S. HRG. 109–639

REGIONAL FARM BILL FIELD HEARING: CAPE GIRARDEAU, MISSOURI

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

UNITED STATES SENATE

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REGIONAL FARM BILL FIELD HEARING: CAPE GIRARDEAU, MISSOURI

JULY 17, 2006

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Cape Girardeau, MO

The committee met, pursuant to notice, at 9 AM on the campus of Southeast Missouri State University. The Honorable Saxby Chambliss, chairman of the committee, presiding.

Present: Senators Chambliss, Talent, and Lincoln.

OPENING STATEMENT OF HON. SAXBY CHAMBLISS, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. This hearing will now come to order.

First of all, let me welcome everybody to the second field hearing of the Senate Agriculture Committee. We're very pleased to be in Cape Girardeau this morning. I want to thank all of our witnesses for taking time to be here. And they're all busy and they're all heavily involved in agriculture so for them to take away from their business at this time of the year, I know is critical, but we appreciate that very much. And for those of you who are here to just observe the hearing, thank you for taking time to be here. This is my second trip to Cape Girardeau. I'm pretty excited about being here today. My first trip to Cape Girardeau, I was not all that excited because it was, unfortunately, for the funeral of my dear personal friend and former colleague in the House, Congressman Bill Emerson.

Bill was a true friend of mine, a true friend of Senator Lincoln, with whom he served in the House also, and Bill certainly was a strong advocate for agriculture. He taught me a lot about commitment, a lot about principle and a lot about faith as we worked together chairing the 1996 Farm Bill debate.

And to come back to Bill's home town and have a chance to, ultimately hear when she gets here, visit with his and recognize his widow Jo Ann Emerson, who so ably represents this congressional district now, is certainly a real pleasure for me.

We're going to be joined by Senator Jim Talent and Congresswoman Jo Ann Emerson shortly, and when we do—when they do join us, they will recognize a few other folks who are in the audience today so we're going to save that until they get here.

In the meantime, I am joined by my good friend and my colleague on the Senate Ag Committee, Senator Blanche Lincoln from the state of Arkansas. We have a number of witnesses from Arkansas today and I'm sure a number of folks in the audience from Arkansas. And let me tell you, Blanche and I have been good friends for many years. This is my twelfth year in Congress. Blanche was a member of the House when I was elected to the House in 1994, and because we both have a keen interest in agriculture and other interests, too, in common, she and I became very good friends as well as good partners in working together toward what is in the best interests of American Agriculture. And I will have to tell you, there is no better partner for me when it comes to fighting for agriculture and promoting the interest of agriculture than Senator Blanche Lincoln. So I am really, really pleased that she could join us today and I will turn to her in just a minute for some comments.

I want to thank Southeast Missouri State University and the people of Cape Girardeau for hosting us today. In particular,

I'd like to recognize Doctor Ken Dobbins, President of the University, who will also join us shortly with Senator Talent and Congresswoman Emerson, as well as his assistant Debbie Bolton. I know they have spent many hours getting ready for this hearing and we greatly appreciate their hospitality and all the work that they have done. I also want to thank all of you for coming today, and I know many of you have traveled great distances to be here and we very much appreciate your interest and attendance at this important hearing.

The committee held its first Farm Bill hearing on June 23rd of this year in Albany, Georgia, and I believe it was a complete success. As we continue to hear thoughts on the next Farm Bill from producers around the country, I look forward to hearing from the farmers and ranchers in this very important agricultural area. The committee also has hearings scheduled this week in Pennsylvania and a week from today in Iowa; and then we will be in Texas, Nebraska, Oregon and Montana during August. Our goal is to hear from producers in diversified regions as well as interests as we prepare for the next Farm Bill. We will hear today from a wide variety of agricultural sectors, and I especially want to thank our witnesses for taking time out of their schedules to be with us and providing their views. You are all extremely valuable to this Farm Bill Reauthorization process. As we approach the next farm bill, it is vitally important that farmers and ranchers from around the country have an opportunity to be on record with not only what they think of the current Farm Bill, but what they expect out of the next farm bill, so we look forward to your testimony.

At this time, I would like to turn to Senator Lincoln for any comments she has before we begin the testimony of our witnesses.

STATEMENT OF SENATOR LINCOLN A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN. Thank you, Mr. Chairman. And I certainly want to thank the chairman for holding this hearing, but certainly for his incredible leadership. He is accurate, we are a good partner when it comes to working hard on behalf of American Agriculture. It means a tremendous amount to both of our states, and it's a delight to work with and I'm proud to do so and look forward to what we've go ahead of us in terms of working through the issues of a new farm bill. But I do appreciate his leadership. He is always there for us and always working hard on behalf of agriculture and the issues of the committee. I also want to say a special thanks to the Southeast Missouri folks here for doing such a tremendous job in setting us up and having a great place for venue. I want to thank all of our panelists, but I particularly want to thank, and make a personal welcome, to several of the Arkansans that are here testifying. Of course Allen Helms is on the first panel. Allen is with National Cotton Council and he is a neighbor of mine over there in East Arkansas and I'm proud of all of the impressive leadership he has provided for production agriculture and agriculture in general in this country. Mr. Ray Rogers from Nashville, Arkansas, who does a great job and will—I think you will see, has a tremendous insight into the timber and forestry industry in Arkansas and nationally. We're proud to have him. And my good friend Jim Hinkle, who also will be here with the Wild Turkey Federation from Mountain View, who is also a longtime friend and somebody I trust, who has good common sense and forward thinking in terms of what it is we're looking for in the nation's capital, that's going to reflect well on the people we represent in our home state.

I also appreciate the time that everyone has taken to come here. I think these are very important arenas for us to be able to discuss the issues. The Chairman has provided us this opportunity as one that we must seize, and that is to come out into the country and look at all of the diverse issues that we deal with in the farm bill. As he mentioned, there will be many more of these in other parts of the country. We know that agriculture is essential to our nation's economy. We also know that it's a part of our way of life. But we also know that it is different across the country and it is important for all agriculture to be well understood in the farm bill and certainly to be given the kind of safety net, as well as other components in the farm bill that are going to allow our producers all across this country to continue to provide a safe and abundant and affordable food supply. So we're excited about not just today's hearing, but also the ones that will follow that provide the kind of knowledge and unique insight into our nation's farm policy that we need as we go into performing that task of redoing the 2007 Farm bill.

I am a farmer's daughter. I come from a seventh generation Arkansas farm family in East Arkansas. My dad was a rice farmer in the Arkansas, Mississippi delta. But I'm also a United States Senator and I'm proud to be able to bring those two things together in a way that I hope to be productive for Arkansas and for our country. I certainly take a tremendous amount of pride in telling others about the farmers that I represent in Arkansas, and what American farmers provide this nation and the world. I think today we enjoy the opportunity to hear firsthand, certainly farmers and those involved from my state and across the mid-south about the importance of the farm safety net and the role that it plays in their ability, and all of our ability, to provide a safe and abundant and affordable food supply that all Americans really depend on and sometimes take for granted. And that's why it's so important that we have these types of hearings where we can really, you know, better understand what it is we need to provide producers in order for them to continue to do the incredible job that we know that they can do and have been doing.

So as we gear up for the next farm bill, I hope all of you will keep in close contact with me, and certainly with the committee and my colleagues on the Senate committee. We have a task ahead of us. It's going to be filled with a lot of different types of issues as we go into much of the trade initiatives that are out there, as well as the safety net programs and some of the things that we want to see ourselves meeting as we go into those trade talks. And so I'm excited about that opportunity but definitely with the understanding of knowing that without the input from you all, we cannot be as productive as we possibly should be and could bee.

So with that, Mr. Chairman, I'd like to welcome our colleagues here, Senator Talent and my good friend Jo Ann Emerson. Jo Ann and I served as co-chairs of the Delta Regional Authority Caucus and a whole host of other things. She is a delight to work with, as is Senator Talent, and I will mention, as Saxby did, how wonderfully I was received by Bill Emerson when I first came to the Congress in 1992. He was just wonderful. We had a conversation on the phone for 45 minutes the first time I called Bill, and I told him, I said, "You know, in my part of the country when you move into the neighborhood, you take somebody a batch of rolls or a pie or a cake," and I said, "My cooking is not that bad, I just don't have a whole lot of time." And he was real cute, and we visited for 45 minutes and when we hung up, he said, "You know, I've spoken with you more, or longer, than your predecessor in 20 years." And he said—so Bill and I immediately initiated the civility caucus.

And we had some wonderful meetings. And maybe—hopefully we can continue a lot of that, but we certainly do with our colleagues here in Missouri, and so we're delighted to be here with them.

Senator TALENT. Sometimes that caucus can meet in a phone booth in Washington.

[Laughter.]

Senator LINCOLN. That's true. That's true. Well, Bill and I certainly made sure we met, and Jo Ann and I meet too. So thank you, Mr. Chairman. And thanks to all of you all for being here.

Thank you, Blanche, for making the trip out today, too, and being with us. And we are now joined by, as I said earlier, my good friends Jim Talent and Jo Ann Emerson. Jim and I served together in the House. Our offices actually were right across the hall from each other, during my—during his last couple of years in the House, and Jim Talent brings a lot of knowledge about agriculture to the Senate Ag Committee. But what he mainly brings is a strong work ethic. Jim, again, is one of those folks that were in your fox—when you're on the foxhole, you want him in there with you, particularly when it comes to agriculture. Jim is just a terrific guy. He's a good friend and we also served on the Senate Armed Services Committee together. And there are a few interests in Missouri relative to airplanes and some other military issues that Jim is just as strong an advocate for as he is for agriculture. So, Jim, thanks for hosting us here today and allowing us to come to Southeast Missouri State, and I told him we're going to leave the introduction of some local officials and whatnot to you, so I will turn to my dear friend Jim Talent at this point.

Senator TALENT. I thank you, Mr. Chairman. Now I want to thank you and Senator Lincoln for being here. I think Senator Lincoln's presence shows that this is a regional effort here.

In other words, the hearing of the Senate—the Agriculture Committee, but we're looking for the input from regional agriculture. We have a number of great witnesses, and we want to know what people think needs to happen with the farm bill.

It's an honor to have you here, Mr. Chairman, and you're going to find out, if you don't already know, that Missouri is a crossroads of American agriculture, just like it's a crossroads of the country as a whole. It's a very diverse state. We have a lot of—a wide range of climates and topography. I like to tell people we are seventh in both soybean and watermelon production. Which tells you a little about the diversity of Missouri agriculture. We're second in beef cow operations, third in the number of turkeys raised. We really do have a little bit of everything. And Missouri is a big part of a national agricultural economy that produces and we should never forget it's the safest and the most abundant, the best tasting, least expensive food supply, not only in the world but in the history of the world. There's a lot of good people in the production chain who deserve credit for that, but at the heart of food production in the United States, and also at the center of our rural communities that produce our food and fiber, is the American family farmer and rancher. And that's why I have been assuring everybody, as you have been and Senator Lincoln has been, that we are going to write a farm bill that supports our family farming and ranching sector and it's going to be written by us in the congress, primarily the House and Senate Agriculture Committee. We're—it's not going to be written by our trade representatives, it's not going to be written by our trading partners and it's not going to be written by the Office of Management and Budget. So that's why we are here and they are not here to get input in terms of what ought to be in that farm bill. I'm also a believer that it would be very unfair of us to change our programs, particularly to lessen or diminish them, while we're in the midst of ongoing International Trade Organization. That's why Senator Lincoln and I co-sponsored legislation to extend the current farm bill until well after any—the Doha round is completed and any new agreement has been enforced. We don't want the people we're negotiating with to believe that we're going to unilaterally disarm. No matter what anybody suggests, that's not going to happen. We are going to support our—we're going to support programs on our family farmers and we're not going to change those programs unless and until we get a good deal in things like market access, and that good deal is going to have go through the Congress to be effective.

I also want to mention, Mr. Chairman, I've done this a lot around Missouri, what does the safe and inexpensive food supply cost the Federal taxpayer? Of course it's an enormous boon on balance to our economy. But the domestic support programs are three-quarters of 1 percent of the total Federal budget. For that, we sustain an agriculture industry that produces 25 million jobs, three-and-a-half trillion dollars in economic activity, and more important, gives us the security of knowing that we can feed our own people no matter what. We're never going to be at the mercy of foreign countries with regard to food as we currently are, at least to some extent, with regard to energy.

George Washington wrote in 1796 that agriculture is of primary importance in proportion to the nation's advance in population and in other circumstances, and in Missouri, this truth becomes more apparent and renders the cultivation of the soil more and more an object of public patronage. I think he saw that we were going to be the storehouse and granary for the whole world, which is what we've become, and we're all committed to that and we know that part of that bottom is the family farmer and rancher. And I certainly would agree with Senator Lincoln. I think that this is one of the great things about serving on this committee is that we do—try and do things in a pretty bi-partisan fashion. We have our disagreements, but they're honest disagreements; we get them out on the table; and we resolve them.

I get to introduce Jo Ann Emerson, but before I do that, I want to acknowledge several local dignitaries who I understand are here. I know Ken Dobbins is here. Ken is the President of Southeast Missouri University. Ken, thank you for being here.

And Doctor Randy Shaw, who is the Dean of the School of Polytechnic Studies. Where is Randy? I'm told he—thank you for being here, Randy. We also have two of our great state senators, Jason Crowell and Rob Mayer are here. Jason is from Cape Girardeau and Rob is from—Yeah, we just came from—we just came from a ribbon cutting for the Show Mobile, which is a great—it's going to be a great touring rural health care facility. We're going to bring a wellness care, as well as a primary care, to people all around Southeast Missouri.

Also—I don't know if he's here or in the Show Mobile, but Nathan Cooper is the state representative of Cape Girardeau, and Billy Pat Wright, Billy Pat from Dexter is here. Thank you for coming.

And I know Jo and I want to mention, Mr. Chairman, we had a loss yesterday—in Plains we had a loss yesterday. Ott Bean, a great state representative—you knew him, I think, Blanche, lost his long battle with cancer.

It was yesterday, wasn't it, Jo?

Ms. EMERSON. No, this morning.

Senator TALENT. This morning. And we don't—I think Ott would probably want us to get on with the hearing and not be preoccupied with him, but I wanted to mention that to those who did not know and ask that you would keep his family in your prayers.

It's a great pleasure for me to introduce a really, really great lady, a classy congresswoman, a woman who fights for Southeast Missouri like a tiger in the congress, and is also a great and good friend of mine, and all of us here, really. She just does a fantastic job, including on agriculture, and I know she wants to make a few comments. And it's a sign of how—how highly thought of Jo Ann Emerson is that she is—here we are at a Senate Agriculture Committee Hearing and she is sitting here at the table with us.

Senator LINCOLN. And I'll say, we initiated it, that they didn't give her a subpoena.

[Laughter.]

Senator TALENT. A Senator is voluntarily giving up time to a House member. It just goes to show you.

[Laughter.]

STATEMENT OF JO ANN EMERSON, A U.S. REPRESENTATIVE FROM MISSOURI

Ms. EMERSON. I want to thank you, Jim. Thank you all very much. I really appreciate this moment of time to be an honorary Senator I don't relish the work that you all have to do in the Senate, just given your lack of rule that——

[Laughter.]

Ms. EMERSON. Anyway, I do want to say, first of all, Jim and Senator Chambliss and Senator Lincoln, I greatly appreciate this opportunity. Just—I have to take a couple of minutes.

You know, Jim has come—we go together on farm tours every summer, and really learn so much from all of our producers, whether they are row crop, livestock, dairy, you name it, and, seriously, when you don't grow up on a farm, Like Blanche did, we have to learn from our producers, and I can't begin to tell you how much we have learned from all of you and I want to thank you for it, and I'm just so thrilled that we can have Senator Talent on the Ag Committee, because agriculture is the most important part of our Missouri economy and I'm very proud of the fact that we, in Southeast Missouri, the 8th District, have the most diverse agricultural district in the state and one of the most diverse in the country, growing everything but citrus and sugar. I also want to say, about Senator Lincoln, that she——

Senator TALENT. And we're open to that, by the way.

[Laughter.]

Ms. EMERSON. And so—do you know how much it costs to convert sugar beets to ethanol, right? And Senator Lincoln and I have worked a long time together, both in Agriculture on the Delta regional—our Delta Regional Caucus, on the Mississippi Valley Flood Control Association issues, and there is really no better friend that we could have from the other party, but I really don't think of her as of the—of the other party at all because, as Jim says, and we all say, on agriculture issues, we work as a team and it's very much more regional in nature. And Blanche's successor, Marion Berry, who represents her old congressional district, and I pretty well introduce every bill -- AG bill together just like Bill and Blanche did, just like Jim and Blanche do as well. And then let me say about Senator Chambliss, whom I have known for many, many, many years, what an enormous opportunity we have having him as chairman of the Senate Agriculture Committee. You all probably don't remember, or maybe you do, that back in 1996 when we were writing the Farm Bill of 1996, it was Saxby, Bill Emerson, Richard Baker and Larry Combest who was the past House Ag Chairman, who actually held out and we would not have ever had the concept of an LDP in place had it not been for the four of them. And I can't tell you how important that has been to the sustaining our agriculture here in Southeast Missouri. But even more importantly, I have to say—and I realize that we have media here so I am on record saying this, I am so pleased that we have the Senate actually taking the lead on writing the farm bill this year, because when you have the nexus of the Midwest and the Mid-south, if we don't have folks who understand southern agriculture and rice and cotton, then we just get policies that will be not good. And so with you all at the helm, and Senator Talent there fighting for us, I mean, we're just blessed and I want to thank you all so much. I'm just glad that it turned out that way this year that the Senate takes the lead on that. You know, I have these prepared remarks and I know that for the record you're supposed to give them, but certainly all of our Senate colleagues very well understand that—how critical it is, No. 1, that agriculture not be taken hostage in any kind of budget reconciliation legislation we do. They have been in the forefront. I think we've all worked really well together in making sure that our negotiators at the World Trade Organization understand, as Jim says, that we will not unilaterally disarm. I'm very pleased that we had a really good effort in the Senate like we did in the House, in trying to extend the farm bill. Certainly that's my position, and it wasn't as popular in the House as it was in the Senate, you all, but needless to say, I think we understand what is at stake here, but I think—I'm hopeful that, again, that you all will hear in this hearing, and I apologize for having to leave, we have votes tonight so I actually have to head back to Saint Louis to catch a plane, but we all have a lot of challenges and we know we have a lot of challenges in drafting the next farm bill. Obviously not knowing exactly what kind of money we're dealing with is one thing, but I know that you all will do the great job that you always do on this front to ensure that the hopes and dreams and desires of out producers and our constituents will take the lead in writing the next farm bill.

And certainly, as I said, the Senate—I can count on you all more, I think, than the House side to make that happen. And so I just look forward to—and I want to thank you all for coming to Cape Girardeau, Missouri, my home town, to conduct this very, very important hearing for the future of agriculture.

The CHAIRMAN. Well, thank you, Jo Ann, for joining us.

And we wouldn't dare come to Cape Girardeau without you being here. I've already told these folks I'm much more excited about being here this time than I was at Bill's funeral last time. He was such an inspiration to so many of us and to have you follow in his footsteps is really a lot of fun for us because you bring a lot of Bill Emerson to—he was not just a great inspiration, but a great friend to me and you bring so much of him to the table. So thanks for being here this morning.

All right, we're going to start with our first of three panels this morning. And I will introduce this panel and, gentlemen, the way I introduce you is the way that you will give your opening remarks, and Allen, we're going to start with you.

Allen Helms is from Clarkedale, Arkansas. He represents the National Cotton Council.

Paul T. Combs from Kennett——

Ms. EMERSON. Kennett.

The CHAIRMAN. In South Georgia, it would be pronounced Kennett—representing the Missouri Rice Counsel, USA Rice Producers Group, USA Rice Federation, and US Rice Producers Association.

Mr. Neal Bredehoeft, Alma, Missouri—now we have an Alma, Georgia, I know I'm not going to mess that one up, representing the American Soybean Association.

Mr. Terry Hilgedick, from Jefferson City, Missouri, representing the Missouri Corn Growers Association and the Environmental Resources Coalition.

Mr. Ron Beetsma, Chillicothe, Missouri, representing the National Grain Sorghum Producers.

And Mr. John Thaemert, Sylvan Grove, Kansas, representing the National Association of Wheat Growers.

Gentlemen, welcome this morning and Allen, we'll start with you.

STATEMENT OF MR. ALLEN HELMS, NATIONAL COTTON COUNCIL

Mr. HELMS. Mr. Chairman, members of the committee, thank you for holding this hearing and providing the opportunity to present testimony on current and future farm policy.

My name is Helms. I operate a diversified farming operation and gin in Clarkedale, Arkansas. I also serve as Chairman of the National Cotton Council. There are several key reasons for the stability of cotton production in Missouri, West Tennessee and Arkansas. They include the successful boll weevil eradication, stable and effective farm program and new cultural practices and technology. Unfortunately, the US textile industry has not fared as well. Cotton farmers are deeply concerned with the loss of our manufacturing customer base. We are committed to work with them. Manufacturers have indicated strong interest in making revisions to our Step 3 import policy and developing a possible WTO compliant replacement for Step 2.

Rapid decline in raw cotton consumption by domestic mills has created challenges for cotton farmers who must identify export markets to replace domestic consumption. This adjustment places added pressure on our infrastructure including surface transportation and port facilities. While the cotton fiber is our principal product, cottonseed and its products account for 12 percent of the value of the crop. As ethanol production increases, one of the byproducts, dried distillers' grain, has depressed the value of cottonseed and meal, a not intended consequence that adversely affects farmers, cottonseed processors and merchants.

Mr. Chairman, thank you for your efforts to develop and maintain a sound agricultural policy which is so important to this area and to the nation. I also want to acknowledge the work by Senators Talent and Lincoln in—that they have devoted to maintain sound policies. We believe the current farm law provides a stable and effective national farm policy, a combination of direct and counter-cyclical payments provide an effective means of income support without distorting planting decisions. Direct payment provides financial stability required by our lenders and suppliers, those who would promote replacement of counter-cyclical payment with a higher direct payments risk taking land out of producers hands, so it is important to maintain a balance. Also, higher direct payments would cause unexpected problems with payment limits. We strongly support continuation of the marketing loan. Marketing loans respond to low prices, it does not cause low prices. It is effective because it triggers when necessary, and it ensures that US cotton farmers are not residual suppliers. It is also critical that all production remain eligible for the marketing loan. Arbitrary limits signal our competitors that we are willing to be competitive on only a part of our production.

Frankly, most cotton farmers in the majority of the industry would be satisfied with an extension of current laws, the provisions in the legislation authored by Senators Talent and Lincoln. They want more US—we are increasingly concerned over the Doha Negotiations. Other countries cannot match the US level of market access. We should either withdraw or reduce our effort or offer our domestic support. I also want to emphasize that the agreement that singles out US cotton for additional inequitable trade will not be accepted by US cotton producers.

I am pleased to assure you and your colleagues that the cotton industry is prepared to continue to work with all interests to develop and support continuation of a balanced and effective policy for all US agriculture. Thank you for this opportunity to testify today and I will be pleased to respond to question at the appropriate time. Thank you.

[The prepared statement of Mr. Helms can be found in the appendix on page 58.]

The CHAIRMAN. Thank you. Mr. Combs.

STATEMENT OF PAUL T. COMBS, CHAIRMAN, USA RICE PRODUCERS GROUP

Mr. COMBS. Good morning, Mr. Chairman, Senator Talent,

Senator LINCOLN. I'm Paul T. Combs, a rice producer and farmer from Kennett, Missouri. I serve on the Missouri Rice Council and I'm chairman of the USA Rice Producers Group and my testimony today is on behalf of both USA Rice Federation and the US Rice Producers Association. As Congress prepares for the next farm bill, the US rice industry supports maintaining an effective farm safety net that includes a marketing loan program as well as income support payments and planting flexibility. At this time, rice producers and others in production agriculture face an uncertain farm policy due to repeated proposals to cut our farm programs and the ongoing Doha Agreement. For these and other reasons, the US rice industry supports extension of the 2002 Farm Bill in its current form until such time as the WTO provides a multilateral trade agreement that has been approved by Congress.

There are a number of key factors that support extending the 2002 Farm Bill until a final WTO agreement is in place.

One, any reduction of current programs and spending levels on the farm bill results in unilateral disarmament by the US and ultimately weakens our negotiating position with other countries.

And, two, writing a farm bill in advance of a final WTO agreement could result in a very short-term bill that must be rewritten when new trade bills are in place.

No. 3, the 2002 Farm Bill was a fiscally responsible approach too farm policy and provides a safety net when needed.

As you know, my Senators Jim Talent and Kit Bond, along with Senator Lincoln and other Senators have introduced a measure in the Senate to extend the current farm bill through the crop year after Congress approves a WTO agreement and we support such practical legislation.

To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical.

The US rice industry opposes any further reduction in the payment limit levels provided under the current bill, and we appreciate the efforts of the Chairman and the members of this committee to cut through the rhetoric of those who apparently would like to see reductions in support of rice and other farm families, and for your efforts in continuing to focus on the realities of the US food and fiber production system.

Forty to fifty percent of the annual US rice crop is exported, so trade is clearly good for our industry, and despite the continuing trend toward market liberalization, rice outside the United States has remained among the most protected agricultural products. In addition, US policies intended to punish foreign nations to encourage regime change, disproportionately hurt US rice producers. Unilaterally imposed US trade sanctions have played a key role in destabilizing the rice industry at certain times and restraining its long term market potential in countries such as Cuba, Iran and Iraq. In conclusion, US farm policy must provide a stabilizing balance to markets and reliable planning horizon for producers. We urge you to recognize how well the current farm bill is working for US agriculture and to consider ways to maintain its structure as we begin the debate on the next farm bill. In the interim, however, the US rice industry supports an extension of the 2002 bill.

Mr. Chairman, we thank you for holding this hearing in Missouri today and the opportunity for the US rice industry to express our views on our nation's farm policies.

[The prepared statement of Mr. Combs can be found in the appendix on page 63.]

The CHAIRMAN. Thank you. Mr. Bredehoeft.

STATEMENT OF NEAL BREDEHOEFT, BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

Mr. BREDEHOEFT. Good morning, Mr. Chairman, Senator Lincoln and Senator Talent. I'm Neal Bredehoeft, soybean, corn and hog farmer from Alma, Missouri and a member of the American Soybean Association Board of Directors, and until last week, served as SA's chairman. I very much appreciate the opportunity to appear before you today.

Mr. Chairman, soybean producers in the Midwest, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill. Most soybean farmers would also support extending current programs when Congress considers new farm legislation next year. Unfortunately, the current budget baseline for farm program spending declines over the next ten years and will probably not accommodate the expected outlays based on current support levels. We would need additional funding, as was made available in 2001 for the 2002 Farm Bill, in order to extend existing programs. Given the outlook for Federal budget deficits, as opposed to surpluses in the coming years, we will be fortunate to keep the funding level we have.

And after facing cuts in the agriculture budget last year, we can expect Congress to consider further reductions in spending after the elections this fall. So budge factors alone are likely to force Congress to look at changing the current farm bill in this year's—in next year's farm bill.

The second reason we need to look at alternatives to the current farm program is the potential for additional WTO challenges of current programs. We are familiar with the results of the Brazil's case against the US cotton program last year. In order to avoid sanctions, the US will need to change the Direct Payment program to eliminate the planting restrictions on fruit and vegetable crops. Also, both the Marketing Loan and Counter-Cyclical Programs were found to cause serious prejudice and could be subject to other crops, including soybeans.

We're also watching the current negotiations on WTO agreements. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given these uncertainties, ASA's policy on the 2007 Farm bill is that, No. 1, there be no further cuts in the CCC budget baseline for agriculture spending; No. 2, that farm programs not distort planting decisions between crops; and that, three, that future programs be WTO compliant to avoid challenges like the cotton case. To explore alternatives, ASA organized a Farm Bill Task Force last year, which has been working with other farm organizations to look at so-called Green Box programs that would be considered non-trade distorting under the WTO.

The result of this analysis indicate a variety of options that would guarantee 70 percent of historical income and would still be WTO compliant. These options include basing the guarantee on whole farm versus specific commodity income, looking at using either net or gross income, and guaranteeing income for only program crops, for program crops and horticulture crops, and also livestock. The cost of these options range from 3.3 billion dollars per year to up 10 billion dollars per year for a 70 percent guarantee.

Neither ASA nor any other organization participating in this analysis has endorsed the revenue guarantee concept.

Instead, we are now working with other groups to see how revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers.

Mr. Chairman, ASA is also very supportive of proposals to strengthen conservation, energy, research and trade titles for the 2002 Farm Bill. We are particularly interested in looking at programs that would support soybeans as a source of renewable energy and to promote domestic biodiesel production through the Commodity Credit Corporation. The CCC has operated a bio-energy program since 2001, providing payments to biodiesel producers who utilize domestic feed stocks such as soybean oil. This program has facilitated expansion of domestic biodiesel production, but the program sunsets after 2006. Therefore, ASA urges Congress to authorize and fund a biodiesel bio-energy program. With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance or to cover budget reduction commitments. ASA supports increasing funding for conservation payments to producers on working lands such as through the Conservation Security Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner, given the enormous increase in no-till farming practices that have been implemented over the past 10 or 15 years.

Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

Thank you again, Mr. Chairman, for the opportunity to be here today.

[The prepared statement of Mr. Bredehoeft can be found in the appendix on page 74.]

The CHAIRMAN. Thank you. Mr. Hilgedick.

STATEMENT OF TERRY HILGEDICK, PRESIDENT, MISSOURI CORN GROWERS ASSOCIATION

Mr. HILGEDICK. Thank you, Mr. Chairman. On behalf of Missouri's 15,655 corn farmers, thank you for the opportunity to testify this morning. My name is Terry Hilgedick. I'm a farmer from Central Missouri. I also serve as president of the Missouri Corn Growers Association and a board member of the Environmental Resources Coalition. Before discussing MCGA's recommendation for the Farm Bill, allow me to show a bit of our environmental success story right here in Missouri. While data shows most corn growers are good stewards of the land, MCGA is working with producers to help them do an even better job of protecting the environment by accelerating the adoption of farming practices that improve water quality while maintaining or improving profitability. With those goals in mind, the MCGA has assembled a partnership of businesses, as well as governmental organizations, to proactively address water quality and environmental issues. It's known as the Environmental Resources Coalition. This coalition is dedicated to maintaining, improving and enhancing land and water resources.

In order to accomplish such a mission, ERC partnered with such governmental agencies as the Environmental Protection Agency, the United States Department of Agriculture, the Missouri Department of Natural Resources, Missouri Department of Agriculture and Agriculture Research Service, as well as industry groups such and Syngenta and Bayer.

MCGA and its affiliate ERC, are committed to quality agricultural stewardship. This is evident in many agricultural/environmental projects which we are currently involved in.

One of those projects, our first project, is called the WRASP program. The WRASP program dealt with the scientific discovery of how atrazine and its metabolites move throughout the entire watershed, including losses at field level and transport through the stream and river basins. Essential Best Management Practices for atrazine were developed that allow farmers to continue to use the product while limiting its exposure to the environment. WRASP was the second—was the largest automated collection project of its kind in the country.

The scientific results were very positive and are currently being prepared for publication.

The Stewardship Implementation Project will be viewed as the second stage of WRASP. It's the implementation of a lot of the lessons learned from the WRASP research. It seeks to take the management practices developed by WRASP and disseminate them throughout key watersheds by engaging farmers in a friendly on-farm demonstration. A key goal for the SIP project is the fair implementation of the TMDL process, the total maximum daily load requirement. Additionally, data acquired in the SIP project has been used successfully to remove four water-bodies from the state 303d list, which is a list of impaired water bodies compiled by the Missouri Department of Natural Resources.

Generally speaking, MCGA and ERC support the Conservation Title of the current farm bill. We seek to maintain current and future funding levels at their maximum level. The general consensus of corn farmers is that direct payments in the commodity title of the bill should not be sacrificed by replacing them with increased conservation funding. That being said, we do have thoughts and suggestions we would like to offer on the Conservation portion of the Farm Bill.

The 2007 Farm Bill should reinforce the original commitment of the Conservation Reserve Program to soil conservation rather than wildlife habitat. With that focus in mind, we should continue to enroll and give deference to taking the most environmentally fragile acres out of production. CRP management practices should be broadened to be more flexible to those with land enrolled in the program. For instance, if soil conservation is the primary focus of the program, allowing farmers to periodically mow CRP acres makes more sense than requiring tillage of those acres.

We need to collectively evaluate the future of the vast resources of the nearly 40 million acres in the CRP program. Do we have a long-term plan for this resource? Where are we going with the resource? Will this be maintained as a land bank?

Will it be returned to production? Can the less fragile acres be developed as a cellulosic ethanol reserve bank?

The Conservation Security Program. The current implementation is not streamlined and consistent from county to county. We need forward-looking programs that the CSP will require more specially trained staff than before, not less. A better, more uniformly applied process for application, coupled with properly trained technical assistance providers, would go a long way toward improving this valuable program.

The current program does not seem to adequately reward growers for past conservation practices implemented, such as terracing. There is a disproportionate incentive to encourage new conservation practices. That scenario seems to set up a double standard as those who have been stewards of the land for a long time and do not receive the same reward as those spurred to implement such practices by incentives provided by CSP.

Recently atrazine received full re-registration from the EPA. Our WRASP data played a role in proving that farmers can successfully manage atrazine in an environmentally friendly manner. Atrazine is a valuable tool used in corn production and its loss would have cost producers billions of dollars per year to find alternatives. In spite of this, the CSP program takes a dim view of atrazine in the pest management section. The pesticide management component is based on an outdated Window Pesticide Screening tool standard for a herbicide's environmental impact. Under this standard, any crop using any amount of atrazine does not qualify for payments under CSP. Our WRASP project directly contradicts the standard by proving that atrazine can be a benefit to the environment and farmers through prudent and responsible application and use.

On to the Commodity Title. We believe that American producers are best served by an extension of the commodity title of the 2002 Farm Security and Rural Investment Act until a WTO agreement is reached. It is nearly impossible to formulate a comprehensive new policy with an unknown farm subsidy and trade variables hanging over our head. While the satisfaction level with the current bill is high, the 2002 bill is not perfect. In a given year, large crops at low prices allow raiding of the marketing loan program while growers in short crop areas in the same year are largely left out of the safety net. Since loan deficiency payments are based on current year production, revenue suffers from the reduced production as well as overall farm program benefits.

Recommendation for the Energy Title of the Farm Bill. A wave of renewable fuel growth has been a God-send for rural America. Expansion of the farmer-owned ethanol industry can be considered one of the brightest spots on rural economies today.

We attribute these successes to the entrepreneurial spirit of American farmers and the assistance of the Farm Bill. Any new farm bill must have an energy title to continue the revitalization of rural America.

As significant as the WTO is, it is not nearly as important as an energy component in the 2007 bill. The demand for corn created by the ethanol industry will influence corn prices more substantially than will any increased exports resulting from the WTO agreement. More needs to be done to foster domestic market access rather than dealing with all too fickle foreign markets which may or may not materialize from a WTO agreement.

The Federal Renewable Fuel Standard was a monumental accomplishment which provides a baseline for renewable fuel usage nationwide. We are open to a wise and prudent upward adjustment to the standard as needed to help foster the renewable fuels industry out of its infancy and into maturity.

As our farmers move closer to providing the energy needs of our nation through ethanol and biodiesel production, an expansion of the RFS will ensure that our homegrown products have a position in the marketplace.

One final point deals with crop insurance. The Federal crop insurance program can be improved with a modification to the program what would offer better protection to farmers without substantial cost increases. High risk designations all too often exclude growers that would otherwise participate in crop insurance. A subject close to the hearts of many Missouri farmers is crop insurance for losses caused by the man-made spring rise on the Missouri River. Farmers in the Missouri River valleys are being put into an impossible position. The level of risk that they are being asked to withstand is unconscionable. The inflexibility of the US Fish and Wildlife Service, US Army Corps of Engineers and the USDA through this whole process has been monumental. Although we have made it through one spring rise without substantial harm, do not assume that government imposed flowing and crop damage will not happen in future years.

In summation, we believe the 2002 Farm Bill is, for the most part, is meeting the needs of American agriculture by acting as an effective safety net for our food, fiber and fuel producers. We support policies that enables American farmers to be globally competitive, responsive to markets and environmentally responsible. We look for programs to provide producers with access to global markets, access to capital, advances in technology and risk management. As mentioned, there are modifications that should be made to enhance some programs and we look forward to working with our partners in Missouri agriculture and the US Congress to make any necessary changes.

Thank you.

[The prepared statement of Mr. Hilgedick can be found in the appendix on page 77.]

The CHAIRMAN. Thank you. Mr. Beetsma.

STATEMENT OF RON BEETSMA, DELEGATE, NATIONAL SORGHUM PRODUCERS

Mr. BEETSMA. Thank you, Mr. Chairman. I would like to thank you for the opportunity to express my views on the next farm bill and the impact the farm bill will have on our family farming operation. I am Ron Beetsma. I serve as a delegate to the National Sorghum Producers. I am a partner in our family farm operation near Chillicothe, Missouri, where I farm with my two sons and a brother and operate 6500 acres. Planting sorghum is ergonomically smart—is an ergonomically smart thing for me to do on my farm. Sorghum is a profitable crop that uses fewer inputs than other crops, helping me hedge my risk against summer heat and drought. Our farm also produces corn and soybeans, and we are involved in a farmer-owned ethanol, biodiesel and food processing cooperatives and a farm-run Identity Preserves venture. I understand that foreign policy may look extremely different 5 years from now because of a potential WTO agreement and the current budget situation. If that is the case, I ask that you keep in mind the cyclical nature of the agricultural economy. Any new farm programs need to be available to the family farm operations like mine when the agricultural economy slows down. Looking at the current farm programs, direct payments and marketing loan programs provide our operation with the most protection. If Congress is to change our current programs, I ask that the committee preserve the equitable relationship between commodities. Also I would like to ask, if we do have a WTO agreement and we change our farm program, that those changes be vetted with the ag industry.

I am more concerned about having good policy than I am in rushing to change the current programs because our farm laws are expiring. Regarding conservation programs, sorghum is a water sipping crop and it uses less water than other crops in my rotation. If a greener farm bill is to be developed, I ask that those programs reward crops that use less water and need fewer inputs. For example, the EQIP Program works well, but I am told by fellow sorghum farmers that they have seen overall water use actually increase rather than decrease.

Finally, ethanol production is also making sorghum producers money. Fifteen percent of the sorghum crop is made into ethanol. But that's about the same percentage as the corn crop. I receive better prices for my crops with the ethanol plants in my area. The next farm bill needs to expand the role of the energy market and strengthen those prices for my operation and my neighbors.

You have a great challenge rewriting our nation's farm laws. Mr. Chairman, the sorghum industry will work with you as you develop these farm programs.

Thank you for your time and I'll be glad to answer any questions you may have.

