

March 30, 2023

The Honorable Debbie Stabenow
Chairwoman
Senate Agriculture, Nutrition, and Forestry
Committee
Washington, DC 20510

The Honorable Michael Boozman
Ranking Member
Senate Agriculture, Nutrition, and Forestry
Committee
Washington, DC 20515

The Honorable GT Thompson
Chairman
House Agriculture Committee
Washington, DC 20515

The Honorable David Scott
Ranking Member
House Agriculture Committee
Washington, DC 20515

Re: Farm Bill Priorities for the CEA Alliance

Dear Chairwoman Stabenow, Chairman Thompson and Ranking Members Boozman and Scott,

The Controlled Environment Agriculture Alliance (CEA Alliance) is a membership trade association representing and serving vertical farms and greenhouse producers growing fruits and vegetables in a highly controlled indoor production environment. Membership in the CEA Alliance includes CEA growers, their business service providers, retail/foodservice customers, and others.

Controlled environment growers employ a variety of agricultural production methods and technology to create optimal growing conditions with rigorous environmental controls. Growers utilize innovative technologies such as hydroponics, aeroponics, aquaponics, and soil-based systems to grow a wide variety of fruits and vegetables. Increasingly, CEA producers are an important part of the domestic fresh food supply chain and a critical backstop against supply chain disruptions triggered by extreme weather and macroeconomic challenges.

Since the 2018 Farm Bill, the commercial-scale CEA industry has grown tremendously, due to their value in the agricultural landscape. However, these producers do not qualify for many of the existing programs authorized by the Farm Bill, which have primarily focused on outdoor field agriculture. The CEA Alliance appreciates the steps taken in the 2018 Farm Bill to create the USDA Office of Urban Agriculture and Innovative Production, and encourages Congress to accelerate government support and investment in this important and growing part of US agriculture.

Respectively submitted,

Tom Stenzel, Executive Director
Controlled Environment Agriculture Alliance (CEA Alliance)
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CEA Alliance Farm Bill Priorities

Title II - Conservation

Ensure Eligibility and Applicability for CEA Producers in Conservation Programs

Controlled environment agriculture has important environmental benefits, including maximizing the efficient use of water, land, and other scarce resources. CEA producers are not without their own unique conservation challenges, especially new and beginning CEA producers and operators.

Yet, many producers do not meet eligibility criteria to participate in many of the existing programs authorized by the farm bill because of production methods, their location or corporate structure. The programs that CEA producers are eligible for are often not a good fit from an operational perspective or may not allow for eligibility across the industry.

For example, while some CEA producers may be eligible to participate in conservation practices focused on improving on-farm energy efficiency of lighting or HVAC systems, other CEA growers may not be due to their size or corporate structure. In addition, there are no specific conservation practices readily available to help producers 1) improve on-farm water recirculation and recapture or 2) manage on-farm waste management and composting.

The Alliance recommends that Congress require the Secretary of Agriculture, in consultation with the Natural Resources Conservation Service and Office of Urban Agriculture and Innovative Production, to conduct a detailed review of all existing conservation programs authorized under Title II to determine where gaps or challenges exist for CEA producers of all sizes and structures, and to add new CEA conservation practices to the list of “eligible practices” within conservation programs where applicable. Additionally, we encourage Congress to authorize technical service providers to assist CEA growers with conservation challenges on their operations.

TITLE VII – RESEARCH & RELATED MATTERS

Increase Authorization for the Urban, Indoor, and Emerging Agricultural Production, Research, Education, and Extension Initiative

The Urban, Indoor, and Emerging Agricultural Production, Research, Education, and Extension Initiative enacted in Sec. 7212 of the 2018 Farm Bill has been a critical tool to meet the unique needs of indoor growers, however the demand for research far outpaces current funding.

We encourage the next farm bill to increase mandatory funding for the initiative from \$10 million to \$50 million annually. In addition, we encourage the authorizers to improve accessibility by requiring all RFPs for UAIP grants to have a minimum of no less than 4 months and to increase the award ceilings for competitive grants to ensure that we can meet the growing needs for research and development focused on agricultural innovation.

Authorize the Agriculture and Food Research Initiative (AFRI) to support CEA

The Agriculture and Food Research Initiative (AFRI) also funds a significant portion of agricultural research across the food system. A focus of AFRI prioritizes funding for Agriculture Systems and Technology, we propose including new authorizing language under this section that directs support for controlled environment agriculture systems including, but not limited to, hydroponics, aquaponics, and aeroponic production systems.

Support the development of CEA workforce training

We encourage Congress to authorize funding for land grant universities, historically black colleges and universities (HBCUs), and community colleges to support the development of CEA workforce training and certification programs that leverage other investments being made by the Department to advance agricultural research and training for CEA and in consultation with the non-profit, vocational and education community.

Support the Specialty Crop Research Initiative

The Purpose of the Specialty Crop Research Initiative (SCRI) program is to address the critical needs of the specialty crop industry by awarding grants to support research and extension that address key challenges of national, regional, and multi-state importance in sustaining all components of food and agriculture. The Alliance supports the recommendations by the Specialty Crop Farm Bill Alliance. Specifically, we urge Congress to allocate an additional \$50 million in annual mandatory spending to SCRI and make the following recommendations:

1. Maintain a flexible governance structure for SCRI, as specialty crop challenges five years from now could be much different than they are today.
2. Reinstate the Secretary's authority to waive the matching funds requirement.
3. Prioritize research around new innovations and technologies that support specialty crop production; plant breeding, genetics, genomics, crop management, and other methods to improve crop characteristics in indoor production.

