (TASC) program to assist specialty crop producers by providing funding for projects that address sanitary, phytosanitary, and technical barriers that prohibit or threaten the export of U.S. specialty crops. However, only \$2 million in annual funding was authorized, leaving a significant unmet need.  
*Responsibility:* Federal

**Promote Domestic Consumption of Oregon Agricultural Products.** While vast new markets await Oregon agricultural products abroad, an equally important opportunity to expand market share exists within the borders of the United States. Increasing the consumption of Oregon products by Americans, both within our own state and around the country, would put additional money in the hands of Oregon farmers. The State of Oregon can aggressively promote Oregon agricultural products through a strategy that emphasizes the benefits of buying products grown here. The state's "Brand Oregon" campaign, which seeks to promote Oregon's image throughout the nation, has helped promote the state's agricultural products and increased sales. The Wild Oregon promotion featured the state's seafood, and last fall's Oregon Bounty campaign, which highlighted, wine, cheese, hazelnuts, and pears, also met with success.

*Responsibility:* State, Federal

- **Implement Country of Origin Labeling.** The federal government can help American farmers by implementing current law that requires identifying the country in which food originates. Consumers often have no way to find out where their food came from, even though many would prefer to buy from American farmers because they know food produced in the U.S. is grown to high standards of quality under conditions that protect workers and the environment. Giving consumers the option to buy American-grown products by identifying foods with the countries in which they were produced can help farmers compete with low-priced imports. The U.S. Department of Agriculture has expressed concerns that this requirement would be costly, but a University of Florida study concluded that the cost of implementation is 90-95% less than the USDA's estimates.  
*Responsibility:* Federal

- **Provide Direct Marketing Opportunities.** In recent years, an explosion of farmer's markets has provided many small producers in Oregon to sell directly to consumers at prices much better than they would receive on the wholesale market. Local government should look for ways to promote opportunities such as farmer's markets and farm stands that allow farmers to market directly to the public, and trade groups should consider implementing "buy local" campaigns that emphasize the quality and freshness of locally-grown produce.  
*Responsibility:* Local, State, Federal

**Support Agricultural Research.** Oregon agricultural products are among the best in the world in part because agricultural research has developed new and better varieties of plants, improved farming techniques, conquered diseases, and increased production. Continued efforts to fund agricultural research must be made to ensure the health of Oregon agriculture. For example, combating Sudden Oak Death, a disease that threatens Oregon's nursery industry if allowed to spread, will depend in part on research funding. The state's hazelnut growers need research funding to continue efforts to develop varieties resistant to Eastern Filbert Blight (EFB), which could destroy the industry if left to spread unchecked. With federal budget deficits looming, it is tempting to cut back on expenditures for agricultural research, but the long-term economic health of agriculture in the Willamette Valley requires perpetual innovation through investments in research. Without this innovation, Oregon producers will no longer have the edge in productivity or quality, leaving them unable to compete with other countries.

*Responsibility:* State, Federal

**Promote the Nursery Industry.** Oregon's nursery and greenhouse industry, the state's largest sector of agriculture, has annual sales approaching \$800 million. More than two-thirds of those sales are made outside of Oregon, bringing new money into the state and fueling the economy. Nursery products are the largest component of agricultural production in Marion and Polk counties, and Marion County ranks second in the state, behind only Clackamas, in total nursery output.

*Responsibility:* Local, State, Federal

- **Fight Sudden Oak Death.** Unfortunately, the nursery industry is threatened by *Phytophthora Ramorum*, a fungus-like organism commonly known as Sudden Oak Death (SOD) that harms or kills many shrubs and trees, including maples, rhododendrons, camellias, viburnum, and pieris, which make up much of our state's nursery sales. Sudden Oak Death has been found in a handful of commercial nurseries in California, Oregon, and Washington, which has led to controls on out of state shipments of Oregon nursery products. The Oregon Department of Agriculture has work with the industry to implement an aggressive inspection program that has helped nurseries maintain their markets, but continued action is needed to help the industry avoid further problems. The federal government should continue to fund the annual SOD survey to determine the disease's extent, and further investments must be made in research about this largely unknown organism.  
*Responsibility:* State, Federal
- **Provide Training Opportunities for Nursery Employees.** With the nursery industry's continued growth, labor market data shows a double-digit increase in employment in the industry in the Mid-Valley. In 2003, Chemeketa Community College conducted an

assessment of the need for a sustainable horticulture program with industry representatives, who agreed on the need and expressed a commitment to help build the program, which would be unique in the United States. The program will incorporate economic sustainability with business management training tailored to the nursery industry.

*Responsibility:* Local, State, Federal

**Promote the Mid-Willamette Valley's Wine Industry.** Wine is the very essence of a value-added agricultural product: winemakers take grapes worth very little and transform them into wines that fetch premium prices. Oregon, which ranks fourth in the U.S. in wine production, has more than 300 small wineries that produce high-quality, handcrafted wines in small batches. With more than 14,000 acres of wine grapes under production and sales of nearly 1.3 million cases in 2003, the wine industry is one of the biggest and fastest growing sectors of agriculture in Oregon. With 20 wineries and dozens of vineyards in Marion and Polk counties, the Mid-Valley is a thriving wine-producing region. Regional leaders should promote the wine industry because of the opportunities it provides for bringing money into the region through outside sales as well as tourism. Chemeketa Community College's new Viticulture Center in the Eola Hills will help this industry develop a more skilled workforce, and regional tourism promotion efforts should include wineries in a prominent place. In addition, legislation that recently passed the Oregon Legislature would allow Oregon wineries to promote the presence of an antioxidant in Willamette Valley Pinot Noirs that is particularly healthy for the heart.

*Responsibility:* Local, State, Federal