[The prepared statement of Mr. Beetsma can be found in the appendix on page 82.]

The CHAIRMAN. Thank you very much. Mr. Thaemert.

STATEMENT OF JOHN THAEMERT, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS

Mr. THAEMERT. Thank you, Mr. Chairman and members of the committee. My name is John Thaemert. I'm a wheat farmer from Sylvan Grove, Kansas, and currently serve as the First Vice President of the National Association of Wheat Growers. I thank you for this opportunity to discuss our members' concerns about the current Farm Bill and our thoughts on the 2007 Farm Bill.

The 2002 Farm Bill has some strong points and the wheat growers that I represent believe the next farm bill should build on these strengths. But while wheat growers generally support current policy, much of the safety net provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter-cyclical program and loan deficiency program. Severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure.

The loan program and the LDP are useless when you have no crop.

Also, the target price for wheat is set considerably lower than market projections indicated and short crops due to weather disasters have led to higher prices. As a result, there have been very little support from the counter-cyclical program As you can see by the chart in my testimony, the support level for wheat compared to other commoditi4es for the 2002 through 2005 crop years is relatively low. We are not, in any way, suggesting that other crops receive too much support, we are simply stating that wheat producers need a viable safety net also. Undoubtedly America's farmers would rather depend on the markets than the government for their livelihoods. The current economic and trade environments do not offer a level playing field in the global marketplace. This fact, coupled with escalating input costs and devastating weather related crop losses, have been especially troubling for many of our members.

These issues, and a potential change in the WTO rules have led us to begin looking at other options for the 2007 bill. We are examining the impact of increasing the direct payment. This component provides the most reliable cash-flow and, as such, greatly aids in securing operating credit. We are also studying an increase in the wheat target prices more in line with today's market conditions while leaving the current structure of the loan program as is. Another concept involves altering the counter-cyclical program to be based on revenue rather than price alone. I expect our full board will be looking closely at the effects of these options and others for the Commodity Title in the near future, and will soon recommend specific proposals.

Also, our members would like to see conservation programs continue as presently authorized but be fully funded. We also believe strongly in the pursuit of renewable energy from agricultural sources and support additional incentives for further research and development of renewable energy, specifically cellulosic ethanol.

In closing, I must state that we are firmly committed to developing an effective 2007 farm and food policy and welcome the opportunity to work with you to do so.

Thank you for this opportunity and I welcome any questions you may have.

[The prepared statement of Mr. Thaemert can be found in the appendix on page 91.]

The CHAIRMAN. Thank you very much. Let me begin this by noting that the comments that each of you made relative to your specific crop is exactly what we're looking for as we get around the country. Some of the testimony we heard in—this morning was similar to testimony we heard in South Georgia. Some of it will be similar to what we'll hear in Iowa next week. But there are other parts of the country that—it's going to vary a little bit, so what you've had to say this morning is keenly important to us. We have a series of questions that I'm going to ask, and again, I want to go right down the panel, Allen, and we're going to start with you on this first one, because we want to establish a record everywhere we go relative to these particular questions.

How would you prioritize the programs of the farm bill generally and the Commodity Title specifically? How would you rank the relative importance of the direct payment program, the marketing loan program and the counter-cyclical payment program?

Mr. HELMS. Of course within the farm bill, I think there's no question we would prioritize the commodity programs as far as the market loan would be our No. 1 priority, and I think that we would certainly put the conservation program with a high priority, but the commodity programs would be the No. 1 priority within the commodity programs, we certainly think that the market loan is—is our best part of the program and it's absolutely necessary for us to be viable producers. And then the counter-cyclical program is certainly a very strong section in that as well. And the direct payment program certainly are important, too. We feel that the whole package is important to us. If I had to prioritize it, that's the way I'd do it.

The CHAIRMAN. Mr. Combs?

Mr. COMBS. Mr. Chairman, the commodity title is by far the most important title for the rice producers, and that would be the highest priority for us, and that would probably be followed by conservation and then research and trade. And within the commodity title, the marketing loan program is by far the most important and it's even more so that way in Missouri because we have several thousand acres of rice that are not covered by—— they're not in the base program payments because our rice acreage has expanded so much in Missouri. We've got thousands of acres of rice that are covered by the marketing loan program but are not covered by the direct or counter-cyclical payment system.

The CHAIRMAN. Mr. Bredehoeft.

Mr. BREDEHOEFT. From our viewpoint, as far as the commodity title, it's important that we have a strong safety net as far as the soybean industry is concerned, but when you look at the other titles, when you look at research and conservation, of course the energy title is very important. Trade is very important. All four of those are about equally important. If we have a good safety net, then we can fund these other titles appropriately. I think there's where you can look into the future, so to speak, and you do that research then it does promote new—you can find new uses. You can find the trade, you can find new markets, to make that commodity title it becomes important to the future. So I think when you have—— when you're looking at it, the commodity title in the short term is the—it's important to have a strong safety net but those other areas, we need to get into the research, energy, trade and conservation, those are the ones that will help us long term.

The CHAIRMAN. And Mr. Hilgedick:

Mr. HILGEDICK. Senator, I would look at the commodity title as the most important section, followed by the energy title. We've seen a lot of benefit out in the ethanol industry and the corn growers in general would be assisted by the bio- energy program. Get jump started with the ethanol plants going into production. The third most important would be the conservation section. As far as rating the commodity programs, given the current price forecast, I would probably have to choose direct payment as the most important portion, followed by marketing loan and by counter-cyclical.

The CHAIRMAN. Mr. Beetsma.

Mr. BEETSMA. As far as the commodity title is concerned, I would rank the direct payment—depending on your area, the direct payment would be probably the most important in the semi- arid areas where you—maybe not raise a crop, but for us, the areas that we're in, the LDP is probably—would be real important. To those two are interchangeable. And then the counter-cyclical payment would be definitely a distant third.

The CHAIRMAN. Mr. Thaemert.

Mr. THAEMERT. As far as which type of a farm bill we would prioritize as top, no doubt, everybody here was testifying, to commodity title, the boom and bust cycle of production agriculture, we're all aware of, if we could keep that safety net in place, everything else would fall into place behind it.

We've got to keep our producers on the land. We've got to keep our agricultural infrastructure in place, otherwise the trade title and conservation title, we need those stewards on the land working. All those other things are irrelevant if you don't have that safety net and provide that, that economic safety for those producers on the land. So the commodity title is by far the most important for our members. As far as the relative importance of the various components of the farm bill as is, by far, you gather that from my testimony, the direct payment.

It's pretty hard to go to a lender and say, "Well, I think I might get an LDP this year," or "I think Japan is going to increase their trade with us and prices might go up." But when you've got a direct payment, you can show that to the lender.

They know that you're going to get cash-flow and they know that you're going to be a good credit risk. So the direct payment is by far our favorite tool. I think the direct payment is what you can build a lot of things into, too. I think direct payment should be looked at as possibly stacking, maybe say coupling that with an increased direct payment if you—if you go up a risk management account and put some money into cover that top tier of losses, those shallow losses that just eat away at a producer after—year after year after year of losses, if you could have a direct payment in a farm savings account, a risk management account that you can draw on through tough times, you get an increased direct payment as a result of establishing one of those in a local financial institution. That's a thought that I think we could look at. Also, there are some private sector insurance companies that may look at insuring that level of loss that, again, creates those back-to-back shallow losses that are so devastating to producers. I think a direct payment could be used to fund some of that in the way of, say, an insurance type of payment for—for that type of program. But direct payment is by far. And as you guys on the committee probably know, we haven't gotten, as wheat producers, much benefit from the counter-cyclical or loan deficiency. So it really is somewhat irrelevant to the wheat industry.

The CHAIRMAN. Mr. Combs, we'll start this second question with you. Payment limits are always being shot at. Do we need to change payment limits in the next farm bill?

Mr. COMBS. Payment limits should not be reduced in the next farm bill.

[Laughter.]

As we talk about in our statement, they're already plenty restrictive when it comes to the high cost of production crops like rice and cotton. We don't think they should be limited and we think that all production should be eligible for the marketing loan program.

The CHAIRMAN. Mr. Bredehoeft.

Mr. BREDEHOEFT. I think Mr. Combs probably covered it well. From my viewpoint, too, we're—ASA is opposed to payment limits and, you know, with the increased cost of production, why we're happy with that and we'd just as soon they not reduce it anymore.

The CHAIRMAN. Mr. Hilgedick.

Mr. HILGEDICK. I would agree with Mr. Bredehoeft. Our position is that we see no reasons to lower payment limits from the current level.

The CHAIRMAN. Mr. Beetsma.

Mr. BEETSMA. I am in agreement with the group. We've had to—over the years, we've had to restructure our own ownership of our farming operations so it would be possible to use the payments that were available to us. And to—to drop it would be—farms are getting larger. They're not getting smaller.

And we need to keep these payments where they're at or increase them.

The CHAIRMAN. Mr. Thaemert.

Mr. THAEMERT. The National Association of Wheat Growers is officially against any type of reduction in payment limitations.

But if we do look at an increase in the direct payment, of course we'll have to increase that payment limit. There's a $40,000.00 direct payment, $65,000.00 for counter-cyclical and $75,000.00 for market loan at this time. I would again point to the fact that many producers have not used those higher tiers of payments. So it would make sense if they had some flexibility to switch between those, whichever tier you needed that flexibility. But the direct payment is something we really focus on. If we're going to increase the direct payment, then we need to increase that payment limitation. I like the way you phrased that question. We can expect to further reduce the payment limitations. Gosh, I hate to hear that. But we are officially opposed to that. So I know there's going to be some attack on those payment limitations, but we, again, stand completely opposed.

The CHAIRMAN. Mr. Helms.

Mr. HELMS. Well, I think I'd probably come right out and say we'd like to see them raised. We certainly don't feel that there should be any reduction. As we see what's happening within agriculture with a lot of rising—our input costs are constantly rising, it just makes it that much—much more difficult to be—to be able to work with any kind of lower payment limits. And also, we're concerned with any rules of eligibility that might with the payment limits.

The CHAIRMAN. Mr. Bredehoeft, the Doha Round of negotiations seeks to provide additional market access for US agriculture goods in exchange for cuts—forced cuts in domestic farm payments. How important are exports to the future of farmers?

Mr. BREDEHOEFT. Well, from the soybean industry viewpoint, they're very important because we export 45 percent of our crop every year, not counting the soybean and meal destined for the livestock industry. I mean, that does get supported, too. So the exports are—trade is a very key part of our policy, that we increase that trade, increase those exports. Since we have 96 percent of the world's population living outside of the United States, and we're looking at new markets, new avenues to sell our soybeans and soybean products, naturally that's where it's going to go. Thus we're going to have more options there than we are in the United States. So exports are very important to the soybean industry.

The CHAIRMAN. Mr. Hilgedick.

Mr. HILGEDICK. Exports are important. But in contrast to the growth of the renewable fuels industry and our domestic demand that has been so richly enhanced by it, legislation and by the entrepreneurs and various growers, we see that as probably the largest potential growth sector in corn demand is to provide some sort of energy security for the country. What has gone on the last few days, it's been getting more and more and more important every day. So we see the need for exports—— increasing exports, but at the same time, demands driven by our own needs here at home outweigh those export possibilities.

The CHAIRMAN. Mr. Beetsma.

Mr. BEETSMA. Nearly half the sorghum crop is exported. And according to the factory, if we have a Doha Agreement, we will actually see exports decrease. You couple that with the fact that we would be giving up domestic support to get that market,

Doha would not be a good deal for the sorghum industry.

The CHAIRMAN. Mr. Thaemert.

Mr. THAEMERT. We, as you know, export probably more than any other titles or any other commodity. This weighed heavily in our discussions. We discussed the adoption of biotechnology to wheat production and—and have struggled mightily with that and just recently come to agreement that we should adopt it halfway. We have a dependence on trade for wheat. Wheat is heavily dependent on exports. We do not, however, want to see any cut in domestic support. Just as I stated earlier, it doesn't make sense to cut infrastructure, cut our—cut our producers and—just for the sake of maybe having trade. Trade is a fickle political tool. We've seen that and we've seen that many times, one country may say, "Well, now we're not going to trade with you because of this, that or the other thing." And that's not very—that's not very reliable for income for our producers. So we take care of our domestic support first. But the trade—trade is important. It's one of the tools. It's one of the tools that we need to keep in mind.

The CHAIRMAN. Mr. Helms.

Mr. HELMS. Yes, we've seen our domestic textile industry decline. US cotton has become more and more relying on trade.

We're exporting over two thirds of our crop currently and that will most likely continue to get to be a larger and larger percentage. So market access is very important to us. Effective market access into certain countries, particularly China, is very important to us. China is importing more cotton than our domestic industry is buying. So we—we particularly are interested in market access, and particularly in China and Southeast Asia, the Indian sub-continent, that area.

The CHAIRMAN. Mr. Combs.

Mr. COMBS. Mr. Chairman, we export about 40 to 50 percent of the rice grown, and our concern is that any additional market access be full and meaningful. And, you know, if there's going to be an offset in domestic support, let's be sure we have access. Rice tends to be treated as a sensitive commodity by other countries and we don't need to be caught in that trap.

Another thing we would observe is there is a market for a billion dollars worth of agriculture is to Cuba and it wouldn't cost a dime to US taxpayers if we start trading with them.

The CHAIRMAN. Mr. Hilgedick, some organizations have explored the possibility of a revenue based approach for the commodity title. What are your thoughts on a revenue based approach to a safety net as a replacement for the current commodity program?

Mr. HILGEDICK. Senator, I've seen brief snapshots of some of those proposals that are out there. I think that's worthwhile to have a look at and arrive at an opinion. We have, however, those sorts of—that sea of change is going to take time to enact. There are some concerns from myself particularly with the depth of mass data that—that the data base is deep enough and broad enough to provide the sort of coverage and sort of revenue assurance, that the data is not flawed and it is fair and equally applied across the country. I can see border—a border concern between counties as far as cost and as far as revenue, that that could be an issue there. Also, for anything to work like that for us, as far as the corn growers association in Missouri, those sorts of coverages need to be at the farm level so that an individual farmer has the sort of true safety net that he needs to continue to farm. County level support, particularly in Missouri, we have tremendous variability within the counties. And farmers could be left out of the safety net entirely, should a county not be hit. So we see some value in some of those things. I haven't seen anything that I would be particularly prepared or ready to support at this time. I think that at least a transition period with an extension all the more important. It seems to make a lot of sense that we can evaluate those sorts of programs as they come along if they need to be evaluated because people's livelihood is going to depend upon those programs.

The CHAIRMAN. Mr. Beetsma.

Mr. BEETSMA. Most of the research that's been done on this revenue insurance has been done in the Mid-west on the corn and soybeans. In the sorghum growing areas, it—the—the risk of production is much greater and so it's very possible not to have a crop in those areas. And if you have a 70 percent—70 percent of zero is zero, so revenue insurance would not be good in those areas.

The CHAIRMAN. Mr. Thaemert.

Mr. THAEMERT. You know, the devil is always in the detail.

It would depend on how this thing is worked out. But as you heard my testimony, right now everything you've got is on price alone. If you've got no crop, price doesn't mean anything. You can't get a loan made on something you don't have. LDP is—— you can't get a loan on something you don't have and LDP is worthless. Revenue definitely, I think, considers—or, needs some—deserves some consideration. Again, the devil is in the details. If we put something together and try to push it and it's not been fully researched and it's not something that's beneficial, of course, you know, we would be opposed to that.

But we are looking at—wheat growers are looking at some revenue based approaches. You know, I—one thing that I—I like to make the analogy of the farm bill, or—any other good policy is like a tool box that a farmer has. If you want good tools, there's various components that you use. You want good components and you want components that you can use, that are effective. Many of the components that we've had in the counter-cyclical and the LDP are not any good for wheat producers. But we don't want to replace that with a substandard tool either. It's something that we want to be very careful about having to do. One thing I think that if we do go for a base program, that we look at a net revenue program. We've dealt with an 2002 bill based on prices and projections from 2002.

We all know what the input costs have done in the last three years. It's been horrendous for fuel and fertilizer, for steel.

Those costs have really been a burden on the producers. So that's something we need to look at. If we do something along those lines, maybe a net revenue program of some sort we can build on.

The CHAIRMAN. Mr. Helms.

Mr. HELMS. We would be very concerned at this point in time to move into some type of revenue based program, you know.

We don't think you can live up to the protection—risk protection that we have currently with the marketing loans and counter-cyclical programs. That we just don't feel that it's ready to—that there's anything there to—we've seen that would even come close to being as good for our risk as the programs we have, plus the fact that we're not sure that it—— it's fiscally responsible.

The CHAIRMAN. Mr. Combs.

Mr. COMBS. Mr. Chairman, we don't see it even minimally replacing the commodity program. There may be a role with some revenue insurance in addition to the commodity program, but we don't see it replacing it unless producers spend hundreds of dollars to develop their land to be able to irrigate and spends thousands of dollars a year on fuel or—or energy sources to keep the water on so as not to suffer production losses. So we really have to see a specific program. It would be hard to envision them working.

The CHAIRMAN. Mr. Bredehoeft, your association has done a lot of work on this, what are your current thoughts?

Mr. BREDEHOEFT. Well, we started, like I said earlier, with a task force put together a year ago. We started looking at a couple of things, the WTO and also the budget constraints, so we started looking at this type of a program, revenue insurance, and of course we—we're still—and someone mentioned the devil is in the detail, and we still got a lot of details to work through on, on how that would affect, you know, from one area of the country to the other area, from one county to the other county as far as producers and how their costs, of course, align and, you know, whether it needs to be based on net or gross or however it needs to be based. You know, our viewpoint is probably—there's probably going to have to be something done different than we've done in the past, and this is just one option that we're looking at right now. And you know, like I said, we're not to the point that we've got all the details worked out and it's just now that we've got other commodities that we're working with to see how this would work out as a program for everyone concerned. So a lot of work to do but I think it's truly an option that we need to take a look at.

The CHAIRMAN. Mr. Beetsma, you must show an increase in conservation and energy programs coming to the expense of the commodity programs.

Mr. BEETSMA. I believe energy should be considered a national security issue. We should not cut the commodity program as a transition to agriculture changes to food and fuel.

Sorghum—as far as conservation goes, sorghum is basically the poster child for conservation, and many of these programs that have been implemented have not been successful in the sorghum producing areas.

The CHAIRMAN. Mr. Thaemert.

Mr. THAEMERT. Short answer. No. Again, the commodity title is very important to the survival of that rural infrastructure of the producers on the land. Those producers on the land have been stewards of that property. Energy, by far, is one of the brightest spots, new spots, that production agriculture has. We should focus on that. But do we want to shift away from energy—or, shift away from food and focus on energy, I think not. I think food is very, very, very, very important and is the keystone of production agriculture. Energy is a vital and very important bright spot for the future of production agriculture. Conservation is something that farmers have always been proud of and work very hard to make sure their farms are in compliance, if not over and above compliance. I know there's a lot of emphasis from outside groups for conservation. Looking at how that might impact, I would like to emphasize that public funds does not equal public access.

Property rights are still very important to the viability of rural agriculture on the world economy. I think that's something that I would hope you keep in mind as you go forward.

The CHAIRMAN. Mr. Helms.

Mr. HELMS. I would answer what Mr. Thaemert down there did, no. You know, it—we feel that it would be—that it—— removing funds from commodity programs, for the conservation and energy programs would result in what we would think would be a very inequitable distribution of funds between different parts of the country, different commodities. It's something that we don't, in cotton, feel that we probably reap the full benefit of the program. We would hate to see monies moved to that energy type program.

The CHAIRMAN. Mr. Combs.

Mr. COMBS. No. It should not be moved from commodity programs for conservation. They're apart. I mean, they're important. You know, the rice industry is unique in our ability to provide conservation habitat for waterfowl. And we participate in the conservation security program, which is a good program for the wetlands. But it's a supplement to the commodity program, not a replacement for it, as well as energy.

The CHAIRMAN. Mr. Bredehoeft.

Mr. BREDEHOEFT. No, I don't believe that those programs should be replaced with a commodity programs, but I—I think what we need is a strong safety net in the commodity program.

And like I said earlier, when you look at the conservation title, when you look at the trade title and when you look at the energy title, I think those are—need to be funded, you know, and—but they need to be funded and—and completely funded.

Those—a lot of times they do take money out of conservation for some other priorities, but like I said earlier, those are the things—those are the titles that will maintain US agriculture in the future. I look at the commodity title as a safety net, a short term safety net. But when we can increase trade and increase research, we can increase energy, then that's where we have long term stability on the family farm in US agriculture.

The CHAIRMAN. Mr. Helms.

Mr. HELMS. I would say no, but a qualified no. As I'm representing the Missouri corn farmers, I feel that I also represent a youthful but exuberant ethanol industry. And the energy portion of the farm bill will be very important to the ethanol industry, and a continuation of the bio-energy program which I spoke about earlier, is key to helping get those plants up and started. The ethanol industry is owned by farmers and locally owned and those are long term projects that are expected to be there for decades. So the value of that is large. And secondly, we can do it cheaper than the oil companies. We can produce ethanol cheaper than they can. And a little help at the start, particularly the bio-energy program and some other programs that are scattered throughout the farm belt, is very key to getting those off the ground because they are such long term. It's not 1 year, it's a reward, a dividend long term.

So a no, but a qualified no.

The CHAIRMAN. Senator Talent.

Senator TALENT. Thank you, Mr. Chairman, and I appreciate you so thoroughly covering the ground. You've covered several subjects that were of great interest to me, so I think it allows me maybe to step back and check with the panel on a couple of things. We talked some about the WTO. And if I just said yes or no to you, how strongly do you feel that no deal is better than a bad deal? We'll start with you.

Mr. HELMS. Strongly. Strongly.

Mr. COMBS. Very strongly.

Senator TALENT. In other words, you're not hungry. They don't want you—you would not want our trade representatives to push the margin to come home with some kind of deal?

Mr. HELMS. Right.

Senator TALENT. That's what I thought. And I—another point that is very interesting, Mr. Chairman, how you asked them to rank the existing programs. Now just tell me if you're concerned about this because it's a concern that I have. Most of you said that marketing loan program was the most important, or one of the most important. Not everybody. Most said that.

It is also I think probably one of the ones that I am the most concerned about given the current trend of the WTO decisions.

Do you have concerns about that? What can we do, those of you who really felt this was the most important, what do you think we can do, or should do in trying to protect that program from the WTO? What can we do? Do you have any ideas? You might be the most appropriate to comment, Mr. Helms.

Mr. HELMS. Well, we're aware that we very likely will get some reduction in our loan rates if in fact what talk is out there becomes a reality. What an agreement might be, I don't know that—you know, and we all still realize that there will probably be a—additional to go with those reductions, and maybe a counter-cyclical payment.

Senator TALENT. I meant vulnerable as an Amber box program, not in terms of what we negotiated, but just challenged under in a WTO suit of some kind. Not what we might negotiate away, but what might be taken away from us.

Mr. HELMS. Of course to lose—to lose an effective marketing loan, I honestly don't have a good answer to replace it. That's why I think this is absolutely necessary that we not lose it.

Mr. COMBS. Yeah. Let me offer one thing. I think it's important that we continue the program. We lost—we lost a case on step two, so let's not just throw up our hands and say, "Well, they're going to get the loan now and then they're going to get this and that." I mean, let's fight this thing. And if, you know, the WTO trade rules are not written necessarily clear and some of their procedures we don't agree with, but for our government to just unilaterally say we're going to throw up our hands and expect to lose, that's wrong and we would urge the government to vigorously defend our program.

Senator TALENT. Right. It would be good to win a WTO case.

Mr. COMBS. It would.

Senator TALENT. I'm beginning to feel like our guys are Hamilton Burger and theirs are Perry Mason. Anyone that laughs, that dates you.

Mr. COMBS. If you think you're going to lose, you're going to lose.

The CHAIRMAN. Before you leave that, though, Jim, I mean it's—this is a critically important question, folks, and all of you all know how hard I fought during the budget reconciliation to extend the farm bill and I—I still have some strong feelings about that, but one problem with extending the farm bill is that we don't want to expose any of our commodities to potential liability under the WTO. We don't want to go through the cotton—Brazil cotton case again. We want to feel comfortable as to where we are. And we know that the market loan issue on every commodity is a problem, or a potential problem. We don't know whether that's a problem or not, but a potential problem. And you're right, we thought that in 2002 that we were WTO compliant, but we also thought that we were WTO compliant in step two. So Jim's question is—and you may not have the answer today and we understand that, but it is an extremely important question, particularly if we do wind up extending the farm bill. How can we make sure, if we have to tinker with the farm bill in any way to extend it, how can we tinker with it to make sure that we're compliant.

Senator TALENT. That's exactly right. Let's all get our lawyers together, and we know what they've been holding, let's find a way to sustain that program, or maybe tinker with something that will give us a better argument. And then you're right, Paul, let's push the government to be aggressive for once and stand up. That's what the Chairman's—got at and what I was getting at with that. What—is there anything you could—one thing I want to keep in mind as we do this, it seems like whenever we implement a new farm bill, we have this really terrible transition period. And we've all been through this where, you know, our constituents are calling up and they don't understand it and that doesn't seem ready, and keep in mind—— if you have any comment now, fine, and if you don't, keep in mind if we ever end up tweaking this, how we might write this in a way, or—or signal to you all or the administration in a way that enables us to make this transition a little bit smoother.

And keep timing in mind also. Do you have any questions or comments about that? But I wanted to—that's something I wanted to do as far as this process. Timing certainly gets smoother after implementation. Yes, Mr. Holmes.

Mr. HOLMES. We would just offer that a short term bill that you write and then have to rewrite with the WTO doesn't help that process. In other words, nothing an ag banker likes worse than uncertainty. And if you've got a farm bill that's got a 2–year horizon, or a 1–year horizon instead of a five year horizon, that's a bad deal and that's why we would favor what you propose was an extension and then a long term farm bill.

Mr. BREDEHOEFT. From my viewpoint, I would take it more down to the local level. When you implement a new farm bill, I know going into the last farm bill, there was a lot of uncertainty in the local offices, and even sometimes in the state offices, as we implemented that. And that's probably,

Senator Talent, that's probably why you got the phone calls.

People went to the office and, "Well, they're not ready yet."

Or if they thought they were ready and they'd get halfway through it and something comes up and they can't make a decision. And so I think there needs to be a substantial amount of training, I guess, before—long before we—before it's put out to the local office so they know exactly what needs to be done.

Senator TALENT. One other point I wanted to make, Mr.

Chairman and then you've covered the ground so well, I don't——

I'll defer to Senator Lincoln. A couple of you mentioned surface transportation issues, the transportation issue. And yes, this is a hearing on the farm programs, but I don't want to let that pass. We could do an enormous service to the American farmer by investing in our transportation infrastructure so we can get product to the market. We're going to vote in the Senate this week on where to—to fund where we can get the rivers back under the control of—or, back in operation and we need to build roads and the highways. And I think Mr. Hilgedick mentioned the Missouri River, Mr. Chairman. I just want to flag something for you. We have been working for a long time to keep the Missouri River open and the Corps is insisting on having the right to do two spring rises in appropriate seasons, producing water problems twice in the spring, which will eventually result in floods. We are going to get the crop insurance so that it covers those floods, so you may—if we don't get this reversed, you may be reading the story sometime about how the government flooded these farmers and then paid them for the lost crops. And when that happens, don't say we didn't warn you.

Senator Bond and I have been trying to do something about it because this idea of releasing all this water in the river in the spring is sure counter-intuitive and makes no—doesn't make any sense in terms of good old Missouri logic.

Mr. BREDEHOEFT. Just for the record, I'm downstream from it.

Senator TALENT. Thank you.

The CHAIRMAN. Senator Lincoln.

Senator LINCOLN. Thank you, Mr. Chairman. You know, the discussion of what's most important, food production, energy, conservation, I just don't think they're mutually exclusive. I think that these are three points that we can bring together and dovetail beautifully as priorities of this farm bill and I hope we will. I think we will. They all support one another. They can support one another to the—to the degree that, you know,

I think we can reflect that we can minimize the risk in all of them if we marry them together and bring them together. And I hope that we will. We touched on an awful lot of things here and I just want to reiterate that—what Mr.——

Mr. THAEMERT. Thaemert.

Senator LINCOLN. Thaemert. What he had to say briefly, has reiterated a couple of times and that is unless farmers are allowed to remain the stewards of the land, the rest of these programs really don't matter. And that's what we continue to see is the loss of those family owned farms and the family businesses that are out there. And that's truly important.

Just a couple of questions. Mr. Helms, you pointed out the importance of the counter-cyclical program and the marketing loan programs, you know, protecting us against some of the low crop prices. And, you know, some people look at forms of support to farmers as a catchall safety net, even in the event of natural disasters, prolonged droughts that are coupled with rising input costs. I know Mr. Combs mentioned it, too, that your crops, which are predominate in my state, are definitely capital intensive crops. These are crops that you're—you know, you're having to go to your bankers and ask for a sizable investment to even be in the marketplace or to—in anticipation of being in the market. Others point to crop insurance. And I'd just like to kind of see if they see that as a sufficient mechanism to farmers of all sizes to recover potential losses. And of course if we got the same mitigation of risk for the price that other farmers paying for their crop insurance, we would probably love it too. But unfortunately when you do have a capital intensive crop, you just don't get the same return on your dollar. The insurance industry doesn't provide you that. It's unfortunate but it's reality. Maybe you might just elaborate on the hesitation among farmers, certainly cotton growers particularly, I suppose in our part of the country, to rely on crop insurance. Is it really a viable option? You know, given our concern and our trouble with convincing the administration to provide disaster relief to farmers this year, you know, should we, as lawmakers, be considering including a permanent disaster program as a part of the next farm bill? How do we bring all that together in order to allow all of our commodities to be able to mitigate their risk in the market place?

Mr. HELMS. Well, let me start with your last point first.

You know, I think it would be a wonderful thing if we could have a permanent disaster program written into the farm bill. I think we understand the reality of that, that it would—where the offset, but that—you know, the offset is obviously going to be from some commodity programs that we would certainly not agree with. As far as farm—as far as crop insurance, for cotton farmers in this part of the—in this area, this part of the country, has not been a very viable option. The premiums that are—the premiums have been very excessive. The coverage still leaves us woefully short of recovering our expenses. So that currently, as it is now, and anything that we see any time soon is—is woefully inadequate to us. We can still lose the farm and have a huge claim. So it's—it is inadequate. And obviously this counter-cyclical program through the marketing loan, or—you know, we believe in them totally because they don't cover—they don't cover us in the case of any type of natural disaster or any type of weather disaster.

Senator LINCOLN. Anybody else? Yes.

Mr. HILGEDICK. If I might make a comment. With regard to crop insurance, I happen to fall in with them high risk category on our own farm and Senator Talent brought out the crop insurance situation along the Missouri River, and I farm within a stone's throw of the river where we are. The fact that people sometimes will point out that we just ought to up our crop insurance as somehow a policy of risk avoidance, for me that doesn't work and for a lot of growers it doesn't work. There are huge regional differences within the country as far as, you know, effective crop insurance really isn't reducing your risk, and in my part of the country, it's not very effective.

Senator LINCOLN. Well, I think that's important that it's not a "one size fits all" across the country. And I had noticed that Mr. Bredehoeft had mentioned in your testimony that we need—you talked about the group and what you're working about in terms of looking at a revenue guarantee, you do mention that it is combined with one or several other different types of farm programs as you're looking at it. I think that that's important to note that, you know, a revenue based system is not something you're looking at just solely to replace everything you have in conjunction with most of your other programs that already exist.

Mr. BREDEHOEFT. Combinations.

Senator LINCOLN. And, Mr. Combs, as you know, I grew up on a rice farm and it's near and dear to my heart. And I think, like all of us, we've been closely monitoring the WTO talks and if there's anything my father taught me, it was that we cannot circle our wagons and sell our widgets and gadgets and hamburgers and rice to each other and survive. We know how important each one of you all has indicated a tremendous percentage of production that is traded on the global marketplace and how important that is. And I know that there are a lot of sensitive issues that still remain in and—even if—I mean, we certainly mean "if" we are able to convince the EU and others to substantially improve the market access offer in the coming weeks. And it's kind of starting to get down to the wire. But maybe you might further elaborate on the concerns in the rice industry from the tone of the talks in regard to those designation of sensitive product lines and our trading partners. We know that rice is a tremendous world commodity.

Mr. COMBS. That's the real issue is just the whole sensitive product issue, you know, where we—for example, is treated as a sensitive product and so we gain access over 15, 18 years. Well, if the president's proposal, which was a 60 percent cut in domestic support occurred in year one and you don't get access until year 16, then in year 16, you're fighting that government because of some phytosamitary issue and we haven't gained anything. We've lost.

And that's the real danger of a trade agreement, is to get treated as sensitive and you get real long term access and real short term coverage in the tradeoff.

Senator LINCOLN. Well, Mr. Chairman, in the interests of time, I think I could converse with these gentlemen all day long, because definitely my heart is in this and I do think that there are some real solid solutions that we can come up with working with you, but we got to keep farmers in business.

Because if they're not in business, they're not going to be producing energy or food products and they're not going to be conserving the land. And I'll tell that to the panel. My dad was a farmer and he loved being a farmer but he sure loved to turkey hunt, too.

The CHAIRMAN. Well, gentlemen, I thank you all very much.

I think all three of us could sit here and dialog with you because you are the heart and soul of the farm bill from all of our perspectives. And I would say that all of us are concerned about this issue of trade. It is sort of hanging over our heads as we go into this and all of you are aware of that. But I mentioned it in—to hear your comments, for the most part, you're all very supportive of trade agreements and fair and balanced trade agreements. And I'll have to say that we have a strong attitude and our current trade advisor Susan Schwab is working very hard to make sure that agriculture is treated fairly. That's one of the main reasons, frankly, that we don't have an agreement to this point is because the folks that we're negotiating with have not been willing to be fair and balanced in their proposal like we have in the United States' proposal.

She and I talk regularly. I'm sure that there's probably an e-mail waiting on me right now because she is in Saint Petersburg with the president and there will be some back door discussions relative to Doha, but just know that while trade is important and is something that we have got to continue to move down the road from appositive standpoint, that all of us, as members of the Senate Ag Committee, understand that the heart and soul of the farm bill is the commodity title and we're going to make sure that you're treated fairly and it is a balanced farm bill as we go forward the next time.

Thank you very much for being here today. Thanks for your testimony. We look forward to staying in touch.

We're going to have our next panel come down. We're not going to officially stop because we're—and take a break, because we want to make sure that we stay on time. So would the next panel come forward? (Panel I departed and Panel II was seated.)

The CHAIRMAN. Now we move to our second panel, Mr.

Jonathan Held from Hermann, Missouri, representing Wine America;

Mr. Larry Purdum from Purdy, Missouri, representing the Dairy Farmers of America; Mr. Dean Sonnenberg from Fleming,

Colorado, representing the National Sunflower Association; and Mr. Ray Rogers from Nashville, Arkansas, representing the Arkansas Farm Bureau State Forestry Committee.

Gentlemen, welcome to our hearing today. Thanks again to you also for taking time to come and be with us. We look forward to your presentation and to have you answer a few questions. So, Mr. Held, we'll start with you.

STATEMENT OF JOHNATHAN HELD, OWNER, STONE HILL WINERY, HERMANN, MO

Mr. HELD. Thank you, Chairman Chambliss, Senators Talent and Lincoln. I appreciate being able to be here today. My name is Jonathan Held. Along with my parents and two siblings, we own and operate Stone Hill Winery in Hermann, Missouri, and farm 145 acres of wine grapes. We are part of the thriving national grape wine industry. Grapes are the sixth largest farm gate value crop in the US at 3.5 billion dollars. In a recent economic study, it is estimated that in 2004, the production of wine and wine grapes and their related industries produced more than 90 billion dollars of value to the US economy. The industry accounts for 514,000 full-time jobs. It pays 4.3 billion dollars in Federal taxes and almost 5 billion dollars in local and state taxes. Wineries are some of the best examples of ongoing viable small family farms. According to a Gallup poll last year, wine recently passed beer as the preferred alcoholic beverage in the United States. As a nation, we consume only about three gallons of wine per capita, and roughly 25 percent of this is imported. With the strong international competition, the American wine and grape growing industry must lead in the production of wines with superior quality, excellence and value.

Over the past 2 years, the grape products industry has come together to form the National Grape and Wine Initiative, known as NGWI. The goal of NGWI is to triple the economic impact of the US grape and wine industry by the year 2020. The target is an economic impact of 150 billion dollars annually within 15 years. To accomplish this goal, we want to establish a private- public effort to fund research that will make us the No. 1 producer of quality grape products in the world. A modest increase in the Federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has created a national strategic research plan that identifies clear priorities for research that can help us triple our national economic impact in 15 years. It is imperative that we increase Federal research dollars to improve the science of making US grape products. Such a partnership with the Federal Government would help us level the playing field with our foreign competitors. I request that the 2007 farm bill include the following: Provide a mechanism to support industry-government research partnerships such as the National Grape and Wine Initiative; Authorize in the farm bill mandatory funding of 5 million dollars a year from the Commodity Credit Corporation to establish the National Clean Plant Network of clean plant material; provide significantly increased funding to APHIS for the prevention of the introduction of plant diseases and pests; expand the State Block Grants for Specialty Crops Program, originally authorized in the Specialty Crops Competitiveness Act of 2004; provide continued support for the Market Access Program; and provide a thorough review of all farm programs to ensure that specialty crops producers have access to benefits comparable to other farmers. The grape and wine industry is faced with tremendous growth opportunities both in the US market and abroad, but we need your help and consideration in the Farm Bill to realize the growth potential and stay competitive with our foreign competitors.

Thank you for this opportunity to be here today and thanks for your work on behalf of American agriculture.

[The prepared statement of Mr. Held can be found in the appendix on page 94.]

The CHAIRMAN. Thank you. Mr. Purdum.

STATEMENT OF LARRY PURDUM, POLITICAL ACTION COMMITTEE CHAIRMAN, DAIRY FARMERS OF AMERICA

Mr. PURDUM. Thank you for inviting me here, Senators Chambliss and Talent and Lincoln.

I'm Larry Purdum, a dairy farmer from Purdy, Missouri. My wife Alice and I milk from 135 cows. We've been in the dairy business for 45 years. I serve on the corporate board of the Dairy Farmers of America and I am chairman of our Dairy Political Action Committee and chairman of the Missouri Dairy Association.

I have also a written testimony that I would like to leave with you that will detail a little more than what I hit on there.

First of all, we do support the continuation of the Federal Milk Marketing Order Program, but we feel like it's something that regulates something heavy needs to occasionally be changed and brought up to date under current marketing conditions.

