

Statement of Ferd Hoefner
Policy Director, Sustainable Agriculture Coalition
Hearing on Conservation Policy Recommendations for the Farm Bill
U.S. Senate Committee on Agriculture, Nutrition and Forestry
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Good afternoon. Thank you for this opportunity to testify on recommendations for the conservation title of the farm bill. My name is Ferd Hoefner and I serve as Policy Director for the Sustainable Agriculture Coalition, a national alliance of 30 national and grassroots farm, rural, and conservation organizations from across the country that together advocate for federal policies and programs supporting the long term economic and environmental sustainability of agriculture, natural resources and rural communities. Our positions are based on extensive grassroots input from sustainable and organic farmers and ranchers and from private non-profit organizations working directly with farmers on activities ranging from on-farm research and field days to marketing alliances to public policy. Through the Coalition and its member groups, we have spent the past two years developing a wide-ranging farm bill platform with input from thousands of farmers, researchers, conservationists and other concerned citizens at participatory workshops and listening sessions across the country.

Resource conservation and environmental enhancement can be promoted in such a way as to re-enforce the public interest in sustaining family farms and supporting rural community development, but only if our policy choices are aligned with those goals. The farm bill should help integrate successful revitalization of family farms and rural communities with environmental and natural resource conservation. By the same token, we need to continue to incorporate environmental objectives into agriculture policy, making sure environmental protection and resource conservation become and remain priorities in our production systems. This is central to our sustainable future.

Our major recommendations for the conservation title are to:

- ? Retain, streamline and fully fund the Conservation Security Program (CSP) as the primary agriculture stewardship incentive program, available to producers nationwide.
- ? Coordinate the Environmental Quality Incentives Program (EQIP) with the CSP to improve local conservation delivery and restore EQIP provisions that help ensure a net positive effect on the environment.
- ? Adopt a new Organic Conversion and Stewardship Incentives priority to provide technical and financial assistance for the adoption of organic farming-based conservation systems, available to farmers converting to certified organic production, those adding additional land or livestock that will be organic-certified, and those adding conservation enhancements on existing certified organic production.
- ? Expand the existing Partnerships and Cooperation into a Cooperative Conservation Partnership Initiative to support special projects for multiple producers to address specific area-wide resource and environmental concerns and community development opportunities.
- ? Restore a long-term funding baseline to the Wetlands Reserve Program sufficient to enroll 250,000 acres per year.
- ? Increase the Conservation Reserve Program's emphasis on high impact conservation buffer enrollments while instituting a new permanent easement option for marginal lands with high

importance as wildlife habitat.

General Conservation Title Provisions

Rather than jumping right into the alphabet soup of financial assistance programs, however, I want to begin by stepping back for a moment to address an overarching framework for the conservation title. The focus of most recent farm bill conservation titles has been, not surprisingly nor inappropriately, on major financial assistance programs. A limited number of provisions nonetheless have applied more broadly across the whole gamut of federal conservation programs and activities. In the 2002 Farm Bill, for instance, overarching provisions included a Partnerships and Cooperation Initiative, Beginning Farmer and Rancher provisions, Program Assessment and Evaluation language, and Technical Assistance funding.

The 2007 Farm Bill presents an opportunity to strengthen the entire conservation portfolio by establishing some broad ground rules and creating a stronger foundation for addressing critical agro-environmental issues in a comprehensive fashion through a more complete set of conservation title general provisions. We would recommend the following cross-title priorities:

Reauthorize the Resource Conservation Act: The Soil and Water Resource Conservation Act of 1977 requires USDA to periodically conduct comprehensive appraisals of soils, waters, and related resources within the scope of programs administered by the Department. These appraisals are then used to develop a National Conservation Program. Some of the previous appraisals played a major role in subsequent conservation title policy decision making, but the last update is due this year and the Act will be terminated in 2008 unless it is extended by Congress in this farm bill.

While farm bills have authorized and funded very significant financial assistance programs since 1985, no formal set of objectives has been established that could be used to track changes in the conditions of natural resources and environmental quality and assess the relative success of the farm bill conservation programs. Importantly, the 2002 Farm Bill did include a section authorizing conservation program monitoring and evaluation activities and educational and outreach assistance. Unfortunately, just as the bill was about to be finalized during conference committee consideration the funding that had been set-aside for this purpose was transferred to cover a last minute budget shortfall in Title I of the bill. Despite the lack of dedicated funding, NRCS has managed to use a small amount of general funding to do some program evaluation work, including the new Conservation Effects Assessment Program (CEAP) activity. This effort, however, has been hampered by the lack of an explicit, consistent, and sufficiently large funding stream.

