

2023 Congressional Priorities for the Hop Industry

Background: The United States is the largest producer of hops in the world, contributing over 40% of the annual global crop. We export approximately 50% of this production to 60+ customer countries. Nearly half of our exports are destined for the European Union; other top customers include Canada, the UK, Brazil, Australia, China, Japan, South Korea, and Mexico.

1. **Need for research:** The U.S. hop industry has experienced unprecedented expansion due to rapid growth in the craft brewing sector (domestic and international). This creates strong demand for unique US hop varieties as evidenced by 110% acreage growth in the US between 2012 and 2022 with approximately 30 states now producing hops commercially. Concurrently, chronic loss and isolated catastrophic loss from pests and diseases has increased because of the lack of durable resistance in the varieties demanded by the marketplace. The net impact is disease management costs and crop damage representing 15% of total crop value, destabilization of critical supply chains and lost export opportunities. Public sector development of new hop varieties that combine disease resistance, broad locational adaptation, resilience to changing climatic conditions, and improved brewing quality are critical to sustain production and meet demand for high quality hops. Coupling traditional breeding approaches with modern genome-enabled techniques is expected to accelerate development of these varieties. Traditional breeding techniques require over ten years to develop and test a new selection before suitability for commercial release can be determined. Modern methods could substantially reduce this timeline, contributing to Climate Smart farming operations and products.

USDA-ARS Hop Research – “Hop Plant Health Initiative”: The USDA-ARS hop research program is based at the USDA-ARS PWS Forage Seed & Cereal Research Unit, Corvallis, OR. The program is currently staffed with four scientists – a Pathologist who leads the world in the development of innovative solutions for disease control in hops, a Research Geneticist located at Corvallis, OR who is charged with developing new germplasm and genomics research, a Research Geneticist located at Washington State University-Prosser conducting hop breeding and trait genetics, and a hop research physiologist dealing with abiotic stress, with specific focus on water stress. This team is crucial to positioning the US hop industry to deal with changing climate and sustainable production systems.

For FY 2023 the US hop industry respectfully requests continuation of public hop research funding at the FY 2020 and FY 2021 level of \$2.6 million. This is also equal to the 2023 amount available under Continuing Resolution.

2. **Labor Availability** – Agriculture needs a legal and reliable source of labor. Currently many hop growers are forced to use the H-2A program for temporary agricultural workers. For those growers, the H-2A program is the only option for temporary, reliable agricultural labor to supplement local labor availability. The system has been plagued by delays, design flaws and high costs, and is in need of reform. Our organizations support the Farm Workforce Modernization Act which makes some reforms to the H-2A Program. We are also interested in other legislation that would address reforms in the H-2A process, including the unfair and inaccurate wage survey that sets prevailing piece rates and wages, along with automatic cost escalators that will price H-2A out of feasibility.

3. Natural Disaster Relief: Federal Crop Insurance and Wildfire and Hurricane Indemnity Program – Plus (WHIP+):

In the absence of a federal crop insurance program for hop production, growers have relied on private insurance programs. However, storms in recent years have exposed the gaps in the system and Hop Growers of America requests a federal crop insurance program to protect against the loss of crops due to natural disasters.

In addition, the Wildfire and Hurricane Indemnity Program – Plus (WHIP+) compensates producers for loss due to hurricanes, floods, snowstorms, tornadoes, typhoons, volcanic activity, drought, excessive moisture, and wildfires. The 2020 and 2021 wildfire seasons in the Pacific Northwest were destructive on many levels. Several thousands of acres of hops were exposed to high levels of smoke during harvest, resulting some rejections and value reduction for smoke tainted hops. Through extensive testing and analysis some hops were able to be processed or blended to salvage some brewing value. Ultimately, hops that were too badly damaged were destroyed or composted. Additional acreage was destroyed or damaged by severe wind events.

Funding for 2020 and 2021 fire and wind damage are still awaiting Congressional action.

The US hop industry supports the Congressional effort to renew WHIP+ for 2020, 2021, and 2022 crops damaged by wildfire and severe wind events.