Based on a national supply and demand situation, which are largely influenced by areas of the country that have large surpluses of milk, the national situation does not necessarily reflect the needs of the Class I market. Therefore, we feel the need for a separate pricing system that allows all Class I milk to be priced differently than the current. And because of this situation, we are suggesting a policy change that would establish a floor for the Class I mover at no lower than $13.00 per hundredweight. This solution would be market based and have no additional government cost. And we do think a safety net such as price supports is important. MILC, which I thank you people for, has been a big help in the past few years to the family dairy farm. But a Class I mover would also—of the $13.00 floor would be very helpful for us. We are, however, becoming very frustrated in our attempts to get the order systems, the Federal Milk RT Order System to recognize the increasing cost of transporting milk to the market, the very real impact of fuel costs and what they play in the transportation equation, and the manner in which these costs are not equitably shared among all producers in the Federal order system. The transportation cost issues have become increasingly important because of, No. 1, the transportation cost increases of diesel fuel, and No. 2, the flattening of the Class I price which was in the process of implementation of the "Order Reform" by Congress in the year of 2000. Furthermore, the large increases in production nationally seems to cloud the view of what is needed in the Southeast and Eastern parts of the United States. The national price surface no longer recognized the cost to transport milk adequately. This is a problem when we attempt to source milk for the Southeastern consumers from out of the market or to transport it from my area to others of the Southeast.

The dairy farmers who supply the Southeast markets we call the Southern Marketing Agency, have all banded together to try to be more efficient in our transportation costs. Specifically, we have asked that the existing transportation credit system be adequately funded. This system has been in place since the late 1990's and helps to share the cost of bringing milk into—milk supplies from outside the Southeast into our market area. In June of 2005, the Southeast had to source 58 percent of its sales from outside sources outside the Southeast, milk brought in. Outside purchases in August 2005 were exactly double of August 2000. The over-the-road hauling cost in 1997 when the credit was implemented was $1.75 a mile. In 2005, they have increased to $2.35. I'm sure you're familiar with those kinds of costs. In 1997, this particular program would offset 95 percent of the cost of bringing in surplus milk In 2005, the reimbursement rate, or what we could charge, covered only 40 percent. So we need to bring that up to date and we need some current receipts. The numbers we're working off through the margin administrators are 10 years old and we need some cost adjustments on it. So our proposal is to update this 1997 program is something we need your help with, we need to push on it, to get USDA interested in it. Some other things that we are very interested in, is we are interested in what ends up in the WTO negotiations. You know, we're familiar with what you've been talking with the gentlemen on the grain panel were talking about. We also are very interested in what happens in our immigration labor laws.

And I will stop there, and Senator, you can ask me any questions that you have.

[The prepared statement of Mr. Purdum can be found in the appendix on page 98.]

The CHAIRMAN. Thank you. Mr. Sonnenberg.

STATEMENT OF DEAN SONNENBERG, PRESIDENT, NATIONAL SUNFLOWER ASSOCIATION

Mr. SONNENBERG. Thank you, Mr. Chairman and members of the committee. I appreciate the invitation to testify before you about this farm bill. I am president of the National Sunflower Association and I am here today on their behalf. I farm near Fleming, Colorado, where we raise sunflowers, corn, millet and wheat.

Sunflower is one of the minor oilseed program crops. It is a high oil seed crop that is produced on two-and-a-half million acres from the Canadian border to the south of Texas. Most of the sunflower is used in the manufacture of salty snacks such as potato and corn chips. Another segment of our industry is the in-shell sunflowers that are very popular with baseball players and to many of the rest of us Americans.

The Federal farm program income support in the event of low prices or crop failure is the single most important part of the farm program for sunflower growers. The safety net provided by the 2002 farm bill, as with other oilseeds, relies primarily on the Marketing Loan Program. There is strong interest among the growers and the NSA to keep the Marketing Loan a viable option in the new farm program. If the Marketing Loan were to diminish or be eliminated, a similar provision such as revenue assurance would need to be developed.

The NSA further believes that the benefits provided by the next farm bill must be equitable among eligible crops to prevent planting distortions, to prevent planting to harvest the highest maximum value for Federal dollars rather than marketplace. We also support continuation of the planting flexibility provisions that has been in place since 1996.

The NSA supports the development and inclusion of a permanent disaster provision in the next farm bill. Such a provision would help mitigate the shallow losses that producers incur when crops do not exceed the standard 30 percent loss threshold that most crop insurance provides.

While the NSA understands that the crop insurance program is authorized under separate legislation, we feel compelled to note that the overall policy provisions need to be strengthened in those regions of the country where multiple disasters have eroded farm yield history. Other provisions that need review include the cost of harvesting marginal yielding crops damaged by weather as well as the ability to expand crops into non- traditional growing areas.

The NSA supports a stronger Energy Title in the next farm bill. As a part of this title, we also encourage that you develop and include options to grant Class I and II CRP in the Conservation Security Program acres back into bio-energy production.

In closing, I want to again thank the committee for the opportunity to testify, and we understand that the WTO negotiations, as well as budget deficits, may limit farm program options. However, we are prepared to think outside the box and work with you to develop a new farm bill. Thank you very much.

[The prepared statement of Mr. Sonnenberg can be found in the appendix on page 113.]

The CHAIRMAN. Thank you very much. Mr. Rogers.

STATEMENT OF MR. RAY ROGERS, CHAIRMAN, ARKANSAS FARM BUREAU'S STATE FORRESTRY COMMITTEE

Mr. ROGERS. Thank you, Mr. Chairman and members of the committee. My name is Ray Rogers and I'm a poultry farmer and have a cattle operation and I own and operate Rogers Timber Company in Nashville, Arkansas. I'm currently serving as Chairman of the Arkansas Farm Bureau's State Forestry Committee.

By any measure, agriculture is the backbone for the nation's economy, and an invaluable component to our national security. I believe the main purpose of the national agricultural policy is to maintain a stable, high quality affordable food and fiber supply for our nation. With that being said, I would like to address four issues in the farm bill that I think is critically important to the forestry industry.

First, I strongly believe—No. 1, I strongly believe it is time that we increase our efforts into the area of bio- energy in order to reduce our dependence on foreign oil. Let me say it where I think we can all understand it. This high energy cost in fuel is killing me in my small business and the farmers that's out there trying to make a living that's buying any kind of fuel and energy right now. The Farm Bureau, and we support full research and development for the increased production of all forms of renewable fuels both from agriculture resources for energy use, including bio-mass, which includes waste-wood products. We favor bio-diesel incentives with tax credits of at least 10 years in duration, and through other appropriate measures such as a renewable fuel standard.

Farm Bureau also supports the 25–25 vision which calls for 25 percent of America's energy needs to be produced from working lands by the year 2025.

Second, the environmental quality incentive program, known as EQIP, is a beneficial program provision. The Farm Bureau supports farmers and ranchers in their effort to voluntarily develop private resource management plans to manage their agricultural resources while meeting their production, economic and environmental objectives. EQIP provides forest landowners critical financial support on conservation practices to help maintain a healthy forest.

Funds should continue to be prioritized and distributed on a local level, with the primary emphasis being on water quality and soil conservation. And I would like to see this program continued within the 2007 farm bill, though with price adjustments included so that the escalating prices of materials are accounted for.

Third, the Forest Land Enhancement Program, known as FLEP, is under Title VII of the Forestry Program, totaling $100 million. Arkansas was allocated $500,000 a year and, as you all know, the first year we were funded at a rate of $473,000. In 2004, we received no funding. And down now to 2005, this past year, it was $112,000. Now, the main advantage that FLEP has in the farm bill is, it is giving—provides assistance to the small landowners. And when I'm talking about small landowners,

I'm talking about landowners out there that own 31 acres or less, or 40 acres or less. It allows them to do reforesting practices and improve their forestry stands and provide for our natural resources. So that—that is an important program if we can get it funded fully. Which it hasn't been as of yet.

The fourth thing that I would speak of, and I'm not an expert on this, but as you know new international rules and disciplines on domestic support programs currently are being abated as part of the Doha Round of trade negotiations in the World Trade Organization, I believe personally that the negotiations will not be concluded before the 2007 Farm Bill.

If that's the case, I don't—you know, I don't believe we need to make a commitment of any kind on—until we know the market asset. As it sits, we must be able to take into account the agricultural policies that are developed through those negotiations for the future.

The Farm Bureau does support the concept in the 2002 Farm Bill for the inclusion in the 2007 legislation. It is important that the negotiations on market access and domestic support be clearly defined before we draft a new farm bill or accept significant budget reductions.

I would just like to close with, I know that the budget situation is drastically different going into the 2007 Farm Bill debate in comparison to the 2002 Farm Bill. And I also understand, and I know that you all know this, that the United States spends less than 1 percent of the total budget on agricultural policies and the programs which support it are funded as safe food and fiber supply in the Unites States. And I would just ask that you all fight hard and work with us to try to keep that funded, as much of it as we can, because it is important to all parts of our farm and production agriculture.

Thank you again for the interest.

The CHAIRMAN. Well, thank you. Those were very informative presentations. Mr. Held, let me start with you.

There has been proposals to provide more money to the specialty crop industry in the next farm bill. What ideas would benefit your industry the most, and what ideas do you have for the funding of the proposals?

Mr. HELD. Obviously research is what we're after more than anything. Particularly we're looking to the State Block Grants for specialty crops. There's a huge diversity in our industry across the country. A lot of diversity of research is what we really need to remain competitive. We're really concerned about foreign competition. Many of these foreign competitors are investing heavily in research, particularly Australia. As far as where the funding goes, I'm no expert on how you work the budget out in Washington, D.C. I have all the respect in the world for you and the job you have to do. But the need is there. We see a huge tremendous potential, triple the economic impact of this industry. To do it, we need your help with research.

The CHAIRMAN. Mr. Purdum, we've got a dilemma that we're dealing with with respect to dairy. And that is that the aggregate measure of support for dairy is almost four and a half million dollars. If the WTO negotiations are successful, the United States is going to be restricted to 7.6 billion in our Amber Box. Those reductions would require proportional cuts in all commodities including dairy. So if we have to reduce the measure of support for dairy, is dairy going to be able to adjust to that kind of scenario, to fit—allow us to fit that number within the Amber box?

Mr. PURDUM. Senator, I don't know exactly how those numbers would fall yet, but I would point out that dairy has been quick to take steps, such as the CWT. We just increased that to a dime a hundred. This is funded completely out of the dairy farmers pockets. We have bought and exported several tons—metric tons of cheese and butter and powder to other countries. We think we're really trying to help ourselves that way. Unfortunately, only 70 percent of the dairy farmers pay into that. See, it's voluntary and—and I wish that number would be a hundred percent. It probably never will be. There's always a few who want to ride on the shoulders of the rest. One of the programs, like I mentioned, has a $13 floor on Class I milk. It would be a straight pass through from the processors to the consumer. There is no cost there to the government.

There is programs there that if we could work together, I think that we could get these programs that would help. And one of the reasons we need that, all three of you senators are from an area that is very deficient in milk. And we know that there's milk in abundance in the western sector of the United States.

But for the processor in Little Rock, Arkansas, or Saint Louis, Missouri or Springfield, Missouri, or Georgia or Mississippi, the cheapest milk for that consumer is the milk that's close by.

When you add the transportation cost, the cheapest milk is nearby. And we have a real dilemma in your part of the world,

Mr. Chairman, because there just isn't enough milk and the dairies are going out, exiting the business, at a rapid pace because of the prices of feed and energy and things and the price of milk in those areas.

The Class I isn't—it doesn't—it's flattened out in comparison to the Class III cheese prices to what it was several years ago. And there needs to be—we need to price Class I milk, the top quality milk we have that goes into the bottling plants, needs to be priced, in my opinion, off of something other than Class III cheese, which we have an abundance of it in certain areas of the United States, and yet it sets our milk price for Class I, our movers, to Class I prices. So I think we need to look at that, and as I said, I think the Federal orders are a very important part of our system but, you know, markets change and times change. And if we don't move that and change with it, then it's a broken system. And right now, we're very frustrated in trying to get help to make them realize what it costs in transportation that we have had in trying to move milk from west—areas out west into the South and Southeast so that we have enough milk for the consumer down there. A lot of times, dairy farmers in all three of your states have had to dig into their own pockets, 40, 50 and 60 cents a hundred out of their milk pool to make sure the consumers had milk brought in from other areas. Again, as I say, the cheapest milk is the milk that's maintained local and sometimes we have to have new innovative ideas to keep that local milk where it's needed.

The CHAIRMAN. Speaking of innovative ideas, you mentioned in your testimony, in the 2002 Farm Bill, we had a milk income loss contract program which it's been somewhat controversial.

As you know, I have a lot of friends at DFA. I also have a lot of friends in the dairy industry around Guthrie. Some of them support this program and some of whom don't. What is—is there an official position from DFA relative to whether or not we ought to continue the MILC program or are there any ideas that you might have out there that it might be a subsidy program relative to the benefits that are provided to farmers from this program?

Mr. PURDUM. Well, our corporate board unanimously passed this $13 floor and that included dairy farmers from all parts of the United States. Now, we officially stand that we are for the MILC payment with no cap. That's the official stance of DFA.

But again, we did officially also pass the $13 floor as the DFA, what we—what we would hope for.

The CHAIRMAN. OK. Currently only dairy producer cooperatives have the ability to forward contract with their members. Does forward contracting provide producers with an additional risk management tool to manage price and income volubility in the marketplace? And should this option remain available only to cooperatives, or should processors and non- cooperative dairy producers also be able to utilize this risk management tool?

Mr. PURDUM. Well, we have a stance, again, at DFA where the—we want the co-op, I guess, to have that. And actually they're just a pass through. They're just helping me when I want to make a forward contract, they want me get in touch with the right people, or help handle it for me. And one of our problems there, Mr. Chairman, is, it's hard to educate our producers to knowing how and when to use those. At times you may—it's going to take time for that pass on. If they—the grain farmers are way ahead of us on understanding how to use futures to help. But we have—we want that option, you know, for our farmers. But I'm not sure that they're prepared to take enough advantage of it to—they think they still need some safety net of some kind, but I think there are ways of having it we can still do it within the budget.

The CHAIRMAN. Mr. Sonnenberg, your testimony, I notice your support for a stronger energy title in the next farm bill and I think we all agree with that. Should an energy increase—should an increase in conservation or bio-energy programs come at the expense of the commodity programs?

Mr. SONNENBERG. I don't think that it can be afforded for it to be. The energy programs are primarily ending up being owned by Wall Street and not at the farm level. If the support goes into the energy program, it's going to benefit us indirectly in the form of higher commodity prices, which will reflect in lower costs to the Federal Government. I don't think that we can set out a formula in front that says we're just going to reduce the farm support in order to have an energy policy.

The CHAIRMAN. Some organizations have explored the possibility of an energy based approach for the commodity title.

What are your thoughts on a revenue based approach to a safety net as a replacement for our current commodity programs?

Mr. SONNENBERG. I certainly think that there's a place for it. I think it has to be well thought out. One problem that we do have is that we're trying to expand the acreage base because we have an increased demand for sunflower oil. And we have a small pocket of sunflower production here in Missouri. It's primarily been for the birdseed base. You go someplace outside of that area if you want to add sunflower production, you can't get the insurance coverage until you have 3 years of production history. And so to come up with a full based coverage that would allow somebody to fall under protection of the insurance as soon as they add the crop rather than having a three year period where they're assuming all of the risk would be beneficial for us.

The CHAIRMAN. Mr. Rogers, given the budget constraints, what would be the most helpful program for private forest landowners?

Mr. ROGERS. For private forest landowners, I believe the most important thing that the agriculture sector could do is equip the—funding fully like EQIP or maybe increase it, because I think any time you cut 40 acres of timber, there's a lot of people out there that just don't replant it. And if there's some money available to help do that, and some assistance there for the Arkansas Forestry Commission, or whatever commission oversees that, I think it's a very important tool because of—it is a renewable resource but it takes several years to renew. And so I think any time you've got land that's not being put in production, it needs to—to be in some kind of timber production instead of just sitting idle.

The CHAIRMAN. Is Arkansas a beneficiary of the CRP program with respect to pine tree planting?

Mr. ROGERS. Yes, they are. In fact, you see a lot of CRPs that's went from grass to pine tree production just because—— you know, I believe 58 percent of Arkansas is forested, has trees on it, and 50 percent of those trees are owned by the private sector, so it's a big help.

The CHAIRMAN. Senator Talent.

Senator TALENT. Mr. Held, you mentioned APHIS. Elaborate on that a little bit. Do you think APHIS is under funded and if so, what concerns does that pose for the industry.

Mr. HELD. I do believe APHIS is somewhat under funded.

When you're dealing with permanent horticultural crops such as grapes, we have a huge investment to plant. We're looking at 10,000 acres—or, $10,000 an acre to establish a vineyard, and three to 4 years to get it into production.

Clean plant material is of utmost importance, and viruses coming in from overseas on new cultures are an issue. Introduced pests that we initially thought were beneficial and later proved had side effects, these are a huge issue. The economic impact is tremendous. Right now in the Midwest, we're dealing with the multi-colored Asian lady beetle introduced as a beneficial insect on soybean crops. The downside of this is, once the soybean crop is over, they migrate into vineyards. Just a couple of these bugs in a lug of grapes basically ruins the resulting grape juice or wine. You get a product that smells like peanut oil that's gone rancid. We need to really work on keeping these types of pests out of the country. It's vitally important to expensive, permanent crops such as grapes.

Senator TALENT. When we look at what we're investing to upgrade an industry, you think it can all go down the tubes if you've got a virus or a pest in from abroad. It makes sense to fund APHIS. We appreciate what you and your family is doing in particular for Missouri's economy and for being here.

Mr. HELD. Thank you, sir.

Senator TALENT. Larry, talk a little bit more about your attempt to update the marketing order system to reflect transportation costs and how important that is even within the regions. And this is something I don't think we all understand.

Mr. PURDUM. Well, as I said a while ago, you know, if you go back to 2000, you know, through the market administrator, what they allowed us to collect and what was there, we were able to spend—we were able to cover 95 percent of the cost of bringing in supplemental milk. And by the year 2005, it had fallen under 40 percent. So that's 60 some percent to make sure we have milk in all the areas in the Southeast and South where it's needed, is actually being funded by the local producers to make sure it's there. I mean, it's—it's on our back. It's become on our back. Now there's a few independents and a few of the people that don't have to pay that. I have neighbors that sell not to a coop but otherwise, and they always have a better milk check than I do. That's because they don't get the 30 or 40 or 50 cents taken out of their milk check to make sure the plants down there—processing plants have milk. And I don't know the answer to including them, but what I'm saying is, the market administrator in Washington, we—we—we have filed in January to get some help and we've heard nothing yet. But we need these numbers updated on transportation costs, Mr. Talent, because it's really hard on the producers in all states that these percentages represent. We're all in the same deal. The whole—actually, there's just two major production regions in the United States, East and West. And we've got an abundance of milk in the West looking for homes and you have a deficiency of milk, and particularly Class I milk, in the East. And I know it's hard to hold milk for—you know, maybe the industry is slowing down, but still, any encouragement to keep milk in that area, keep family farms in business, is the cheapest milk that can be had by the consumers.

Senator TALENT. And they're supposed to update those orders to reflect this sort of thing. I'm tired of having to do legislatively what they're supposed to be doing.

Mr. PURDUM. But I would request all three of your help, because we've tried—we've gone as far as we can go.

Senator TALENT. One other thing, Mr. Chairman—I'll ask this to Larry, what would the impact be if CERCLA was—if the EPA interprets CERCLA as—to cover animal waste, what is the impact on the industry if you become super fund sites?

Mr. PURDUM. I don't know how to answer that question.

Senator TALENT. It's pretty self-evident.

Mr. PURDUM. It could be some really big numbers, but I don't—I don't have numbers for that. But I know there is a bill and it's being circulated in the house to remove manure, which we consider a fertilizer, from the super waste fund. And certainly we hope that that happens for all—all—not just dairy, all the livestock industry.

Senator TALENT. You mentioned it in your testimony and I want to go over that. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Lincoln.

Senator LINCOLN. Thank you, Mr. Chairman. I just want to call on Mr. Purdum. Keeping you in business is probably the best way to mitigate the risk of things that happen outside of our control like the cost of transportation often times. I think the cost of fuel, and the cost of whatever, you know, as you said, keeping you in business is really the best way to mitigate this and not having to make sure that we're not hurting those types of additional commodities across the country.

Mr. PURDUM. Milk is a very perishable product.

Senator LINCOLN. You're right. I got to tell you, from our school programs to those of us who go through two or three gallons a week, our boys are growing and it's an important issue. We appreciate your being here. Mr. Rogers, as I've said before, I do appreciate how much you being here representing the forestry industry in Arkansas. Your testimony talks about the pulp paper industry in our state as being our largest manufacturer. It's certainly enormously critical that we make every effort to sustain the facilities that often provide the primary source of jobs in our rural areas. But I'd also like to compliment you on making sure that people understand that as far as energy is concerned and renewable sources can be used, our pulp wood and paper industry cannot only continue to provide paper as a product, but it can also provide energy and other work is being done about using the leftovers on the forest floor, cellulosic conversion as well as the energy production that's being talked about and some of the projects that the entire pulp and paper industry are—are coming together to test and to put it out there as an energy production. I met with some of the workers from one of our plants down in McGee that said, you know, "We love producing paper and we've been doing it for 25 years, but if we could produce energy, too, we're glad to do that." So we appreciate the fact that renewables are a very important part of what we need to focus on. I also want to highlight something else that you mentioned, and I think it is critically important as we go forward not only with the farm bill but also in the other committee I sit on, the Senate Finance Committee when we talk about tax initiatives in the Senate to encourage a lot of the things that we want to see happen. Renewable fuels, we've got to give industry at least some certainty of how long they can expect to get those incentives. Because to make those major up front investments without—with just having a tax incentive from 1 year to the next, is not enough. I mean, they've got to know that they've got a certain amount of time to be able to use those incentives to be able to recoup some of their costs in that major investment that they made. And I noticed that your testimony mentioned that, looking at a 10–year window as opposed to a two year window is worlds of difference in terms of what you can make as an investment. You've also mentioned the EQIP program an awful lot. I think my first question pertains to the impact of rising energy prices and the input cost that our forest landowners have seen. Obviously everyone has seen that—the increase in those costs, transportation costs, whether you're a commodity grain, milk, forest products or what have you. It has a devastating effect particularly—on all different areas, but some more than others because you don't have the ability to increase your prices to the consumer because your prices are regulated a different way. But if you could just elaborate on yours or anybody else's that you know of, experience with those rising fuel costs, and USDA's cost adjustments for EQIP, and to improve forest management practices, that might be helpful.

Just maybe tell us your own story.

Mr. ROGERS. OK. Yeah, thank you for asking that question. I'm a small timber producer as it goes, but I still produce about 15,000 tons of fiber a year. Now, it takes me——

I use around 2500 gallons of farm diesel, or red diesel, a month just to run the skidders and cutting machines and loaders. In 2004, I could buy that red diesel for 99 cents a gallon. Last week, or the week before, when I ordered my monthly fuel supply,

I paid $2.59 for that same red diesel. That's 161 percent increase in a 2–year period. I don't—the timber producers or the grain haulers I believe are—are—a lot of our agriculture people that get the product to the mill or the processing plant don't have the luxury of putting a surcharge on their fuel. Now once that product, like wood or plywood or pulp and paper—or paper is produced, when it goes out the back end and it's hauled to California or hauled to New York, then those long haul companies do add a surcharge which takes care of their diesel increase. But we don't have the luxury of doing that.

We're kind of at the mercy of what those mills want to pay us.

And so we're just—you know, we just have to come up with an increase somehow ourselves. And it comes off of my bottom line like it comes off of all of the other farmers and ranchers. And then in the logging business it's especially critical because——

I'm just talking about the production side of it. I run seven contract truckers. We may haul that wood 100 miles. Our average haul probably is around 60 to 70. But you're looking at a truck that gets five to six miles a gallon of diesel. You know, I—there's truckers, contract log haul truckers, chip haulers, they're dropping like flies down in Southwest Arkansas because they just can't stay in business. As far as EQIP, I believe there has been some energy adjustments made in that at a rate of about 15—15 percent, I believe, Senator, but none of the forestry practice that I know of—and I may be wrong, but none that I know of in the EQIP program has got that 15 percent increase. It's been given to, you know, the other conservation projects. So I feel like, you know, at least give us some help to adjust the 15 percent across the board on any kind of—— because you know, you go to dragging a ripper and a dozer across 40 acres to get you ready for—the land ready to plant trees, you know, you're going to spend, I mean, the cost is—it's just an astronomic cost. So that's kind of the dilemma we're in. And I have three small logging crews but, you know, we employ about 23 to 25 people, and that's families that depend on my operation to make a living. So we're kind of struggling right now with this energy cost.

Senator LINCOLN. Well, just to follow up on that very briefly, and do any of you all have comments about what our first—you know, some of the first steps we need to take in terms of renewable fuel, but Mr. Sonnenberg, you mentioned that you can't sacrifice a commodities program for an energy program because we're seeing so much of the investment for renewable energies coming from Wall Street. And that's not a bad thing.

I know some of my colleagues do think it's a bad thing, but we can't do it all by ourselves out in rural America to get us domesticated or non-dependent on foreign imports. What's is the best next step in terms of renewable energy? Anybody got ideas on those? Gets us closer to the production of renewable fuel something in the farm bill?

Mr. SONNENBERG. I think that we need submitting new acres to really make it viable. We're already competing among ourselves for acres. I think that some of the high quality land that's been under the conservation reserve program needs the opportunity to come back out in an orderly fashion to expand the acreage base again. We can achieve conservation by other means than just completely setting it aside to where it's unusable for this generation and future generations.

Mr. ROGERS. I'd like to speak to that, if I could. Now I think somebody in this first group mentioned that there were 40 million acres of land set aside in the United States under the conservation project. The USDA did an assessment of the potential payoff from expanding production of this—to create a biomass as an industry on that 40 million acres. And the demand on that 40 million acres, a larger biomass industry would depend on bio-user crops, that is crops that produce specifically for the use of biomass for energy production, this acreage would be drawn from existing crop land, idle acres and conservation research acres, and manages to avoid any environmental damage that we could do—would do with crops ranging from switch grass to poplars to bio-energy crops, and that it's possible that that bio-mass energy, that 40 million acres, could possibly come to the fourth most important crop produced in the United States if we could turn around and make energy, ethanol or something out of that. That would be fourth in line with wheat, corn and soybeans. And it would also generate higher commodity prices because the farmers would have more land that they could farm, more markets. The estimation by the USDA is that it would be 14 percent higher with bio-energy crops using the 40 million acres, and that would boost farm incomes from three to six billion dollars a year. So I think that's a win, win situation if you could help the farmers by producing biomass energy on some of these acres set aside. And I don't think you have to cut commodity prices, and I'm not in favor of doing that because I would get hung out to dry by some of the rice farmers up there, Miss Lincoln, that you know if I said that. I don't think you ever benefit by robbing from Paul to pay Peter. That you need to attack both situations and I think we have a means. We do the best job in agriculture production of anybody in the world, and sometimes I think we forget that. When you give these farmers a chance to produce some kind of energy that we can use and get us away from so much dependency on foreign oil, that's got to be a better deal than what we're looking at now, in my opinion.

Senator LINCOLN. Thank you.

The CHAIRMAN. Of course, my reaction to the initial comment there, Mr. Rogers, is I've got a—found a place to pheasant hunt, too. Make sure we don't put all them 40 million acres in——

Mr. ROGERS. We've got a place and I like to hunt, too.

The CHAIRMAN. All of you raised very good points relative to a number of issues. But this issue of alternative fuels and the opportunity we've got in agriculture is just fascinating to me. It's something that we're going to look to take advantage of. We don't know yet how we're going to be able to do it because if we—if we put a lot of money into it in the farm bill, obviously it's got to come from somewhere. But there's got to be other things that we can do. And one reason I asked you about your pine trees and CRP, that's primarily our CRP land in Georgia is planting the pine trees. There's some restrictions on you, I know, once you put it in that CRP. We're doing some research right now, as I'm sure other folks around the country are, maybe some at the University of Arkansas, but both Georgia Tech and the University of Georgia are doing a lot of research right now relative to the utilization of the—what we've always referred to as the trash that we leave in the woods, those tops and those limbs, and they're gathering those now and looking to utilizing those both from an energy production, as well as an alternative energy production. So I think there are a lot of things that are on the table as we move into this farm bill that you all have brought up today that can be of significant help to us and hopefully we can take advantage of. Mr. Held, I did have one question I wanted to ask you. I just want you to give me a definition of what you mean by a clean plant?

Mr. HELD. With horticultural crops, we plant a rooting that has been grown in either a nursery row or a greenhouse for roughly a year. If that plant has a virus infection or some other root rot disease or anything like that, we've gone to all this expense to put it in the ground and start growing it and establish the trellis and we're wiped out within a few years. We need to eliminate these viruses and diseases, organisms in the plant before we put it in the ground.

The CHAIRMAN. Is that where most of the research is done in your industry? Like that?

Mr. HELD. It's not most of the research, but it's one of our big priority areas. And currently, in the Midwest, the vines or cultivar that we grow, we have no source of clean plant material.

Senator LINCOLN. What's the longevity of a grapevine?

Mr. HELD. It depends on the variety. The grapes that we grow in Missouri and Arkansas, a lot of the native American species, 50, 75 years. Some of the more tender cultivar, such as the hybrids, 35. If you attempt to grow some of the European grapes or the vines that have been brought in from California, they might not last but a couple of years because of our severe winters. There's a few of these in Arkansas.

Senator LINCOLN. OK.

The CHAIRMAN. Well, gentlemen, again, thank you very much for being here. Thanks for your testimony. We look forward to staying in touch and dialog with you as we're writing this farm bill, and we're going to continue to call on you all as a resource. Thank you.

(A brief recess was had.)

The CHAIRMAN. All right, we'll continue with our third panel. First of all, we have Mr. Mike John from Columbia, Missouri, representing the National Cattlemen's Beef Association; Mr. Mike Briggs from Springfield, Missouri, representing the National Turkey Federation; and Mr. Jim Hinkle from Mountain View, Arkansas, representing the National Wild Turkey Federation.

[The prepared statement of Mr. Rogers can be found in the appendix on page 115.]

Gentlemen, thanks to all of you for being here. We look forward to your testimony and to dialog with you about some of these critical issues. Mr. John, we'll start with you. We look forward to your testimony.

STATEMENT OF MIKE JOHN, PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION AND MEMBER, MISSOURI CATTLEMEN'S ASSOCIATION

Mr. JOHN. Thank you very much, Mr. Chairman, Senator Lincoln, Senator Talent. My name is Mike John. I'm a cattle producer from Huntsville, Missouri, and am a proud member of the Missouri Cattlemen's Association and I'm also currently the President of the National Cattlemen's Beef Association.

Ranchers are an independent lot who are focused on working towards an agricultural policy which minimizes direct Federal involvement in our operations, achieves a reduction in Federal spending, preserves the right of individual choice in management of land, water and other resources, provides an opportunity to compete with foreign markets and does not favor one producer or commodity over another.

There are many areas we can work on together to truly ensure the future of the cattle business in the United States, including conservation and environmental stewardship. Ranchers are a partner in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our industry to remain strong.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. Programs such as EQIP are extremely popular with cattlemen and we hope to see this type of cost share program expanded to include more producers. Cost share and working land programs serve to protect both the environment and the taxpayers' money. As we continue to look at this farm bill, we anticipate renewed attacks by activist groups such as PETA and the Humane Society of the United States who use extreme measures to try and force their views of vegetarianism and extreme environmentalism on others. Every person has a right to their own views, but to force them on others using questionable means is unacceptable. It's no secret that these activist groups want to put the US cattle industry out of business and the farm bill should not be a platform for their agenda. Outside of conservation and activist issues, there are several other issues that have the potential to impact the long-term health of the beef industry. One such area is trade. US cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We supply government—we support programs such as the Market Access Program and the Foreign Market Development Program which help expand the opportunities for US beef, and we urge sustained funding for these long term market development efforts. We appreciate the committee's help in working to reopen foreign markets that were closed to US beef after the discovery of BSE.

To grow our business, we have to look outside the US borders to find 96 percent of the world's consumers. We encourage the committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

As with the 2002 Farm Bill, we fully expect to deal with several marketing issues. When looking at these issues, it is important to note that we support the critical role of government in ensuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement action when situations involve illegal activities such as collusion in anti-trust and price fixing. However, government intervention must not inhibit the producer's ability to take advantage of new marketing opportunities and strategies geared toward capturing more value for our beef. A ban on packer owner—on packer ownership or forward contracting has been a farm bill debate for years. We are strongly opposed to those efforts because we feel that Congress is trying to tell cattle producers how and when to market their cattle. This strikes at the very basis of our business, which is utilizing the market to improve our returns and make a living. Each producer should be able to make their own marketing decisions whether they market their cattle through traditional channels or new and progressive channels. The market provides many opportunities and cattlemen should be allowed to access all of those.

As you can see, we are not coming to you with our hands out. Like I mentioned before, America's cattlemen are proud and independent and we just want the opportunity to run our ranches the best we can to provide a high quality product to the American consumer, and even more importantly, provide for our families and preserve our way of life.

The open and free market is powerful and as beef producers, we understand and embrace that fact. Cyclical ups and downs of the market can be harsh, but the system works and we remain steadfastly committed to a competitive and free market system.

It is not in the nations farmers or ranchers best interest for the government to implement policy that sets prices, underwrites inefficient production or manipulates domestic supply, demand, cost or price.

We are coming to you in an effort to work together to find ways to use the extremely limited funds available in the best way possible to conserve our resources, build our industry and provide for individual opportunity and success. We ask for nothing more than a Federal agricultural policy that helps build and improve the business climate for cattlemen.

We look forward to working with you on the 2007 Farm Bill, thank you.

[The prepared statement of Mr. John can be found in the appendix on page 119.]

The CHAIRMAN. Thank you. Mr. Briggs.

STATEMENT OF MIKE BRIGGS, CHAIRMAN, NATIONAL TURKEY FEDERATION

Mr. BRIGGS. Good morning, Mr. Chairman, Senator Talent and Senator Lincoln. Thanks for this opportunity. My name is Mike Briggs. I'm currently the chairman of the National Turkey Federation, which basically represents all facets of the turkey business except for the wild turkeys. The turkey industry today is very vibrant. We produce about 270 million turkeys, which is about five million pounds of ready to cook weight worth roughly $8 billion in value. I should also mention, as Senator Talent did, is that Missouri is currently the third largest turkey producing state. The key to our industry's profitability is access to an affordable supply of feed. About 70 percent of the cost to produce a turkey is in the feed, and primarily what the bird eats is soybean and corn, with the corn being the most critical. The demand for corn worldwide has risen, primarily due to the fact of being used as a fuel source, and also the fact that China has now become a net importer of corn as opposed to an exporter.

As you write the next farm bill, we would like you to remember that the singular most important thing that you can do to help the traditional feed consumer is by keeping up the support payments and allowing farmers the maximum amounts of flexibility to meet this growing demand. In writing the next farm bill, we ask that you do two things, one is maintain the payments so that farmers have maximum payments and also expand the aerable land available for production by ensuring that only truly environmentally sensitive land is enrolled in the conservation reserve program.

Another major challenge is in the environmental area. We accept our agricultural environmental laws as part of our responsibility as good stewards of the land. Many of you are also aware that some are trying to extend the industrial environmental laws into agriculture and we thank those who have worked to prevent it. Whatever the environmental rules are on the books, the poultry and livestock producers will need to be—will need some help with compliance. In writing the next farm bill, we would urge you to, one, increase environmental quality incentive programs to the maximum extent possible.

Second, consider increasing the percentage of EQIP funds that are reserved for livestock and poultry. And last, examine ways the EQIP funding could be used to facilitate projects that help turn animal waste into fuel.

Finally, I'd like to mention two other matters, trade and research. Foreign markets are our fastest growing markets. The foreign market development program and market access program are vital to increasing value added poultry products, and we would look to have the new farm bill maintain that program funding at 2002 funding levels.

Finally, Federal agriculture research is vital to our ability to provide safe and wholesome food. One example is the work that's being done in Georgia in regards to avian influenza.

USDA researchers have played a vital role in helping not only those of us in the United States to protect ourselves from the Asian form of avian influenza, but also other countries throughout the world. And we urge you to maintain, if possible, increased research funding, especially in the areas of food safety and animal disease control.

Again, I'd like to thank you for this opportunity and I appreciate it and look forward to answering your questions.

[The prepared statement of Mr. Briggs can be found in the appendix on page 126.]

The CHAIRMAN. Thank you. Mr. Hinkle.

STATEMENT OF JIM HINKLE, BOARD SECRETARY, NATIONAL WILD TURKEY FEDERATION

Mr. HINKLE. Mr. Chairman, before I start on my text, I might mention that I had an opportunity to hear you speak at the national convention in front of several thousand people and you did a very excellent job of combining agriculture to farmers and ranchers and hunters of this country being the first conservationists, and I very much appreciate that speech and how you represented all of us in this country. I might also note that I noticed Senator Lincoln's influence on this panel here today, that, in fact, I am the last one and she saved the largest turkey for last.

[Laughter.]

Mr. HINKLE. I am Jim Hinkle, board secretary of the National Wild Turkey Federation and former commissioner of the Arkansas Game and Fish Commission. NWTF is dedicated to conservation of the wild turkey and the preservation of the hunting tradition. We worked to bring the turkey population from 1.3 million in 1973 to

7 million today, thanks to state and Federal wildlife agencies, NWTF volunteers and partners, and your committee's efforts. Together, we spend more than $224 million on conservation projects, helping landowners, producers and wildlife. Most important for NWTF in the next farm bill is an increased focus on forest management within the conservation programs. Our forests supply more than 50 percent of the freshwater flow for the lower 48 states. NWTF's greatest frustration regarding forestry conservation programs is with the Forest Land Enhancement Program. FLEP is a well intentioned program that this committee created, yet its funding was diverted to other uses despite strong support. One example where this program could help. NWTF's Operation Oak Program with funding support from Senators Lincoln and Chambliss, NWTF provided over 15,000 native oak seedlings to private landowners in Arkansas last year, impacting over 25,000 acres of wildlife.

If this program had been funded as authorized, we could have done 50 times this amount of work. The forest—excuse me, the Forest Stewardship Program is one of the best programs to help forest landowners. Through this program, natural resource professionals has developed more than 260,000 management plans, improving almost 30 million acres of land. The EQIP program promotes agriculture production and environmental quality as compatible. In Missouri, approximately $1 million is spent annually on forestry and wildlife practices through EQIP.

However, only 1 percent of EQIP's $1.1 billion is spent on forest management, and only about 5 percent of funds are for wildlife. The NWTF recommends at least minimal increases in EQIP funding and more targeting of funds to wildlife activities in our forests.

Finally, we recommend that EQIP require more contribution agreements to allow NGO's to assist private landowners outside the cumbersome technical service provider process. The CRP has an excellent track record of providing landscape level conservation of soil, water and wildlife habitat. In Missouri, about 50 percent of the accepted acres occurs within a 30 county wildlife, quail and prairie chicken priority area. Also 54,000 new acres of prairie registration and 180,000 new acres of native grasses have been planted. We recommend requiring more wildlife friendly plantings of CRP land such as hardwood, long leaf pines and native grasses and forests. We also recommend that the WHIP Program broaden the number of target species and place more focus on long term benefits or practices and that it is totally funded.