The 2007 Farm Bill should extend and revise the Resource Conservation Act and combine that reauthorization with renewal of the 2002 Farm Bill monitoring and evaluation provision. The farm bill should provide a mandate for USDA to identify and periodically revise national natural resource and environmental objectives and anticipated outcomes for the farm bill conservation programs as a whole. To the maximum extent possible, the objectives should be expressed in terms of specific and measurable improvements for each major conservation purpose and natural resource concern. The iterative process of developing and refining objectives should include specific indicators to track changes in the status and conditions of

natural resources and environmental quality. Extension of the RCA should be closely coordinated with these objective and indicators and also with the current Conservation Effects Assessment Program (CEAP) effort, with both oriented to exploring and analyzing alternative future-oriented approaches to conservation.

The comprehensive monitoring and evaluation program should be funded as a percentage of total spending for each farm bill conservation program, in much the same manner as technical assistance funding is provided currently. Such a funded and integrated system could then be used to help inform future farm bill conservation title choices as well as agricultural appropriations spending decisions.

Technical Assistance: Technical assistance is the foundation of working land conservation. Without adequate technical assistance, financial assistance dollars will not achieve optimal conservation benefits. We can not continue down the road we have been on for the past several farm bills, increasing financial assistance dollars through a myriad of programs while keeping funding for technical assistance and professional staffing essentially flat. This is especially true as the balance between working lands assistance and land retirement spending continues to shift toward working lands. Management-intensive, knowledge-based conservation systems are critical to solving agro-environmental issues, and technical assistance is particularly crucial in this arena.

The 2002 Farm Bill contained a major new point of departure for funding the technical assistance necessary to deliver farm bill conservation programs and achieve the programs' environmental objectives. All the major farm bill programs were to be funded directly from the Commodity Credit Corporation with mandatory farm bill funding, including the provision of technical assistance. Previously, most technical assistance for farm bill program delivery was subject to annual appropriations. With the near doubling of total funding contemplated by the 2002 Farm Bill, this was no longer practical.

The new farm bill should reaffirm the 2002 Farm Bill decision to fund technical assistance for farm bill conservation programs as a percentage of each program's total program funding stream. The new farm bill should also extend CCC funding to technical assistance costs related to conservation compliance activities. Most importantly, increased farm bill conservation program assistance should be facilitated by increases in field staff to deliver the programs and provide technical assistance.

Educational Assistance: An educational assistance component for farm bill conservation programs should be re-instituted. A specific percentage of total mandatory program dollars should be set aside for this purpose. This funding should be available to Extension, non-governmental organizations, community-based groups, educational institutions, conservation districts, RC&Ds, and producer groups, and should be used to increase awareness of conservation program opportunities, enhance producer knowledge of conservation and environmental systems and practices, provide training and decision support aids for sustainable system-based approaches to conservation, and help foster landscape level and watershed and regional cooperative ventures. Education and outreach is an important complement to NRCS technical assistance and can reduce burdens on NRCS professional staff to allow them to focus on their primary tasks.

Streamlined Program Delivery: Very good arguments can be made for consolidating and streamlining the current array of conservation programs. The producer ultimately must integrate resource concerns and prescriptions for the farm or ranch, yet there is a tendency to deliver programs as if they are separate fiefdoms. Consolidation may be conceptually quite appealing, but difficult as a practical matter to achieve. A more modest and achievable goal would be to keep the conservation title from becoming any more splintered than it already is, and then trying to coalesce around a more streamlined delivery system. In other words, make conservation programs in reality what they are so often touted to be rhetorically, namely interdependent components of a mutually supportive portfolio.

To help achieve that end, comprehensive conservation planning should be made a basic entry point for farmers and ranchers to access multiple conservation financial assistance programs. After assessing their resources, status, problems and potential solutions in a conservation plan, farmers and ranchers can then be guided to apply for the appropriate incentive, cost-share, or easement programs that best meet their needs. As an incentive for superior stewardship planning, the farm bill should provide for automatic eligibility to the relevant financial assistance programs if the plan addresses all resource concerns and equals or exceeds the applicable sustainability or quality criteria. Rather than viewing whole farm total resource management planning as a luxury we cannot afford, it should be put back into the driver's seat and used to streamline our approach to conservation program eligibility.

In order to streamline program delivery and make the programs as farmer-friendly as possible, the farm bill should direct USDA to establish:

- ? A unified sign-up, application, conservation plan, and contract process.
- ? Continuous sign-up procedures wherever appropriate; off-season enrollment periods, with adequate advance notice, when continuous sign-up is not an option.
- ? Whole-farm total resource management conservation planning as an entry point into all programs.
- ? Extra ranking points and incentives to reward participants for first developing whole farm total resource management conservation plans.
- ? Automatic eligibility to the relevant financial assistance programs if the plan addresses all resource concerns and equals or exceeds the applicable sustainability or quality criteria.

Conservation Incentives for a Beginning Farmers and Ranchers: The conservation title of the 2002 Farm Bill authorized the Secretary of Agriculture to provide special incentives to beginning farmers and ranchers and limited resource producers to participate in federal agricultural conservation programs. This provision has resulted in several limited offerings by NRCS through farm bill conservation programs, including a funding set-aside under the Conservation Innovation Grants program and ranking points for farm transition planning under the Farm and Ranch Land Protection Program. More far reaching special incentives were unfortunately not adopted, despite the new farm bill authority.