4. Federal Grant and Support Initiatives

A) National Clean Plant Network for Hops: The NCPN is a critical program for hops and other crops propagated by tissue culture that require protection from the introduction of exotic pests and diseases and rely on an ongoing effort to supply clean planting material for commercial production. The hop clean plant program is part of the Northwest Clean Plant Center at WSU-IAREC, Prosser, WA, where we cooperate and collaborate with grape and tree fruit programs.

APHIS expects crops that are involved with NCPN to seek mechanisms to become self-sufficient. While we agree that user fees should support a portion of these programs, it is unlikely that fees can be increased to the level to allow complete self-sufficiency without resulting in the failure of the programs, due to the industry circumventing the clean plant system because of its high costs. APHIS must retain a stake in these programs to ensure proper regulation of the exotic pests and diseases NCPN is designed to address and defend our nation's agriculture from the impacts of these serious threats. It is critical that baseline funding for these programs be part of this involvement. NCPN-Hops requested \$290,923 from the USDA for FY 2023.

B) USDA-NASS: Accurate statistics are imperative to making sound planting and contracting decisions. Specialty crops like hops are at high risk of losing acreage and production reporting if NASS funding is decreased. This puts hop growers, processors and customers in severe jeopardy, without reliable data on which to base costly decisions that will impact future decades of production capability, both on the farm and in breweries across the globe. The annual Hop Growers of America Statistical Packet provides a summary of hop data from several sources. However, it is important to note that these sources, from private companies to the International Hop Growers Convention, base their reports on USDA-NASS data.

- C) **USDA-FAS Programs:** The *USDA-FAS Technical Assistance for Specialty Crops* (TASC) grant program is critical in the effort to harmonize regulatory standards and address trade barriers. The grants provided by this program have allowed the hop industry to substantially increase the level of harmonized pesticide regulatory standards in several key export customers, including the European Union, Canada, Japan, and the Codex Alimentarius Commission.

The **Market Access, Emerging Markets and Quality Samples programs** have allowed the hop industry to dramatically improve and expand foreign market development programs, increasing demand for high value aroma hop varieties. The success of these programs has been demonstrated through the shifting of acreage in the past decade to higher value varieties that provide improved returns to growers and allow increased investments in farm improvements that better protect the environment and workers.

- D) **USDA-NIFA and USDA-AMS Programs:** The US hop industry has also successfully utilized the Specialty Crop Block Grant Program to address specific trade barriers and regulatory harmonization. Through the support of this program, MRL harmonization has been substantially approved in the Asia Pacific region, a rapidly growing customer base for US hops. We have also utilized this program for domestic market development to encourage the use of US hops by domestic brewers. These grants supported the creation of Best Practices and Sustainability programs and many other outreach/education tools that have allowed the US hop industry to fulfill a leadership role worldwide. Washington, Oregon and Idaho hop commissions have all successfully utilized these grants for a range of projects.

Western IPM and *Specialty Crop Research Initiative* grants have been instrumental in allowing the hop industry to develop robust integrated pest management programs and enhanced production systems. These developments have dramatically improved environmental and worker safety, crop quality, resistance management, and economic sustainability of the US hop industry.

5. **IR-4 Program:** The IR-4 Project is a USDA-funded national research program whose goal is to develop data required by US EPA to support the registrations of chemical and biological crop protection products on fruits, vegetables, nuts, herbs, ornamentals, and other high value specialty crops. IR-4's mission also includes pest management for organic agriculture as well as support for new cutting edge, pest management technology. IR-4 also supports minor uses on major crops (corn, soybean, cotton, etc.).