Hunting is an American tradition, as you well know, with 18.5 million participants that contribute over 30 billion annually to our economy. To increase the benefit of conservation programs, we would recommend adding additional points to the CRP environmental benefits index for landowners which will, of course, help open up lands to public hunting.

Thank you again for this honor and opportunity.

[The prepared statement of Mr. Hinkle can be found in the appendix on page 133.]

The CHAIRMAN. Well, thank you, gentlemen, very much. We—obviously, from a conservation standpoint, the greener we become farm bill-wise, why the more compliant we become with WTO, so a lot of folks are pushing us to expand our conservation title. And let me just ask you, each of you, if you will, tell me what's the No. 1 conservation program that your folks take advantage of? What improvements could we make to that particular portion of the program?

Mr. JOHN. Well, I'd say, Senator, that the EQIP obviously is primary and improvements would be greater access—more—— more dollars and greater access to the program.

The CHAIRMAN. As far as the program itself, do you think it's working pretty good?

Mr. JOHN. I think so. I mean, any kind of a working land program where you can still utilize and have activity on the ground and utilize a conservation program to help manage that, that process, those are all good programs. But EQIP specifically, since it already exists, is a good example of that type of program.

The CHAIRMAN. Mr. Briggs.

Mr. BRIGGS. I think I would agree also, Mr. Chairman. I think any time we can put—as we say in conservation, we put sunlight on the ground, anytime we can put money on the ground, I think these programs are very good and they're working, but I think we need more opportunities to get directly to that land.

We need to reduce the red tape every place we possibly can. For example, in some of the programs, we have to have an engineer come out onsite to approve a project. There's a big backlog with that program. So it's not what the problem—it's not whether the project is good, it's the problem in getting the money on the ground to effectively be used.

The CHAIRMAN. Mr. John, during the last farm bill debate, there was considerable discussion on competition in the livestock marketplace. What effect would—you talked a little bit about this but I want you to expand on it a little, what effect would bans on packer ownership of cattle and forward contracting and mandatory country of origin labels have—— labeling have on livestock producers?

Mr. JOHN. Well, it's our opinion and my opinion that those are almost non-competitive and non-market access type issues.

We believe strongly that producers—progressive producers today are utilizing all of those tools as a way to either do a better job of risk management, plan for expenses, or to actually capture added value from their production. So we believe strongly that you have to have access and the market needs to be open and free, and free enterprise needs to take place and voluntary programs tend to offer those opportunities. And specifically, when you mentioned COOL, in the last farm bill, the language is what we're so violently opposed to. It just didn't create its desired effect. It singled out one basic enterprise within our whole industry and didn't share that access equally, not only amongst our own species, but it didn't put that same burden of cost on our protein competitors that are sitting at this table, so there were a lot of things wrong with the language of that bill. But what a voluntary country of origin labeling allows for producers to differentiate, and if you can differentiate, then you can capture value. And so we would—we would—just to reiterate, we're—we don't think we ought to be restricting market options, we think we ought to be opening more market options and allow producers the opportunity to take advantage of those programs.

The CHAIRMAN. We have had a difficult time getting—— bringing to a conclusion the reauthorization of the mandatory price reporting. How important is that to your industry from your standpoint?

Mr. JOHN. I hope you continue to be successful. It's a—— in our view, it's a bad law, Mr. Chairman, and we sure don't want it to come to the light of day. Again, having said that, a voluntary country of origin labeling program that rewards a producer for meeting some requirement that one of our—one level of our consumers has, is viewed as valuable. It's very important, and so we would highly encourage the ability of producers to participate on a voluntary level if a retailer or a food service entity or somebody determined that there was a value—an added value for that product and label them.

The CHAIRMAN. I was asking about mandatory price reporting.

Mr. JOHN. Oh, I'm sorry. I'm sorry. I get so—I'm tired of dealing with the COOL.

[Laughter.]

The CHAIRMAN. Somehow I got that message.

Mr. JOHN. We would be in favor of mandatory price reporting and expanding on it. I think that a transparent open market is the best for all producers. So we think it needs to be funded and needs to be completed, and the sooner you can get that done and the sooner we can move forward, the better.

The CHAIRMAN. You know, we, from a legislative perspective, or a policymaker perspective, we tend to criticize USDA, as well as other Federal agencies, more often than we pat them on the back, but I have been very strong in commending USDA, but I want to also commend the cattle industry for the way that this BSE issue has been handled. I think after the first initial case was found, from the time we found the last one, we haven't seen a blip there and it was handled very professionally by those in the industry, as well as USDA, and that's what frustrates me about dealing with the Japanese and some of these other folks with respect to reopening their markets. But just so you will know, and you can pass on to your fellow cattle producers, I think we're very close to resolving this issue again, and then hopefully we can see the reopening of some markets soon. And I will say to you, too, Mr. Briggs,

Ambassador Schwab has been in Russia for the last couple of days, and a part of that has been dealing with the Russians relative to their accession into the WTO. Two major sticking points are intellectual property issues plus the sanitary—— bio-sanitary issues that are important to the poultry industry.

And as you know, my state has been a big poultry producing state, as is Senator Lincoln's and Senator Talent's. And there's been a lot of frustration. I had a conversation with her the other day before she left just to make sure that before any agreement was struck, that there had to be an awful lot of concessions by the Russians on that particular issue because we just can't continue down that track of trying to improve our trade relationship with countries and yet at the same time for them to have the ability to arbitrarily cutoff that trade for—on the basis of non-scientific supported issues. So we're working very hard to try to see if we can't clean up that particular issue before we wind up those negotiations with the Russians.

Senator TALENT.

Senator TALENT. Thank you, Mr. Chairman. Mr. Chairman, I just want to note that we haven't had anybody from the Missouri Farm Bureau here and that's because they have a board meeting that's occupying all the top level people. Otherwise I'm certain that we would have had probably a witness and certainly someone in the audience. And they have been usually helpful to me and Kit as we think about the next farm bill, and I wanted to mention that.

We covered, Mr. Chairman, a lot of the ground. Let me just ask Mike John about animal ID. It's a voluntary program and I certainly support it as such. Tell me where you're at in the process, how many producers have voluntarily enrolled and what you see as the potential benefits and what concerns, if anything, you have?

Mr. JOHN. How much time do we have?

[Laughter.]

Senator TALENT. Thirty seconds. No, take as much as you want.

Mr. JOHN. Thank you, Senator. I appreciate all your help and support on this bill. I think it's been a little bit frustrating over time to see the amount of money that's been spent at APHIS and USDA on some kind of identification program, and we're—we're frustratingly behind on getting premises registered. So I'd say, on the first component of the animal ID system, the registered premises, and I don't think we're anywhere near where we should be on it. So what's involved with that is probably more education and more support from the local and national associations to get people educated and move forward with that. As far as animal ID and participation, the people that are participating today are doing so because there is some market incentive to do so because there is a reason and some value, source of name verification, added value that they're getting. And I think you'll see that and continue the increase at the rate it's been increasing. And I can't—I don't think anybody can give you a viable estimate or a reliable estimate on how many numbers that truly is. But I'd say in the state of Missouri, it could be as high as 10 or 15 percent of the producers who have actually participated in some identification program. And the other issue always comes down to voluntary or mandatory and, again, NCBA's position would be that, at least initially, it needs to be a market driven, and to do so then it has to be voluntary. And we also believe that the data should be held in private hands so that it isn't something that could be used against us in some manner. Confidentiality is an issue.

And then you've got to weigh all that against whether it should be for just animal health disease surveillance or for more value added participation. And I think that's the stage that we're at right now. There are some private solutions that are available out there. USIO has a data base that's capable of tracking animal movements. But until we get premises registered, until we have the ability to track animals through auction markets at the speed of commerce and actually capture those transactions at some reasonable rate of expense and effort, it's going to be hard to go down the road where you have either mandatory or voluntary participation. We're moving forward. We're doing everything we can to get people interested and involved. And I think the retail food service and packing industry are putting quite a bit of pressure on the industry to start coming through on that. We'll have those market opportunities.

Senator TALENT. That's all I have, Mr. Chairman, except to add that I've sure appreciated their comments about CIRCLA not having been intended to cover animal agriculture and I think we all feel that way and we're going to work to try and get that resolved.

The CHAIRMAN. Senator Lincoln.

Senator LINCOLN. Thank you, Mr. Chairman. Mr. Johns, just a follow up with your animal ID, we talked an awful lot with—— all across the gambit of producers and agricultural commodities and other things, the input costs that are soaring for all of our—all of agriculture. In the terms of the ID understanding that—I don't know from my experience whether it's with animal disease or whether it's plant disease or what have you, if you don't eradicate most of it, or all it, you've got a real problem out there. What does—since it's a self-funded program, is that correct?

Mr. JOHN. Yes, ma'am.

Senator LINCOLN. You put—how much is—are there—— how much government dollars go into animal ID? Is there any Federal funding for it?

Mr. JOHN. There was—there's been about 84 million dollars spent up to the end of this budget year, and——

Senator LINCOLN. From the Federal Government?

Mr. JOHN. Yes, ma'am. But——

Senator LINCOLN. I guess my question is, is what kind of handicap does that put on your smaller members, or your smaller producers, your smaller cattlemen, cattle operations. But, you know, are you seeing an increase cost of that ID program? Which it sounds right to me, was it—I guess it was started in January, is that right? From your testimony, you were saying?

The animal identification?

Mr. JOHN. Right.

Senator LINCOLN. But, I mean, what—what kind of a disadvantage does that put on operators.

Mr. JOHN. I actually don't think it is a disadvantage. In a voluntary system, they—they—actually the smaller producers being—being more than the large producers. There's a net benefit that is probably greater for small producers who don't have market access opportunity of the larger producers who have large truckload quantities and contract titles. Most of the ID process is on a per head basis, whether it's ear tags or data base management, so if you've got—if the cost is $5.00 a head and you've got one animal, it's $5. If you have 10 animals, it's $50.00. It's generally on a per head basis. So I don't really see it being discriminatory.

Senator LINCOLN. Unless it's mandatory.

Mr. JOHN. Exactly.

Senator LINCOLN. OK. Mr. Hinkle, welcome. Thank you so much for being here and——

Mr. HINKLE. Thank you.

Senator LINCOLN [continuing]. Representing the hunters of Arkansas.

Particularly the turkey hunters. But as a conservationist, do we know—or, in most instances, are conservationists—our best conservationists are our Ag producers, Ag farmers who truly do have a tremendous insight about the land. Just a couple of questions. You mentioned the TSP, the technical service providers, you're—you referenced a need to do a better job of involving third party technical service providers, and I was wondering if you might elaborate on the specific concerns in that area? What are the main obstacles? How can we as a committee insure that the technical service providers are better utilized to help meet conservation goals, and can the NGO's that you mentioned be a possible third party person?

Mr. HINKLE. Possibly. I think I touched on it briefly just a minute ago, Senator. In many cases, we like the result.

It's a good program. We like the final answer. We just don't like everything we have to do to get there. It's—it takes a lot of time. It takes a lot of red tape. And when you're—— when you're working with a private landowner, when you're working with a person out there who would like to try to get all the benefit that they can for the resource, the more you boggle them down with red tape, the more they're going to get discouraged. I think that's the point that we would like to make today, is that we're not arguing that—at all that there's anything wrong with the program. It's just that it takes too long to put the dollar into the ground.

Senator LINCOLN. Right. Well, I think that's the practice of the forestry industry in the Arkansas that's really done well in terms of including landowners and everybody there, so we'll keep working at that.

You also—I think you're certainly well aware of the FSA and how it works closely with the NRCS to administer some of the conservation programs, the CRP and several others. To facilitate that, many of our NRCS officers are collocated with the county FSA offices, and you know, we keep talking about e- government and how easy it's going to make people's lives. That is, if they know how to use it or they have access to it. But most farmers, I think, appreciate and really depend on hands-on existence from these administrative agencies to implement what can often be very complex on-farm conservation practices, whether they've got to meet certain NRCS goals and other things like that. If—if that is the case, in your view, what would be the impact on our conservation goals if the FSA offices across the country are consolidated and closed as has been called for in the USDA's FSA tomorrow proposal? Cutting it down.

Mr. HINKLE. Well, of course it's a—basically from the NWTS standpoint, it's a convenience standpoint for us. We might have a regional biologist or a person out there in the field that might go to a field office that would be 50 miles away instead of 20 miles away. That's some concern, but it's not like all the different landowners having to go 50 miles away. So from our particular viewpoint, it probably doesn't impact us near as much as it does the farmer and the landowner.

Senator LINCOLN. But that's the person we've got to get on board?

Mr. HINKLE. Absolutely.

Senator LINCOLN. If we're going to see the product and the response out of conservation.

Mr. HINKLE. I'm sure there's probably some room for some marrying, some tightening of some of these offices, but the more you restrict the public's accessibility to that process, the more red tape you have.

Senator LINCOLN. Well, I know as—as—your position on game and fish, you referenced WRP, a number of wetlands reserve program is very popular in Arkansas. I think you've rated it first in enrolled acres nationwide. And but we also had the highest number of unfunded applications. I guess just maybe in your viewpoint, from a—you know, a Wabat Commission and others, is it merely a funding issue or do you think that there's the same type of changes needed to address backlog. In other words, red tape and——

Mr. HINKLE. The same—same kind of problems. We do not believe it's a funding issue.

Senator LINCOLN [continuing]. Whistles for wetlands. We'd like to see a little more funding just because we—we don't want to take it all in Arkansas, we want to share it with other states.

But we appreciate you gentlemen being here and thank you so much for your input.

Mr. HINKLE. Thank you.

The CHAIRMAN. Gentlemen, again let me just echo that.

Thank you very much for your valuable testimony and taking your time to come be with us today, and we look forward to continuing to dialog with each of you as we move through this process.

I want to encourage anyone who is interested in submitting a written statement for the record to visit the committee's website at agriculture.senate.gov for details. We'll accept written statements up to five business days after this hearing.

With that, we thank you for your interest in agriculture policy and this field hearing will now be adjourned.

[Whereupon, at 12:22 PM the hearing was adjourned]

APPENDIX

JULY 17, 2006

STATEMENT
by
Allen Helms
Chairman, National Cotton Council
before the
Senate Committee on Agriculture, Nutrition & Forestry

Hearing in
Cape Girardeau, Missouri
July 17, 2006

Mr. Chairman and members of the Committee, thank you for holding this hearing and for providing me the opportunity to present testimony on current and future farm policy.

My name is Allen Helms. I serve as Chairman of the National Cotton Council. I operate a diversified farming operation on which I produce cotton, soybeans, rice and wheat in North Arkansas. I also own and operate a cotton gin.

As you may know, all of the cotton produced in Missouri is produced in this area – known as the Bootheel. During the last 10 years, acreage planted to cotton in Missouri has gradually increased from about 350,000 to 485,000 acres this year. In Arkansas, cotton acreage has been relatively stable at 1 million acres but increased yields have made us the 2nd largest producing state in 2005. There are several key reasons for the stability of cotton production in Missouri and Arkansas. They include the successful eradication of the boll weevil; an effective, stable farm program and new cultural practices and technology-including biotechnology. In both Missouri and Arkansas, 95 percent of cotton acres are devoted to biotech varieties. I would also note that our operations require intensive management and that we continue to invest heavily in technology to remain competitive.

Unfortunately, our longstanding customers, the U.S. textile industry, have not fared as well in spite of their investments and their major gains in productivity. Cotton farmers are deeply concerned with the loss of our manufacturing customer base. We will continue to work with U.S. textile manufacturers to ensure that there are policies in place that promote and reward fair competition. We also are committed to continue supplying the top quality fiber necessary for U.S. manufacturers to produce internationally competitive textile and apparel products. The loss of the Step 2 program had an adverse impact on our domestic manufacturers given their fragile financial conditions. The remaining manufacturers have indicated strong interest in making revisions to our Step 3 import policy and in developing a possible WTO compliant alternative to Step 2.

The rapid decline in raw cotton consumption by domestic mills has created challenges for all cotton farmers who must identify new export markets to replace domestic consumption lost to imported products. The market has placed new and added pressure on our infrastructure including surface transportation and port facilities. We are working with the industry and with USDA and Congress as appropriate to meet those challenges.

Although cotton fiber is our primary product, cottonseed and its products account for 12 percent of the value of the crop at the farm gate. Cottonseed processing facilities provide important markets for our seed, add economic value and create employment. Interestingly, as ethanol production increases, one of the by-products – dried distillers' grain – has depressed the value of cottonseed and meal in feed markets. This is clearly an unintended consequence of policies and programs designed to stimulate production of renewable fuels that has an adverse economic impact on cotton farmers and cottonseed processors and merchants.

During my testimony, I will frequently refer to the success of our current farm law. It is not insignificant that for the past six years no farm organization has called for major modification of current law nor has Congress approved major changes. And, given the diversity of crop production in this area - this also is an excellent location to "test" the balance between commodity programs. If farm policy works for us, and it has, it will probably work well in most areas.

We believe the current farm law has and continues to provide a stable and effective national farm policy for our country. The combination of direct and counter-cyclical payments provide an effective means of income support, especially when prices are low, without distorting planting decisions. The primary shortcoming of the 1996 law was the lack of a counter-cyclical payment that triggered when prices are low. As a consequence, farmers were forced to request emergency assistance from Congress year after year. This has been alleviated by the counter-cyclical program provision in current law. The direct payment mechanism helps provide financial stability required by our lenders and suppliers without distorting production decisions.

It is important to maintain a balance between these two mechanisms. Higher direct payments can have unintended impacts. They can provide an incentive for landlords to take their lands out of producers' hands. Higher direct payments can also create unexpected problems with payment limits, which are currently established separately for each program benefit.

It is also important to consider that sudden, significant program changes can have different regional impacts due to historical differences in cropping patterns and yields.

We strongly support continuation of the marketing loan. In fact, it is clearly our top priority under all circumstances. Cotton and rice were the guinea pigs for this innovative policy in 1985 and it has served us well. The marketing loan **responds** to low prices, it does not **cause** low prices. It is effective because it triggers – when necessary – regardless of the cause of low prices and it ensures that U.S. cotton farmers are not left as residual suppliers when they are unable to compete with the treasuries of foreign governments.

It is also especially important that all production remain eligible for the marketing loan so farmers can make informed, orderly marketing decisions. And, it is important to continue to administer the marketing loan in a manner that minimizes forfeitures and allows U.S. commodities to be competitive in domestic and international markets. For example, an ineffective price discovery mechanism or arbitrary limits on loan eligibility signal our competitors that the United States will be competitive on a portion but not all of our production. This is an open invitation for foreign competitors to increase production, even in the absence of, or in spite of, market price signals -- and would return U.S. farmers to being residual suppliers.

The cotton loan structure and world price calculation have served the industry well. There have been minimal forfeitures and robust exports, but some modification may be necessary to respond to the new emphasis on export markets and the termination of Step 2. Simplification of the loan rate schedule and modification of the calculation of a world price should be reviewed as part of any new farm law. We also support elimination of the longstanding prohibition on USDA projecting cotton prices for the purposes of administering the program.

A sound farm policy is of little value to the cotton industry, including most producers in this area, as well as merchants, cooperatives and processors, if arbitrary, unworkable limitations are placed on benefits. Current law requires USDA to determine if individuals meet certain eligibility requirements and there are statutory limitations on each category of benefits. Unfortunately, these limits have been dictated by public perception, not the requirements of efficient, internationally competitive farming operations. Because there is continuous pressure on USDA to streamline and downsize, it is reasonable to question the cost and efficiency of USDA administering and farmers complying with complicated limitations provisions. Frankly, we believe limitations should be eliminated but at the very least any limitations in future law should not be more restrictive or disruptive than those in current law.

We believe conservation programs will continue to be an important component of effective farm policy. These programs should be operated on a voluntary, cost-share basis and are a valuable complement to commodity programs. However, they are not an effective substitute for the safety-net provided by commodity programs. The Conservation Reserve Program, Conservation Security Program and Environmental Quality Incentive Programs are proven, valuable ways to promote sound, sustainable practices through voluntary, cost-share, incentive based programs.

Access to an affordable crop insurance program also is an important tool for most farmers. However, given the continued inequities of coverage and service in different regions and for different crops it is probably time for another thorough evaluation of the cost and benefits associated with the multi-peril crop insurance program. This is especially important as the concept of a whole-farm, revenue insurance program is gaining attention as a way to devise a WTO-consistent farm program. While we welcome the discussion, I cannot tell you that a majority of cotton farmers will embrace crop insurance as a major component of future farm policy without a great deal more information. In fact, there are those who would support establishment of a permanent disaster assistance program in lieu of funding crop insurance programs.

Continuation of an adequately funded export promotion program, including the Market Access Program (MAP) and Foreign Market Development (FMD) Program, are important in an export dependant agricultural economy. It also is valuable to maintain a WTO-compliant export credit guarantee program. Individual farmers and exporters do not have the necessary resources to operate effective promotion programs which maintain and expand markets – but the public-private partnerships facilitated by the MAP and FMD programs, using a cost-share approach, have proven highly effective and have the added advantage of being WTO-compliant.

The U.S. cotton industry understands the value and benefits of effective promotion. In addition to being original and continuous participants in FMD and MAP, growers finance a very successful promotion program through a self-assessment (check-off) program. In large part, and as a result of effective promotion, the average U.S. consumer purchases 38 pounds of cotton textile and apparel products each year. In the rest of the world, consumption is less than six pounds per person per year. Promotion works! It is important that the authority for farmers to operate self-help, self-financed promotion programs be continued.

Mr. Chairman, we understand you and your colleagues will face significant challenges in designing and maintaining effective farm policy in the future. In addition to the need to balance the diverse interests of different regions and commodities, we know you have to compete for financial resources in times of a significant budget deficit. We also realize you will have to consider compliance with international agreements as you craft future farm policy.

Frankly, most cotton farmers and a majority of the industry would be satisfied with an extension of current law. We support Senator Talent's proposal. If the current trade negotiations are suspended, we would strongly support an extension of current law. This will ensure that when negotiations resume, the U.S. will be able to negotiate from a position of strength. We also know, however, that maintaining existing policy will face hurdles, both domestically and internationally.

Internationally, we are growing concerned that the Doha Negotiations are isolating U.S. agriculture and U.S. cotton in particular. Our trading partners have clearly "pocketed" the generous U.S. offer on reductions in domestic supports and refused to make an adequate response on market access. Recently, meeting in Geneva, our partners demanded even more U.S. concessions on domestic supports while some of them worked to undermine trade liberalization as the primary goal of this negotiating Round. And while the U.S. cotton industry was targeted for inequitable treatment in the Hong Kong ministerial declaration, China, the largest cotton market in the world, insists on being exempt from market access commitments by claiming status both as a developing nation and a newly acceded member of the WTO.

A Doha Agreement that cuts U.S. amber box support by 60%, targets U.S. cotton for inequitable cuts, provides little or no real market access gains for agriculture in general, and exempts the biggest cotton user in the world from liberalizing its cotton quota system will not find a warm reception here.

These inequitable demands by our international partners will not work for U.S. agriculture. If other countries cannot match the U.S. level of ambition for market access, while continuing their calls for even deeper cuts in U.S. domestic supports, we should either withdraw or reduce our offer on domestic support. We sincerely appreciated your continued, clear commitment to an equitable agreement during the period leading up to the most recent meetings in Geneva and your comments following the meetings. U.S. negotiators apparently rejected calls for modifications in the already ambitious U.S. proposal and I am certain that your and your colleagues' vocal support enabled our negotiators to be more effective during the meetings.

We disagree with Director General Lamy who seemed to say a few weeks ago that any WTO agreement is better than no agreement. We appreciate you and our negotiators for rejecting that approach.

We would be far better off constructing a new farm bill under current WTO rules than we would accepting an agreement with rigid, inflexible, poorly defined limits that contains no real gains in market access. Mr. Chairman, we would rather have a $19.1 billion amber box ceiling and current rules, than a $7.6 billion ceiling and worse rules.

We also appreciate your steadfast support for **cotton** throughout the WTO negotiations and your recent statements reminding U.S. negotiators of your opposition to an early harvest for cotton. We remain concerned that your strong message has not been fully appreciated. Cotton has already given more than any other commodity in these negotiations. The Step 2 program has been eliminated, the subsidy component has been removed from the Export Credit program and in Hong Kong, least developed countries were assured of receiving duty free, quota free access to the U.S. raw cotton market as soon as an agreement is reached. An agreement that singles out U.S. cotton for even more inequitable treatment will not earn the support of U.S. cotton producers.

Finally, we are deeply disturbed by continual claims that 80 percent of all program benefits go to fewer than 20 percent of the producers and that only the so-called program crops receive direct benefits from farm law. These comments are misleading and serve to divide rather than inspire cooperation. First, it's important to remember that program benefits do not just come as direct payments. Virtually every commodity receives some type of support, whether through direct income payments, price support programs or barriers to import. For example, for some commodities, the U.S. imposes higher tariffs on imports during times when domestic supplies are the most plentiful. In addition, some commodities receive support through government purchases of the product or by mandating use of the product. Favorable tax laws also are used to provide support for certain products but the benefits are not directly attributed to individual farmers. It also should be recognized that our current farm programs provide very real benefits to the livestock sector. Livestock interests benefit because our current farm programs facilitate preservation of a reliable, safe and affordable supply of feedstuffs such as corn, soybean meal and cottonseed.

It is also misleading to compare payments going to the number of farmers. With the natural consolidation of agriculture, it is inevitable that the majority of program benefits will go to the farmers who account for the majority of production. However, it is also true that per-pound or per-bushel support is consistent across producers regardless of size. Plus, payments to producers represent just a fraction of the costs and risks incurred to enable farmers to produce. This is especially true in the current environment of increasing fuel and energy costs. Today's program benefits are an important safety net and not a windfall.

I am pleased to assure you and your colleagues that the cotton industry is prepared to continue to work with all interests to develop and support continuation of a balanced and effective policy for all of U.S. agriculture.

Thank you for the opportunity to testify today. I will be pleased to respond to your questions at the appropriate time.

Testimony of

Paul T. Combs
Producer
Kennett, Missouri

On behalf of

The U.S. Rice Industry

Before the

Committee on Agriculture, Nutrition, and Forestry
U.S. Senate

Cape Girardeau, Missouri
July 17, 2006

Introduction

Good morning, Chairman Chambliss, Senator Talent and Members of the Committee.

I am Paul T. Combs, a rice, cotton, wheat, and soybean producer from Kennett, Missouri.

I serve on the Missouri Rice Council and as Chairman of the USA Rice Producers' Group. My testimony today is on behalf of both the USA Rice Federation and the U.S. Rice Producers Association.

Mr. Chairman, we thank you for holding this hearing and for the opportunity to express our views on the farm bill.

As Congress holds these hearings in preparation for the next farm bill, the U.S. rice industry supports maintaining an effective farm safety net that includes a marketing loan program, as well as income support payments and planting flexibility.

At this time, rice producers and others in production agriculture face an uncertain farm policy and financial future due to repeated proposals to cut our farm programs and the ongoing Doha Round World Trade Organization (WTO) negotiations.

In this regard, we support the efforts of U.S. negotiators in Geneva earlier this month in holding firm for greater market access in the Round. Gaining greater, assured market access is a must if rice producers are to see any net trade gains from the Round.

For these and other reasons, the U.S. rice industry supports an extension of the 2002 Farm Act in its current form until such time as the World Trade Organization provides a multilateral trade agreement that is approved by the U.S. Congress.

2002 Farm Act Extension

There are a number of key factors that support extending the 2002 Farm Act until a final WTO agreement is in place.

1. Any reduction of the current programs and spending levels of the farm bill will result in the effect of "unilateral disarmament" by the U.S. and ultimately weaken our negotiating position with other countries.

2. Writing a new farm bill in advance of a final WTO agreement could result in a very short-term bill that must be rewritten should the WTO negotiations be concluded and new trade rules are in place. Multiple farm bill authorizations in a short timeframe will weaken the predictability and stability that are key components of any effective farm safety net. This predictability is a key requirement for the lending community that provides financing for production agriculture. Any changes that inject uncertainty into this safety net will lead to financing difficulties.

3. It is a fiscally responsible approach to farm policy and provides a safety net when needed. As such, Congressional estimates of commodity program (CCC) spending through 2005 reflect outlays ranging from $13 billion to $19 billion ***below*** the levels estimated by the Congressional Budget Office (CBO) when the farm bill was approved in 2002. Total commodity spending for 2002-2007 is projected to be approximately $10 billion below the total level estimated in 2002.

Certain WTO decisions ruling against U.S. programs make clear that crafting a WTO compliant Farm Bill is not easy, even when a good faith effort is made over an extended period of time. Rice producers disagree with those who argue that a WTO compliant farm bill can be written concurrently during ongoing negotiations or Congressional consideration of a negotiated WTO agreement. Ignoring this fact while rushing to write a bill will do a disservice to all of U.S. agriculture.

My Senators, Jim Talent (R-MO) and Kit Bond (R-MO), along with Senator Blanche Lincoln (D-AR) and 5 other Senators, have introduced a measure in the Senate to extend the current farm bill through the crop year after Congress approves a WTO agreement (S. 2696). We support such practical legislation that recognizes these realities while still respecting the multilateral trade negotiating process.

Another concern is the timelines for trade-distorting domestic support and tariff reductions in trade agreements. Any timeline for reductions in trade-distorting domestic supports should be concurrent with the timeline for reduction and elimination of tariffs and duties. Otherwise, how will producers manage their operations in the interim after support is reduced and increased market access is not obtained for several years? It only makes sense that similar timelines for the phase-in of measurable market access gains and for any reductions in U.S. trade-distorting domestic support should be required in future trade agreements.

To the extent that there is a successful WTO round that involves a reduction in so called trade distorting support, rice producers strongly believe that the amount of the reduction should be captured and dedicated to providing a more WTO compliant safety net of equal benefit to U.S. agricultural producers. There will always be a need for a safety net in production agriculture, even in a world with expanded trade opportunities, due to the many trade barriers other countries will continue to employ against certain commodities, including rice.

Critical Needs of Rice Farming Families

For the typical family farm that produces rice, economic survival is dependent upon several key factors:

- An effective farm program that provides basic support through marketing loan eligibility for all production and income support through counter-cyclical and direct payments;
- The maintenance of eligibility for farm program benefits for rice operations of all sizes; and
- The development and expansion of global markets for crop off-take.

While U.S. rice yields are among the highest in the world, our production cost per acre is significantly higher than that for other grains.

Even with the safety net in place, much higher production costs, in particular for fuel and fertilizer, have reduced and will continue to reduce rice profitability far below levels previously expected.

These higher costs of production had a direct impact on 2005 crop returns and have impacted producers' 2006 crop planting decisions and returns. In fact, current USDA indications are that U.S. rice plantings this year are down 14% from last year, and are at the lowest levels in 10 years.

While overall rice acreage is down this year in the U.S., over the last 20 years, rice acreage here in Missouri has increased by more than 300%, from 68,000 acres in 1986 to 216,000 acres this year. Our rice industry has grown significantly in Southeast Missouri, particularly in the last 10 years, as growers have looked for alternatives to some of the traditional crops grown in this area. While some of this acreage and production expansion was included in the base and yield updates of the 2002 Farm Bill, there are still significant acres of rice produced in Missouri on acreage with no rice base. While most of these acres have other crop bases, growers would prefer to update their bases to more closely reflect their current production mix. Many Missouri rice producers would welcome the opportunity to update bases given the significant expansion of production in this area. We would encourage this Committee and Congress to carefully review this issue and consider what appropriate action could be taken with regard to a base and yield update in the future.

It is important to note that the marketing loan levels were not increased for rice or soybeans in the 2002 Farm Act, while the loan levels for all other major crops were increased. Rice has maintained the same loan rate since 1989.

Regarding the rice marketing loan program, there was an initiative by USDA this year to adjust the loan rates for long and medium/short grain rice just as planting was starting in some parts of the rice belt. While there were several options under consideration, the ultimate effect would have been a reduction in long grain loan rates and an increase in medium/short grain rates.

The industry raised its concern over this proposal and the poor timing of such a change with USDA and Members of Congress. USDA ultimately chose to set rice loan rates by class for the 2006 crop year as they have consistently for the past 18 years. We greatly appreciate the willingness of USDA to work with the industry on this issue, and to forego any changes in the loan rates for the 2006 crop year. This will allow time for further study and analysis of the production and market impacts of such changes in the loan rate.

We look forward to continuing to work with USDA on this issue prior to the start of the 2007 crop year. However, given that 2007 is the last year of the current farm bill, it may be appropriate to address any adjustments in rice loan rates by class during the debate on the next farm bill.

Payment Limitation Policies

To be a viable family farm, we must use economies of scale to justify the large capital investment costs associated with farming today. This is especially true for rice farming, which has the highest cost of production of any major grain crop. Payment limits have the negative effect of penalizing viable family farms the most when crop prices are the lowest and support is the most critical.

The U.S. rice industry opposes any further reduction in the payment limit levels provided under the current farm bill. We also oppose any government policies that attempt to "target" payments or apply a means test for agricultural production payments. It is essential that rice producers maintain non-recourse loan program eligibility for all production. Arbitrarily limiting payments results in farm sizes too small to be economically viable, particularly for rice farms.

The Real Facts on Farm Statistics

When the issue of payment limits is brought up, oftentimes opponents of production agriculture attempt to use misleading statistics taken out of context for the purpose of making their argument. Here are some key points that I know we are all probably aware of, but it's important to be reminded of so that we see the real picture of production agriculture.

1) **Statistics skewed by "Rural Residence Farms":** "Rural residence farms" as defined by USDA represent about two-thirds of the 2.1 million "farms" in this country. Excluding these farms where farming is not the primary occupation of the family results in a very different picture about the percentage of "farms" receiving farm program payments. The universe of farms actually producing this nation's food and fiber is much smaller than 2.1 million. In fact, 38% of farms produce 92% of our food and fiber. While producing 92% of our food and fiber these farms receive only 87% of farm program payments. We appreciate the efforts by the chairman and members of this Committee to cut through the rhetoric of those who apparently would like to see reductions in support of rice and other farm families and for your efforts to continue to focus on the realities of the U.S. food and fiber production system.

2) **Sector-wide "Averages" Hide Unhealthy Subsectors:** Using only averages for the farm sector as a whole when it comes to income data can be misleading about the true condition of various sectors of the agriculture economy. Certain sectors may be squeezed between high costs and low prices while others are experiencing high prices and average costs. Since program crops are being asked to make the cuts, when statistics are given on Net Farm Income, program crops should be examined individually and separate from other agricultural sectors (i.e.: livestock, fruits, vegetables, etc.). A healthy farm economy as a whole does not necessarily translate into all sectors of the farm economy being healthy.

Economic Contributions of the U.S. Rice Industry

The regional concentration of rice production makes it an extremely important crop in key producing states. Rice production is an important economic driver in all states and regions where inputs for rice production are manufactured and where rice is grown, milled, or processed for food or other uses.

Rice production ranks in the top 8 most valuable crops produced in each of the six major rice-producing states (Missouri, Arkansas, California, Louisiana, Mississippi, and Texas). In 2004, rice was the seventh most valuable of all crops produced in Missouri.

Given the high costs of producing rice compared to most other basic agricultural commodities, the contribution to general economic activity from land devoted to rice production tends to be much higher than for other crops.

High input expenditures for rice production imply significant economic activity for the sectors that supply those inputs in the regions where rice is produced.

Each dollar's worth of rice produced in the United States generates about 90¢ worth of revenue for the industries that supply variable production inputs.

Based on state estimates of production costs and rice acreage planted in 2005, U.S. rice farmers spent nearly $1.7 billion to produce 3.38 million acres of rice, including both variable costs and basic ownership costs associated with rice production.

Even modest adjustments to the levels of current support could create a significant reduction in rice acreage. These effects would be even more acute when combined with the current spike in fuel, fertilizer, and other energy input costs.

A reduction in rice acreage would reduce the total economic activity in the region where the reduction occurred due to the impact on the processing, transportation, marketing, and input supply sectors. Some of this reduction in economic activity would occur regardless of whether or not an alternative crop is planted, because rice contributes disproportionately to the revenues of various input sectors due to its higher production costs.

Economic Contribution to Key Industries

In addition to the economic activity generated from rice farming, an extensive transportation and processing infrastructure has evolved alongside farm-level rice production. These allied industries are highly dependent on the continued supply of rice to support their economic contribution to the overall economy.

Mills: The U.S. rice milling industry performs the important function of processing rice into forms useful to the food and feed industries. The U.S. Census Bureau estimates that the rice milling industry employs more than 4,000 people, and supports an annual payroll in excess of $135 million.

Ports: At major Gulf ports, for example, rice accounts for about 35% of all food products shipped. Studies have suggested that each ton of rice handled by major ocean ports generates $50 to the local economy and $75 to the state economy.

Environmental Contributions of the U.S. Rice Industry

Water Quality

Modern rice production is critically dependent on a reliable supply of water, a resource readily available here in Missouri, to flood fields. However, the use of this water in responsible rice farming actually produces several environmental benefits that simple irrigation of alternative crops cannot match. For instance:

- **Much of rice irrigation water is returned to its original source.** About 25%-35% percent of the water used for irrigating rice is "recycled" back into the environment. Outflow irrigation water is either reused, percolates to groundwater to recharge aquifers, or drains back into rivers, thereby conserving water that could otherwise be lost from future beneficial use.

- **Modern rice cultural practices preserve water quality.** The practices widely adopted by rice farmers are credited with preserving water quality and minimizing ground and surface-water contamination relative to many alternative crops. The flooding of rice fields is itself a powerful means of weed management that decreases the need for herbicide use, and timely planting and rapid establishment of rice plants at the proper spacing also suppresses weeds by eliminating the space and light that weeds need to grow. When pesticides are applied, water retention in the flooded fields helps to biodegrade the remaining chemical substances and minimizes the potential for contamination.

Wetlands, Waterfowl, and Wildlife

Rice farming is one of the few commercial enterprises that actually promotes wildlife habitat and improves biological diversity.

Since the very nature of rice production requires that fields be flooded for many months of the year, evidence shows unequivocally that it plays a vital role in supporting common environmental goals, such as protecting freshwater supplies and providing critical habitat for hundreds of migratory bird species.

Rice fields are typically flooded for at least five months a year, during which time they become temporal wetlands with enormous significance to bird populations wintering and breeding in the rice-producing states of Missouri, Arkansas, California, Louisiana, Mississippi, and Texas. Like natural wetlands, these agricultural wetlands are also indispensable to wetland-dependent bird populations.

Without rice farming, wetland habitats in the United States would be vastly reduced. A loss of this magnitude would have a disastrous effect on waterfowl and a host of other wetland-dependent species.

The clear and positive benefits that commercial rice production has for migratory birds and other wildlife species contribute not only to a more interesting and diverse landscape, but also provide economic benefits that support local economies and create jobs.