The 2002 Farm Bill also established a maximum cost share rate of 90 percent, a 15 percent cost-share differential or bonus relative to the regular maximum rate, for beginning farmers and ranchers and limited resource farmers in the Conservation Security Program (CSP) and the

Environmental Quality Incentives Program (EQIP).

The intent of these provisions is to help achieve two important public policy goals: help get new farmers and ranchers get started while encouraging them from the outset to adopt whole farm conservation plans and strong conservation systems. Adoption of sustainable systems is often far easier at the beginning of an operation's history than later on once a system is in place and then needs to be changed or retrofitted.

The 2007 Farm Bill should continue and strengthen the cost share differential for EQIP and CSP by clarifying that the cost share rate for beginning farmers and ranchers cannot be less than 15 percent greater than the underlying regular rate for a particular practice, or greater than 90 percent.

The 2007 Bill should also continue, but strengthen the general special incentives authority. In addition to the general authority, the new bill should direct USDA to:

- ? Provide technical assistance and training for beginning farmers and ranchers on sustainable agricultural farming practices and systems.
- ? Provide strong conservation planning assistance through the development of cooperative agreements between NRCS, Extension, non-governmental organizations, and private technical service providers with expertise in addressing the needs of new farmers and ranchers.
- ? Offer a financial incentive or bonus for beginning farmers and ranchers to develop whole farm/ranch resource management system conservation plans as part of their participation in CSP or EQIP.
- ? Provide substantial ranking points for beginning farmers and ranchers within each and every farm bill conservation program that uses ranking systems to determine enrollment.
- ? Continue to encourage farmland preservation initiatives that ensure continuity of use as working farmland through advance transition planning.
- ? Develop a definition of beginning farmer and rancher that is based to the maximum extent practicable on the existing statutory definition for FSA credit programs and that includes a fair and reasonable net worth or net income test.
- ? Reserve, for the first four months following the date of availability, at least ten percent of total funding for each farm bill conservation program targeted to beginning and ten percent targeted to socially disadvantaged farmers and ranchers. Within that reserve, a higher maximum allowable technical assistance percentage (the underlying regular rate plus up to 15 percent more) should be provided to better address the conservation planning needs of new and socially disadvantaged farmer and ranchers.

Integrating Organic Agriculture into Conservation Delivery: As NRCS notes in a publication entitled *Organic Agriculture and Resource Conservation*, organic growers have experience with crop rotations, cover crops, soil health, and insect and disease control using production methods that minimize harm to the environment and public health. In addition, certified organic farmers and ranchers must develop an organic farm plan, which can serve as the base for an NRCS conservation plan for additional conservation improvements.

In addition to the well-documented resource conservation benefits of organic production methods, the premium paid for organically produced food offers extremely promising

economic opportunities for small to mid-sized farmers and ranchers. In spite of the expansion of the organic food market, US organic production is lagging far behind demand, and reliance on foreign organic imports is increasing. The reasons for this shortfall are myriad, but the obstacles encountered by producers during transition to organic are generally recognized as the most significant barriers to successful participation in this market.

There is currently an ad hoc mixture of public and private efforts at work to encourage the recruitment and training of organic farmers, and ease the burdens of transition to organic production. In some instances these programs provide purely technical assistance, while others combine financial support or incentives with practical training. Some states are utilizing EQIP, CSP, or Agricultural Management Assistance funds to support organic conversion. These ad hoc efforts are a strong indication of the growing need for organic transition support.

The new farm bill should direct USDA to develop and implement conservation practice standards and technical assistance for organic systems. This new nationwide initiative should include funding for farmers and ranchers making the transition to organic agriculture as well as incentives for established organic producers to adopt advanced organic practices or to address additional resource concerns not already covered by their certified organic farm plans.

Sustainability Criteria to Guide Conservation and Energy Programs Promoting the Use of Agriculturally-Based Renewable Energy: As America responds to pressing energy and climate dilemmas, swift progress toward greater energy independence through increasing renewable energy production is critical. It is equally critical, however, that renewable energy production be pursued in manner that enhances rural communities and the environment. The next farm bill should tailor incentives to ensure that the emerging renewable energy industries benefit US family farmers and rural communities while safeguarding soil, water and biodiversity. To achieve these mutually supportive goals, the farm bill should include provisions that:

- ? promote domestic production of bio-fuel crops to meet growing demand;
- ? foster local ownership of and investment in processing facilities to benefit local economic development; and
- ? encourage sustainable agricultural production practices to ensure long-term ecological integrity for future generations of farmers producing renewable energy crops.

As this new array of energy and fuel production based on agricultural and rural land is emerging, the time is right to ensure that the environmental performance of current agricultural energy systems are improved and that future agriculturally-based energy is produced in sustainable systems that minimize environmental degradation and are designed to take advantage of the opportunities to improve soil health, water quality and wildlife habitat by integrating diverse, perennial energy crops into our agricultural systems.