Title IX – RURAL DEVELOPMENT

Ensure CEA Producers are Eligible for Rural Development Programs

Recent efforts to ensure that the Rural Energy for America Program is accessible to all agricultural producers regardless of location is an important step. The Alliance encourages Congress to increase the allowable energy efficiency improvement loans and grants amounts to correspond with the scale of CEA investments.

The nature of growing and handling perishable goods means a significant amount of specialty crop production and processing operations are in areas that exceed ‘rural population’ limits for communities eligible to access USDA programs. These urban, suburban, and ex-urban agriculture-based operations experience similar challenges to rural farms and facilities. To ensure equitable access to USDA programs for all agricultural products and supporting businesses and services, specialty crop operations should be exempt from “rural population” caps.

Title X - HORTICULTURE

Specialty Crop Block Grant Program

We urge Congress to increase funding for the Specialty Crop Block Grant Program to not less than \$100 million annually. The set-aside of not less than \$5 million for multi-state projects should be maintained.

TITLE XII – MISCELLANEOUS

Increase Authorization for the Office of Urban Agriculture and Innovative Production.

USDA’s Office of Urban Agriculture and Innovative Production established by Sec. 12302 of the 2018 Farm Bill is one of the most appropriate settings for CEA producers and the CEA value-chain to engage directly with USDA. However, we believe the broad mission of the office is hindered by underfunding, understaffing, and the challenge to balance important but disparate priorities and stakeholders.

We recommend increasing funding authorization for the OUAIP from \$24 million annually to \$50 million for each of fiscal years 2024 through 2028. Greater resources would enable the Office to have dedicated staffing to focus on issue areas, provide critical guidance to the CEA industry on a range of topics, to facilitate greater dialogue between USDA and other federal agencies, the CEA industry, energy utilities, non-governmental and standard setting organizations, and state and local governments.

Codify & Modify the USDA Food Supply Chain Guaranteed Loan Program

The Food Supply Chain Guaranteed Loan Program guarantees loans of up to \$40 million for qualified lenders to increase capacity and create a more resilient, diverse and secure U.S. food supply chain, with a specific focus on starting or expanding activities in the middle of the food supply chain. The program supports new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling and distribution. CEA is unique in that many companies not only grow fresh produce, but also incorporate several of these middle supply chain steps within each of their farm locations, allowing for a shorter farm to shelf cycle. This allows more food to be grown closer to where it is ultimately consumed.

To date, the program is fully funded by the American Rescue Plan Act and the Alliance supports codifying the program in the next farm bill to help CEA producers access much-needed capital to scale products and technologies that support a sustainable and secure food supply chain. In addition, we encourage Congress to maintain the program's zero geographic eligibility restrictions, provide flexibility in how the funds can be used to ensure that CEA operations are able to use loans to finance capital expenditures across their farm, including production, and to increase the loan cap size amount from \$40 million to \$200 million.

Improve Data Collection on Urban, Indoor and Emerging Agricultural Production

Sec. 7212 of the 2018 Farm Bill required the Secretary to conduct a census of urban, indoor, and other emerging agricultural production as a follow-on study to the census of agriculture conducted in 2017. Due to funding not being appropriated, this report never happened, and we would encourage the next farm bill to carry forward this request with an updated timeline and mandatory funding to ensure this critical data reporting happens.

Farm Bill Adjacent Topics

Establishment of an Investment Tax Credit Supporting Agricultural Innovation

Fundamentally, the federal government must play a more meaningful role supporting innovative technologies and farming systems to fortify national food security, food system resilience, climate-smart agriculture, and sustainability. The government should support domestic specialty crop producers, including both field and indoor growers, to meet these growing challenges within our food system. Current farm programs are not well suited to help many specialty crop producers address high capital costs of innovative technology and many specialty crop businesses do not have the tax liability to take advantage of existing tax policies.

The Alliance urges Congress to establish a federal investment tax credit for specialty crop producers utilizing innovative farming technologies and systems as a critical way of scaling domestic production of sustainably grown produce, building greater resilience in our domestic food supply, fostering greater American entrepreneurship and innovation, and increasing U.S. competitive advantage. The proposal would be a critical market-based policy for addressing the high capital costs associated with innovative technologies like robotics, automation and artificial intelligence and would fill an important policy gap for the diverse domestic specialty crop industry.

At its core, we believe the producer investment tax credit (ITC) concept should be structured as a refundable 30 percent credit to be phased out over 10 years. ITCs are a proven policy tool to incentivize investments in other technologies and sectors including domestic semiconductor manufacturing, renewable energy, and research and development. It would be based on qualified investments in innovative technologies and systems that would help a farm address critical resource, labor or supply chain issues.

In September, the National Association of State Departments of Agriculture [unanimously endorsed](#) investment tax credits as one way to help scale indoor farming, given its high upfront capital expenditures. However, such a policy should also apply to outdoor specialty crop growers, who face similar capital costs as they upgrade their farming practices with robotics and automation.

Close the H2A Seasonal Worker Loophole

While many CEA growers are able to operate with a full domestic workforce, there are times when guest workers may be needed in some farms. The current H2A guest worker program discriminates against indoor growers due to its restriction to seasonal employment. We urge Congress to direct the U.S. Department of Agriculture to work with the Department of Labor to understand the needs of different types of indoor growers and provide a level playing field with outdoor growers.