By providing a favorable habitat for migratory birds that in most cases would be much smaller without active rice farming, rice production is directly responsible for a very significant proportion of wildlife-related revenues generated in these states.

By providing an environment favorable to wildlife advancement, rice production clearly generates positive benefits to the economy and society.

As commercial development and urban sprawl continue to pressure existing agricultural and wetland resources, rice farming provides an environmental counterweight in the form of "surrogate" wetlands that directly support waterfowl and a wide range of species that would otherwise be even more threatened by habitat destruction. These widely noted environmental benefits accrue not only to current and future generations of wildlife enthusiasts, but also produce economic benefits that support recreational industries and, ultimately, local economies.

Taking rice acreage out of production in favor of other crops would eliminate the environmental benefits of wetland creation and habitat protection. Farmers are good stewards of the land and operate in an environmentally sensitive manner. With regard to rice production, the clear and undisputed benefits of it rank the commodity among the top of all agricultural systems in terms of a positive environmental impact.

Trade Policy Impacts on the U.S. Rice Industry

The U.S. market for imported rice is virtually an open-border market, with U.S. tariffs on rice imports almost non-existent. The U.S. rice industry supports the elimination of all rice duties in other importing countries, and equitable tariff treatment for all types of rice.

Despite the general continuing trend towards market liberalization, rice outside the United States has remained among the most protected agricultural commodities. The level of government intervention in the international rice market through trade barriers, producer supports, and state control of trade, is substantially higher than for any other grains or oilseeds. High tariff and non-tariff barriers, such as discriminating import tariffs on U.S. paddy and milled rice exports, also are used.

These are major factors contributing to price volatility in the international rice market and a fundamental reason why the U.S. industry needs the stabilizing influence of current federal rice programs.

Because the U.S. rice industry exports between 40 and 50 percent of annual rice production, access to foreign markets is fundamental to the health of our industry. We believe that multilateral negotiations through the WTO are a way to bring down trade barriers worldwide. However, the Doha Round negotiations are also about agricultural domestic supports. If an agreement is made, the U.S. proposal tabled in late 2005 will substantially reduce Amber Box support for the rice industry. It will also substantially reduce the potential for providing support to rice through the Blue Box. Therefore it will be necessary for a Doha Round agreement to foster an open market that provides for the opportunity of a substantial increase in the world price of rice. Only such enhanced market opportunities can begin to make up for the price and income support we will be losing.

Merely shifting support to the Green Box in the form of conservation payments will likely not work for commodity support. Currently 63% of U.S. conservation funding goes to operators whose primary occupation is not in agriculture. Conservation support is mostly cost share funding and not price or income support. In addition, we are concerned about the number of countries that will declare rice a sensitive product to block or delay rice imports.

Many of the details of any eventual agreement are still very much under negotiation, and the overall effect of the final agreement on our industry will depend on the overall package that emerges. We recognize the difficulty in reaching an agreement with 149 countries in the Doha

Round that will be beneficial for the US rice industry. But Free Trade Agreements on a bilateral or regional basis may be as important an avenue to increase market access.

The United States' share of world rice exports has averaged between about 10% and 13% over the last 10 years, down from a peak of about 30% as recently as 1975.

This decline in world export share reflects increased supplies from traditional exporters like Thailand and Vietnam, among other factors. U.S. sales are also constrained by market access barriers in high-income Asian countries like Japan, Korea, and Taiwan, and the European Union and Latin American countries.

Remember the type of governments we are dealing with when signing trade agreements. We must realize that, unfortunately, they are not always reliable. The U.S. really has limited recourse against a country that fails to follow through on its trade commitments. The EU withdrew a trade concession on brown rice in 2004. It took six to nine months to resolve and they imposed a higher tariff than originally agreed to. Mexico has imposed anti-dumping tariffs on milled rice imports from the U.S., contrary to WTO rules, and is playing the review system as a way to continue these tariffs. Time is of utmost importance when controlling grain inventories. If a surplus arises due to a country's refusal to open its market as agreed to, then our prices start to fall due to over supply.

U.S. Trade Sanctions Unfairly Impact the Rice Industry

In addition to the distorted international markets faced by the U.S. rice industry, U.S. policies intended to punish foreign nations or encourage regime change disproportionately harm U.S. rice producers.

Unilaterally imposed U.S. trade sanctions have played a key role in destabilizing the U.S. rice industry and in constraining its long-term market potential. U.S. sanctions have and continue to place downward pressure on market prices to U.S. producers.

Trade sanctions have caused disproportionate harm to rice among U.S. commodity groups. At various times within the past four decades, our number one export markets were closed because of unilaterally imposed U.S. trade sanctions policy:

Cuba: Prior to 1962 Cuba was the largest market for U.S. value-added rice, but since then this important market has been largely closed to U.S. exporters. As a result, China, Vietnam and Thailand have emerged to become major suppliers of the roughly 500,000 metric tons of rice that Cuba imports annually. Recent efforts to ease restrictions on U.S. sales of food and medicine to Cuba under the Trade Sanctions Reform and Export Enhancement Act of 2000 have allowed the United States to regain a share of this market, with U.S. rice exports to Cuba reaching nearly 177,000 metric tons in 2004, valued at more than $64 million. However, even these important gains are threatened by restrictive regulations imposed by the U.S. Treasury Department that have resulted in the volume of rice exports to Cuba declining by 25% in 2005. The United States has a considerable freight cost advantage over other exporters, which suggests that the further easing of the restrictions that remain in place could provide substantial opportunities for much larger rice exports to Cuba.

Iran: Similarly, in the 1970's the U.S. rice industry exported on average 300,000 metric tons of value-added rice to Iran. This was the largest U.S. rice export market for value- added rice, and it also was eliminated through the unilateral imposition of U.S. trade sanctions on Iran. But Iran's demand for imported rice continues to grow. In 2004 Iran imported 973,000 metric tons of rice valued at nearly $300 million, mainly supplied by Thailand and Vietnam.

Iraq: In the 1980's, U.S. rice exports to Iraq averaged about 400,000 tons. United Nations sanctions eliminated the market for U.S. producers even while this market grew to nearly 1 million metric tons ($200 million) supplied primarily by Thailand, Vietnam and China through the U.N. Oil for Food program. In 2005, U.S. rice sales to Iraq were resumed with exports of approximately 310,000 metric tons. We appreciate the efforts of our government to reopen this vital market.

The total of these three markets represents more than 2.5 million metric tons of market potential per year that the United States had lost for decades, and that in many cases remains restricted today far below its full potential. This is equivalent to approximately 25% of current U.S. production.

In light of significant market access barriers in many key rice-consuming countries, U.S. rice farmers are denied the opportunity to compete openly and fairly. These further restrictions imposed by our own government interfere with the industry's opportunity to discover a market price structure that could reduce the need for government support.

Conclusion

U.S. farm policy must provide a stabilizing balance to markets and a reliable planning horizon for producers.

We urge you to recognize how well the current Farm Act is working for U.S. agriculture, and to consider ways to maintain its structure as we begin the debate on the next farm bill.

Rice producers:
- contribute a highly-nutritious food product for the nation;
- contribute to the nation's food security;
- contribute to the local, state, and national economies and the nation's balance of trade;
- contribute to conservation efforts and the environment.

Rice producers call on Congress to continue sound, fair agricultural policies in the next farm bill, including those policies in the current farm act that help to provide:
- producers with stability and reliability; and
- consumers with an abundant, affordable, stable, safe, and secure food supply.

Rice producers look forward to working with Congress and the Administration in the development, enactment, and implementation of a sound, equitable farm bill and rice program.

In the interim, however, in light of the need for a strong safety net as part of U.S. farm policy, the U.S. rice industry supports extending the 2002 farm bill in its current form until such time as a Doha Round trade agreement is negotiated to completion and approved by Congress.

Thank you, Mr. Chairman, for holding this hearing.

This concludes my testimony.

STATEMENT BY NEAL BREDEHOEFT
BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Cape Girardeau, Missouri
July 17, 2006

Good morning, Mr. Chairman, and Members of the Committee. I am Neal Bredehoeft, a soybean and corn farmer from Alma, Missouri. I am a member of the American Soybean Association Board of Directors and served, until last week, as ASA's Chairman. I very much appreciate the opportunity to appear before you today.

Mr. Chairman, soybean producers in the Midwest, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill. Most soybean farmers would also support extending current programs when Congress considers new farm legislation next year.

Unfortunately, the current budget baseline for farm program spending declines over the next ten years, and will probably not accommodate expected outlays based on current support levels. We would need additional funding – as was made available in 2001 for the 2002 Farm Bill – in order to extend existing programs. Given the outlook for Federal budget deficits – as opposed to surpluses – in coming years, we will be fortunate to keep the funding level we have. And after facing cuts in the agriculture budget last year, we can expect Congress to consider further reductions in spending after the elections this Fall. So budget factors alone are likely to force Congress to look at changing the current farm program in next year's farm bill.

A second reason we need to look at alternatives to the current farm program is the potential for additional WTO challenges of current programs. We are familiar with the results of Brazil's case against the U.S. cotton program last year. In order to avoid sanctions, the U.S. will need to change the Direct Payment program to eliminate the planting restriction on fruit and vegetable crops. Also, both the Marketing Loan and Counter-Cyclical Programs were found to cause "serious prejudice," and could be subject to other cases for other crops, including soybeans.

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given these uncertainties, ASA's policy on the 2007 Farm Bill is that: 1) there be no further cuts in the CCC budget baseline for agriculture spending; 2) that farm programs not distort planting decisions between crops; and, 3) that future programs be WTO-compliant, to avoid challenges like the cotton case. To explore alternatives, ASA organized a Farm Bill Task Force last year, which has been working with other farm organizations to look at so-called Green Box programs that would be considered non-trade distorting under the WTO.

The results of this analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. These options include basing the guarantee on whole farm vs. specific commodity income, looking at using either net or gross income, and guaranteeing income for only program commodities, for program crops plus horticultural crops, or for all crops plus livestock. The cost of these options varies considerably, from $3.3 billion per year to guarantee 70 percent of gross income on a whole farm basis for only program crops, to over $10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

Neither ASA nor any other organization participating in this analysis has endorsed the revenue guarantee concept. Instead, we are now working with other groups to see how a revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers. These could include crop insurance, permanent disaster assistance, and the three main components of the current farm program – the Marketing Loan, Direct Payments, and the Counter-Cyclical Program. We are working to have recommendations to put forward to the Committee sometime this Fall.

Mr. Chairman, ASA is also very supportive of proposals to strengthen the conservation, energy, research, and trade titles in the 2002 Farm Bill. We are particularly interested in looking at programs that would support soybeans as a source of renewable energy, and to promote domestic biodiesel production through the Commodity Credit Corporation (CCC). The CCC has operated a bioenergy program since 2001, providing payments to biodiesel producers who utilize domestic feedstocks such as soybean oil. This program has facilitated expansion of domestic biodiesel production, but the program sunsets after 2006. Therefore, ASA urges Congress to authorize and fund a biodiesel bioenergy program. A CCC biodiesel program is justified because imports of already- subsidized biodiesel will undermine the U.S. industry since they are eligible for the tax incentive too. A higher premium should be placed on domestic biodiesel production and expansion. The prospective cost of a biodiesel program could be offset by reduced CCC outlays under the soybean Marketing Loan and Counter-Cyclical Programs.

With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance, or to cover budget reduction commitments. ASA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security

Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner, given the enormous increase in no-till farming practices that have been implemented over the past 10 to 15 years. Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

Thank you again, Mr. Chairman, for the opportunity to appear today.

A Look to the 2007 Farm Bill

Prepared by
Terry Hilgedick, President
Missouri Corn Growers Association

On behalf of the Missouri's 15,655 corn farmers, thank you for the opportunity to comment on the 2007 Farm Bill. The Missouri Corn Growers Association (MCGA) is a grassroots organization of farmers dedicated to increasing the profitability of corn production by: developing and expanding corn markets, collecting and distributing information, building coalitions with organizations and industries and participating in the governmental process.

MCGA is highly involved in promoting environmental stewardship while protecting the producer's right to farm profitably. Before discussing MCGA's recommendations for the 2007 Farm Bill, allow me to share a bit of our environmental success story here in Missouri.

Building Effective Partnerships

While data shows most corn growers are good stewards, MCGA is working with producers to help them do an even better job of protecting the environment by accelerating the adoption of farming practices that improve water quality while maintaining or improving profitability.

With those goals in mind, MCGA assembled a partnership of business and governmental organizations to proactively address water quality and environmental issues. Known as the Environmental Resources Coalition (ERC), the coalition is dedicated to maintaining, improving and enhancing land and water resources. In order to accomplish such a mission, ERC partners with governmental groups such as the Environmental Protection Agency, United States Department of Agriculture, Missouri Department of Natural Resources, Missouri Department of Agriculture and Agriculture Research Service as well as industry groups such as Syngenta and Bayer.

MCGA, and its affiliate ERC, are committed to quality agricultural stewardship. This is evident in the many agricultural/environmental projects which they are engaged in. Projects include:

- **Watershed Research Assessment and Stewardship Project (WRASP)**

WRASP dealt with the scientific discovery of how atrazine and its metabolites move through the entire watershed, including losses at the field level and transport through the stream and river basins. Essential Best Management Practices (BMPs) for atrazine were developed that allow farmers to continue to use the product while limiting its exposure to the environment. WRASP was the largest automated water collection project of its kind in the country. The scientific results were very positive and are currently being prepared for publication.

- **Stewardship Implementation Project (SIP)**

SIP can be considered the implementation phase of WRASP. It seeks to take the management practices developed in WRASP and disseminate them throughout key watersheds by engaging farmers in a friendly on-farm demonstration. A key goal for the SIP project is the fair implementation of the Total Maximum Daily Load (TMDL) process. Additionally, the data acquired in the SIP project has been used successfully to remove four water-bodies from the state 303d list (list of impaired water-bodies prepared by Missouri Department of Natural Resources).

- Conservation Effects Assessment Project (CEAP)
- Environmental Water Resource Affects Project (EWRAP)

Generally speaking, MCGA/ERC supports the Conservation Title of the current farm bill. We seek to keep current funding levels as well as increase funding levels for those programs which are considered under funded (ex: CSP). The general consensus of corn farmers is that direct payments in the commodity title of the bill should not be replaced by increased conservation funding. That being said we do have thoughts and suggestions that we would like to offer on the Conservation Reserve Program, the Conservation Security Program and the Environmental Quality Incentives Program.

Recommendations for the Conservation Title of the 2007 Farm Bill

The 2007 Farm Bill should reinforce the original commitment of the **Conservation Reserve Program (CRP)** to soil conservation rather than wildlife habitat. With that focus in mind, we should continue to enroll and give deference to taking the most environmentally fragile acres out of production. Land should be enrolled in CRP based upon its highly erodible land status, and then producers should be provided incentives to increase environmental benefits as a secondary purpose. CRP management practices should be broadened to be more flexible to those with land enrolled in the program. For instance, if soil conservation is the primary focus of the program, allowing farmers to periodically mow land makes more sense than requiring disking of land.

We need to collectively evaluate the future of the vast resources of the nearly 40 million acres held in CRP. Do we have a long term plan for this resource? Where are we going? Will this be maintained as a land bank? Will it be returned to production? Can it be developed as a cellulosic ethanol bank?

The **Conservation Security Program (CSP)** provides attractive incentives for producers which make participation worthwhile. However, several modifications could be made to this program to make it more attractive and user friendly.

The current sign up process is not streamlined and consistent from county to county. In implementing our environmental programs, we have encountered inconsistencies between NRCS offices on how they administer the program. The program would also be more producer-friendly if more technical expertise, perhaps non-governmental technical service providers, was available in county offices. A better, more uniformly applied process for application, evaluation and selection would go a long way to improving this valuable program.

The current program does not seem to adequately reward growers for past conservation practices implemented (such as terracing) while incentivizing additional conservation practices. That scenario seems to set up a double standard as those who have been stewards of the land do not receive the same incentives as those spurred to implement the practices by the incentives provided by CSP.

From our experience, CSP could be a more user friendly program if regulations and recommendations were adapted to the farm level. A "one size fits all" approach does not work with today's production scenarios. For example, the current nutrient management component is generic and does not take into account adjustments for elevated yields. Fertilizer caps are often a real show stopper for growers. These must be loosened to make the program more flexible to real world scenarios. If CSP is truly a nutrient management driven program, let's not limit yield, but instead implement practices to decrease nutrient runoff without yield sacrifices. Consider offering producers incentives to follow proven BMP via split (nutrient or herbicide) applications rather than strict limits. WRASP data could perhaps be used to illustrate the environmental value of such practices.

In addition, the pesticide management component is based on an out dated Windows Pesticide Screening Tool (WINPST) standard for a herbicide's environmental impact. Under this standard, any crop using any amount of atrazine does not qualify for payments. Our WRASP project directly contradicts this "standard", by proving that atrazine can be a benefit to the environment and farmers through prudent and responsible application and use.

When practices such as grass strips for wildlife are part of the program the practices should make practical sense for wildlife benefits. The current requirement to have a strip every 60 acres is arbitrary and not practical. There are opportunities to create enhance wildlife benefit by joining tracts, etc.

The **Environmental Quality Incentives Program** has been a great program for the livestock industry. In fact, there seems to have been a disproportionate amount of funding earmarked for this sector. A strictly "crop only" farmer has trouble competing with a farmer who also has livestock. We suggest a fair allocation of program dollars to both livestock and crop interests for implementing sign-up practices. This could be accomplished by implementing a more equitable point system in the sign-up process. Part of this problem stems from the fact that the current statewide sign-up process makes it difficult to uniformly apply EQIP dollars. Finally, the CSP and EQIP programs compete in that participation in one program eliminates participation the other. These programs should be structured so that the dollars can be leveraged to maximize participation and benefits.

We see current conservation programs as being critical tools in dealing with the environmental issues that agriculture will face in the future. We do not support a cut in conservation funding and to the contrary, we would like to see full funding for those programs not yet meeting their proposed levels.

Recommendations for the Commodity Title of the 2007 Farm Bill

We believe that American producers will be best served by an extension of the commodity title of the 2002 Farm Security and Rural Investment Act until a WTO agreement is reached. It is nearly impossible to formulate comprehensive new policy with unknown farm subsidy and trade variables.

While the satisfaction level with the current bill is high, the 2002 bill is not perfect. In a given year, large crops allow raiding of the marketing loan program while short crop areas in the same year are left out of safety net. Since loan deficiency payments are based on current year production, revenue suffers from reduced production as well as lower farm program benefits.

The results of the WTO negotiations currently underway are a critical component to developing future farm policy. Unilaterally disarming our farm support programs jeopardizes our country and our farmers. We must ensure that the farm safety net remains in place. Any concessions agreed upon by the U.S. must be carefully considered before any deal is ratified. We urge members of U.S. Senate to be diligent in only approving plans that are good for American agriculture.

We also must ensure that the transportation system of rivers, rails and roads that gives the U.S. our competitive advantage isn't neglected as foreign market access is enhanced. Grain belt agriculture relies on the efficient, low cost transportation provided by the river systems. We would ask the Administration, the U.S. Congress and the Army Corps of Engineers to ensure that the Missouri River be managed for *transportation and flood control* and that the Mississippi River system is allocated the money necessary to upgrade its outdated and decaying infrastructure. Expanded WTO concessions, coupled with a shaky commitment to improving our own competitive advantage, are a recipe for disaster.

In the event a WTO agreement is reached, green box compliant revenue assurance must be provided at the farm level. Farm level coverage and farm level triggers are paramount. A county level trigger is unacceptable as there is too much production variability within counties. With a farm level trigger, when a farm is off its average production, producers are covered and no one is left out.

Recommendations for the Energy Title of the 2007 Farm Bill

The wave of renewable fuels growth has been a God-send for rural America. The rural economy is providing more opportunity for U.S. farmers through self-reliant energy development. The expansion of the farmer-owned ethanol industry can be considered one of the brightest spots in rural economies today. We attribute this success to the entrepreneurial spirit of American farmers and the assistance of the Farm Bill. Any new farm bill *must* have an energy title to continue the revitalization of rural America.

As significant as the WTO is, it is not nearly as important as an energy component in the 2007 Farm Bill. The demand for corn created by the ethanol industry will influence corn prices more substantially than will any increased exports resulting from the WTO agreement. More needs to be done to foster domestic market access rather than dealing with all too fickle foreign markets which may or may not materialize from a WTO agreement.

The federal Renewable Fuel Standard was a monumental accomplishment which provides a baseline for renewable fuel usage nationwide. We propose doubling the RFS to 15 billion gallons by 2015. This doubling would provide roughly 10 percent of our nation's fuel usage while bringing our renewable fuels industry out of its infancy and into maturity. As our farmers move closer to providing the energy needs of our nation through ethanol and biodiesel production, an expansion of the RFS will ensure that our homegrown products have a position in the marketplace.

The incentives for biofuel production contained in the energy title of the 2002 Farm Bill have provided a significant boost to the ethanol industry. Programs such as the CCC Bioenergy program have been instrumental in kick-starting the renewable fuel industry. This funding remains extremely important in continuing the development of this industry and should be continued at a level which will sustain the momentum in the growth of the ethanol industry.

The USDA Value-Added Producer Grant Program has encouraged the development of farmer-owned ventures and would provide an effective template for future programs. Additional programs should be developed and implemented to encourage farmer ownership of our ethanol and other value-added industries. Without farmer ownership, ethanol plants become simply another market looking for the lowest cost corn inputs and lose much of their value to rural areas.

One final point deals with federal crop insurance. The federal crop insurance program can be improved with modifications to the program that would offer better protection to our farmers without substantial cost increases. High risk designations all too often exclude growers that would otherwise participate in crop insurance. More uniform crop coverage should be offered to producers. A subject close to the hearts of many Missouri farmers is crop insurance coverage for losses caused by the man-made spring rise on the Missouri River. Farmers in the Missouri River valleys are being put into an impossible position. The level of risk that they are being asked to withstand is unconscionable. The inflexibility of the U.S. Fish and Wildlife Service, U.S. Army Corp of Engineers, and USDA through this whole process has been monumental. Although we have made it through one spring rise without substantial harm, do not assume that government imposed flooding and crop damage can and will not happen.

Again, we believe that 2002 Farm Bill is, for the most part, meeting the needs of American agriculture by acting as an effective safety for our food, fiber and fuel producers. We support policy that enables American farmers to be globally competitive, responsive to markets and environmentally responsible. We look for programs to provide producers with access to global markets, access to capital, advances in technology and risk management. As mentioned, there are modifications that should be made to enhance some programs and we look forward to working with our partners in Missouri agriculture and the U.S. Congress to make any necessary changes.

MISSOURI FARM BILL HEARING

Presented to:
U.S. Senate Committee on Agriculture, Nutrition and Forestry

Southeast Missouri State University
Glenn Auditorium, Room 105
Dempster Hall
One University Plaza
Cape Girardeau, MO

July 17, 2006

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Introduction
On behalf of the National Sorghum Producers, I would like to thank the Senate Agriculture Committee for the opportunity to discuss the farm bill and its impact on the sorghum industry and my farm.

My name is Ron Beetsma. I serve on the Delegate Body of the National Sorghum Producers (NSP) and I farm 6,500 acres with my brother and my two sons. We farm 1200 acres of grain sorghum or milo, 3,700 acres of corn and 1,600 acres of soybeans. Missouri ranks fourth in the nation in the number of sorghum farmers with more than 2,000.

We are involved in three farmer owned ethanol plants, a farmer-owned biodiesel plant, a farmer-owned food processing company, and we also participate in Missouri's Food and Fiber group that produces Identity Preserved commodities. Our marginal area is well suited for sorghum production and we can be profitable by using fewer inputs than other crops. Sorghum also plays a role in the valued-added market for our farm as we sell a large portion of our production for use in birdseed.

NSP represents U.S. sorghum producers nationwide. Our organization is headquartered in Lubbock, Texas, and our major responsibilities are to increase the profitability of sorghum producers through market development, research, education, and legislative representation.

NSP is committed to work with the Committee and its staff as it works to reauthorize our nation's farm laws. The organization and industry is very supportive of the current farm bill. However, we believe that Congress can clarify rules so that USDA interpretation does not impacts producers' ability to use sorghum in a profitable cropping system.

A Brief Description of Sorghum
I would like to give you a brief history of sorghum and outline for you some of the unique opportunities that we have in sorghum. Sorghum originated in Africa and continues to be a staple in the diet of many Africans. Benjamin Franklin first introduced sorghum to the United States in 1725. In the 1850s, the U.S. government began introducing various forage varieties from China and Africa.

This versatile crop is used both in human food systems and, primarily in the United States, as an animal feed. It is currently a non-GMO crop though NSP supports work on moving new technologies into the crop. Industrially, sorghum, like corn, is valued for its starch content. A prime example of this is the ethanol industry, which can use both corn and sorghum interchangeably in ethanol production. Its co-product, distiller's grain, is a valuable and widely accepted feed for both cattle feeders and dairies.

Industry Overview
The U.S. grain sorghum belt is primarily made up of nine states in the Great Plains, although grain sorghum is grown from California to New Jersey. Sorghum is produced in many of the states that you represent. This includes Kansas, Nebraska, Mississippi,

Missouri, Georgia, Texas, Louisiana, Arkansas, Colorado, and California. Over the past ten years, grain sorghum has ranged from a high of 13.1 million acres in 1996 to a low of 6.2 million acres planted in 2006. Production from the last 10 years has ranged from 360 million bushels to 795 million bushels, with an approximate value of 1.1 billion dollars annually. In addition, sorghum utilized as silage, hay and grazing represents another 5 million acres of production. The USDA reported that in 2005, 311,000 acres of sorghum were harvested for silage, producing approximately 3.5 million tons of silage.

The U.S. is the world's chief producer and exporter of grain sorghum, and the crop ranks fifth in importance as a U.S. crop behind corn, cotton, soybeans and wheat. Roughly 45% of the crop is exported. Of the 55% of the crop that is not exported, 36% goes into pork, poultry, and cattle feed; 15% goes into ethanol production; 3% goes into industrial use; and 1% goes into the food chain. In fact, sorghum's newest market is the exponentially growing ethanol industry. We saw a 57 percent increase in the last 2 years.

Worldwide, approximately half of total production of grain sorghum is consumed directly as human food. In addition, the U.S. dominates world seed production in sorghum with a billion dollar seed industry focused on 250,000 acres primarily in the Texas Panhandle.

Sorghum is a unique, drought tolerant crop that is a vital component in cropping rotations for many U.S. farmers.

Title 1 -Commodity Programs

We support a commodity title that is based upon direct, loan and counter-cyclical payments. If a WTO agreement requires a change to our farm programs, the direct payments and loan rates are most important to my farm safety net. Direct payments are significant since we would receive a payment if we had a crop failure. If WTO does require the scaling back of domestic support, we would ask that the Committee preserve the equitable relationships in farm program payments and payment rates for feed grains.

In preparation for the reauthorizing of farm laws, there has been a lot of discussion about what a Green Box farm proposal would look like and how it would operate. This task has been more difficult than we anticipated since the program cannot be based on price or production. Because of that fact, we ask that any new programs that may be developed or discussed to replace the current Commodity Title be thoroughly vetted with the agriculture industry after we fully understand any potential WTO agreement.

If revenue assurance becomes part of serious policy debate, then it will be important for Members of the Agriculture Committee to understand that drought can impact the baseline period for certain regions like mine. Seventy percent of a zero yield is still zero revenue - no matter how high the price. This method of delivering farm benefits may not be "bankable" to many lenders.

Title II - Conservation Policy

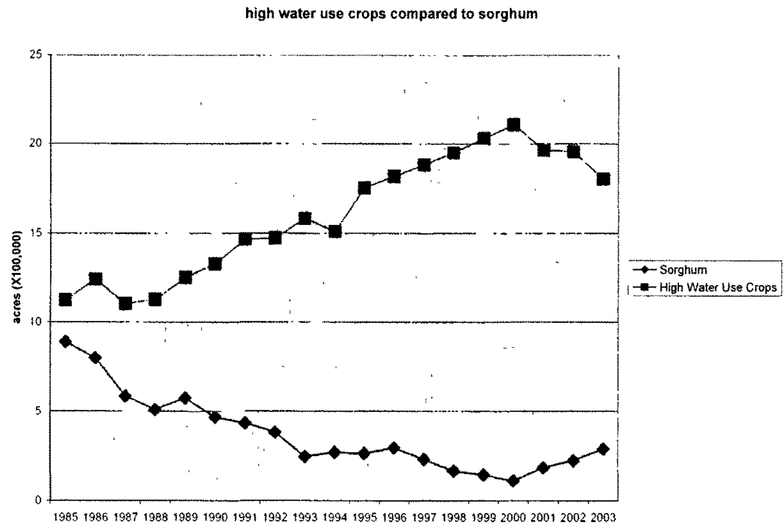
NSP applauds the committee for giving serious consideration to the future of water supplies in the semi-arid regions of the Plains, a region highly dependent upon sorghum, by creating the Ground and Surface Water Conservation Program as part of the

Environmental Quality Incentive Programs (EQIP). However, more can and must be done to conserve water in the country's semi-arid agricultural producing region. NSP leadership believes that water quantity issues will continue to grow in importance and urgency as non-agricultural uses compete with agricultural uses in the sorghum belt.

Water Use is Increasing

Sorghum is known as a "water-sipping" crop. According to research conducted at the USDA Agricultural Research Service facility in Bushland, Texas, sorghum uses approximately 1/3 less water than either corn or soybeans, and 15% less water than wheat. It is a crop that is adapted to semi-arid agricultural regions; that is, regions that may receive less than 20 inches of rain a year or in higher rainfall areas that have soils with poor water holding capabilities. Corn and soybeans, on the other hand, are primarily grown in areas that receive 30-40 inches of rain a year. Because of its excellent drought tolerance and varied uses, sorghum is a viable option for producers in the Plains states.

Demand for water is increasing in the semi-arid regions of the U.S., especially for non-agricultural uses. NSP is concerned that the demand for water for both agriculture and non-agriculture use could create a climate of tension that is not productive for either group. Since 1985, five million acres of high water-use crops have replaced sorghum acres throughout the country. A prime example of this is Western Kansas, which has had serious drought for the last 5 years. Yet, irrigated acres for high water-use crops continue to increase. As a result, since 1985, Western Kansas has lost 600,000 planted acres of irrigated sorghum. Sorghum producers in Kansas and in other sorghum states believe that this trend needs to be reversed. The following chart shows the decrease in sorghum acres and the increase in higher water-use crops (USDA, NASS 2003 data).



Increasing water demand for agricultural and non-agricultural use is also a global concern. According to the National Water Research Institute (NWRI), 25 percent of the world's population will be facing a severe water shortage by 2025. However, the NRWI says that 50 percent of the increase in demand for water by 2025 can be met by increasing the effectiveness of irrigation and by growing more water-use efficient crops like sorghum. This projection shows that appropriate crop selection and conservation efforts can save water.

Policy Changes

We have some particular concerns that we would like to share with the subcommittee in our efforts to strengthen federal government support for sorghum. Unfortunately, concentrating solely on improving irrigation technologies and increasing efficiencies does not necessarily translate into less water usage. NSP supports conservation programs that encourage planting of appropriate crops based on decisions that are environmentally sustainable and market driven. **Overall, NSP believes that Congress and USDA need to emphasize water quantity, as part of water management, in both current and future conservation programs.**

How Much Water Can be Saved?

A Regional Water Plan prepared for the Texas Panhandle Water Planning Group in Amarillo, Texas, has found that the water savings over 50 years for 524,243 acres spread over 21 counties in the Texas Panhandle would amount to 7,360,000 acre-feet of water if irrigated corn acreage were converted to irrigated sorghum. On average, that's147,200 acre-feet saved per year. An acre-foot of water equals 325,850 gallons, roughly enough to supply two, four-person homes with water for a year. Theoretically, this 50-year water savings would amount to 147,200 acre-feet per year, enough to supply water to 294,400 four-person homes in a year. For reference, the city of Austin, Texas, has 276,842 housing units and a population of 642,994, according to the U.S. Census Bureau.

On a broader geographic basis, the economic impact of converting irrigated corn and soybean acreage in the semi-arid regions to grain sorghum could be astounding. As you can see, encouraging the production of crops that are suited for a given area can save an enormous amount of water.

Current Water Situation

Currently, agriculture uses approximately 95% of the water drawn from the Ogallala Aquifer. Towns and cities within the region have aggressively educated citizens and in some cases implemented new laws that are forcing homeowners and businesses to conserve water. According to NRCS's National Water Management Center (NWMC), water use for irrigation has increased by 125% over the past fifty years. NWMC also found that some aquifers have been permanently damaged because the full recharge of depleted aquifers storage may not be possible where compaction and subsidence has occurred. The sorghum belt remains in a long-term drought, and the water table continues to drop as ground water supplies dwindle. NSP encourages NWMC to proactively consider long-range planning that focuses on ground water, because agricultural and non-agricultural users are critically dependent on water.

Because of these concerns, NSP encourages the subcommittee to promote conservation programs that save water. We have members that tell the organization that they find that they use more total water as they increase the efficiencies of their existing irrigation and add more new irrigation systems. NSP views this as contrary to the goals of a program like the Ground and Surface Water Conservation Program, and contrary to the best interests of producers. We believe that the best way to conserve water is to lower the amount of water used within an agricultural system, not to just improve irrigation delivery technologies.

Improving Current Programs

NSP has encouraged USDA to develop a Ground and Surface Water Conservation Program that includes support for cost share-funds to significantly increase water conservation. NSP believes that EQIP and other conservation programs should be playing an integral part of a system-wide approach that encourages and rewards lower water consumption. For example, the program could encourage producers to change from an irrigated high water use crop that on average uses 30 inches of irrigated water from a center-pivot watering 125 acres, to dry-land sorghum. This would save 3750 acre-inches of water a growing season. An incentive equal to the difference between irrigated land rental rates and dry-land rental rates could entice farmers to make the conversion and help save water.

NSP members are concerned that concentrating solely on the use of efficient irrigation technologies may actually lead to an increase in overall water use. NSP leadership believes that the main priority of conservation programs should be to provide incentives to farmers to recharge ground water by lowering water use. With that in mind, another significant water saving conversion would be the production of less water intensive crops on irrigated land. Using our center-pivot irrigation example previously mentioned, switching from a high use water crop to a water sipping crop saves over 912 acre inches of water a growing season. NSP members believe that an incentive to compensate farmers for changing to a less water intensive crop would result in significant water conservation. NSP urges NRCS to work with the local office and state committees to accurately determine the appropriate payment rate for different regions of the U.S.

Title IX – Energy

Sorghum can, and does, play an important role as a feedstock in the renewable fuels industry. The sorghum industry fully supports the President's call to replace 75% of our imported petroleum products with domestic energy sources, like ethanol, by 2025. The sorghum industry believes that the federal government should provide significant research resources, as stated by the President, to the development of cutting-edge methodology for producing renewable biofuels. These technologies must be both economically competitive and feasible in order to meet the stated goal of reducing our "addiction" to fossil fuel by 2025.

The sorghum industry encourages the Agriculture Committees of both the House and Senate to present bold energy concepts and ideas when it re-authorizes the Energy Title of our nation's farm laws.

Background on Sorghum in the Ethanol Industry

Currently, 15% of the grain sorghum crop is used by the ethanol industry to make ethanol. That production provides a source of ethanol and jobs outside of the traditional Corn Belt. Ethanol processing plants routinely mix corn and sorghum together in the production of ethanol. Expanding ethanol production outside of the traditional Corn Belt is a priority for the sorghum industry. Sorghum producers are working to expand their role in the renewable fuels industry.

Biofuels production in the United States has been fairly limited to the use of grain for production of ethanol. Research efforts within the United States have focused on improving efficiencies of the use of grains through optimization of enzyme technologies and feedstock improvements. Worldwide, sugar to ethanol has been the predominant source of ethanol production in countries such as Brazil and India. In fact, 61% of the total world production of ethanol is sugar-based, from crops such as sugarcane, sugar beets, and sweet sorghum. Brazil has said publicly that it will be self-sufficient in its energy needs based on their production of ethanol. The USDA and the Department of Energy have been investigating the use of biomass for production of biofuels. That research should translate into any crop that produces high biomass yields.

Sorghum has a unique role in bioenergy since it can and does fit into all three schemes for production of biofuels: grain, sugar-based, and biomass feed stocks. Hybrid grain sorghum is routinely used as a grain feedstock in the U.S., sweet sorghum is used widely as a sugar feedstock in India and China, and the potential to produce high tonnage biomass from sorghum silages is well documented in our forage industry in the U.S.

Starch to Ethanol Production

In the U.S., almost all of the current ethanol production is based on starch conversion, using primarily corn and sorghum grain, to produce ethanol. To the ethanol production process, starch is starch; it does not matter if the starch comes from corn or sorghum. Both starch sources yield identical amounts of ethanol from a bushel, and the distiller's grain has almost identical nutritional value when it is fed to livestock.

Sugar-Based Conversion to Ethanol

Brazil has become self-sufficient in ethanol through its use of sugarcane as a sugar feedstock. France has been producing sugar beets for use in conversion to ethanol. An additional world and U.S. player as a sugar-based feedstock for ethanol production is sweet sorghum.

Most Americans know of sweet sorghum as the type that is used to make syrup or molasses. In addition, it is also used worldwide in the production of ethanol. India and China are producing ethanol from sweet sorghum. DOE is currently supporting a sweet sorghum pilot study in Florida to explore the potential of sweet sorghums as a sugar feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill, similar to sugarcane. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue, called bagasse, in the field to be gathered at a later time. Once the juice is extracted, it is fermented and ethanol is produced. This ethanol is then distilled and dehydrated using the same equipment that is being used in ethanol production from starch sources.

Very little sugar from sweet sorghum, sugar beets, or sugarcane is used in the U.S. as a feedstock for a renewable fuel. Sweet sorghum would complement both sugarcane and sugar beets as a feedstock in a renewable fuels plant. In comparison to sugarcane, sweet sorghum has similar sugar content (9-11% for sweet sorghum, 12-14% for sugarcane, 15-20% for sugar beets). Sugarcane takes approximately 11 months to mature to harvest, while sweet sorghums take 90-120 days and can be harvested multiple times throughout the year. Since sweet sorghum's production cycles are on a different timeline than sugarcane, it would be available as a feedstock to an ethanol plant until its supply of sugarcane comes online.

Research data from India shows the production yields of ethanol from sugarcane and sweet sorghum as almost identical. Production figures estimate roughly 1,150 gallons of ethanol per acre from either crop. In order to produce enough renewable energy to replace our need for fossil fuels, 131 million acres of sugar production would be needed. That would be a 70–fold increase from the current production of 2 million acres of sugarcane and sugar beets and 25,000 to 30,000 sweet sorghum acres produced in the southeastern U.S.