Sustainability criteria should guide all farm bill conservation and energy title programs that seek to promote renewable energy. Within each program, the evaluation and ranking criteria used to make individual awards, grants, and loans should also use the same basic set of sustainability criteria as a guide. We recommend that general sustainability criteria be written into the farm bill, with direction to USDA to develop more detailed guidance and to incorporate the criteria directly into program operations for all energy programs and all conservation or rural

development programs with significant energy emphases.

State Technical Committees: State Technical Committees (STCs) are the bridge between national and local conservation efforts and the entity through which to reach consensus at the state level on implementation priorities, funding allocations, special projects, and program implementation options. The Committees were established under the 1990 Farm Bill and expanded in representation and responsibilities under the terms of the 1996 Farm Bill.

The responsibilities of the State Technical Committee include recommendations on technical matters such as guidelines for evaluating new conservation practices and systems, wetland restoration and mitigation requirements, conservation compliance determinations and appeals, and haying and grazing restrictions to protect wildlife. The STCs also offer recommendations on program implementation decisions, including program priorities and ranking systems, for all the major farm bill conservation programs.

State Technical Committee implementation at the state level is very uneven, running the gamut from exceptional to nearly non-existent and from fully transparent and accountable to inaccessible. The new farm bill should strengthen the role of the STC, improve accountability procedures, and create incentives and penalties, respectively, for strong and weak state use of the STC to spur improved program performance and outcomes.

Cooperative Conservation Partnership Initiative: Section 2003 of the 2002 Farm Bill established a new Partnerships and Cooperation (P&C) Initiative. This authority allows NRCS to designate special projects and enter into stewardship agreements with nonfederal entities, including state and local agencies and non-governmental organizations, to provide enhanced technical and financial assistance through the integrated application of conservation programs. The goal is to help producers solve special resource and environmental concerns in geographic areas of environmental sensitivity or, within a given state or region, to reach particular types of producers willing to undertake specially-targeted intensive conservation initiatives.

Congress wrote the Partnership and Cooperation Initiative as a discretionary authority and USDA has chosen not to implement it. In its place, NRCS implemented a small planning grant program it at first called the Conservation Partnership Initiative and, following issuance of President Bush's "Cooperative Conservation" Executive Order, renamed the Cooperative Conservation Partnership Initiative (CCPI). The focus of the CCPI has been to provide resources to conservation districts and other local groups to help them develop plans for cooperative projects that might ultimately be implemented if funding were to be made available. The planning grants are useful as far as they go, but have left many high quality cooperative projects that are ready for implementation without an identified source of federal funding.

The Partnership and Cooperation Initiative should be reauthorized and codified as the Cooperative Conservation Partnership Initiative and significantly strengthened in the new farm bill. Outreach and technical assistance for the CCPI should be implemented on a competitive basis through intermediaries including producer associations, non-governmental organizations, conservation districts, watershed councils, educational institutions, and state and local agencies. The full range of resource concerns should be eligible, with a clear priority for projects which simultaneously address rural community development opportunities and environmental

enhancement.

The CCPI should be a mandated initiative and be funded through existing state allocations for the full range of farm bill conservation programs. Up to 30 percent of a state's allocation should be made available for cooperative conservation projects, with flexibility to match program funding streams and mechanisms to tackle specific local problems. The Secretary should ensure that on a nationwide basis, the CCPI option is being used and that its use is growing annually over time until it reaches at least 20 percent of total funding.

The bulk of potential funding should be administered on the state level, with significant from the State Technical Committees. Requests for application and project evaluation factors should be developed through consistent national guidance. Priority should be given to projects that have solid plans already in place and are ready to move into the implementation phase, though a small set-aside could be used for planning grants similar to the current CCPI planning grant program. A small portion of total funding should be reserved at the national level to help support larger, multi-state projects or special national demonstration projects.

Preference should be given to projects that can leverage up to 25 percent in non-federal financial and in-kind support, but neither the absolute size of the project or of the match should be factored into the ranking system. Preference should also be given to projects with innovative outcome-based methods or measures that might if successful be replicated elsewhere. Special efforts should be made to include projects with beginning, socially disadvantaged and tribal producers.

Preference should also be given to projects focused on making rural communities attractive places to live and visit by providing landscape and habitat amenities, addressing community needs such as flood control through environmental restoration, or restoring resources and then providing for public access for recreational activities. Growing rural communities are largely those with environmental amenities. In the future, uncrowded natural space may become a key environmental amenity, one many farm and ranch communities could provide. The CCPI should include specific authority allowing NRCS to make bonus payments to farmers or ranchers in a CCPI project who restore habitat as a community development asset, provide public access to the enrolled land, or address other community needs.