- Commodity producers and others in the specialty crop community are actively engaged in IR-4 Project decision making and establishment of research priorities.
- There is a critical need for IR-4's assistance to support new pest management products to fill the ever-increasing number of gaps in specialty crop pest management. Demand for IR-4 support is increasing as a result of:
 - New invasive pests,
 - Loss of existing product registrations during pesticide re-evaluation
 - The need to transition plant protection programs to newer "reduced risk" active ingredients
 - Consolidations within the crop protection industry that has led to reduced industry investment in specialty crop pest management.
- IR-4 benefits society:
 - The farm community-specialty crop growers have access to needed safe and effective pest management technology

- Food retailers - have ample supply of fresh produce to meet public demand
- Food processors - have high quality raw materials to produce value-added products
- IR-4 contributes \$9.4 Billion to the annual US GDP and supports >95,000 jobs (data from 2017 Report from Michigan State University Center for Economic Analysis)
- Public - enhanced access to fruits, vegetables, nuts, and herbs that contribute to a healthy diet and plants that enrich the environment

Bottom line: IR-4 is a critical component of our nation’s food security research infrastructure. IR-4 helps the agriculture sector meet the demands for high-quality food now and into the future. IR-4 remains a sound public investment that produces significant, tangible results.

The need for IR-4 is increasing while government resources for the IR-4 Project had been flat for a decade until 2022, when a small increase to \$14.5 million was approved. Recognizing the above, USDA is recommending a recommending a funding increase for IR-4 in FY 2023. **The US hop industry supports an increase to \$25 million for IR-4 funding in FY2023 (the amount authorized by Congress in the 2018 Farm Bill).**

6. **International Trade:** European Union regulations require pesticide evaluations to utilize a “hazard-based” approach and do not employ a “risk-based” assessment. The WTO requires that scientific evaluations be risk-based. As a result of the EU policy, numerous pesticides are being withdrawn from use in the EU and associated Maximum Residue Levels (MRLs) are being eliminated. The loss of these tolerances due to the EU’s regulatory stance is adversely impacting the export of agricultural goods, including hops. Every year, US hop growers have fewer and fewer crop protection products available to them. Although products remain legal to use in America, hop exporters must ensure the treated hops can be exported to Europe without a residue violation. This makes it more difficult to grow the crop each year. We urge Congressional support of US trade negotiators as they continue to make this issue a priority. This issue should be addressed bilaterally or through the World Trade Organization.

7. **Water supply reliability** –The Yakima Valley of Washington and Treasure Valley of Idaho both have a history of periodic drought conditions when snowpack is inadequate to refill the reservoir system that supplies water for irrigation and other uses. The impacts of climate change increase the perilous nature of this situation.

In the past decade the number of breweries in the US has tripled, fueled by impressive growth in the craft sector. These brewers have driven expansion of hop acreage. The Pacific Northwest is the largest hop growing region in the world, contributing 40% of the annual world supply and 98% of the US crop. However, we face the very real possibility that the hop crop, along with other high value permanent crops in the Pacific Northwest, will continue to experience periodic yield and quality reductions due to drought. If we cannot ensure a consistent supply of hops to the world’s brewers, they will move their purchasing to other regions of the country and world. Additional water storage and maintaining existing infrastructure throughout the region are necessary to ensure reliable water supplies, so we can provide reliable product to our customers. Without this reliability, the Pacific Northwest hop industry will lose customers, economic activity and jobs.

Contact Information:

Jessica Stevens, Executive Director

Maggie Elliot, Science & Communications Director

Hop Growers of America/Hop Growers of Washington/Washington Hop Commission

PO Box 2885, Yakima, WA 98907

Phone 509.453.4749; Fax 509.457.8561, Cell (Maggie) 509.832.1184

Email: jstevens@wahops.org; melliott@wahops.org

www.usahops.org

Michelle Palacios, Administrator

Oregon Hop Growers Association / Hop Research Council/Oregon Hop Commission

PO Box 298, 3467 Third Street, Hubbard, OR 97032

Phone 503.982.7600; Fax 503.982.7602; Cell 503-931-8232

Email: michelle@oregonhops.org

www.oregonhops.org

Candi Fitch, Executive Director

Idaho Hop Growers Association

P.O. Box 909, 118 N. Second Street, Parma, ID 83660

Phone 208.722.5111; Fax 208.722.6582; Cell 208.739.5264

Email: candifitch@outlook.com

Alicia Adler, Executive Technical Director

Hop Research Council

Phone 916-492-7062

Email: Alicia.adler@brantchristie.com