Forage Sorghum's Role in Biomass
Forage sorghums can play a significant role in both cellulosic and lignocellulosic technologies that produce ethanol from biomass. Biomass production is based on utilizing the whole plant (or other organic waste) by breaking down most of the plant's major biological components to produce ethanol. In most cases, tons per acre of convertible biomass would drive the feedstock equation in the conversion to ethanol.

The federal government has been conducting research on the role of switchgrass in biomass production. Switchgrass and sorghum are both from the family Poaceae and probably diverged from each other sometime before the divergence between sorghum and corn. Switchgrass is a perennial plant that can spread by both seed and rhizomes. Though sorghum is thought to be primarily an annual plant, there are related species that are also rhizomatous and perennial. Both plants have open panicles and can be tall and very leafy. Forage sorghums excel in water use efficiency.

Conclusion

You have a big challenge on your hands rewriting our Nation's farm laws and I expect that farm policy in the next five years will look significantly different than it does today because of a potential WTO agreement, efforts to cut the deficient and increased interest in the Energy Title of the farm bill. My industry looks forward to working with you during these efforts. Again, thank you for your interest in sorghum.

National Association of Wheat Growers

[illegible] Washington [illegible] 2638

John Thaemert, First Vice President
National Association of Wheat Growers
before
the Senate Agriculture, Nutrition and Forestry Committee
Farm Bill Regional Hearing
Cape Girardeau, Missouri
July 17, 2006

Mr. Chairman and Members of the Committee, my name is John Thaemert. I am a wheat farmer from Sylvan Grove, Kansas, and am currently serving as the First Vice President of the National Association of Wheat Growers (NAWG). I thank you for this opportunity to discuss our members' concerns about the current Farm Bill and our thoughts on the 2007 Farm Bill.

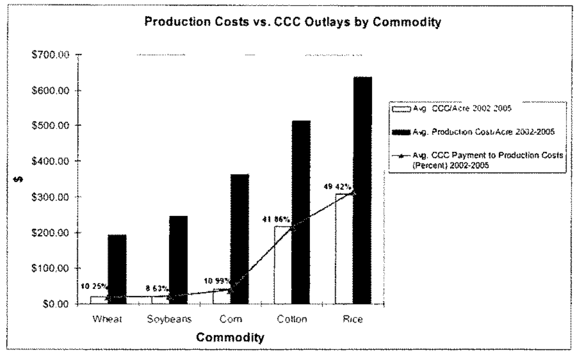
Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply for the American people.

The 2002 Farm Bill has strong points, and the wheat growers that I represent here today believe that the next Farm Bill should build on these strengths. But, while wheat growers generally support current policy, much of the "safety net" provided by the 2002 bill has not been effective for wheat farmers.

Since 2002, wheat growers have received little or no benefit from two key components of the current bill, the counter cyclical program and loan deficiency payment program, for two main reasons. First, severe weather conditions for several consecutive years in many wheat states have led to significantly lower yields or total failure. The loan program and the LDP are useless when you have no crop. Secondly, the target price on the counter cyclical program for wheat was set considerably lower than market conditions indicated, and severe weather conditions in some areas have created a short crop, which has led to higher prices in other areas. As a result, there has been very little support in the form of counter cyclical payments.

As you can see by the chart in my testimony, the support level for wheat compared to other commodities for the 2002 to 2005 (estimated) crop years, even as a percentage of production costs, is relatively low.

	Wheat	Soybean	Corn	Cotton	Rice
AVG CCC/Acre '02-'05E	$19.71	$20.67	$40.68	$216.38	$308.87
AVG Production Costs/acre '02-'05E	$192.64	$245.25	$362.61	$513.81	$638.76
AVG CCC to Production costs (%)	10.25%	8.63%	10.99%	41.68%	49.42%



Source for CCC outlays, years 2001 to 2005 (estimated)
http://www.ers.usda.gov/publications/agoutlook/aotables/2006/03Mar/aotab35.xls
Sources for production costs/acre: http://www.ers.usda.gov/Data/CostsandReturns/testpick.htm

We are not, in any way, suggesting that other crops receive too much support – far from it, they face the same problems our growers face and rely heavily on this safety net. We are simply stating that wheat producers need a viable safety net also. There is no doubt that America's farmers would rather depend on the markets than the government for their livelihoods, but the current economic and trade environments do not offer a level playing field in the global marketplace. Many of our trading partners support their farmers at a much higher rate than in the U.S. At the same time, we face continually increasing production and transportation costs. Fuel and fertilizer prices are up an estimated 24 to 27 percent for wheat growers just from last year, as estimated in a recent FAPRI report, and the current disaster situation, including droughts, floods and fires, has been especially troubling for our members.

These issues, along with a potential change in the World Trade Organization rules, have led us to begin looking at other options for the 2007 bill. While we are not currently committed to any one proposal, we are analyzing the effects of making minor changes to program components.

For instance, we are examining the impact of increasing the direct payment. This component provides the most reliable cash flow of all program components and, as such, greatly aids in securing operating credit. We are also studying an increase in the target price to be more aligned with today's market conditions while leaving the current structure of the loan program as is. Another concept involves altering the counter cyclical program to be based on revenue rather than price alone. I expect our full board will be looking closely at the effects of these options and others in the near future and will soon be recommending specific proposals.

Also, our members would like to see the conservation programs continue as presently authorized, but with full funding, and we would like to explore opportunities to streamline program sign-up to be less time consuming and more producer friendly. We also believe strongly in the pursuit of renewable energy from agricultural sources and support additional incentives for further research and development of renewable energy initiatives, specifically cellulosic ethanol.

In closing, I must state that we are firmly committed to developing an effective 2007 farm and food policy and welcome the opportunity to work with you to do so.

Thank you for this opportunity. I am ready to answer any questions you may have.

July 17, 2006 – U.S. Senate Committee on Agriculture, Nutrition, and Forestry Cape Girardeau, Missouri

Comments by Jonathan L. Held, Vice-President and Co-Owner of Stone Hill Wine Co., Inc., 1110 Stone Hill Hwy., Hermann, Missouri

Chairman Chambliss and Members of the Committee,

Thank you for inviting me to be here today and for holding this meeting in Cape Girardeau. My name is Jonathan Held. I am a second-generation Missouri vineyard and winery owner. I serve as Vice-Chair of the Missouri Grape and Wine Board and on the Board of the National Grape and Wine Initiative (NGWI). Along with my parents and two siblings, I own and operate Stone Hill Wine Company in Hermann, Missouri. Stone Hill Wine Company was first founded in 1847 and grew to become the nation's second largest winery at the turn of the century. It was the largest of 60 wineries located in and around Hermann, Missouri, in 1900. Prohibition eliminated a great and thriving Missouri industry, and it did not see a rebirth until 1965 when my parents re-opened Stone Hill Winery on a very, very modest and humble scale. They made a major farming transition when they went from a small row crop and hog farm to raising grapes and making wine. Today we farm 145 acres of wine grapes, produce 90,000 cases of wine, operate three winery locations and a restaurant, and host numerous events such as weddings, concerts and festivals. We have 85 full-time employees and during the peak tourism and farming season employ in excess of 150 people. In addition to our own grape production, we purchase 60 percent of our annual grape requirements from 12 independent farmers located primarily in Missouri but also in Arkansas and Michigan. Our gross payroll in 2005 was approximately $2.8 million. Thanks to loyal customers and a great staff, our business is growing and making a significant contribution to our state and local economy.

While California is certainly the largest producer of grapes and grape products, the growth that our Missouri company has experienced in the industry is not an isolated situation. It is happening with vineyards and wineries across the entire country and particularly here in the Midwest. In 1965, when my parents started their small vineyard and winery, there were only two other wineries in the state of Missouri, and you could count on one hand the number of wineries in the eight Midwestern states bordering Missouri. By 1990, the number of wineries in these nine Midwestern states had increased to 88, and by the year 2000 the total was at 104. A mere five years later, in 2005, the number of wineries in these nine states has increased to 282. Like Stone Hill, many, if not most of these wineries, buy a significant portion of their grapes and other fruits from independent farmers thereby providing an excellent opportunity for farm diversification and keeping the land in agricultural production.

Grapes and wine are the ultimate high-value, value-added crop, but they are capital- and labor-intensive. Grapes are the sixth largest crop in the United States (based on farm-gate value measured by USDA Agriculture Statistics Service) at $3.5 billion. In a recent preliminary economic study by MKF Research, Inc., it is conservatively estimated that the production of wine and wine grapes and their related industries produced more than

$90 billion of economic value to the U.S. economy in 2004. The industry accounts for 514,000 full-time equivalent jobs with $17.9 billion in annual wages paid. Additionally, about 30 million tourists visit wineries each year, spending approximately $2 billion. The industry pays $4.3 billion in federal taxes and almost $5 billion in local and state taxes. Wineries are some of the best examples of ongoing viable small family farms. There are currently 3,500 wineries in the United States, 1800 in California alone, and the vast majority are small, family-run, farm businesses.

In my rural town of 2,500 people the "ripple" effect of the grape and wine industry is very obvious and exciting. This once sleepy, little central Missouri community is now blessed with a thriving winery-driven tourism industry. In a five-mile radius there are now five wineries, 79 bed and breakfast inns, 17 antique and gift shops and many more restaurants than any town of 2,500 could expect to support. The community has three separate multimillion-dollar, tourism-related projects under planning or construction plus two major retail-shopping developments under construction. In the past 12 months my company alone has invested more than $2 million in a new building and state-of-the-art bottling equipment to allow for our next phase of growth and to enable us to produce the quality of wines we strive for in order to compete in the world market. None of this phenomenal investment in our local economy would have occurred without the growth of a simple farm commodity – grapes.

According to a Gallup poll last year, wine recently passed beer as the preferred alcoholic beverage in the United States. While we have very positive growth occurring in the U.S. grape and wine industry, the fact that we as a country consume only about three gallons of wine per capita is not lost on other grape-growing and wine-producing nations. Roughly 25 percent of the wine consumed in the United States today is imported, and with the strong potential for growth in the U.S. wine market, many countries are viewing our market as a potential wine sponge. In the face of strong international competition, the American wine and grape growing industry must lead in the production of wines with superior quality, excellence and value. The American wine and grape growing industry can and will compete.

Over the past two years the grape products segment of agriculture has come together to form the National Grape and Wine Initiative (NGWI). NGWI is an industry initiative to promote sustained agricultural growth through significantly increased expenditures for research and the effective communication of the research results to growers, wineries and processors through enhanced extension and education efforts. The vision of NGWI: "By 2020, the American grape and wine industry will triple its economic impact by aggressively pursuing increased market share, becoming the undisputed world leader in consumer value and sustainability, and contributing to improved quality of life in rural communities." The target is an economic impact of $150 billion annually within 15 years.

To accomplish this challenging goal, we want to establish a private-public effort to fund research that will make us the No. 1 producer of quality grape products in the world. Federal investment in agriculture research has traditionally focused on program crops such as corn, soybeans, cotton, wheat and hay. A modest increase in the federal investment for viticulture research is justified based on the industry's contribution to the national economy and its importance as the sixth largest crop in the United States. The industry has done its homework by creating a national strategic research plan that identifies clear, strategic priorities for research that can help us triple our national economic impact in 15 years. It is imperative that we increase federal research dollars to improve the science (and art) of making and marketing U.S. world-class wines, table grapes, raisins and other grape products. Such a partnership with the federal government would help us level the playing field with our foreign competitors, most of whom are highly subsidized by their governments. It is time to recognize the contribution of grapes and other specialty crops to the U.S. economy, to our balance of trade and to the role of providing healthy food for our tables.

I request that the 2007 Farm Bill include the following:

In the Farm Bill **provide a mechanism to support industry-government research partnerships**, such as the National Grape and Wine Initiative (NGWI), which will enhance the competitiveness of specialty crops.

Authorize in the Farm Bill mandatory funding of **$5 million** a year from the Commodity Credit Corporation **to establish the National Clean Plant Network** of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country.

Provide **significantly increased funding** to **Animal, Plant, Health, and Inspection Service (APHIS)** for the prevention of the unintentional introduction of plant pests and diseases, which can destroy the viability of our operations.

Expand the **State Block Grants for Specialty Crops Program** originally authorized in the Specialty Crop Competitiveness Act of 2004, and funded through appropriations in the Fiscal Year (FY) 2006 Agricultural Appropriations Bill. Due to the wide diversity and localized needs in specialty crop production, state departments of agriculture are uniquely able to assist local growers with the specific investments they need to increase competitiveness.

Provide **continued support** for the **Market Access Program (MAP)**. American wineries are experiencing success in penetrating foreign markets, but currently have only a 5 percent share of the world market. There are many more countries and new markets to enter as well as market share to grow in countries where we currently sell our wines such as the United Kingdom, Canada and Japan.

Provide a **thorough review of all farm programs to ensure that specialty crop producers have access to benefits** comparable to other farmers, rather than being excluded or limited simply due to a higher cost of production. Due to the nature of high-value specialty-crop production, many current Farm Bill programs and disaster programs are of limited benefit to specialty producers due to payment caps, limits on Adjusted Gross Income, limits on off-farm income even if integral to farming operation, etc.

The grape and wine industry is faced with tremendous growth opportunities both in the U.S. market and abroad, but we need your help and consideration in the Farm Bill to realize the growth potential and stay competitive with our foreign competitors. Most importantly, the Farm Bill must be able to encourage all aspects of farming to continue and prosper. There must be economic reward in farming to encourage future generations of Americans to choose farming as an occupation. We must maintain a viable farming industry to continue to supply our country with a safe, nutritious and healthy food supply. We should never allow our country to come to the point where we have to rely on the rest of the world for the food we eat and drink.

Thank you for the opportunity to testify today and thank you for your efforts to improve American agriculture.

Testimony of Larry Purdom
House Agriculture Committee Hearing
July 17, 2006
Cape Girardeau, Missouri

I'm Larry Purdom, a dairy farmer from Purdy, Missouri. My wife Alice and I operate a dairy farm milking 135 cows producing over 3,000,000 pounds of milk in the last 12 months. We have been in the dairy business for 45 years. I serve on the Southeast Area Council of Dairy Farmers of America, Inc. (DFA). I am a director on the DFA Corporate Board where I serve on the Fluid Marketing & Public Policy committee and Chair the Dairy Education Political Action Committee. DFA is a national milk-marketing cooperative based in Kansas City, Missouri with dairy farmer member owners in 48 states.

I also serve as vice president of the Barry County Farm Bureau Board and am chairperson of the Missouri Dairy Association. I am a member of the Missouri Governor's Agriculture Advisory Committee. I am also a member of the Purdy FFA board and have been recognized in the University of Missouri Hall of Honors for Dairy Leadership.

I appreciate the opportunity to testify at this hearing today.

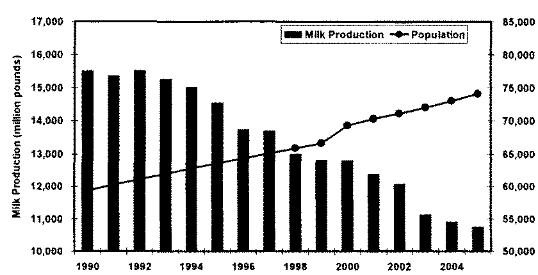
I have a written testimony document that is more detailed on all of the points that I will touch on today. I'd like to submit that document for the committee's reference. I will spend most of my time discussing some Federal Order issues that my fellow Missouri dairy farm families are most concerned about today.

While organizations that I serve have not officially established positions for all of the 2007 Farm Bill issues, I would like to share my thoughts on some of the major themes that will define the dairy sections of the bill.

1) First of all, we support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they under gird all of our marketing and pricing efforts all over the country. Orders assure dairy farmers a minimum price, assure that all competing milk buyers pay the same minimum price, assure that all dairy farmers share equitably in the returns of the marketplace and assure that the terms of trade are uniform throughout the Order's marketing area. These objectives remain very important ones in the dairy marketplace. Moreover, despite the claims that they are outdated and not relevant, the primary reasons for the institution of milk orders still exist: There are many more buyers than sellers and the average sized milk buyer is much larger than all but the very largest dairy farms. Milk production is still very seasonal. Milk demand has a weekly and seasonal purchase pattern that requires substantial costs to balance producer supplies with buyer demand. Individual dairymen, and even large groups of dairy farmers, continue to need the stability of Orders to deal with these marketing challenges.

Southeastern dairy farmers are in an expanding market – population in the Southeast is growing each year. However, the Southeast is a difficult and high cost area to produce milk primarily because the climate is not favorable. With high costs comes a need for a high return of break even and return profits to dairying. From the numbers of farms leaving dairying we can safely assume that many dairy farm businesses are simply not making it.

Comparison of the Southeast Population and Milk Production



Milk markets are priced based on national supply-demand situations, which are largely influenced by areas of the country that have a surplus of milk. The national situation does not necessarily reflect the needs of the Class I market; therefore, we feel the need for a separate pricing system that allows all Class I milk to be priced differently than current. Because of this situation we are suggesting a policy that would establish a floor for the Class I mover at no lower than $13.00 per hundredweight. This solution would be market based and have no additional government cost.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize the increasing cost of transporting milk to market, the very real impact that fuel costs play in the transportation equation, and the manner in which these costs are not equitably shared among all producers in the federal order system. The transportation cost issues have become increasingly important because of: (1) transportation cost increases, especially for diesel fuel, and (2) "flattening" of the Class I price surface in the process of implementation of "Order Reform" by Congressional directive in January 2000. Furthermore, the large increase in production nationally seems to cloud the view of what is needed in the Southeast. The national price surface no longer recognizes the cost to transport milk adequately. This is a problem when we attempt to source milk for Southeastern consumers from out of the market or to transport it from my area to other parts of the Southeast.

The dairy farmers who supply the Southeastern markets work together thru the Southern Marketing Agency (SMA) to most efficiently deliver milk to the market. We have asked USDA to look into recovering transportation costs at an Order Hearing. Specifically we asked that the existing transportation credit system be adequately funded. This system has been in place since the late 1990's and helps to share the cost of bringing in milk supplies from outside of the Southeast into the market. In June of 2005 the Southeast had to source 58% of its sales from sources outside the Southeast. Outside purchases in August 2005 were double those needed in August 2000. The over-the-road hauling cost in 1997 when the credit was implemented were $1.75 per mile and in 2005 they have increased to $2.35. I am sure members of Congress are familiar with diesel fuel cost changes so I don't need to provide any information about them. In 1997 this particular program offset 95% or more of the transport cost. In 2005 the reimbursement rate covered less than 40%. The volatility of fuel costs changes is nearly impossible for dairy farmers to pass thru in a timely manner.

Our proposals updated the 1997 program to levels that reflect current costs and included a fuel cost adjustor that recognized changes in diesel prices in a responsive manner. We also asked USDA to institute an additional transportation credit system that would help move milk produced inside the southeast to customers in the southeast. This new program is very much like the existing program and would be run by the Order system to insure fairness and accuracy. It would require all farms to pay the cost of getting milk to the closest plant to them and then have the market share in the cost of any additional miles. Even though the Southeast is a deficit market there are several pockets of heavy milk production. I live in one of those. But not all the milk produced in the southern Missouri can be sold there – there are not enough local bottling plants or consumers. Milk from my area regularly goes into other parts of the Southeast every day supplying markets there. Every farm in the Order, thru the blend price, shares the revenues from these sales, but not all share in the cost to get it there! Believe me, this is an important issue to southern Missouri dairy farmers and to all the rest of the Southeast.

I'd also point out that our Hearing proposals were supported by all of the major cooperatives in the Southeast who represent over 80% of the production and all of our customers. I have attached a summary of the key points that we presented to the Secretary of Agriculture in the Hearing for your review. (See attachment)

But, we seem unable to get the USDA staff to realize the dilemma we face. They seem to understand the problems that energy costs play in manufacturing dairy products and have asked for proposals to address make allowances. But when we try to get the same rationale to apply to transport costs we seem to be unable to get them to respond.

It is not for a lack for trying that we can't seem to communicate with USDA. We have made several proposals to deal with these issues in various orders with the following not-yet-successful results to date:

- The Central Order (Order 32) - transportation credit proposals rejected in a recommended decision; final decision is pending;
- The Mideast Order (Order 33) - transportation credit proposals rejected in a recommended decision; final decision is pending;
- The Appalachian Order (Order 5) - Hearing held in January, no decision to date;
- The Southeast Order (Order 7) - Hearing held in January, no decision to date;
- The Northeast Order (Order 1) - No action has been taken upon a formal request for a hearing submitted February 3, 2006;

If USDA fails to help dairy farmers in this dilemma we may need legislation to address this issue.

Also, while we too are frustrated with the slow pace of change thru Federal Order hearings, we are hopeful that reforms underway initiated by USDA will speed up the hearing process and make it easier to get a Decision.

2) DFA members are participating with all the other members of the National Milk Producers Federation's Dairy Producer Conclaves to develop a consensus position on Farm Bill issues. We will keep you and your staffs informed of our efforts and seek your counsel on issues as we discuss them.

3) Because we do not think there will be radical shifts in policy direction as a result of the 2007 Farm Bill we support the view that an extension will work well for most of the nations dairy farm families.

4) We feel the next Farm Bill should maintain some form of an economic safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses become

unviable. Because dairy products are such an excellent source of nutrition for our nation and due to the high fixed cost of becoming a dairy farmer and the fact that milk production assets have limited use in any other agriculture enterprises, past Congresses have maintained safety net provisions for the dairy industry. We hope this Congress will continue these policies.

The most important safety net provision we have is the dairy price support program. We favor continued operation of the dairy price support program at a targeted $9.90 U.S. average manufactured milk price. We would oppose granting the Secretary of Agriculture any discretion, which would reorient its intended purpose away from supporting income to farmers just to result in minimizing government costs – and we may need Congress to instruct the Secretary of Agriculture of this fact in some official manner. Under President Bush's proposed Ag budget the Secretary of Agriculture would be allowed to adjust buying prices for products made from milk (cheese, butter, and nonfat dry milk) so as to reduce the cost to the CCC for products purchased. This could allow for a reduction in targeted support price from that $9.90 as specified in present legislation.

Additionally, I would request that the Commodity Credit Corporation (CCC) take action and adjust the support program purchase price levels for cheese, butter and nonfat dry milk to reflect the significant additional costs manufacturers face when selling products to the CCC. The current CCC purchase prices for dairy products do not reflect any costs beyond those incurred for commercial sales. As a result, market prices for individual products have, from time to time, fallen below support levels, allowing the price of milk used to produce them to fall below the statutory support level for milk of $9.90 per hundredweight at average test. NMPF has provided information to CCC but thus far CCC has been unwilling to take action. The result is that manufacturers will sell to buyers other than CCC at prices below the support level in order to gain a higher value than the support purchase price and the support price targets are not maintained.

Right now CCC is buying some quantity of NFDM – doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2000 when the average Class III price for the year was $9.74 (below the support price of $9.80 for milk of 3.5% butterfat test). The 10-year average Class III price is $12.62. Because the price support program is in place and working we hope to avoid a price crash like in 2000 – but if it wasn't around and prices did fall to that level our dairy would face a loss in income of $87,000 on an average years production. That would be hard for our business to withstand. We are very interested in stable policies that help to keep reasonable prices and a safety net that maintains some level of viability for a dairy farm family.

The second safety net provision is the Milk Income Loss Compensation (MILC) program, which we support as long as there are no caps limiting access to the benefits. Like the price support program I view the MILC program as a valuable safety net for producers pay prices. It puts cash in the hands of farmers at the very point it is needed most – the lowest point of the price cycle.

In general the guidelines for a safety net program should be that it:

- not discriminate between farmers of differing sizes;
- not discriminate between farmers in different regions of the country;
- not be high enough to encourage additional milk production.

The government's safety net policy should only operate at a point where a collapse of producer prices could force too many producers out of business and our nations milk-producing infrastructure would be damaged.

5) A majority, but unfortunately not all of the nations dairy farmers, have funded and are operating a self-help program – Cooperatives Working Together (CWT). Dairy farmers voluntarily pay 10 cents per hundredweight on all milk produced in order to structure the size of the nations dairy-cow herd and more closely tailor milk supply to demand.

Additionally, the program works to assist exports of dairy products in an attempt to market and promote domestically produced dairy products to the world.

However, the CWT program is not intended to replace federal farm programs and can never do so because there will always be those who choose to take advantage of the programs benefits but never pay their share. Even after three years of successful implementation there are still over 25% of the country's dairy farms that choose not to pay in. In spite of our success we still need Congress's help in providing policy support to our industry.

6) Dairy Farmers also see policies outside of the Farm Bill impacting their future such as:

Environmental Policies

Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 Farm Bill was very significant, but if the legislation is to meet its goals and encourage more farmers to apply for and use the funds as intended, the payout ration must more closely approximate real world conditions.

I urge you to join the more than 170 House members cosponsoring HR 4341 as part of a bipartisan effort to clarify that animal manure is not a hazardous waste under the Superfund law or its counterpart, the Community Right-to-Know Act. Congress should clarify that it never intended to jeopardize American agriculture by imposing strict, joint, several, and retroactive CERCLA liability on farmers for their traditional farming practices, including the use of manure as a beneficial fertilizer.

My family has always taken our responsibility to protect the environment very seriously. Dairy farmers and other agricultural producers for years have been regulated and required to have permits under the Clean Water Act, Clean Air Act and numerous state laws and regulations – but never under the Superfund Law. It is essential that Congress protect farmers and businesses that depend on agriculture from this potential threat to their livelihoods.

Workable Immigration Laws

I support the AGJobs Provisions contained in the Senate version of the Immigration Reform and I ask your support for passage of legislation that contains such language.

Estate Tax issues

Ways & Means Chair Thomas (R-CA) has proposed a compromise on the estate tax issue. He proposes to set several levels of taxes on estates. Estates of $5 million (singles)--$10 million (couples) would be exempt from taxation indefinitely. Tax on estates of $10 million to $25 million would be taxed at the capital gains rate (15% currently & rising to 20% in 2011). Estates worth more than $25 million would be taxed at twice the capital gains rate. This proposal appears to be very good for dairy farmers and I would encourage your support.

7) Another reason we support extending the current Farm Bill is so that we can have a more clear view of the Doha Round of the WTO trade talks. We can see no reason to change our programs until we know what the world trade rules will be and more importantly perhaps who will play by them.

- We support multilateral trade talks that level the playing field of dairy export subsidies, tariff protections, and domestic support programs.
- We can't support a final agreement unless it represents a net increase in our ability to compete against our more heavily subsidized and protected competitors

in the EU, Canada and Japan, as well as more balanced trading opportunities with key developing countries.

- We support the continuation of the dairy price support program with or without a successful Doha Round. We strongly disagree with those who claim that the price support program must be phased out or eliminated upon completion of the Doha Round.
- We support additional legislation to make the import assessment for dairy promotion (15 cent check-off) WTO-compliant by extending it to dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico.

8) We support the Dairy Export Incentive Program (DEIP) and the requirement that the Secretary of Agriculture be directed to see that the allowable amounts of cheese, butter and nonfat dry milk be afforded export assistance equal to what we are allowed under the current WTO agreement. Currently no government export assistance is being offered, even though, by law, the Secretary is directed to do so, and by agreement we are allowed to do so under the WTO agreement.

In closing, Chairman Chambliss, I want to thank the Senate Committee on Agriculture, Nutrition and Forestry for having this series of field hearings. We know we can't explain all of our concerns here in detail but want to make you aware of them so that when we do provide you with additional details you will better understand our concerns. I will be happy to answer any questions, or provide any additional information that you might want.

BACKGROUND INFORMATION:

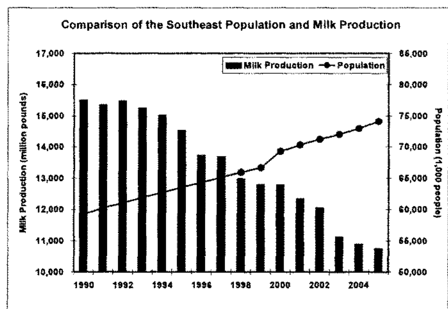
Federal Milk Marketing Hearing to Address Problems Supplying the Southeast

Together the cooperative proponents –Arkansas Dairy Cooperative, Association Dairymen's Marketing Cooperative, Inc., Dairy Farmers of America, Inc., Lone Star Milk Producers, Inc., Maryland & Virginia Milk Producers Cooperative Association, Inc.– market in excess of 80 percent of the producer milk pooled on the Appalachian and Southeast Orders.

THE ISSUE

The costs of producing and supplying milk to markets in the Southeast have risen excessively and the energy cost component in the supply costs is so volatile that dairy farmers are asking the Federal Order system to help them recover these costs in a fair and equitable manner. From January 10 to 12, 2006 we participated in a hearing to documents the following:

- Extraordinary movements of milk required to meet the Class I needs of these markets, both from within and outside the marketing areas;
- The huge increases in transportation expense and the volatility of transportation costs related to diesel fuel prices in particular;
- The disorder that is inherent in un-shared transportation expenses for Class I use;
- The finely tuned proposals put forth by these proponents for addressing these marketing issues.



Congress adopted what is now § 8c(5)(J) of the Agricultural Marketing Agreement Act, 7 USC 608c(5)(J), in §133 of the Food Security Act of December 23, 1985. That section authorizes the milk orders to contain provisions for transportation cost sharing programs in Orders. The existing transportation program was adopted under this legislation in 1996, revised in 1997 and functions today largely as enacted 10 years ago. However, the program today is grossly under funded.

What Was Requested:

Proposal 1 would (1) increase the maximum rate of assessment for the transportation credit-balancing fund in Order 5 to a maximum of $0.15 per hundredweight; and (2) increase the maximum assessment for the transportation credit-balancing fund for Order 7 by $0.10 to a maximum of $0.20 per hundredweight.

Proposal 2 would install new intra-order transportation credit provisions to both Order 5 and Order 7. The new credit program would establish a maximum $0.10 per hundredweight of Class I milk rate in Order 5 to fund this transportation credit fund, and would establish a maximum rate of $0.15 per hundredweight of Class I milk rate in Order 7 to fund the intra order transportation credit fund.

Proposal 3 would amend the mileage reimbursement factor for use in both the existing (1) and the proposed (2) transportation credit payment provisions of Orders 5 and 7, updating the mileage rate and including an automatic diesel fuel cost adjuster.

BACKGROUND

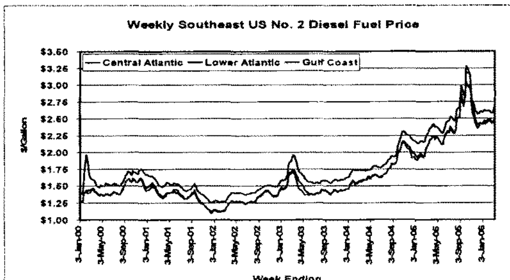
Milk Movement in the Southeast

The need for increasing volumes of supplemental milk for the Southeast was well documented at the Hearing. Data prepared by the Market Administrator showing monthly comparisons from 2000 to date for the pounds of supplemental milk volumes on which transportation credits have been claimed show:

July 2000: 31.7 million pounds	July 2005: 107.7 million pounds;
August 2000: 64.8 million	August 2005: 137.8 million;
September 2000: 78.3 million	September 2005: 117.8 million;
October 2000: 75.7 million	October 2005: 127.9 million;
November 2000: 66.9 million	November 2005: 98.1 million.

The distances milk traveled varied from 578 to 627 monthly average miles in 2000; while in 2005, the monthly averages had increased to a range of 682 to 755.

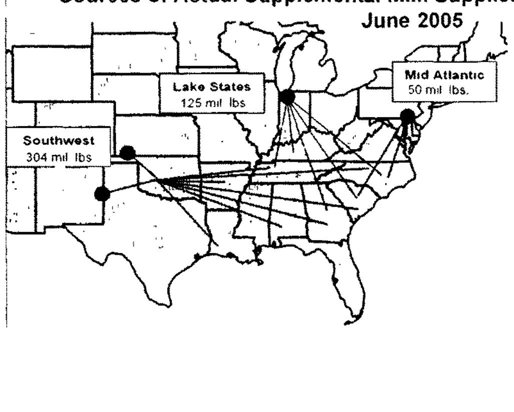
We proposed a base rate for fuel adjustment using October and November 2003 when diesel fuel prices were relatively stable. When nationally diesel prices averaged



Diesel fuel prices have risen sharply and continue to show volatility.
The gross costs for transporting supplemental milk has tripled since 2000.

Over-the-Road Hauling Costs: 1997 - $1.75 per mile; 2005 - $2.35 per mile

Sources of Actual Supplemental Milk Supplies Moved to the Southeast
June 2005



June 2005 total sales for SMA was 1.003 billion pounds; supplemental milk was 58%. Milk comes from several sources and delivers to many markets in the Southeast. Supplemental milk shipments rose over 200% between 2000 and 2005. Order 7 dairy farms produce only 63% of the Order 7 Class I needs; the rest must be imported.

$1.48 per gallon with $1.42 to $1.43 prevailing in the lower Atlantic and Gulf Coast Energy Information Administration regions. Using this period of relative stability in diesel fuel prices, proponents proved that the hauling rate charged in the southeast during that time was approximately $1.91 per loaded mile. Proponents offered the base period of October and November 2003 with hauling costs of $1.91 per loaded mile and diesel fuel costs in the applicable regions of $1.42 to $1.43 per gallon as the rates from which fuel adjustments would be made assuming usage of the rate of 5.5 miles per gallon. The Hearing record showed that the gross cost of supplemental milk supplies for Order 7 has tripled since 2000 due in part to the increased cost of transporting supplemental milk. Because the amount of funds in the transportation credit-balancing fund is essentially fixed and the cost to transport milk is increasing dramatically, the percentage of costs supported by the fund continues to shrink and is shrinking at an increasing rate.

"The additional hauling costs, which are not reflected in the Orders' blend prices, are not shared by all the producers who enjoy the blend price that results from marketwide pooling."

Secretary's decision Chicago Order 1990

The volumes of deliveries required from supplemental supplies to the Southeast can be gleaned from the pooling data in the Orders. October 2005 in Order 7 is a good example. In that month the market's total needs for Class I were 437.9 million pounds. The total in-area production equaled only 273.8 million pounds. In other words, gross in-area production was only 62.5% of total Class I needs. When the total need of distributing plants for milk (bottling plants in the Southeast typically average about 86.5% Class I) is considered (to say nothing of seasonal and daily balancing needs), the extraordinary deficit of local supply for Class I needs is plainly evident. The Order 5 comparable figures are only a bit less grim.

More milk for more miles requires more funding for the supplemental supplies.

The record as a whole provides overwhelming support for Proposals 1 and 3. There was limited opposition in these proposals at the hearing and no evidence was offered which challenged the basic factual underpinnings of these proposals: that increased volumes of supplemental milk are required for Class I in the southeast; that the cost of transporting milk has increased since 1997; and the miles that the milk must move to meet the needs of the southeast have increased.

There are two basic issues to be addressed in updating the existing transportation credit balancing fund in Orders 5 and 7: first, a need for additional funds for those provision requires an increase in the maximum rate of assessment in both orders; and second, the increases in the cost of transportation dictate a need to update the rate of reimbursement and provide some automatic updating of the volatile fuel costs factor in the reimbursement formula. Together, these two changes within the structure of the current transportation credit program will restore that fund to an operational level equivalent to that which was originally intended by the secretary.

Three factors go into the amount of transportation costs reimbursed through these funds: (1) the volume of supplemental milk delivered; (2) the distance the supplemental milk is delivered; and (3) the cost per loaded mile of delivery.

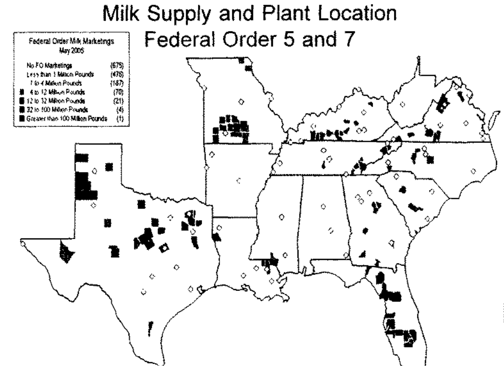
Not only have the milk volumes needed increased, but the milk must be hauled an average of 20% further at a cost of 32% more per mile than the cost incurred when program was established in 1996. These figures are not subject to dispute; they were, in fact, not controverted at the hearing; and, we respectfully submit, the data mandate that these important provisions providing for orderly equitable marketing in the southeast be updated.

In 1997, the cost per loaded mile for over the road hauling was $1.75 to $1.80 per loaded mile. Based on summaries of actual hauler bills to cooperatives during October 2005 the Hearing record showed that cost today is approximately $2.35 per loaded mile.

- 42 distributing plants in the region
- 6 distributing plants potentially have available to them more than 200% of their needs in nearby counties
- 8 distributing plants have potentially available between 100% and 200% of needs in nearby counties
- 2/3 of the plants, a total of 28, have less than their total needs available nearby
- 1/2 of the plants in the region have less than 50% of the milk that they require located in nearby counties

More simply put, plants and producers are not located near each other and milk must travel substantial distances to supply the needs of most distributing plants in the region. However, it also shows that a small handful of plants will be able to be fully supplied with inexpensive local deliveries.

Milk Supply and Plant Location
Federal Order 5 and 7



Each diamond represents a plant location. Counties with dark blue produce the most milk and those in lightest blue, the least. Many counties have no milk production. Few plants are located in counties with milk production.

Milk supplies are not located convenient to milk plants. 80% of Southeast milk supplies must deliver to a plant that is not the closest to their farm, averaging 47 extra miles per delivery and 20¢ per cwt. greater cost

For Order 5, the Market Administrator determined that in April and October 2005, the weighted average miles beyond the nearest distributing plant which milk subject to credit would travel was 44 miles in April 2005, and 41 miles in October 2005. Those distances represent about an additional $0.20 per hundredweight of hauling expense for producers supplying these plants. In other words, the producers in the Order who were able to deliver to the nearest plant had one hauling cost; while the producers who delivered to more distant plants had, on average, an additional hauling expense of $0.20 per hundredweight, over and above any price adjustments established in the Orders for the movement of milk from farm to market.

The data in Order 7 are similar, but even starker in the inequity revealed. In April 2005, 284.5 million pounds of milk was delivered and would have been subject to the proposal to credits. The total in-area production in April 2005 was 353.1 million pounds; fully 80% of the milk in area was delivered beyond the nearest distributing plant. These deliveries were at an average of 49.62 miles with, in essence, no assistance from the location adjustments of the Order. The result is that 80% of the producers in the Order have hauling expense on average $0.22 per hundred weight more than the 20% of producers who are able to deliver to the nearest distributing plant in the Order.

As the Secretary has previously stated: "the additional hauling costs, which are not reflected in the Orders' blend prices, are not shared by all the producers who enjoy the blend price that results from marketwide pooling." (52 FR 38241 10/15/07) These Orders, because of the mismatch within the geographical area of supply and demand, have a built in two class system among producers: those advantaged producers who are able to deliver to a nearby distributing plants; and the majority of producers who must deliver their milk a longer distance to a demand point at a substantial price disadvantage.