Working Lands Conservation Program Toolbox

The current working lands conservation toolbox consists of four major components:

? Conservation Compliance, which sets basic requirements to control erosion and preserve wetlands, in return for gaining eligibility for farm bill benefits.

? The Environmental Quality Incentives Program, for those who are not yet ready or able to achieve a total resource management systems level of conservation. Ideally, EQIP helps participants find the individual practices they need to adopt to put themselves on the road to achieving sustainable natural resource use and protection.

? The Conservation Security Program, to support comprehensive conservation on working farmlands at high levels of natural resource protection. Ideally, it offers financial incentives commensurate with environmental benefits delivered, for all types of farms and ranches in all

regions of America who are able, with assistance, to reach and exceed the resource non-degradation and sustainable use levels.

? The easement programs, for land that needs to be protected from conversion to non-agricultural uses or inappropriate agricultural uses while being farmed in a manner consistent with good conservation and habitat protection.

These four tools should fit together in a seamless offering of technical and financial assistance that will impel farmers and ranchers to better conservation performance. I will summarize our recommendations in each area.

Conservation Compliance

There is considerable evidence that the compliance provisions have helped to significantly reduce erosion and wetland conversions. The existence of conservation compliance rules not only improves natural resource protection but also acts as a partial damper to overproduction and low prices. According to an Economic Research Service study, without compliance requirements, 7 to 14 million acres of highly erodible land and 1.5 to 3.3 million acres of wetlands that are not currently being farmed could be profitably farmed under favorable market conditions.

While soil erosion has been reduced substantially since the 1980s, progress has leveled off in recent year. Nearly half of all land with excessive erosion is not technically classified as highly erodible land, and so is outside the purview of conservation compliance rules as currently written. At least one-third of all land that is eroding at tolerable rates nonetheless has relatively poor soil quality.

Moreover, a US Governmental Accountability Office (GAO) investigation of compliance implementation revealed a multitude of problems resulting in weakened enforcement by USDA. According to the GAO:

"USDA's Natural Resources Conservation Service has not consistently implemented the 1985 Food Security Act's conservation provisions. Inconsistent implementation increases the possibility that some farmers receive federal farm payments although their soil erodes at higher rates than allowed or they convert wetlands to cropland... According to GAO's nationwide survey, almost half of the Conservation Service's field offices do not implement the conservation provisions as required because they lack staff, management does not emphasize these provisions, or they are uncomfortable with their enforcement role... Finally, the Farm Service Agency, the USDA agency responsible for withholding benefits for violations identified by the Conservation Service, often waives these noncompliance determinations without adequate justification. Without support from the Farm Service Agency, the Conservation Service's field staff has less incentive to issue violations."

Waivers: The new farm bill should narrow the existing waiver authority and strengthen waiver guidelines and accountability to eliminate the kind of abuse documented by the GAO. Waivers should be made subject to independent review.

Crop Insurance: Conservation compliance should be re-linked to the crop insurance program to

help ensure the over \$3 billion a year in taxpayer funds used each year to discount the cost to the farmer of this risk management program does not inadvertently increase erosion or wetland loss.

Scope: In light of the fact that nearly half of all excessive erosion is occurring on non-HEL, compliance requirements should also be extended to all cropland receiving program and insurance benefits and eroding at excessive levels.

Sodsaver: In order to protect prairie, critical habitat and biodiversity, reduce the cost of subsidy programs, and take the pressure off of already over-subscribed conservation incentive programs, sodbuster rules should be strengthened by prohibiting all commodity, insurance, and conservation subsidies on all native prairie and permanent grasslands without a cropping history if such land is cropped in the future.

Under the terms of the current sodbuster provision of the farm bill, producers may sodbust highly-erodible land if they develop and implement a USDA-approved soil conservation plan. The sodbuster provision, however, does not take into account the biodiversity and wildlife values inherent in retaining native prairie and high quality grasslands. Further, not all grasslands are ranked as highly-erodible, so in those instances even the basic sodbuster rules do not apply. With the value of all the resource considerations factored in, it makes little sense from a public policy standpoint to continue to provide grassland conversion production subsidies. The "sodsaver" proposal would extend protection to all grassland without a crop production history, recognizing the important soil and wildlife benefits to be gained by keeping fragile lands intact. It would also lessen incentives to increase production beyond levels supported by the market, reducing downward pressure on crop prices and farm income.

A sodsaver provision should be carefully crafted to cover land without a cropping history in at least three of the past ten years, while exempting land in long term rotations and land currently in the Conservation Reserve Program (CRP). The long-term rotation exemption is important to ensure there are no unintended negative consequences for farms and ranches using environmentally sound, grass-based systems with occasional, sequenced cropping.

The sodsaver proposal produces significant program savings, savings which we would propose be re-invested in wetlands and grassland biodiversity restoration and protection.

Environmental Quality Incentives Program

We believe steps should be taken to better coordinate the Environmental Quality Incentives Program (EQIP) with the Conservation Security Program (CSP). EQIP can help get producers ready for a higher level of conservation demanded by the CSP. EQIP should provide priority in its ranking system for proposals aimed at making the farm eligible for CSP.

