

April 10, 2020

The Honorable Sonny Perdue
Secretary of Agriculture

Dear Secretary Perdue,

As organizations representing tree fruit growers (apples, sweet cherries, and pears) we thank you for your leadership during this very trying time for agriculture. We also acknowledge the very large task USDA has in determining how to distribute the funds provided by Congress to help agriculture make it through the COVID-19 crisis.

While we support the broader specialty crop recommendations we do want to bring your attention to the unique production cycle and standard business practices of the tree fruit industry.

Growers of tree fruit are suffering direct but as yet largely unquantified COVID-19 losses on fruit harvested in 2019. The losses are difficult for growers to document as a result of the sales and accounting practices standard to the tree fruit sector. Standard business practices used in our industry to pay apple and pear growers for fruit delivered last fall and sold or stored during the COVID-19 pandemic timeframe will not provide loss data until late this year.

But we are already experiencing sales losses and decreased productivity and new costs as we incorporate the recommendations of best practices such as social distancing of our employees in the field, packing facility and worker housing. Protective measures in packinghouses have - in addition to direct materials costs for sanitizer, etc. - decreased productivity and capacity by an estimated 15 to 20 percent, increasing the per-box costs but not the sales price.

For example, one packer identified a \$0.50 per box increased labor cost. This estimate is likely conservative as it does not include costs incurred to suspend operations for deep cleaning steps taken following an employee testing positive for the virus or a plant that has a higher workforce absenteeism. Workforce demands in the orchard are just beginning but will also likely entail similar protective cost increases in the orchard due to longer and less productive days to accommodate social distancing.

Tree fruit growers are very large users of the H2A guestworker program. It is easily conceivable that a late summer slowdown or shut down at the border would result in millions of dollars in tree fruit left unharvested. Of course, right now, we have no way of calculating that impact.

Further, our export sales have been under downward pressure for years due to retaliatory tariff pressures and now coronavirus. For example, the apple market in our largest export market Mexico has dropped \$2/carton since the start of the COVID-19 pandemic, but there aren't any contracts that show that drop in pricing. (Our sales are largely not forward contracted.) Absent a rapid and dramatic return to a normal international trade environment, typical annual exports of about \$1.5 billion will not be attained and increased inventory in the U.S. will overhang the market and depress prices.

The upcoming cherry season will be extremely challenging with projected losses in export markets of at least \$100 million during May, June and July. Worldwide demand is likely to be lower than in normal years and the availability of air cargo capacity to ship product is also a concern. Our estimate above assumes that growers and packers will have an adequate supply of guest workers for harvest and local workers for packing operations.

We support additional funding for USDA food purchases to supply food banks and other nutrition feeding programs. We ask that USDA modify the qualified vendor application process so that USDA can purchase directly from packer/shippers who identify themselves for this new assistance, even if they are not previously approved suppliers. We further ask USDA to prioritize fresh fruit and vegetable purchases for school nutrition programs (which are still distributing take-home food to students) and higher per meal reimbursements to accommodate this assistance. Food purchase programs will assist food banks and at the same time help alleviate stagnation in inventory movement caused by a reduction in export demand.

Therefore, we request that whatever mechanism you create to distribute CARES Act funding be flexible and adaptable to impacts that are currently unknown. Formulas used to calculate damages should be simple for growers and USDA to utilize and recognize unique business practices that exist in the tree fruit sector. For example, a simple formula might use bins for apples and pears, and tons for cherries. One idea is to use 2017-2019 average return per bin by variety multiplied by the 2020 bins delivered/or left to pack (from the 2019 crop) depending on the covered period. Same for cherries: average price per pound for 2017-2019 multiplied by the tons delivered by variety in 2020. The 2019 Market Facilitation Program for cherry payments was simple and worked fairly well, and it could serve as a good template in this instance.

A fair portion of the funds targeted toward specialty crops that experience losses during this current timeframe may need to be held in reserve for later months to support tree fruit growers.

To summarize, the dollar that a tree fruit grower loses is no different than the dollar lost by any other segment of U.S. agriculture. We will just experience them on a different timeline. We respectfully ask for your consideration of their unique situation and accommodate them appropriately.

Sincerely,
California Apple Commission
Michigan Apple Committee
New York Apple Association
Northwest Horticultural Council
Pennsylvania Apple Program
U.S. Apple Association
Washington Apple Commission
Washington State Fruit Commission
Washington State Tree Fruit Association