As a consequence of this structural mismatch in supply, demand, and Class I pricing, there is, in essence, a two-class system of producers in Orders 5 and 7: The select and privileged minority of producers who are able to deliver to a local plant; and the balance of the market, the majority of producers, who must deliver to distant demand points without compensation under the order for the cost of delivering that milk resulting in a net return to them of at least $.20 to $.25 per cwt. less than their neighbors . At the same time, the handlers fall into the same classes: those few handlers who are favored with a local supply, on the one hand, and the remainder of the handlers who must arrange for their supplies to be imported from wherever supplemental supplies may be found, inside or outside the marketing areas, again without assistance from the location adjustments in the Order.

Proposal 2 allows the Secretary to fund the transportation credits in the manner that he deems appropriate, which could include:

- No costs from the pool under any circumstances (the current system for funding the supplemental milk program);
- All costs from the pool (the current system found appropriate in Order 30);
- Any combination of the two revenue sources (proponents having advanced one combination program which would allow pool expenditures with a limit).

This gives the Secretary total flexibility in how to structure funding the credit.

CONCLUSION

A similar program has been used in the upper Midwest Order for more than 15 years to help fund milk movement within the market and provide an equitable solution for sharing the costs between producers.

As the Secretary recognized in the Order 30 decision, when the location adjustments in the Order do not cover the transportation to Class I plants (either because the amount of the location adjustment is inadequate or because the milk is moving in a direction which is against the grid of location prices, both of which conditions existed in Order 30 in 1987), there is inequity among both producers and handlers and disorder in the marketplace. That same situation is without question present in Orders 5 and 7 here as the record so plainly demonstrates.

Statement by Dean Sonnenberg
On behalf of the National Sunflower Association

Before a Hearing of the
Committee on Agriculture, Nutrition, and Forestry
U.S. Senate

July 17, 2006

Mr. Chairman and Members of Committee, thank you for the invitation to testify today about the next farm bill. I am President of the National Sunflower Association (NSA) and am here today on behalf of the Association. I farm near Fleming, Colorado, where we grow sunflowers, corn, wheat and millet.

Sunflower – one of the "minor oilseed" program crops – is a high oil-bearing crop that is produced on 2.5 million acres from the Canadian border to the south of Texas. Much of the sunflower oil is used in the manufacture of salty snacks such as potato and corn chips. Another segment of our industry produces in-shell sunflower that has become very popular with baseball players, both in the United States and overseas.

Federal farm program income support in the event of low prices or crop failure is the single most important issue for sunflower growers. And the safety-net provided for sunflowers by the 2002 Farm Bill, as with the other oilseeds, relies primarily on the Marketing Loan Program. There is strong interest among growers and the NSA to keep the Marketing Loan a viable option in the new farm program. If the Marketing Loan were to be diminished or eliminated, a similar provision, such as a viable revenue assurance program, would need to be developed.

The NSA strongly believes that the benefits provided by the next farm bill must be equitable amongst the eligible crops to prevent planting distortions, i.e. planting for the program rather than the market. We also support continuation of the planting flexibility provisions that have been in place since 1996.

The NSA supports the development and inclusion of a permanent disaster provision in the next farm bill. Such a provision would help mitigate the shallow losses producers incur when crops do not exceed the standard 30 percent loss threshold of most crop insurance policies.

While the NSA understands that the crop insurance program is authorized under separate legislation, we feel compelled to note that overall policy provisions need to be strengthened in those regions of the country where multiple disasters have eroded farm yield history. Other provisions that need review include the cost of harvesting marginal yielding crops damaged by weather as well as the ability to expand crops into non-traditional growing regions.

The NSA supports a stronger Energy Title in the next farm bill. As a part of this title, we also encourage the Committee to develop and include options to bring Conservation Reserve Program acres back into bio-energy production.

In closing, I want to again thank the Committee for the opportunity to testify about the make-up of the next farm bill. The NSA fully understands that the WTO negotiations as well as budget deficits may limit farm program options. However, the ever-growing financial risk in today's agriculture requires that farmers be provided with protection from the huge price swings brought on by weather and fluctuating supplies if the United States is to maintain a viable domestically grown supply of food. We are prepared to "think outside the box" and work with Congress to find workable farm program provisions and look forward to working with you. I will be happy to address any questions you may have.

Dean Sonnenberg

Dean Sonnenberg
President, National Sunflower Association

Mr. Chairman and Members of the Committee, Thank you for the opportunity to testify today. My name is Ray Rogers. I am a farmer and own and operate Rogers Timber Company in Nashville, Arkansas. I am currently serving as Chairman of Arkansas Farm Bureau's State Forestry Committee.

Our forests constitute one of our country's most valuable renewable resources. Farm Bureau favors a privately owned, sustained-yield forest industry assisted by essential public services such as research, fire protection and pest control. Forestry should continue to be recognized as an environmentally beneficial and economically significant agricultural enterprise.

The Forestry Industry is extremely important to Arkansas. The pulp and paper industry is the state's largest manufacturer. There are 18,778,660 acres of forest land within the state, which represents approximately 56 percent of the total land base. 58 percent of these forested acres are owned by private landowners.

I believe the main purpose of a national agricultural policy is to maintain a stable, high quality, affordable food and fiber supply for our nation. I strongly believe it is time we increase our efforts in the area of bioenergy in order to reduce our dependence on volatile foreign oil.

The 2002 Farm Bill was carefully crafted to provide a safety net to farmers and ranchers while also supporting the rural economy. The conservation provisions resulted in the "greenest" farm bill ever. The farm bill strengthened our economy by encouraging more than $62 billion in agricultural exports in 2005. Current farm programs enable the U.S. to export production from approximately one out of every four acres. More than 17 percent of the total American workforce produces, processes and sells the nation's food and fiber. By any measure, agriculture is the backbone of our nation's economy and a invaluable component to our national security.

I know the budget situation is drastically different going into the 2007 Farm Bill debate in comparison to the 2002 Farm Bill. I also understand the United States spends less than one percent of the total budget on the agriculture policies and programs which support our abundant and safe food and fiber supply.

First, I would like to address The Environmental Quality Incentives Program (EQIP) within Title II of the 2002 Farm Bill. Farm Bureau supports farmers and ranchers in their efforts to voluntarily develop private resource management plans to manage their agricultural resources while meeting their production, economic and environmental objectives. EQIP provides forest landowners critical financial support on conservation practices that help to maintain a healthy forest.

Arkansas's EQIP activity in the forest funding category are as follows: in 2004, 268 applications were requested and 119 were funded using $1,434,980, in 2005, 210 applications were requested and 168 were funded using $1,542,546, and in 2006, 160 applications were requested and 150 were funded using $1,482,776.

Funds should continue to be prioritized and distributed on a local level, with the primary emphasis being water quality and soil conservation.

Landowners can apply for EQIP funds for the following practices: firebreaks, prescribed burns, best management practices (water bars, diversion ditches, landings, and firebreaks), forest stand improvements, tree/shrub planting, and stream crossings. The maximum project amount is $450,000 and the contract period can be up to 10 years. I would like to see the program continued within the 2007 Farm Bill though with price adjustments included so that the escalating prices of materials are accounted for.

The Forest Land Enhancement Program (FLEP) is under Title VII, Forestry, totaling $100 million. Arkansas allocation should have been approximately $500,000 annually. In 2003, $473,000 went to Arkansas landowners. In 2004, we didn't receive any money. In 2005, $328,500 was used to fund 225 applications and this year we received $112,000 and are still accepting applications. As you can see the funding has dropped off considerably since 2003. If the program would have been funded at expected levels, Arkansas would have had the potential to fund an approximately 900 applications covering 30,000 acres.

The main advantage of FLEP is the assistance it provides for small landowners. Since 2003 the average application acreage is 31 acres.

I believe this program should have been funded fully to meet the priorities set forth in the Farm Bill. The goals of the program are to enhance and sustain long-term productivity of timber and non-timber resources through a variety of forest management practices. FLEP pays 50 percent of program implementation costs (75% for certain practices). This federal program is managed in my state by the Arkansas Forestry Commission through its county offices. The commission did an outstanding job in managing the program and the forest land owners would like the commission to manage the program in the future, if we can get the program fully funded. I sincerely hope this program will be continued in the 2007 Farm Bill, as it truly helps forest landowners in Arkansas, and throughout the U.S.

To be eligible for FLEP payments, the landowner must have a forest management plan for their property. Under the program, the following conservation practices are eligible for cost share reimbursement: reforestation, improvement of poorly stocked forest stands, forest health, practices to improve seedling growth or survival, and habitat improvement for game and non-game wildlife species. Best Management Practices during timber harvesting to reduce erosion and protect water quality are also eligible. The most common practice the landowners in Arkansas used under this program was tree planting.

FLEP applications were not ranked as in other programs. Priorities for FLEP were recommended by the Arkansas Forest Stewardship Committee for Arkansas Forestry Commission Districts. Each applicant will have a maximum of $7,500 cost share they can receive during each federal fiscal year (October 1 – September 30).

The last issue I would like to address is Energy. Outdated U.S. energy policies led to over-dependence on foreign sources to meet our country's energy needs and resulted in severe energy price volatility. I own and operate a small timber company in south Arkansas. My operation uses 2500 gallons of off-road diesel per month. In 2004, I was paying .99 cents per gallon of diesel. This past month I paid $2.59 per gallon, which is a 161 percent increase in a 2 year period. I don't have the luxury to charge a fuel surcharge to the mills. The fuel increase comes off my bottom line, like all other farmers and ranchers.

Should there be an Alternative Energy Title within the 2007 Farm Bill? I don't have the answer, but that is one of the many questions that will be asked within Farm Bureau's policy development process this year.

I can say we support full research and development for the increased production of all forms of renewable fuels from agricultural resource for energy use, including biomass, which includes waste wood products. We favor biodiesel incentives through tax credits of at least 10 years in duration and through other appropriate measures such as a renewable fuels standard. Farm Bureau also support the "25 x 25" vision, which calls for 25 percent of America's energy needs to be produced from working lands by the year 2025.

USDA and Department of Energy's (DOE) assessment of the potential pay-off from expanded production of biomass indicate that an expanding conversion industry would:

> Generate demand for as much as 40 million acres of land for bioenergy crops. A larger biomass industry would depend on bioenergy crops-that is, crops produced specifically for use as biomass for energy production. This acreage would be drawn from existing cropland, idled acres, and conservation reserve acres managed to avoid any environmental damage. With crops ranging from switch grass to poplars, bioenergy crops could become the fourth most important crop market from an area standpoint after wheat, corn and soybeans;
>
> Generate higher commodity prices. USDA's feasibility studies suggest crop prices would be up to 14 percent higher with bioenergy crops using 40 million acres;
>
> Boost farm incomes $3 to $6 billion due to higher receipts for existing crops and receipts from new bioenergy crops.

Mr. Chairman, as you know new international rules and disciplines on domestic support programs currently are being debated as part of the Doha round of trade negotiations in the World Trade Organization (WTO). The negotiations will not be concluded before 2007. The results of the negotiations, in particular the results on domestic support commitments and market access, must be known and taken into account as farm programs are developed for the future.

Farm planning is a multi-year process. The 2002 Farm Bill not only established a safety net for our producers, but it also provides leverage for international trade negotiators and needed conservation program support. Farm Bureau supports the concepts of the 2002 Farm Bill for inclusion in the 2007 legislation. It is important that the negotiations on market access and domestic support be clearly defined before we draft a new farm bill or accept significant budget reductions.

Testimony

on behalf of the

Missouri Cattlemen's Association

with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted to the

United States Senate - Committee on Agriculture, Nutrition, and Forestry

The Honorable Saxby Chambliss, Chairman

submitted by

Mike John

Member
Missouri Cattlemen's Association
President
National Cattlemen's Beef Association

July 17th, 2006
Cape Girardeau, Missouri

Mr. Chairman, Ranking Member Harkin, Members of the Committee, thank you for the opportunity to present the Missouri cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Mike John, and I am a cattle producer from Huntsville, Missouri. I am a member of the Missouri Cattlemen's Association and am currently the President of the National Cattlemen's Beef Association.

As with most agricultural producers in the country, we've been anxious for work to begin on crafting the 2007 Farm Bill. As cattle producers, our livelihood is tied to many other agricultural commodities. Livestock consumes three out of four bushels of the major feed grains like corn, sorghum, and barley. Cattle in feedlots account for nearly one-fourth of the total grain consuming animal units, and all beef cattle account for nearly 30 percent. We are dependent upon this nation's agricultural system and infrastructure to feed, transport, market our cattle, and provide beef for America's table; and as such, we are interested in seeing this segment remain healthy and viable.

Unlike other agricultural commodity groups, however, we tend to take a different look at portions of U.S. agriculture policy. Our industry is made up of over 800,000 ranchers in all 50 states, and we have over 95 million head of cattle in this country. Cash receipts from cattle and calves in 2005 are over 48 billion dollars, and those sales account for nearly 40 percent of all livestock sales and nearly half of all farm receipts. Ranchers are an independent lot who want the opportunity to run their operations as they see fit with minimal intrusion from the government. As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work towards agricultural policy which minimizes direct federal involvement; achieves a reduction in federal spending; preserves the right of individual choice in the management of land, water, and other resources; provides an opportunity to compete in foreign markets; and does not favor one producer or commodity over another.

The open and free market is powerful, and as beef producers, we understand and embrace that fact. The cyclical ups and downs of the market can be harsh, but the system works, and we remain steadfastly committed to a free, private enterprise, competitive market system. It is not in the nation's farmers or ranchers' best interest for the government to implement policy that sets prices; underwrites inefficient production; or manipulates domestic supply, demand, cost, or price.

Conservation and the Environment

There are portions of Federal agriculture policy that we can work on together to truly ensure the future of the cattle business in the United States. Conservation and environmental issues are two such areas. Some of the cattle industry's biggest challenges and threats come from the loss of natural resources and burdensome environmental regulations. Ranchers are a partner in conservation. Our livelihood is made on the land, so being good stewards of the land not only makes good environmental sense, it is fundamental for our industry to remain strong. Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally friendly as possible, and it is here where we can see a partnership with the government.

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers eligible and others ineligible limits the success of the program. Addressing environmental solutions is not a large versus small operation issue. All producers have the responsibility to take care of the environment and their land, and should have the ability to participate in programs to assist them establish and reach achievable environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP.

Secondly, many producers would like to enroll in various USDA conservation programs such as CSP and CRP to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity on the land enrolled. We believe economic activity and conservation can go hand in hand. As such, we support the addition of provisions in the next farm bill that will allow managed grazing on land enrolled in CRP. This will have tangible benefits on environmental quality, for example, helping to improve lands threatened by invasive plant species.

USDA's conservation programs are a great asset to cattle producers. We want to see them continued and refined to make them more producer friendly and more effective in protecting the environment in a sensible way.

Environmental issues are also a huge challenge for our industry. We understand the need for environmental regulations to protect resources downstream, and we believe those producers that knowingly and willingly pollute and violate the Clear Air and Clear Water Acts should be prosecuted to the fullest extent of the law. However, the use of other vehicles, such as EPA's Superfund, to sue agricultural producers in an attempt to get larger settlements is egregious and it threatens the future of ag producers both large and small. This, combined with EPA's talk of regulating agricultural dust, animal emissions, and other naturally occurring substances, makes us all concerned for our industry. Although these items are not addressed in the Farm Bill, we ask that the members of the Committee step in and help ag producers in their fight to have effective and sensible environmental regulations.

Activism

In addition to dealing with the misapplication of environmental regulations, our industry is also becoming more at risk from attacks by environmental and animal activist and terrorist groups. Activist groups such as PETA and the Humane Society of the U.S. (HSUS), along with extremist groups such as the Animal Liberation Front and Earth Liberation Front, use extreme measures to try and force their views of vegetarianism and extreme environmentalism on others. Every person has a right to their own views, but to force their views on others using scare tactics, arson, and terrorism is unacceptable. It's not just the extremists, however, that threaten animal agriculture. All we have to do is look at the issue of processing horses for human consumption. All it took was a few celebrities, horse racing groups, and misinformed politicians to pass a law that banned the use of USDA funds to inspect horse processing facilities. The processing of horses is a regulated and viable management option that helps take care of unwanted or unmanageable horses. It would be preferable if there were plenty of people willing to pay for these animals and take care of them, but there are not. Instead, a group of activists have pushed their emotional views on others, and in return are running the risk of allowing more horses to starve or be mistreated, as well as putting companies out of business. This win gives activist and extremist groups a foothold to come after other species. It's no secret that groups, such as PETA, want to put the U.S. cattle industry out of business. It may seem far-fetched, but in today's society, the rural voice is quickly being lost. The Farm Bill should not be a platform for these activist groups.

Trade

Outside of conservation, environmental, and activist issues, there are several other issues that have the potential to impact the long-term health of the beef industry. One such area is trade. U.S. cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program which help expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the Committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE on December 23, 2003, in a Canadian cow in Washington State. As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea and Japan. We ask that you continue to support the effort to see that sound science is being followed in bringing down these artificial trade barriers. To grow our business, we have to look outside of the U.S. borders to find 96 percent of the world's consumers. We encourage the Committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Animal ID

In trying to deal with, and mitigate the effects of, animal health emergencies on our business and trade, we believe in participating in a privately held animal identification system. That system now exists and is under the administration of the U.S. Animal Identification Organization or USAIO. Formed in January, they are administering an animal movement database that has the ability to work with animal identification service providers across the country to collect animal movement data and serve as a single point of contact in the event of an animal health emergency. This system will provide real time access to USDA and their State Vets, and will allow trace-back of any diseased animal to start immediately and be completed in less than 48 hours. Confidentiality of the information is paramount and is one of the greatest concerns for producers. This privately held database will keep the information much more safe than a public, or USDA system would. The USAIO is currently recruiting partners and building the amount of data they have in their system. It will be self-funded and will not rely on any federal funding.

Research

In regards to animal health emergencies, we see a need to keep a strong agricultural research component to the Farm Bill. USDA's research is critical in all aspects of our business. Their research and extension activities help to find new and improved cattle production methods to help make our business more efficient and effective. Animal health research helps to control and eradicate animal diseases; develop better methods to keep foreign animal diseases out; and to identify, control, and preempt new diseases. These activities keep our national herd healthy and make it easier to export our beef and cattle. In addition, nutrition research is important to show that beef is a healthy part of America's diet and plays an important role in USDA's "My Pyramid" and food guidelines.

Energy

Research is also needed to identify and develop alternative methods of producing energy. Renewable energy is going to become an increasingly important part of our country's energy supply and there are many ways that cattle producers can contribute and benefit. Research and development is needed to find cost-effective methods of utilizing manure and animal waste as a fuel supply. Gasification and other methods hold a lot of promise for our industry. When looking at ethanol, however, we must be careful not to act in a way that is detrimental to the livestock industry. Livestock consume the majority of U.S. corn. As ethanol continues to grow, we must make sure it does not do so at the detriment of the cattle feeding industry. We must take all opportunities to look at ways to balance feed demand, price, and the benefit of renewable fuels.

Property Rights

In turning to business matters, one of the biggest concerns to cattlemen right now is their private property rights. The Supreme Court's ruling in Kelo versus The City of New London sent a shockwave through the cattle community. The thought that our ranches could be taken by municipal governments and turned over to private developers in the name of economic development is disturbing. Our country is great for many reasons, but one of them is the ability to own property, use it how you see fit, and not worry about it being taken from you on someone else's terms. We believe in the rights of cattlemen to keep their property and applaud the Committee's efforts to protect those rights.

Taxes

Reducing the tax burden on ranchers has always been a top priority for our industry. We continue to support permanent repeal of the Death Tax. Regardless of how many or how few are effected, if even one rancher has to sell off part of their operation to pay this tax, it is unacceptable to us. Cattlemen pay their fair share of taxes, and resent the fact that many are being penalized for wanting to pass their operations on to future generations. Our priority is to keep families in agriculture, and this tax works against that goal. We do not see this as a tax cut for the rich. The rich can afford high priced attorneys and accountants to protect their money now. Ranchers operate in an asset rich but cash poor business environment. Ranchers must spend money that would otherwise be reinvested in their businesses to hire the resources necessary to protect their assets and pass their operations on to their children. At the same time, however, they may have several hundred acres of land whose value has been driven up by urban sprawl and the unintended consequences of Federal crop supports. We also support keeping the Capital Gains Tax at a lower rate, repeal of the Alternative Minimum tax, and full 100 percent deductibility of health insurance premiums for the self-employed.

Marketing Issues

As with the 2002 Farm Bill, we fully expect to deal with several marketing issues in Title X of the bill. Although we believe that the Farm Bill is not the place to address these issues, they continue to come up and we must be prepared to defeat them. When looking at these issues, it is important to note that we support the critical role of government in ensuring a competitive market through strong oversight. This includes the role of taking the necessary enforcement actions when situations involve illegal activities such as collusion, anti-trust, and price-fixing. The USDA Office of Inspector General's recent report on the audit of GIPSA is concerning, but we have faith in the new Administrator's ability to comply with the OIG's recommendations and tighten up GIPSA's enforcement of the Packers and Stockyards Act.

However, government intervention must not inhibit the producers' ability to take advantage of new marketing opportunities and strategies geared toward capturing a larger share of consumers' spending for food. A ban on packer ownership or forward contracting has been a part of Farm Bill debates for years. We are staunchly opposed to those efforts because by legislating those conditions, Congress is trying to tell cattle producers how and when to market their cattle. This strikes at the very basis of our business which is utilizing the market and its opportunities to improve our returns and make a living. We do not believe that Congress should tell cattlemen how they can market their cattle. Each producer should be able to make that decision for himself, whether he markets his cattle through traditional or new and progressive channels. The market provides many opportunities and cattlemen should be allowed to access all of them.

Another issue of concern is mandatory Country of Origin Labeling or COOL. Cattlemen across the country realize the benefit of labeling our product because we produce the best beef in the world. The ability to separate our product from everything else in an effort to market its superiority is a fundamental marketing strategy. There are voluntary labeling programs across the country that are being driven by the market, led by cattlemen, and are providing a higher return on their cattle. This is what a labeling program should be about…marketing. Instead, mandatory COOL has turned this into yet another commodity type program that treats all beef the same and does not allow for forms of niche marketing. This will cost producers money, but will not provide them with any return. In addition, mandatory COOL is being pushed by some as a food safety prevention tool and a non-tariff trade barrier. COOL is a marketing tool only, and in no way should be tied to food safety. We have firewalls in place to keep U.S. beef safe. COOL should also not be used as a non-tariff trade barrier. To label our beef in an effort to capitalize on the demand for our premium product is one thing, to label it as a way to block the competition is yet another.

In an effort to enhance the marketplace for cattlemen, we support legislation that would allow meat inspected by state departments of agriculture to be shipped across state lines. Packing plants across this country, both big and small, follow all the same food safety techniques, and state inspectors are effectively trained and competent in their meat inspection skills. This type of provision would create additional competition in the packing sector and create marketing opportunities for family-owned packing companies who are currently limited to simply marketing in-state.

In short, the government's role should be to ensure that private enterprise in marketing and risk management determines a producer's sustainability and survival.

Conclusion

As you can see, we are not coming to you with our hand out. Like I mentioned before, America's cattlemen are proud and independent, and we just want the opportunity to run our ranches the best we can to provide a high quality product to the American consumer, and even more importantly, provide for our families and preserve our way of life. We are coming to you in an effort to work together to find ways to use the extremely limited funds available in the best way possible to conserve our resources, build our industry, and provide for individual opportunity at success. We ask for nothing more than Federal agriculture policy that helps build and improve the business climate for cattlemen. We look forward to working with you on the 2007 Farm Bill.

TESTIMONY OF MIKE BRIGGS

President, Willow Brook Foods, Springfield, Mo.
And Chairman, National Turkey Federation

Before the
Senate Committee on Agriculture

July 17, 2006
Cape Girardeau, Mo.

Good morning, Mr. Chairman, Senator Talent, members of the committee. Thank you for the opportunity to testify here today. My name is Mike Briggs, and I am president of Willow Brook in Springfield, Mo., and the 2006 chairman of the National Turkey Federation. NTF represents all segments of the U.S. turkey industry, including growers, processors, breeders, hatchery owners and allied companies. NTF is the only national trade association representing the turkey industry exclusively.

Overview of the Turkey Industry

The turkey industry today is vibrant. American turkey growers this year will raise nearly 270 million turkeys, which companies like Willow Brook Foods will process into five billion pounds of ready to cook turkey meat valued at almost $8 billion. I should mention that Missouri is now the nation's fourth-largest turkey producing state, having raised 22.5 million birds here last year.

Our industry has grown and enjoyed success because of changes in the way Americans consume turkey and other meat proteins. Less than 40 years ago, the overwhelming majority of Americans consumed turkey in the form of a whole bird during the fourth quarter of the year. Annual turkey consumption was well below 10 pounds per capita.

Today, two-thirds of all turkey is consumed outside the traditional Thanksgiving-Christmas season, and it is consumed in the form of parts or further processed items like ground turkey, turkey bacon or deli meats. Per capita consumption has risen to almost 18 pounds.

That said, the growth in domestic consumption has flattened somewhat in recent years. Exports have become a major new growth market for the industry. Before 1990, the U.S. turkey industry exported about 1 percent of all we produced. Last year, we exported about 10 percent of our product. Mexico by far is our biggest foreign customer, purchasing almost 50 percent of all exports. Other significant markets include Russia, Hong Kong and Canada.

While the industry's outlook – taken as a whole – is bright, there are challenges that could darken our horizon very quickly. Obviously, the industry bears the primary responsibility for securing a prosperous future, but by building on the success of the last two Farm Bills, Congress can play a role in helping us meet those challenges.

Feed Policy

The biggest key to our industry's profitability is access to a plentiful, reliable supply of feed, which accounts for 70 percent of the cost of turkey production. Turkeys' diets consist of corn and soybeans, with corn being the most critical ingredient.

To give you a sense of our industry's sensitivity to feed costs, let's look at two very different situations from the recent past. In 1995 and 1996, short corn crops reduced the stocks-to-use ratio for corn to almost 5 percent, an unprecedented low. That led to the highest feed costs this industry has experienced in the last 20 years and, not surprisingly, to record losses in the industry. Conversely, in 2000, the stocks-to-use ratio was well above 15 percent, and feed costs were much lower. Net returns for the industry were at a 10-year high.

Demand for corn worldwide is on the rise. Two factors stand out – the increased use of corn as an energy source and China's move from a net exporter to a net importer of corn. These developments will stretch the corn supply, even during this period of record yields and record overall crops. And, that in turn will put upward pressure on corn prices.

Does this mean we advocate cheap corn, or that we oppose the corn producers' efforts to develop new markets? Not at all. Many of our growers also raise corn, so we understand the corn farmers' desire to diversify the customer base and to maximize price and profitability. Our concern is access to a reliable domestic feed supply where, in years when crops might be short and the market is rationing a tight supply, we can bid on a level playing field for our key feed ingredients – corn and soybeans. We do not want to repeat 1996, when we faced a very real danger of exhausting our existing corn stocks.

As you write the next Farm Bill, we ask you to remember the singular way in which the last two Farm Bills have helped the traditional feed consumers. By de-coupling support payments and allowing farmers to respond to the growing world demand for corn, we have – in most years – enjoyed U.S. corn crops large enough to fill the needs of new and existing corn consumers.

We also must recognize that many new corn acres have come at the expense of soybean acres. For several years now, turkey, chicken and hog producers in some feed-deficit states have been importing soybean meal from Brazil. In fairness, this has not always occurred because of a shortage of soybean meal in the United States. The problem in feed-deficit areas has been exacerbated by antiquated transportation laws that leave the rail a near monopoly on transporting feed ingredients within the United States. Those laws, of course, are outside the scope of this bill and your committee's jurisdiction.

Regardless of the cause, the importation of soybean meal has profound implications for the future of poultry and meat production in the United States. Unless new arable land is found, more feed ingredients may have to be imported. At some point, producers begin to ask the logical question: does it make more sense to bring the feed to where the livestock and poultry are being raised, or does it make more sense to raise the livestock and poultry where there is an ample supply of feed?

To assure a continued, robust poultry and meat industry in the United States, we urge you to do two things when writing the next Farm Bill:

- Maintain the de-coupled payments so that farmers have maximum freedom to respond to market signals; and
- Take a close look at the Conservation Reserve Program to ensure that the CRP is being used strictly to keep environmentally sensitive land out of production.

Environmental Challenges

Another major challenge is in the environmental arena. Turkey producers operate under a complex, stringent set of federal, state and local laws designed to minimize and even negate the impact of our operations on the environment. The federal laws with which we must comply include the Clean Water Act, the Clean Air Act and, in some areas, the Coastal Zone Management Act. We accept our agricultural environmental laws as part of our responsibility to be good stewards of the land, and we are proud of our track record in responding as scientific research identifies new production practices that can enhance the environment.

Many of you also are aware that some are trying to extend two industrial environmental laws to agriculture – the Comprehensive Environmental Response, Compensation and Liability

Act (CERCLA) and the Emergency Planning and Community Right-to-Know Act (EPCRA). These laws were written by Congress in the 1980s and were designed to respond to real environmental problems caused by industrial activities. We believe the legislative record clearly indicates that Congress did not contemplate the inclusion of animal agriculture production in either act. Again, we recognize this issue is outside the jurisdiction of your committee, but many of you have been vocal supporters of legislation that would make it clear CERLCA and EPCRA do not apply to animal agriculture. The turkey industry is very grateful for that support.

Whatever environmental rules are on the books, poultry and livestock producers will need help with compliance if they are to continue to prosper. This committee has played a vital role in in this respect by creating the Environmental Quality Incentives Program (EQIP) in the 1996 Farm Bill, and expanding EQIP in the 2002 Farm Bill. In particular, your decision in 2002 to reserve 60 percent of funds for poultry and livestock issues has been very beneficial. While some may have concerns with the delivery of some EQIP funding and services, the turkey industry believes it is a valuable program.

In writing the next Farm Bill, we would urge you to:

- Increase EQIP funding to the maximum extent possible;
- Consider increasing the percentage of EQIP funds that are reserved for livestock and poultry operations; and
- Examine ways EQIP funding could be used to facilitate projects that turn animal waste into fuel.

Trade, Research and Competition

Finally, I would mention three other matters – trade, research and the so-called "competition" issues.

Foreign markets are our fastest-growing markets. As noted earlier, the percentage of turkey production that is exported has increased tenfold in the last 15 years. The Foreign Market Development program and Market Access Program have played a significant role in increasing exports of value-added poultry and meat. We urge you to maintain these programs' 2002 Farm Bill funding levels and, if possible, increase them.

Directly related to this are the competition issues. I want to make two points here.

First, the family farmer remains the backbone of our industry. The overwhelming majority of turkey produced in the United States is raised by family farmers working under contract with companies like Willow Brook Foods. As with any business relationship, there will be occasional strains, but most family farmers who have been raising turkey under contract have been doing so for years. The low turnover rate among growers indicates that the relationship is basically sound. We also would note that growers receive considerable risk protection through contracts. In the bad year of 1996, when turkey processors were averaging net losses of around 10 cents per pound, turkey growers still made a net profit on every pound of turkey they raised.

Also, we recognize that some raise objections to the meat and poultry industry's current structure, but this structure didn't happen by accident or as the result of some conspiracy in a corporate boardroom. Americans have dramatically changed the way they purchase poultry and meat – all food, really – in the last 40 years. Think about where your family bought your groceries in 1966 and where your family buys them now. Think about how many meals you ate out then versus now, and the types of restaurants where you ate them. The nature of the retail grocery and food service industries have changed significantly – to meet consumer demand – and the types of agribusiness companies that can meet their orders changed as well. It is clear the current industry structure evolved specifically to meet the changing demands of our domestic and foreign customers.

Trying to roll back the clock by imposing statutory restrictions on one narrow segment of the farm-to-table food chain makes little sense, and it certainly will not achieve the results the proponents of agribusiness reform desire. American consumers are going to continue to demand low-cost food and they – not Congress – will dictate where they purchase and consume this food. The same goes for foreign consumers as well.

The turkey industry is not shutting the door to a discussion of industry structure, but we must remain grounded in reality. If the laws of our country make it impossible for the U.S. industry to organize itself in a way that serves our customers, competitors from other nations will step in quickly to fill the void. Were that to happen, everyone involved in American agriculture would suffer.

Finally, federal agriculture research is a vital to our ability to provide safe wholesome food. One example is the work being done in Georgia on avian influenza. USDA researchers have played a vital role in helping U.S. growers prevent the Asian strain of avian influenza, and they have helped other nations tackle their AI problems. We urge you to maintain and, if possible, increase research funding, especially in the areas of food safety and animal disease control.

Again, thank you for the opportunity to testify. I look forward to answering your questions.

Testimony of

Jim Hinkle

Board Member from Arkansas

The National Wild Turkey Federation

Review of and Recommendations for

Farm Bill
Agricultural Conservation Programs

Before The

Committee on Agriculture, Nutrition and Forestry

United State Senate

July 17, 2006

Introduction

Good morning, Chairman Chambliss, Ranking Member Harkin and Members of the Committee. I am Jim Hinkle from Mountain View Arkansas, board secretary of the National Wild Turkey Federation and a seven year veteran board member of the Arkansas Fish and Game Commission. I am pleased to be with you today to support the Farm Bill conservation programs within your Committee's jurisdiction and to recommend improvements in these programs for your consideration as you write the 2007 Farm Bill.

The National Wild Turkey Federation is dedicated to the conservation of the wild turkey and the preservation of the hunting tradition. When the National Wild Turkey Federation was founded in 1973, there were only 1.3 million wild turkeys throughout North America. Since then, the number of wild turkeys has increased to nearly 7 million birds thanks to state, federal and provincial wildlife agencies, the NWTF, its members and partners.

Growth and progress define the NWTF as it has expanded from 1,300 members in 1973 to more than 500,000 members today with 2,200 chapters in all 50 states, Canada, Mexico and 14 other foreign countries. With that growth has come impressive strides in wildlife management as the NWTF has forged dynamic partnerships across the country. Together, the NWTF's conservation partners and grassroots members have raised and spent more than $224 million on conservation projects. This investment has helped conserve and improve more than 9.6 million acres of wildlife habitat and uphold hunting traditions.

I appreciate the opportunity to appear before the Committee today to present the NWTF's views on our current agricultural conservation programs, and to share ideas for improving them in the next Farm Bill.

Conservation Programs are Working

I am happy to report that our Farm Bill agricultural conservation programs work well. Together, we are putting conservation on the ground, helping landowners and producers as well as our communities, land and wildlife. We have invested wisely in our children's future.

It is important to understand that today's positive state of affairs with our agricultural conservation programs has been an evolution. We have had some setbacks, the most significant being that we have not realized the authorized funding levels the 2002 Farm Bill mandated. But the fact is we have expanded agricultural policy beyond production and food safety to include public benefits such as wildlife, water, and soil conservation. These programs which leaders like you have created will continue to improve as we find better ways to conserve soil, water, air and wildlife while enhancing the lives of farmers and forest landowners.

The federal agencies charged with delivering these programs continue to find better ways to get the job done. We recognize the success of agencies such as the Natural Resources Conservation Service, Farm Service Agency, state wildlife and forestry agencies, Conservation Districts, and a multitude of non-governmental organizations. We may not always agree, but we believe the success of many of our federal conservation programs has been a result of this team effort.

We also appreciate the strong partnerships that have been forged between federal agencies and the NWTF. One example is the partnership between the NRCS and NWTF to expand NWTF's Operation Oak program. With funding support from the NRCS, NWTF provided over 15,000 native oak seedlings to private landowners and NWTF local chapters in my home state of Arkansas last year. Through this partnership, we impacted over 25,000 acres of wildlife habitat establishment of mast-producing hardwood trees that are so important to many species of wildlife.

The NWTF strongly believes that a robust conservation policy carried out through agricultural conservation programs can improve the nation's soil, water, air, wildlife and economy. These positive impacts can be made largely within the conservation programs currently authorized and administered under the 2002 Farm Bill. However, these programs must be funded as authorized, we have to do a better job of involving third party technical service providers, and – finally – we need an increased focused on forest management within the Farm Bill Conservation programs.

Together, the Farm Bill's core conservation programs, EQIP, CRP, WHIP, WRP, FLEP and the Forest Stewardship Program (FSP) seek to encourage agricultural producers and landowners to better manage their land with a conservation ethic in mind. The NWTF strongly supports these goals and the conservation programs that seek to achieve it.

Today, I would like to share with you our observations on several conservation programs and provide recommendations for improvement as you write the next Farm Bill.

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Healthy Forests (FLEP and FSP)

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Maintaining forestland is a major challenge because its use continues to be driven by economic value, causing many forests to be converted to housing developments. By improving the quality of our forests for the benefit of wildlife and landowners, we can work to keep our forests intact.

Our nation's forests supply more than 50 percent of freshwater flow to the lower 48 states. An estimated 180 million people depend on forests for their drinking water. Unfortunately, more than 44.2 million acres of private forest are likely to be lost to housing development in the next three decades. If so, these acres will no longer be providing the same benefits to clean water, air, forest products, and wildlife habitat.[1]

[1] Stein, S.M., R.E. McRoberts, R.J. Alig, M.D. Nelson, D.M. Theobald, M.E. Eley, M. Dechter and M. Carr. 2005. Forests on the Edge, Housing development on America's Private Forests. USDA Forest Service, General Technical Report PNW-GTR-636

The facts are clear, if a landowner can't make a profit off their land, they will usually sell it when the price is right. The best tool we have to at least slow the process of forest fragmentation is to provide effective technical assistance to forest landowners and incentives to practice good conservation.

Technical assistance and cost-share programs are critical for several reasons. First, technical assistance provides the information landowners need to improve the profitability and ecological function of their forest. Because most landowners are not trained as natural resource managers, they often lack the knowledge of active forest management, which is necessary to achieve their goals. A vast amount of heavy science has been completed, and we generally know what works in this regard. In addition, we have 33 NWTF wildlife biologists on staff implementing good conservation practices in every state. The best tools to actively manage a forest include timely tree harvest, thinning stands, prescribed fire, and the removal of invasive plant species, just to name a few. For example, many species of declining wildlife are species that need timber classes of varying ages.[2] Bobwhite quail, ruffed grouse, and the golden-winged warbler are several examples of species declining because active forest management is not widely practiced. Wild turkeys need a variety of forest stand ages to meet their annual needs for food and nesting cover. Although the wild turkey needs some older-growth forest, clear cuts and thinned timber stands are necessary as well.

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Also, Farm Bill research dollars should be used to evaluate the effectiveness of forest management requirements in Farm Bill Programs on nonindustrial private forest lands These data should be used in an adaptive management fashion to facilitate appropriate practice changes when necessary to achieve the greatest wildlife benefit for the dollar.