EQIP should also be modified to require that all funded projects address priority resource concerns and promote real progress toward, if not actually reach, the quality or non-degradation criteria for the resource concern(s). This change will more closely align the two programs and facilitate enhanced coordination and improved local program delivery. EQIP could also benefit from adapting another key component of CSP for at least some of the conservation land management practices in supports, namely graduated payment levels for increased levels of

management intensity and environmental outcomes.

Restoring the progressive conservation planning requirements from the original EQIP rule is critical in our view. Re-instituting an EQIP progressive planning requirement will help ensure that practices funded by the program result in net conservation and environmental benefits. The restoration of other reasonable conservation and payment measures to EQIP would also help improve the environmental integrity of the program. These include:

? Promoting cost effectiveness. The next farm bill should retain the current provision to prohibit "bid downs" that favor large farms over small and mid-sized farms, but strengthen the language highlighting and clarifying the importance of assessing the cost effectiveness of EQIP proposals and prioritizing the choice of lowest cost options.

? Restoring a reasonable payment limitation. The cap should be set at up to \$100,000 in any 5-year period. Direct attribution of payments to real persons should be continued. This measure will provide for a more equitable distribution of oversubscribed EQIP funding.

? Restoring the prohibition of funding for animal waste storage and handling facilities for large-scale concentrated animal feeding operations. USDA, the Farm Credit System and other lenders have loan programs for construction, and it is fiscally sound public policy for any such infrastructure to be funded through a loan program which includes a review of the economic viability of the overall operation.

? Limiting production incentives. The farm bill should prohibit payments for building new confinement facilities or expanding existing ones. Subsidizing industry expansion promotes overproduction and price disruption. Using EQIP in this manner essentially disguises a production subsidy as a conservation payment.

Energy Considerations: A new provision should also be added to EQIP directing USDA to evaluate both short-term and long-term costs and net energy consumption of conservation practices. To ensure that EQIP, over the long-term, provides for maximum environmental performance in a cost-effective manner, the new farm bill should establish a priority for EQIP applications which include: (1) conservation practices and farming systems that minimize, over the long-term, the consumption of energy and requirements for maintenance, repair or replacement of high-cost infrastructure; and (2) conservation practices and farming systems that provide for the prevention of pollution and minimize the production of wastes that must be transferred off-farm.

Pollinator Protection: We also support a new provision to add the establishment of native pollinator habitat and conservation practices to protect native pollinators as an EQIP (and CSP) purpose. The precipitous decline in the European honey bees in the U.S. highlights the risks to U.S. agricultural production of a high degree of reliance on a single species for crop pollination services. This addition would not only meet the EQIP goals for increasing conservation performance of agricultural working land, it will also increase the productivity and diversity of U.S. agricultural production.

Conservation Security Program

The CSP represents the first serious attempt to move toward an outcome-based federal

conservation program that rewards performance rather than prescriptive practices. The CSP is also the first broad-based federal farm conservation incentive program ever that by statute and regulation requires participants to solve resource problems to the non-degradation or sustainable resource use level. The CSP emphasizes cost-effective management practices and systems and offers graduated tiers of enrollment leading to whole farm, total resource management systems at the highest tier. CSP payments are not based on the type or volume of production or on prices, and instead are based on fulfillment of clearly defined conservation conditions and compensation for provision of environmental services. Properly designed and implemented, stewardship payments produce real and compelling environmental benefits for taxpayers, while providing a more sustainable basis for public support of farmers and ranchers.

In its first three years, the CSP enrolled nearly 20,000 farmers and 16 million acres in 280 watersheds across the country, securing over \$2 billion in long-term commitments to excellence in land care. While great progress has been made in launching the CSP, post-farm bill funding cuts and unfortunate administrative implementation decisions have restricted enrollment opportunities to a limited number of specific watersheds.

The Conservation Security Program (CSP) should be retained in the next farm bill as the primary stewardship incentives program to reward superior conservation systems on land in agricultural production. An adequate and protected funding mechanism should be provided to ensure implementation of a true nationwide program serving all of agriculture. The CSP should be enhanced by further accelerating the movement toward outcome-based criteria and payment structures, in order to foster transitions to more sustainable agricultural conservation systems. The CSP tiered structure and payment mix should be revised to foster increased conservation results at a lower cost.

Program Scope: With the massive budget cuts to CSP, the program is currently on a watershed rotation system that would give farmers a once-every-generation chance to enroll. This is simply untenable for a green payments program with a goal of motivating farmers to adopt high level conservation systems. An absolutely essential, inescapable core issue for the new farm bill, then, is how to ensure the program is available to farmers and ranchers on a regular and timely basis. The CSP should be fully funded with enrollment opportunities provided in all watersheds annually, preferably on a continuous sign-up basis. If sign-ups are not continuous, the sign-up period should be predictable and farmers and ranchers should be provided with reasonable advance notice.

