

June 22, 2020

William L. Beam
Deputy Administrator for Farm Programs
Farm Service Agency
U.S. Department of Agriculture
Washington, DC 20520

RE: Docket ID: FSA–2020–0004

Dear Deputy Administrator Beam:

Our organizations represent and support America’s nursery and floriculture crop growers. The nursery and floriculture sector, which represents one-third of the value of all specialty crops¹, experienced serious economic harm resulting from COVID-19-related disruption of the market chain during the three-month period between January 15 and April 15, 2020. **The timing could not possibly have been worse, as 60 to 80 percent of the industry’s sales occur in a 10-week window falling from March to May.** During the height of the pandemic, sector losses resulting directly from associated market disruption were conservatively estimated at \$400 million or more. More recent estimates show that the total COVID-19-related losses in the nursery and floriculture sector will reach between \$732 million and \$1.2 billion. At a time when sustaining employment is paramount, these losses threaten some of the roughly 275,000 jobs in nursery and floriculture production.

The industry’s losses resulted substantially from state and local government-mandated business closures and restrictions on consumers. The most extreme impacts were felt by producers of the most highly perishable “color crops,” including flowering plants, fresh cut flowers, and tropical foliage plants, which also have some of the narrowest market windows. Data for some of these crops are reported in the USDA Floriculture Crop Summary, which for 2018 reported total wholesale sales of \$4.63 billion by growers producing at least \$10,000 worth of these crops. The worst-affected growers were forced to dump hundreds of thousands and even millions of dollars’ worth of finished, market-ready crops per week during portions of the aforementioned period, especially during March and April.

The horticulture industry is complex, bringing thousands of different plant varieties to market. Due to the crop diversity within the industry the approach to CFAP relief in this sector should be sensibly structured to achieve streamlined and efficient implementation. We suggest either of two options outlined below. These options factor in our extensive knowledge of nursery and floriculture crop production as a diverse and complex component of American agriculture, as well as “lessons learned” over years of industry experience with federal nursery crop insurance and disaster relief programs.

¹ Congress in the Agricultural Act of 2014, Public Law 113-79 (the Farm Bill) defines specialty crops as “fruits and vegetables, tree nuts, dried fruits, horticulture, and nursery crops, including floriculture.”

Eligibility:

Nursery and floriculture crop producers who can document a COVID 19-attributable drop in sales revenue during the USDA-designated period of January 15 through April 15, 2020, would be eligible to apply to USDA-FSA for direct payment relief.

Structure for Relief Payments:

Option 1: Revenue loss approach. Producers who demonstrate a drop in sales over the covered period due to the COVID-19 market disruption, when compared to the same period in 2019, would receive a predetermined percentage of those lost sales, similar to the approach taken in the dairy sector. This would be the most streamlined approach. However, 2020 was projected to be among the strongest sales years for the entire sector and this approach would not compensate growers for those anticipated sales.

Option 2: This option is based on the third category of losses under the current CFAP rule structure for specialty crops. Given the uniqueness of the nursery and floriculture industry and the way crops move through different market channels, this third category seems most relevant for COVID-19-related losses in our sector.

For nursery and floriculture crop producers with planned shipments which did not leave the farm between January 15 and April 15, 2020, and which have not been and will not be sold, payments will be based on the value of unshipped crops multiplied by a pre-specified payment rate expected to represent a percentage of the crop's value as established through weekly or monthly sales and inventory records.

Under either of these options, FSA and AMS would need to establish a payment rate. In doing so, it is vitally important that the agencies consider the circumstances specific to nursery and floriculture crop producers. With most specialty crops, some production costs are incurred prior to harvest. However, harvest, packing, preparation and transportation to markets constitute a significant share of "cost of goods sold."

By contrast, in the nursery and floriculture sector, most of the labor and related production costs occur during the growing period, and before loading and shipping the product to the customer. Based on industry benchmarking described more fully in a white paper authored by Dr. Charlie Hall of Texas A&M University, typical Cost of Goods Sold (COGS, sometimes referred to as costs of production) for growers averages 66.4% of total sales (the mean and median were both 66.4%). The COGS line item typically includes direct labor costs, as well as the direct cost of the materials used in growing the plants such as containers, media, propagative stock, plant protection products, fertilizers, and plant tags or labels. It is important to note that transportation costs, which account for 10.4% of sales, are not included in the COGS calculation.

For other specialty crops, the CFAP pre-specified payment rate for crops that "never left the farm, and have not and will not be sold" was set at 5.875%. We presume this rather low rate is based upon the

likely scenario that most such crops were probably left in the field unharvested, thus avoiding the significant labor and related costs for harvest, preparation, packing, and transportation. However, in the case of nursery and floriculture crops, with two-thirds of production costs already incurred, including – despite the fact that much of it ended up in a compost pile – harvesting, the only costs avoided for crops falling within this third category would be transportation to market, which as stated above averages 10.4% of sales.

We also note that other specialty crops may make one or more claims related to each of the three categories described in the CFAP rule. Because only the third category is generally relevant to nursery and floriculture crops, and because most costs are already incurred before crops leave the farm as described above, a substantially higher payment rate is justified. We suggest a payment rate to be established at not less than 50% of crop value.

Documentation:

Under either option, we suggest claims may be substantiated through evidence which may include (1) producer sales and inventory records for the applicable period in 2020 and the corresponding period in 2019, and/or, (2) cancellation records of booked sales, inventory records, and “dump reports” of plants destroyed due to loss of markets during the specified time period.

