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Testimony In Support of Proposal 3

Federal Marketing Order 920

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Proposal 3: §920.32 **Procedure**; §920.45 **Contributions**; §920.47 **Production Research and Development.**

The intent of this written testimony is to lend support to the proposed changes to permit the Kiwifruit Administrative Committee to conduct research and engage in marketing development, and what that new authority will encompass.

As a matter of general background: When the marketing order was promulgated, the industry chose not to add the authority for research and promotion to the order. The California Kiwifruit Commission (CKC), a state agency operating under the authority of the California Department of Food & Agriculture, had recently been established for the purposes of conducting consumer promotion and advertising, and contracting for cultural research. At that time the California kiwifruit industry anticipated tremendous growth, and felt a need to create two separate organizations, equipped with separate and distinct functions. Industry leaders believed that there was less likelihood of both programs disbanding in the event of a challenge, and felt this arrangement would best protect and serve the future interests of the kiwifruit industry.

Today the general makeup of the kiwifruit industry is much different as compared to when these two groups were formed. Although the industry did experience initial expansive growth, it has not maintained that trend and instead has, over the past nineteen years, significantly contracted. Thus, there is a general consensus throughout the industry that the future administration of these programs would be most cost effective and efficient when done through one organization. Though it is not the suggestion that the Kiwifruit Administrative Committee is the unanimously supported organization for achieving overall market stability; it is the opinion of those in support of these changes that granting the Kiwifruit Administrative Committee the authority to conduct research and promotional activities will provide two equitable options in determining the administrative organization best suited to meet the needs of the kiwifruit industry.

Procedure

As a matter of administrative uniformity, implementation of this procedural change would simply maintain consistency with current industry practices. Accordingly, these practices require at least eight concurring votes when deciding issues of expenditures assessments or recommendations for regulations. It is the opinion of the Committee that requiring this supermajority is necessary to ensure an elevated level of support from the industry with regard to such elemental functions.

Also, concerning the recommended contributions provisions; without permitting the Committee to accept voluntary contributions though the addition of § 920.45 *Contributions*, the Committee's source of funds for research and promotion projects would be limited only to assessment revenue. And as previously indicated, decreased acreage and production levels provide a limited revenue base for the Committee, therefore the number and type of projects sponsored by the Committee would be restricted without the ability to receive voluntary contributions.

Research

The following programs have been identified as being the most important to the industry: domestic and import regulations; reporting requirements; compilation and distribution of statistics; industry voice/communications; production and marketing research; participation in Market Access Program (MAP); and ad promo/public relations.

Currently, the California Kiwifruit Commission contracts for cultural research, oversees the Market Access Program, and manages any ad promo/public relations activities, and Commission law allows for the acceptance of voluntary contributions for these purposes.

Although funds for cultural research are limited, this activity is very important to the industry. Without a cultural research program, the industry is placed at a disadvantage in discovering new viable markets, which is an essential function in developing general market stability. The industry carefully sets their research priorities and concentrates funds in the areas of highest importance. Another beneficial program conducted through the California Kiwifruit Commission, is one which keeps the industry current regarding chemical registrations.

Development

As the industry has seen a reduction in revenue from assessments, the level of funding for advertisement and promotions/public relations has drastically decreased and is no longer sufficient for conducting such activities. Most advertisement and promotions/public relations activities consist of press releases and distribution of existing supplies of point of purchase materials. As a result, the Market Access Program has become a significant tool to the industry, and the Commission relies primarily on this funding for the limited advertisement and promotions/public relations activity in which the industry participates. Thus, providing the authority to the Committee to seek voluntary contributions in order to fund advertisement and promotions/public relations would aid the Committee to satisfy the disparity suffered by insufficient assessment revenue while relieving some of the financial burden from the Market Access Program.