One key factor limiting the availability of CSP is a tight cap on technical assistance and staffing that USDA has imposed on itself. The statute restricts technical assistance for CSP to 15 percent of total program funding, which USDA has chosen to interpret as 15 percent of current year funding rather than as a percentage of the total value of the 5 and 10-year CSP contracts. The CSP technical assistance funding provision should be fixed to unambiguously provide for sufficient and timely technical assistance capacity. If a statutory percentage cap on CSP technical assistance is retained, the cap be increased back to the 20 percent level proposed by the Senate in 2002 and should clearly apply to the total contract obligation amounts, not just to first year funding.

Natural Resource and Environmental Criteria: The natural resource and environmental criteria

and conditions for participation in the CSP should be refined and improved based on what has been learned in the first years of the program. The eligibility bar for CSP participation should be set at a high stewardship level and the payment structure should be set to encourage practice and system innovation. We would support:

- ? codifying the current regulatory requirement to address soil and water quality at all participation tiers;
- ? including wildlife habitat as a mandatory resource concern at the tier two level;
- ? requiring at tier three the adoption of resource-conserving crop rotations or cover cropping systems on annual cropland and managed rotational grazing on pastureland;
- ? clarifying that the CSP conservation plan include a schedule for how the participant will improve the production of environmental benefits over the life of the contract;
- ? retaining the whole farm requirement at tier two and three but clarifying the contract modification provision to automatically reflect the loss of land during the contract term and to provide a mechanism for adding land gained during the contract term;
- ? clarifying the contract renewal provision to ensure that participants have met or exceeded the goals of the conservation plan; and
- ? making all contracts five year contracts.

Modification Process: The existing contract modification language should be retained, but the current administrative use of that contract modification process as the primary locus of farmer decisions to add new resource concerns and new conservation practices and activities to the CSP contract should be reversed. With regular sign-up periods, improved technical assistance, and renewed attention to conservation planning, the initial CSP contracts should include the new practices and activities that are currently being shunted off to the contract modification process. By moving them forward in time, the process will be more streamlined, the producers will have a clearer sense of the requirements and rewards of participation, and the congressional budgeting process will be far less complex.

Payment Structure: Creating incentives for the achievement of environmental outcomes rather than the adoption of specific practices is likely to be more cost-effective, allow more flexibility for innovation by farmers and ranchers, and result in more extensive and predictable environmental improvements. The CSP has moved further in the direction of linking payments to achieving outcomes than any other or previous program. Further evolution in the direction of quantitative results that are measured or estimated for a given environment is both possible and desirable, especially as improved tools and indicators are developed and tested and ultimately adapted to the CSP payment structure.

The CSP payment structure should emphasize natural resource and environmental enhancement and to drop, reduce, or modify payments that do not support this goal. We would support:

- ? eliminating the base or stewardship payment and the maintenance payment entirely, and replacing them with a modest flat sum conservation planning payment (year 1) and conservation plan monitoring and evaluation payment (years 2 through 5), graduated by tier;
- ? retaining and requiring the implementation of new practice cost share payments, reversing USDA's regrettable administrative decision to de-emphasize new practices, contrary to law;
- ? retaining as the major CSP payment the enhancement payments to reward conservation

systems, practices and activities that move beyond non-degradation to regenerative levels;
? continuing to invest in new tools, indicators, and indices to accelerate progress toward an outcome-based program, while encouraging the use of graduated "management intensity" factors where they would improve farmers understanding of program incentives;
? eliminating the counterproductive declining payment system adopted by administrative rules that restricts farmers to four years of payments out of ten years; and
? requiring USDA to follow existing law by directly attributing payments to real persons when implementing the CSP payment caps.

Energy Enhancements: The CSP already includes energy conservation as a priority resource concern. Incentives for on-farm energy efficiency, on-farm renewable electricity generation, and on-farm renewable fuels use should be continued. Alternative farming system approaches that result in energy conservation and reduced non-renewable input purchases should be continued and strengthened. The CSP is an ideal framework from which to address emerging energy and climate change issues. Incentives should be added to reward switching from less conserving crops to more conserving crops (such as from annuals to perennials) and for using wildlife-friendly systems and practices, when producing and harvesting biomass crop feedstocks for renewable energy. Enhancement payments could encourage farmers to try perennial biomass mixtures. "Cellulose crop-sheds" could be designated to focus CSP incentives in a way that encourages feedstock production to ramp up in concert with cellulosic ethanol facility planning.

Organic Plan Coordination: There should be a crosswalk between the National Organic Program and the CSP, with a clear mechanism created for coordinated participation in both. Producers with approved organic certification plans should have the option to simultaneously certify under both the CSP and NOP. Organic systems should be added to the field office technical guides to foster maximum environmental benefit from organic systems and facilitate the expanded use of NRCS services in meeting the needs of the steadily growing number of organic producers.