Rationale for These Options:

Nursery and floriculture farms may produce dozens or even hundreds of different plant crops and varieties. Each may be offered in various forms (e.g. containerized, bare-root, field-grown and harvested with a “rootball”) and in many sizes. There is no traditional commodity market mechanism that establishes market prices. Market prices may be influenced by many factors, such as market channel, plant quality, and changes in supply and demand. All of these factors make the establishment of average prices – for each plant crop and variety, in all the forms and sizes it may be offered – exceedingly cumbersome and challenging.

USDA’s Risk Management Agency (RMA) has the most extensive USDA agency experience in attempting to maintain a database of plants and average values by types, forms and sizes. This task has proven so exceptionally difficult, RMA is moving away from this approach, and toward an approach that, in RMA’s words, embraces:

- *A simplified loss adjustment process that uses a more accurate approach to determining plant values by placing greater reliance on the nursery producer’s actual sales receipts, along with increased producer participation in determining damaged plants’ ability to be marketed or rehabilitated;*
- *Elimination of a plant list based on third-party software and greater reliance on the producer’s inventory records, along with plant category naming conventions² more familiar to the nursery industry.*

² <https://www.rma.usda.gov/-/media/RMAweb/Nursery/Nursery-Value-Select/Plant-Categories.ashx?la=en>

RMA's experience, which led it recently to create the Nursery Value Select pilot crop insurance program, establishes the basis for the simplified, streamlined options we suggest above.

Finally, in the interest of providing relief as equitably as possible, USDA's CFAP rule provides: *"USDA will make an initial payment of 80 percent of an eligible 2020 CFAP participant's calculated 2020 CFAP payment."* Maintaining this approach in the nursery and floriculture sector will assist USDA to manage around a degree of uncertainty with respect to total nursery and floriculture value losses for which relief will be sought.

Thank you for considering our views. We sincerely hope CFAP direct payment eligibility will be swiftly and fairly extended to U.S. nursery and floriculture crop producers

Sincerely,

AgCredit, ACA
AgChoice Farm Credit
AgFirst Farm Credit Bank
AmericanHort
Association of Specialty Cut Flower Growers
Carolina Farm Credit, ACA
Certified American Grown Flowers
Colonial Farm Credit
Farm Credit of the Virginias
Great Lakes Floral Association
Irrigation Association
MidAtlantic Farm Credit
National Association of Landscape Professionals
National Christmas Tree Association
National Council of Agricultural Employers
National Council of Farmer Cooperatives
Northwest Nursery Improvement Institute
Produce Marketing Association
Society of American Florists
Southern Nursery Association
Western Nursery & Landscape Association
Wholesale Florist & Florist Supplier Association

Alabama Agribusiness Council
Alabama Farmers Federation - Nursery Greenhouse and Sod Division
Alabama Nursery & Landscape Association
Arizona Farm Bureau Federation
Arizona Nursery Association
Arkansas Green Industry Association

Plant California Alliance
California Cut Flower Commission
CalFlowers
California Farm Bureau Federation
California State Floral Association
California Strawberry Plant Growers Association
Alameda County Farm Bureau
Central Coast Greenhouse Growers Association
Contra Costa County Farm Bureau
Kern County Farm Bureau Federation
Merced County Farm Bureau
Orange County Farm Bureau
Riverside County Farm Bureau
San Luis Obispo County Farm Bureau
San Diego County Farm Bureau
Colorado Nursery and Greenhouse Association
Connecticut Farm Bureau Association
Farm Credit of Central Florida
Farm Credit of Florida
Florida Farm Bureau Federation
Florida Fertilizer & Agrichemical Association
Florida Nursery, Growers and Landscape Association
Georgia Agribusiness Council
Georgia Farm Bureau
Georgia Green Industry Association
Georgia Urban Ag Council
Hawai'i Farm Bureau Federation
Idaho Nursery & Landscape Association
Illinois Green Industry Association
Illinois Landscape Contractors Association
Indiana Nursery and Landscape Association
Iowa Nursery & Landscape Association
Kansas Nursery & Landscape Association
Louisiana Nursery and Landscape Association
Maine Landscape and Nursery Association
Maryland Nursery, Landscape, and Greenhouse Association
Massachusetts Nursery and Landscape Association, Inc.
Michigan Farm Bureau
Michigan Greenhouse Growers Council
Michigan Green Industry Association
Michigan Nursery and Landscape Association
Minnesota Nursery & Landscape Association
Missouri Green Industry Alliance
Montana Nursery & Landscape Association

Nebraska Nursery and Landscape Association
Nevada Farm Bureau
New Jersey Farm Bureau
New Jersey Landscape Contractors Association
New Jersey Nursery & Landscape Association
New Mexico Farm and Livestock Bureau
New York Farm Bureau
New York State Flower Industries Inc.
North Carolina Nursery & Landscape Association
Ohio Landscape Association
Ohio Nursery and Landscape Association
Oklahoma Farm Bureau
Oklahoma Nursery and Landscape Association
Oregon Association of Nurseries
Oregon Farm Bureau
Pennsylvania Farm Bureau
Pennsylvania Landscape & Nursery Association
Rhode Island Nursery & Landscape Association
Tennessee Farm Bureau
Tennessee Nursery & Landscape Association
Texas Farm Bureau
Texas Nursery & Landscape Association
Texas State Florists' Association
Utah Farm Bureau
Utah Nursery & Landscape Association
Virginia Agribusiness Council
Virginia Nursery & Landscape Association
West Virginia Nursery & Landscape Association
Commercial Flower Growers of Wisconsin
Washington State Nursery & Landscape Association
Wisconsin Landscape Contractors Association
Wisconsin & Upper Michigan Florists Association

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