Organic Conversion and Stewardship Incentives

To assist farmers and ranchers seeking to develop more sustainable systems and sell into higher profit markets, the new farm bill should make organic conversion and stewardship incentives a priority. Both technical and financial assistance for the adoption of organic farming-based conservation systems should be included. Transition support program funding should be available to farmers converting to certified organic production, those adding additional land or livestock that will be organic-certified, and those adding conservation enhancements on existing certified organic production. The conservation technical assistance should be coordinated with business, marketing and risk management technical assistance, either through cooperative agreements with non-governmental organizations and consultants with expertise in all facets of organic conversion or through cooperation with another USDA agency that might be given responsibility for technical assistance cooperative agreements dealing with the business plans.

Easement Programs

We are quite intrigued by the Administration's Private Lands Protection Program proposal, but are not yet prepared to take a detailed position on the proposal. Our conservation policy committee is studying the proposed legislative language issued by USDA last week, and we hope to inform the committee of our views in the very near future.

Wetlands Reserve Program

The Sustainable Agriculture Coalition played a major role in the creation of the Wetlands Reserve Program (WRP) as part of the 1990 Farm Bill and it continues to be a priority for us, including the now unfortunately annual campaign to prevent the program from being capped in the annual appropriations process. The WRP should be retained in the new farm bill, and first and foremost that means finding the funding necessary to continue the program with an enrollment directive of no less than 250,000 acres per year. If possible, it would be most advantageous to secure enough funding to front load additional acres and dollars during the first two years of the new farm bill to eliminate or at least dramatically reduce the nearly 500,000 acre backlog and allow farmers to move forward with their restoration plans without further delay. We also support a legislative fix to the appraisal problem caused by administrative rule change.

Conservation Reserve Program

We support the continuation of the Conservation Reserve Program (CRP), with the following improvements.

We support the reservation within the CRP of at least 8 million acres or 20 percent of total CRP acreage, whichever is greater, for the continuous sign-up (CCRP) and the enhancement program (CREP). The CRP should be managed to ensure that no fewer than 500,000 acres are available each year for CCRP and CREP enrollment. USDA should apply all the special incentives it currently offers for some continuous sign-up practices to all continuous sign-up practices, rather than excluding contour grass strips, wetland buffers, shelterbelts, wildlife buffers, and other specific practices.

To improve overall cost effectiveness and to encourage enrollment of highly sensitive land in high land price areas, significantly greater weight within the Environmental Benefits Index (EBI) should be given to discounted bids below local rental rates. The farm bill should require this cost effectiveness change to current practice.

With the repeated renewal of most CRP contracts, some now re-enrolling for the third consecutive 10-year period, we believe the time has come to provide a voluntary permanent or long-term easement option within the CRP. We strongly support the inclusion of permanent and long-term conservation easements on particularly sensitive land as a new option for landowners within the CRP. This measure would create a long-term savings for the taxpaying public while protecting areas that truly need to be retired from production to provide important environmental benefits. Providing long-term contracts and/or permanent easements would also provide enhanced environmental benefits since wetland and rare and declining habitat restorations gain in complexity and diversity as they mature.

Haying and grazing on CRP land should continue to be allowed, but rather than being based on a rigid national prescription, it should be based on sound science under approved conservation plans, with safeguards for protecting wildlife habitat and other CRP conservation objectives, and tailored to the local climate, ecological requirements of specific wildlife species, and other local conditions. Agriculture and resource conditions are too varied for a one-size-fits-all top down prescriptive approach.

The CRP should include incentives for landowners to allow public access to the land as part of community development plans for hiking, biking, hunting, fishing, bird watching, and other public recreational amenities that do not conflict with the conservation objectives of the CRP conservation plan.

It is estimated that four to five million acres will leave the Conservation Reserve Program (CRP) in the next few years. A comprehensive approach is needed to deal with the transition of CRP land to agricultural production that can maximize the preservation of conservation measures established when the land was enrolled in the CRP. The new farm bill should maximize the conservation values on CRP land coming out of contract and back into agricultural production by:

- ? Encouraging whole field contract holders who intend to leave the CRP to consider, where appropriate, retaining partial field conservation practices and buffers through the CCRP.
- ? Actively promoting and facilitating enrollment of the former CRP land in the Conservation Security Program or in working land easement programs to retain many of the natural resource and environmental benefits as the land returns to agricultural production.
- ? Encouraging transfer of former CRP land to new organic producers to take advantage of the environmental protection afforded by organic farming systems and the ability to certify the land without the normal three year wait.
- ? Providing incentives to encourage retirees or non-farming heirs holding CRP contracts to make arrangements to transfer the land to beginning farmers and ranchers committed to using superior conservation systems.

Thank you for the opportunity to testify. We look forward to working with the Committee to make substantial progress to respond to the urgent needs and exciting opportunities addressed by the farm bill's conservation title. I will be happy to try to answer any questions you may have about our recommendations or related issues.