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The Forest Stewardship Program (FSP), administered by the USDA Forest Service State and Private Forestry, is one of the best programs ever developed to help private forest landowners. Through this program, natural resource professionals have written more than 260,000 forest management plans improving almost 30 million acres of land. Because the state forestry agencies, in collaboration with other state and federal agencies, deliver this program, the FSP provides outstanding technical assistance to our nation's forest landowners. However, the program does not provide cost-share assistance to landowners; therefore it falls short of what it could accomplish. It is imperative that we allow for cost-share funding for forest landowners so we can teach them how to actively manage their forests for wildlife, and long-term economic viability.

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Providing technical and cost-share assistance is a financial investment that returns revenue to our communities and state and federal governments. By producing healthier, sustainable forests, state and local governments benefit from more forest-related jobs and increases in tax revenue. The NWTF strongly urges your continued support of the Forest Stewardship Program.

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[2] Hunter, W.C., D.A. Buehler, R.A. Canterberry, J.L. Confer, and P.B Hamel. Conservation of disturbance-dependent birds in eastern North America. Wildlife Society Bulletin 2001, 29:440-455.

Perhaps our greatest frustration regarding forestry conservation programs is with the Forest Land Enhancement Program. The Forest Land Enhancement Program (FLEP) is a well-intentioned program this Committee authorized and funded, yet FLEP has had its authorized funding diverted to other uses despite strong support. As we stated earlier, cost-share programs for forest landowners are critical. Most landowners would do more conservation practices if they had cost-share funding.[3] Without substantial and consistent funding, future efforts to improve forest management on private lands through this and other programs will suffer. To improve forest management, we support the continued funding of the FLEP at no less than current levels to reach the goals of the program. If it is not feasible to reinvigorate the FLEP program, then we would urge FLEP's authorities and funding be included in one of the other conservation programs so active forest management and cost share assistance for forest landowners can continue to be enhanced through the Farm Bill.

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Forests and Working Lands Programs (CRP, EQIP, WHIP, WRP)

Even incidental woodlands associated with agricultural operations can provide valuable wildlife habitat when actively managed. The wild turkey and bobwhite quail are two popular game species that significantly benefit from agricultural practices, especially when actively managed forests are available. In addition, the wildlife benefits of many conservation practices offered through the Farm Bill could be improved with more attention towards forest management. Specifically:

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The Environmental Quality Incentives Program (EQIP) promotes agricultural production and environmental quality as compatible goals, and optimizes environmental benefits. EQIP provides cost-share payments and other incentive payments to producers to address soil, water and related natural resource concerns. Although half of the EQIP funding is directed to agricultural waste management, landowners have successfully used this program to cost-share activities such as prescribed fire, invasive species management, planting wildlife openings, and timber stand improvement practices. In Missouri approximately $1 million dollars is spent annually on forestry and wildlife practices through EQIP. Between 200-250 contracts (15% and a 60% acceptance rate) since 2002 have been impacted by adjusting ranking points that include early successional habitat restoration, forest stand improvement, streambank erosion, and rare and declining habitats.

The NWTF strongly supports the goals of EQIP. Agricultural production done right is compatible with environmental quality. EQIP has enhanced biodiversity. However, approximately one percent of EQIP funds are spent on forest management, and only about five percent of funds are for wildlife. Overall, this $1.1 billion dollar program in 2006 spends less than $10 million annually in forestry cost-share assistance to landowners. Dedicating enhanced EQIP funding to wildlife and forestry will yield substantial benefits.

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[3] J.D. Esseks and R.J. Moulton. 2000. Evaluation the Forest Stewardship Program through a National Survey of Participating Forest Land Owners. Center for Governmental Studies, Northern Illinois University.

In addition, there is a need for greater cost-share and technical assistance to private landowners. The types of practices needed differ according to region. In the Southeast, thinning, prescribed fire and control of mid-story hardwoods are needed. The Northeast requires improving timber stands, managing spring seeps, and establishing more diverse stands of timber.

The NWTF recommends strengthening the regulations and underlying law to implement EQIP to ensure more funds are targeted to wildlife activities that improve the biodiversity and health of our forests. In addition, we believe an increase in funding will further enhance opportunities to improve wildlife habitat, including forests. Finally, we recommend that EQIP require more contribution agreements to allow NGOs to assist private landowners without going through the cumbersome technical service provider process.

Another area of improvement we recommend, especially in EQIP and WHIP, is matching the appropriate technical assistance (TA) professionals to the job at hand. For example, a forester or wildlife professional with the appropriate training should be consulted when developing EQIP contracts on forestland or when the practice targets wildlife habitat. More appropriate technical assistance can be accomplished by continued partnering with state wildlife and forestry agencies, and non-governmental organizations. We support the continued availability of conservation technical assistance to provide landowners with technical assistance that is not directly tied to a farm bill program. We ask the committee to provide funding in the next farm bill that provide both technical and financial assistance for conservation practices and recognizes that not all landowners are seeking financial assistance, but do need technical assistance.

The Conservation Reserve Program (CRP) has an excellent long-term track record for providing landscape-level conservation of soil, water and wildlife habitat throughout the country. This is especially true since signup number twenty, when significant wildlife benefits were added. In addition to serving its initial objective to conserve soils on highly erodible lands, the CRP provides significant wildlife habitat, especially for many grassland species. This voluntary program is popular with landowners. In Missouri about 50% of the accepted acres, with an 80% acceptance rate, occurred within the 30-county bobwhite quail/prairie chicken priority area. Mid-contract management practices are required on all new sign ups. Through this program 54,000 new acres of prairie restoration plantings and 180,000 new acres of NWSG plantings have been accomplished already.

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Future funding of this program is critical, not only for protecting soil and water, but for wildlife as well. To further this mission, we recommend that additional incentives such as higher rental payments, extended contracts, and improved mid-contract management be provided in CRP. The NWTF recommends a minimum continued CRP enrollment of 39.2 million acres, at 2002 Farm Bill levels.

The NWTF also supports continued refinement of the Environmental Benefits Index (EBI) to further produce high quality wildlife habitats. Specifically, we support clarifying that wildlife is a co-equal benefit to water quality and soil erosion. In addition, the NWTF recommends encouraging wildlife-friendly plantings on CRP land such as hardwoods, longleaf pines, native grasses and forbs. On-the-ground application of certain practices should be improved to better address wildlife habitat. For example, many CRP seeding rates for native warm season grasses are too high to adequately address one of the program's national priorities of promoting at-risk wildlife habitat. In this example, seeding rates are more aligned with grazing priorities than providing cover for wildlife.

We also would remove restrictions on Continuous CRP which prevent incidental grazing around harvested cropland. This current restriction is a significant obstacle to many landowners due to required fencing under the current regulations.

Recently, there has been discussion of utilizing CRP as part of an energy reserve for the production of switch grass. Done correctly - with caution and proper research and planning - we feel there are dramatic opportunities to use CRP to provide for conservation AND help our country reduce its reliance on oil. For example, thinning CRP pine timber for biofuels not only helps with our need for energy, but is a proven practice to help many wildlife species we are concerned about. We look forward to working with the Committee as it makes policy in this area.

Finally, and we understand this is sensitive, we would urge the Congress to provide enough funding for FSA to have full time employees to manage compliance of CRP contracts. The agency is doing about as good as they can with the constraints placed on them by OMB. However, most of the concerns we have about CRP could be addressed by having ample numbers of qualified wildlife science professionals to ensure producers are in compliance. This would avoid the bad ecological mistakes like broadcasting herbicides over entire plots of mostly native grasses to control isolated cases of invasive plants. Broadcasting kills the invasive species and the beneficial native ones as well. Mr. Chairman, we can't depend solely on technology to accomplish this kind of oversight. It requires well trained professionals who build relationships with growers to get the job done right. In the end, everything we do is really about people. We must work one-on-one with landowners to be successful.

The **Wildlife Habitat Incentives Program** (WHIP) has provided significant benefits to both agricultural producers and wildlife. The NWTF supports an increased emphasis in WHIP toward managing native plant communities and increasing biodiversity. Currently, states often target WHIP funding to benefit one or two species of concern, such as bobwhite quail and the American woodcock. However, we recommend that WHIP broaden the number of targeted species and place more focus on the long-term benefits of a practice (such as prescribed burning or targeted mast producing oak planting).

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We support providing higher incentive payments and longer-term contracts for landowners willing to plant hardwoods and/or longleaf pine where appropriate. These species offer significant environmental and public benefits over other species such as loblolly pine.

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Previously, WHIP has seen dramatic cuts in the amount of funding that is ultimately appropriated. From 2005 through 2007, WHIP was approved at $85 million annually. However, only $45 million was provided. In Missouri during 2005 1.3 million dollars in cost-share applications were submitted yet only $541,000 was available. NWTF supports continued funding for WHIP at $85 million annually.

The **Wetlands Reserve Program** was designed to restore wetlands in cropland areas and develop habitat for wetland-associated wildlife, especially threatened and endangered species. WRP provides suitable habitat for many species of wildlife, especially since the program includes management on upland areas in addition to wetland areas. WRP was authorized in the 2002 Farm Bill to enroll up to 3.275 million acres. Lands are enrolled through the use of permanent and 30-year easements, restoration cost-share agreements, or some combination. Missouri is one of 5 states that has restored over 100,000 acres of wetlands and associated habitats through WRP. WRP is an effective program that benefits the resource and is popular with landowners. NWTF strongly supports continued funding for WRP and recommends that the Congress maintain and fully fund the annual enrollment of 250,000 acres.

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The **Conservation Security Program** was designed to reward landowners within targeted watersheds for current stewardship and additional enhancements including: variable application of nutrients, pest management, recycling motor oil, and irrigation water management in addition to substantial commitments to wildlife. Bill Holmes of Oran, MO farming 1,800 acres of land in the bootheel used the CSP program to double the acres he floods for wetland dependent wildlife. Bill and others like him have increased important wintering waterfowl habitat by over 20,000 acres using CSP. Between 8,000 and 10,000 acres of grassland field borders and 15,000 acres of re-flooded rice fields were made possible through CSP. This program is an additional catalyst for integrating wildlife management with practical farm operations in a focused approach with landscape level results.

Building Public Support for Conservation and Farm Programs

Public Access/Hunter Access: Hunting is an American tradition with nearly 18.5 million participants that annually contribute over $30 billion to our economy. Opportunities for public access to hunt private land are an economic benefit to local communities, the hunting industry, and the general public as a whole..

To increase the benefit of agriculture conservation programs to all citizens, we recommend adding additional points to the Environmental Benefits Index (EBI) for landowners that open their land to public hunting. If two properties rank equally, the landowner willing to open their land to public access should have preference for funding eligibility.

The NWTF supports providing incentives to open private lands to hunters, anglers and trappers. These incentives could be provided through additional points or direct incentive payments given to landowners who open their land. NWTF supports private property rights and would never support forcing landowners to void those rights, but many landowners are willing to provide access to sportsmen Incentives or rewards should be provided for the benefit of more access to green space while broadening support for farm and conservation programs.

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CONCLUSION:

In summary, Mr. Chairman, the NWTF believes that our agricultural conservation programs protect and enhance wildlife habitat, while providing other conservation, hunting, and recreation benefits.

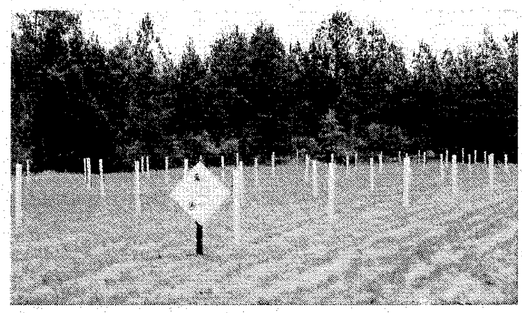
With some moderate administrative and statutory adjustments, and improved mechanisms to protect the funding promised for conservation, NWTF is confident these programs can provide even greater future benefits to wildlife, people, and the economy. Please know that NWTF stands ready to work with you to craft these adjustments over the months to come, and to invest our own funding and sweat equity into these conservation efforts

Thank you again for the opportunity to share our comments with you today.

I will be pleased to answer any questions that you may have.

National Wild Turkey Federation's Partnerships to Help Private Landowners
A Few Recent Success Stories

Operation Oak
A partnership project between the Natural Resources Conservation Service and the NWTF.

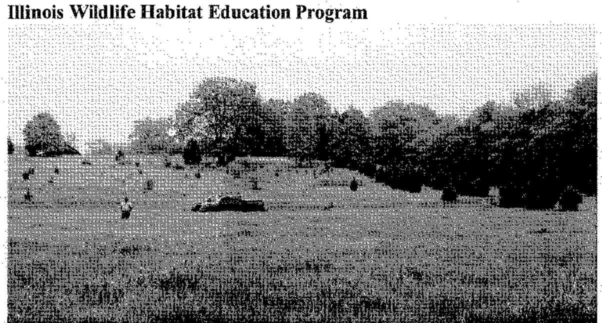


- Since 2000, over 150,000 seedlings were planted for wildlife impacting 240,000 acres of private and public land across the Southeast.
- In 2005, the NWTF's Operation Oak program planted 44,000 oak seedlings across the Southeast impacting over 70,000 acres.
- In 2006, the program planted 66,000 oak seedlings on 105,000 acres.

Indian Creek Wildlife Habitat Restoration Initiative, South Carolina
This landscape-level project impacts over 16,000 acres of private and public lands to improve forest health and wildlife habitat for species that depend on grasslands and similar habitats, and to benefit local landowners.

- Project partners include: USDA Forest Service, Natural Resources Conservation Service, South Carolina Department of Natural Resources, South Carolina Forestry Commission, Clemson Cooperative Extension Service, Quail Unlimited, East Piedmont Resource Conservation, Plum Creek and Development Council and private landowners.

Illinois Wildlife Habitat Education Program



A partnership with the Natural Resources Conservation Service to educate landowners about wildlife management techniques they can use on their property, to develop whole-farm resource plans, and to assist the NRCS with WHIP enrollment.

- In 2005, 12 statewide field days were conducted reaching over 600 landowners, and 40 detailed management plans were written.
- This year, 4 demonstration farms are being selected to showcase wildlife management techniques, and 110 whole-farm resource plans are being written for private landowners.

National Association of Conservation Districts (NACD)

Conservation Districts and the NWTF are pooling efforts to educate landowners about Farm Bill programs through field days, associated publications and media outlets, and individual projects at state and local levels. Some examples of current projects include:

- Funded temporary technician to enroll and monitor 4,000 acres of CRP and CSP lands in **Missouri** allowing NRCS and FSA employees to concentrate on writing conservation plans for CSP/CRP and reduce backlog in other Farm Bill program participation such as WHIP and EQIP.
- Purchased equipment for use by Conservation District and private landowners and developed an educational arboretum at a local school, all to improve or create wildlife habitat on private lands and educate the public about conservation in **Missouri, Pennsylvania and Minnesota.**
- Cooperatively conducted a field day in **Tennessee** for 250 landowners demonstrating forest stand management, eradication of invasive plant species and the restoration and maintenance of native warm season grasses through prescribed burning on a local working farm.

Formatted

Hunting Heritage Club

An outreach effort to assist landowners and farmers in managing their land for wildlife. Currently, there are over 50,000 members in this new program. The program offers a magazine, *Get in the Game,* which is a counterpart to the NWTF's highest rated television show, also by the same name, airing on the Outdoor Channel. The Hunting Heritage program also offers landowner field days throughout the country.

We have recently partnered with the **Georgia** and **South Carolina** Forestry commissions, Georgia Pacific, Mead/Westvaco and Weyerhaeuser Company to distribute the *Get in the Game* magazine to forest landowners and hunters.

State Forestry Partnership/Forest Stewardship

- Currently, NWTF has a partnership with the Georgia Forestry Commission and the NRCS providing NWTF wildlife biologists to help landowners develop resource management plans and enroll eligible landowners in the WHIP and EQIP programs.

- Current partnerships with **Georgia** and **South Carolina** State Forestry include a newsletter in the NWTF *Get in the Game* magazine highlighting Forest Stewardship that will result in increased Farm Bill program participation.

DOCUMENTS SUBMITTED FOR THE RECORD

JULY 17, 2006

Forestry in the State of Missouri

Forestland in Missouri

Forests once covered nearly 70 percent of all land in Missouri. Forestland now covers 32 percent of the state for a total of 14.5 million acres. Missouri ranks 20th among the 50 states for percentage of land in forest cover.

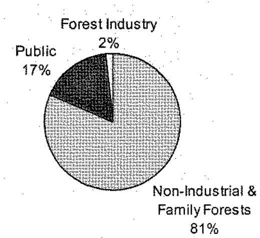
Missouri is dominated by oak-hickory forests. This forest type covers nearly ¾ of all forestland in the state. Other forest types in the state include elm-ash-cottonwood, maple-basswood, and conifers.

These forestlands are prized for their scenic beauty, economic value, and ecological benefits.

Who Owns Missouri's Forests

The majority of Missouri's forestland is owned by families and other private non-industrial landowners. These private forestlands represent nearly 85 percent of the timberland in the state. More than 306,000 families or individuals own a total of 12.3 million acres of forestland.

Ownership of Timberland



USDA Forest Service, 2002

Forests at Risk

Development pressures are contributing to parcelization and fragmentation of large forestland holdings in Missouri. Fragmentation and shifts in land use away from forests will alter forest health, water quality, hydrology, wildlife habitat, and traditional uses of the forestlands

Several forest pests such as red oak borers are well established in the state. Forest pests and pathogens such as the emerald ash borer and sudden oak death pose potential threats to forests in Missouri.

The Value of Missouri's Forests

Missouri is home to a diverse forest products industry. Over 2,600 firms including sawmills, paper manufacturers, and furniture producers depend on Missouri's forests. The forest products industry contributes over $3 billion each year to Missouri's economy.

The forest products industry provides jobs for over 34,000 Missouri workers, paying annual compensation of nearly $1 billion.

Each year family forest owners receive $133 million in stumpage payments as a result of their forest management activities.

Missouri is home to a tremendous diversity of plant and animal species, many found only in the state of Missouri, and at least 48 found only in Missouri's forests.

Forests and Quality of Life

Forests play a vital role in providing clean water to Missourians.
Photo: Frank Oberle

Forests also support other public resources within the state. Forests play a vital role in providing clean drinking water for the state. Nearly 44 percent of Missourians rely on groundwater as their primary source of drinking water.

Family forests also support outdoor recreationists who visit the state for hunting, fishing, hiking, and other activities. From 1980 to 2003, non-resident turkey permit sales increased by more than 500 percent. The sale of turkey and other hunting permits generates nearly $8 million for the Missouri economy each year. Total wildlife-related retail spending produces $1.6 billion each year.

Sources:
Forest Profile for Missouri, USFS; 2003 Crop Summary, Missouri Agricultural Statistics Service; Missouri Forests Products Association; Missouri's Forest Resources in 1999, USFS; Missouri Department of Conservation; "Consernomics", May 2005 Missouri Conservationist; University of Missouri Extension.

Statement By Jane Williams of Bluffton, Arkansas
On Behalf of the Arkansas Animal Producer's Association

Submitted at the request of Senator Lincoln to the
United States Senate Committee on Agriculture, Nutrition and Forestry

The Arkansas Animal Producer's Association (ARAPA) was created as a direct result of the development of the proposed USDA guidelines for Farm Premises Identification (FPI) and the National Animal Identification Tracking System (NAIS). Members believe that some organizations that were suppose to be representing their interests are not doing so on the FPI, NAIS, and COOL issues. ARAPA membership consists of independent animal owners who rear animals as a hobby, for their nutritional needs, and/or for income. At some point members transport animals off of their land to sell, barter, butcher, exhibit, secure veterinary services, go on trail rides, compete, or simply to give an animal away.

Senator Lincoln's request for this statement, on behalf of independent animal producers, is appreciated. It is time that our concerns are heard and listened to by our public servants.

The proposed USDA guidelines, as published in the "DRAFT Strategic Plan 2005 to 2009" and the "Draft Program Standards" published April 25, 2005, would prohibit an animal owner from taking an animal off of the owner's land unless that owner filed an application with the USDA for a FPI and then attached or injected an identification device in or on the animal on the farm or at a tagging facility. The USDA tries to tell us that FPI is voluntary. It may be voluntary today, but the USDA does not inform animal owners that they intend to make it mandatory. FPI is coercive—not voluntary. If you do not have a FPI, you will not be allowed to place identification on your animals. You would thus be prohibited from taking an animal off of your premises. On page 10, the last sentence of paragraph one in the "NAIS DRAFT Strategic Plan 2005 to 2009" it is stated, **"Premises registration and animal identification according to NAIS standards will be required by January 2008."**

A mandatory program, as proposed by the USDA, would place such extreme hardships on animal owners that many of them would cease to rear animals. Presently 85% of Arkansas sale barn customers are small producers who most likely would be forced out of business by the proposed USDA program. The economic losses to Arkansas resulting from a large number of animal owners going out of business would be devastating to the Arkansas economy since the loss of customers by sale barns, feed stores, mom and pop stores, butcher shops, farm equipment suppliers, etc. would necessitate their closing.

Why Would FPI and NAIS Cause Independent Animal Producers To Cease Rearing Animals?

1. refusal to accept USDA jurisdiction over their farm by applying for a FPI
2. religious beliefs that prohibit animal identification as proposed by the USDA
3. costs associated with NAIS
4. personal aversion to attachment or injection of devices on or into animals
5. inability or refusal to comply with the complexity of the reporting program

Jurisdiction:

Executive Order 10998 gives the Secretary of Agriculture, when ordered by the President, the authority to confiscate all farm equipment, fertilizer, animal feed, and animals in the event of a declaration of a National Emergency. Every year the President declares a National Emergency. A USDA employee could enter a farm without additional permission, beyond the FPI, from an animal owner and do anything they wanted to do on a farm to or with the listed property. The 1942 Supreme Court decision rendered in Wickard v. Filburn states that the federal government has the right to regulate that which it subsidizes. The USDA is subsidizing the FPI program, thus they could regulate the activities on a farm with a FPI or that had received federal funds.

The USDA states that their authority to implement FPI and NAIS is derived from the Animal Health

Need for FPI And NAIS:

Out breaks of disease within the United States in animals is common. Serious diseases such as brucellosis, cholera. pseudo rabies, as well as avain influenza have been resolved without an elaborate and expensive FPI and NAIS. Rest assured selling an animal that bangs out results in immediate contact by a state veterinarian. **We have an inexpensive cattle tracking system that works.** This system could be continued, if needed, and thus there is no need for an expensive and complicated program called NAIS.

Dependability Of NAIS:

Reports from England, Canada, and Australia are detailing extreme expenses by producers for a system that is inefficient in tracing animals through the purchasing chain. Reports have also been published that electronic tags can get viruses that can infect and destroy the data system. Electronic tags can be modified by hackers and lost by animals. **The proposed system has been proven to be unreliable in other countries.** There is no reason to believe that it will be dependable in the United States.

Terrorists:

Supporters of NAIS tell us that FPI and NAIS would prevent or help track terrorist activities that might occur in the animal industry. Nothing could be further from the truth. A national animal data base would pin point the exact location and species of animals for terrorists. As independent animal owners across the nation went out of business because of NAIS, animal ownership would be concentrated in fewer locations and most likely in larger concentrations or in confinement facilities. These concentrated animal locations would make much easier and desirable targets for terrorists than many small farms scattered across the nation.

Imports And Exports:

So many independent animal producers have been forced out of business by low profitability and excessive state regulations that United States agriculture can no longer supply the meat demands of the United States public. The United States currently imports almost twice as much meat as it exports. Reducing meat imports would create more profitability for the farmer and thus encourage people to return to livestock production and thus increase the domestic meat supply. Meat exports are not a concern of small, independent livestock producers. Imports are a major concern, since the United States producer has greater production costs than foreign producers. Imported meat hurts United States producers, while the major packers benefit from brokering imports and purchasing meat at a lower price. In the grocery store, there is presently no differentiation in price between United States meat and foreign meat. Once again the small, independent producer in the United States is placed at a disadvantage as a result of the excessive tonnage of imported meat. Reducing imports would also reduce the possibility of foreign diseases being introduced into the United States. **This nation should never become dependent on other nations for its food supply.**

Responsibility And Liability:

Independent animal owners work hard to maintain healthy animals. Those who market their livestock and those who consume their own livestock insure they produce healthy animals in healthy surroundings. Once an animal is sold, the original producer has no control over the nutrition, living conditions, or health care of the animal. **It is the responsibility of packers to insure that the animals they slaughter are healthy and slaughtered in a sanitary fashion.** They should be held liable when they process unhealthy animals. The proposed USDA tracking system seems to place emphasis, identification costs, and most of the responsibility on the farm of animal origin.

Misinformation:

Protection Act (AHPA) which was a part of the 2002 Farm Bill. Although the AHPA does not give the Secretary of Agriculture express consent to establish NAIS, it does give the Secretary of Agriculture unprecedented power to make warrantless searches, arrest individuals, and issue fines for up to $500,000 for being "about to" violate a mandate of the Secretary of Agriculture. AHPA tramples many principles enshrined in the Constitution. **Placing such power in the hands of an appointed individual is unprecedented in United States history.** These are some of the reasons many animal owners will not place their farms under USDA jurisdiction by requesting a FPI.

Religious Beliefs:

Practitioners of religious faiths, such as the Amish, that prohibit animal identification as proposed by the USDA could not comply with USDA guidelines without violating their beliefs. Their faith does not allow them to use automobiles, so they travel in buggies and on horseback. Without complying with FPI and NAIS, they would be imprisoned on their farms unless they walked to and from town and to and from adjoining farms. Some members of these faiths are considering selling their farms and immigrating to another country that would guarantee them the right to freely practice their beliefs. Many Christians see FPI and NAIS as being parallel with Revelations that speaks of all being required to accept a "mark", which is a sign of ownership, in order to buy and sell. **These believers will sell out before using electronic devices on their animals.**

Profitability:

There are no controls over what identification devices would cost. We are told that an electronic tag for a calf would cost about $3.00; however, Australians were told the same thing and they are now paying $35 to $37 per tag. In England the cost is reported to be $69 per animal. A producer could possibly absorb that cost when selling a calf, but a sheep or a goat tag that cost that much would take most, if not all, of the profit out of selling an animal. A weanling pig sells for $25 to $50. If an implantable chip cost $20, the animal owner could not make a profit when selling the pig. Combine the cost of the implantable chip and the minimum $20 cost to have a veterinarian draw blood to satisfy state regulations and the pig owner is in the hole before the pig is offered for sale—even before adding sow, boar, and pig feed costs, facility expenses, health care expenses, and hauling expenses. **Producers can not stay in business if they do not generate a profit.**

Installation of computers, software, chutes, reading devices, etc. would be an expensive proposition for sale barns to meet the proposed USDA guidelines for NAIS. A minimum of $80,000 would be required for a small sale barn to install the required equipment. These costs would be passed on to the independent producer through increased commission charges.

Large animal producers could market their animals by lots and use only one tag per house of animals whereas the small producer would need to tag every animal. The cost of a tag for fowl might well exceed the value of the bird. The small producer would need to tag every bird. Thousands of factory housed chickens or pigs could be slaughtered under one tag. This provision of NAIS establishes an unfair economic advantage for large producers.

Complexity:

The complexity of the proposed reporting of every birth, death, farm exit, farm entry, lost tag, etc. would be a bureaucratic nightmare. Each reporting would also have a cost attached to it that once again would hit the independent producer in the pocket book. The number of proposed required reports for the entire nation would be staggering. Recently predators attacked a 300 head herd of cattle causing them to stampede through fences onto the farm of a statistical analyst who maintained 60 head of cattle. It took days of riding on horseback through many farms to round up the 300 head and separate them from herds they had joined. Under the proposed USDA guidelines, this stampede would have initiated 1800 required reports, according to the statistical analyst. Most independent animal owners would not be willing to do such reporting much less have the time to file such reports. On large ranches with rough terrain, it is impossible to check all livestock on a daily basis. Animals are only accounted for at round up time.

Animal owners no longer trust the USDA because their literature about FPI and NAIS is misleading and in many instances contradictory. "A Guide for Small-Scale or Non-Commercial Producers" that the USDA published on June 2, 2006, does not indicate that it supersedes the "DRAFT Strategic Plan 2005 to 2009". It was not entered into the Federal Register as an official document, nor as a document for which comments were to be accepted. Since it contradicts the "DRAFT Strategic Plan 2005 to 2009", one must assume that it is basically a press release or a propaganda document and not a change in the USDA "DRAFT Strategic Plan 2005 to 2009".

Recommendation; FPI and NAIS:

The Arkansas Animal Producer's Association requests the members of the Senate Committee on Agriculture, Nutrition and Forestry to recommend de-funding of the USDA FPI and NAIS programs. If the market actually determines that a NAIS is needed, then let those who wish to participate in such a program fund and operate that program. FPI and NAIS should never become federal mandates.

Recommendation; AHPA:

The Arkansas Animal Producer's Association requests the members of the Senate Committee on Agriculture, Nutrition and Forestry to implement legislation to repeal the unconstitutional delegation of authority given to the Secretary of Agriculture in the Animal Health Protection Act.

Recommendation; Country of Origin Labeling:

The Arkansas Animal Producer's Association fully endorses Country of Origin Labeling (COOL). We encourage the members of the Senate Committee on Agriculture, Nutrition and Forestry to go to any sale barn or any meat market and ask the customers if they support Country of Origin Labeling on meat. Undoubtedly you will receive a 99.99 plus positive response for COOL on all meat products. The producers of meat products and consumers of meat products demand immediate COOL implementation.

Thank you for the opportunity to present the concerns of independent animal producers to the Senate Committee on Agriculture, Nutrition and Forestry.

Protect Traditional Rights to Farm

Just say No to NAIS!

NoNAIS.org

What is NAIS? NAIS is the USDA's National Animal Identification System Draft Strategic Plan to let the government track the births, deaths, co-mingling and all movements of all livestock in the United States. http://animalid.aphis.usda.gov/nais/about/pdf/NAIS_Draft_Strategic_Plan_42505.pdf

Which animals are covered? Currently horses, cattle, goats, poultry (chickens, ducks, etc), sheep, swine, alpacas, llamas, bison, deer and elk. NAIS is not limited to these animals and may also be extended to include dogs, rabbits & other animals. See: http://nonais.org/index.php/2006/02/18/

Who must participate? Anyone with any animal from the above current list, or future amendments to that list, will be required to obtain the 7-digit Premise ID Number (PIN). NAIS is being applied down to the backyard level. The owner of a pet Potbelly pig will be subject to the same regulations as the factory farm with 20,000 hens on the premises. There will be no exceptions, and the anticipated fine is $1,000 per incident per day for non-compliance.

How will the beasts be numbered? Each animal will be assigned a unique 15-digit Animal Identification Number. Different species will be tagged in different ways. For example: injected Radio Frequency Identification (RFID) micro-chips, RFID button tags, RFID SwifTacs tags and RFID ear tags at a cost of about $3 to $20 per animal. Large producers will be able to use one ID number for tens of thousands of animals while most small farmers, homesteaders & pet owners must tag each individual animal and report individual events.

What 'events' must we report? Any change of ownership; co-mingling of animals owned by different entities; movement of animals off of a premise; movement of animals onto a premise are some of the events. This includes buying, selling, trips to the vet, going to breed or bringing in a stud, trail rides, 4-H meetings, road trips, shows & travel on a public road.

How must we report? Events must be reported within 24 hours by telephone or by computer via the Internet. There is no mail or paper option.

Why are they doing this? NAIS began as way to open up foreign meat markets, like Japan, for the large beef exporters. Later the USDA changed the stated justification for NAIS to be one of preventing disease. BSE (Mad Cow Disease) is the primary excuse given by the USDA for NAIS. Other excuses are Avian Bird Flu (H5N1), Exotic New Castles Disease and Foot & Mouth Disease (FMD). Recently they have given the justification of tracing food back to the farm in case of potential liability issues for food-borne illness.

Will NAIS prevent disease? No. In fact the government states quite clearly in this document http://www.cfsan.fda.gov/~comm/bsefaq.html that no additional programs are needed. Bird flu is primarily a problem of the mono-genetic factory farms - NAIS will have no effect. Biodiversity and natural pasture raised birds who have better immunity are the solution. Exotic New Castles was caused by illegally imported illegal fighting cocks - NAIS will not stop it - better import controls are the solution. Foot & Mouth is not an issue in this country, there is already a program to handle it and FMD is transmitted by dust in the air, so NAIS will not help because NAIS tracks animal co-mingling. The reality is that virtually all food contamination happens after the farm, when the animals are slaughtered at the processing plant or later. NAIS does nothing for that. The best protections would be for the USDA to do its job of properly inspecting processing plants rather than making up complex and costly new regulations that will be impossible to enforce. The USDA should enforce its ban on feeding cows to cows which is the cause of Mad Cow Disease and enforce a strict quarantine of imported animals - all under existing laws and regulations.

Can't I just hide my animals? Animal health providers, veterinarians, service providers (police, butchers, gas, electric, telephone, etc) will be required by law to report unregistered animal sightings to the government. Failure to register your premise and animals or to report movements will result in non-compliance fines of up to $1,000 per incident per day. *Under NAIS the government may enter your property without a warrant and confiscate, redistribute or kill your animals without any form of legal appeal by you.*

What is the cost of NAIS? The federal government is already spending $50 million per year on NAIS, prior to implementation. States and animal owners are expected to foot the bill for the vast majority of the cost. These costs will be passed on to consumers. Studies show the real cost at over $15 billion per year - a new tax on food. http://nonais.org/index.php/2006/02/19/

Is NAIS legal? It should not be. NAIS is clearly unconstitutional by violating Amendments 1, 4, 5 and 14 of the United States Constitution. In 2001, after 9/11, Congress gave the government enormous new powers in the form of the Patriot Act which is up for renewal in 2006. Supporters of NAIS used this to draft a plan for invasive micro-management of all animals in the United States. The Patriot Act, PAWS, REAL ID and NAIS strip Americans of fundamental rights to life, liberty and the pursuit of happiness. It gives the government the power to invade our homes and take our property without warrants or any legal appeal.

How will NAIS affect small farmers? Annual Premise ID registration fees, livestock registration fees and tag costs, tag applicator and other equipment costs, potential enormous fines for incorrect report, failure to track, increased liability, potential loss of all livestock due to faulty trace backs, loss of biodiversity as heritage breeds become extinct. Small farmers, homesteaders and hobbyists are the keepers of heritage breeds and the genetic diversity that makes domestic livestock strong. *In other countries that have implemented systems like NAIS most small farmers were forced out of business.*

Horse owners? Must report all movement of horses including trail rides, parades shows, equestrian events, riding on public roads and every entry and exit from a property, within 24 hours. Reports include the 15 digit animal ID of each horse plus the 7 digit premise ID of each property crossed on the ride.

Homesteaders? The same as small farmers but unable to pass the costs on to customers *effectively taxing us on the food we raise for ourselves at a cost of about $500/year per family.* You are no longer free - You are a serf of the state.

4-H, FFA & pet owners? Parents of children in 4-H, FFA and owners of pet livestock will be treated as farmers, required to register their home for a Premise ID with the associated annual fees, tag costs, filing fees, tracking of all animal events and fines. Failure by a child to comply will result in fines.

Consumers? Consumers will see a loss of choice, smaller selection and higher prices as farmers pass on the costs of NAIS and many farms go out of business. They already operate on thin margins and can not handle the added costs. This will concentrate control of our food supply into the hands of fewer and fewer larger corporations who'll raise prices as they gain monopoly power.

Vegetarians & Gardeners? Virtually all of the animal manures used to grow quality vegetables, especially organic ones, come from small farms. Suitable manure is already in short supply. You do not want to grow organic or healthy vegetables in the contaminated septic output from factory farms with their antibiotic, chemical wormers and arsenic laced feeds. As small farms are lost, the price of manure will increase raising vegetable prices for everyone.

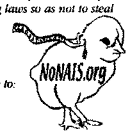
Big Agri-businesses? The big meat producers are the big winners. They expect a surge in profits from meat exports to foreign markets. Maybe they'll get it. Maybe not. Recently Japan reopened their market to American beef, after two years of banning it, only to quickly reclose it after spinal tissue was discovered in meat due to faulty processing at a slaughter house in the USA. This is not an issue with farms, it is a processor error and NAIS will not help with that at all.

Terrorists? Terrorists will be delighted to have larger targets. They want a high body count for their efforts. Hitting a small farm is not impressive and does not affect very many people. A factory farm with 100,000 animals is a hot target!

What is the solution? NAIS should be strictly voluntary. Big meat exporters can participate and they should pay the costs. The rest of us should not be burdened with a system designed to provide profits to a tiny minority of corporations. ***NAIS is an extraordinarily complex solution to a very simple problem.*** The best way for consumers to know where their food comes from is to buy it locally, from small farmers, keeping money in their local economy and supporting area farms. See: http://www.slowfood.com/ and http://localharvest.org and http://SugarMtnFarm.com/blog/

What can I do to help? Write your state and federal legislators about NAIS. Write letters your local newspapers, talk to your friends and neighbors.
http://nonais.org/index.php/what-can-i-do-to-help/
Help spread the word about NAIS. Download this handout and pass it around:
http://nonais.org/handout
Large Print version at: **http://nonais.org/handoutLP**
Download this NoNAIS Poster and put it up on bulletin boards:
http://nonais.org/poster

We the people of the United States of America need to renew our vows with the Constitution to protect Americans from bad laws and regulations that would strip us of our rights and freedoms. We must require that our politicians respect the Constitution and all amendments when formulating laws so as not to steal away our natural, God given, rights.



For more information visit:

http://NoNAIS.org

or send a large self-addressed stamped ($1.11) envelope to:

NoNAIS.org / Sugar Mountain Farm
West Topsham, Vermont 05086

August 10, 2006

Honorable Saxby Chambliss
Chairman, Committee on Agriculture
Room SR-328A, Russell Building
Washington, DC 20510

Re: HR 1254 National Farm Animal Identification and Records

Sponsor/Co-sponsor(s) 6 Mar. 10, 2005 Rep. Marcy Kaptur (D-OH) Jun. 29, 2005 Rep. Martin Olav Sabo (D-MN) --- Rep. Collin Peterson (D-MN) Mar. 10, 2005 Rep. Barney Frank (D-MA) Feb. 01, 2006 Rep. Bob Filner (D-CA) Mar. 10, 2005 Rep. Mike Ross (D-AR)

Honorable Saxby Chambliss,

What in the world is going on with this Mandatory National Animal Identification System (NAIS)? This has angered and stirred up most every small farmer across this country. There are many grassroots town meetings going on across the country and petition in opposition against this mandatory FPI and/or mandatory NAIS. Chairman Chambliss, this bill has been rumored for at least a couple years but we farmers were not too disturbed as it was presented as a voluntary program. Upon hearing about it now being mandatory....Well, that got my attention. I came home and reviewed the hearing transcripts held in Houston & NC of 2004, as well as H.R. 1254 and find this bill totally unbelievable.

The drafting of this H.R.1254 misled the farmers, ranks of "Big" business while using government fear-scare tactics under the guise of the Patriot Act.

In no way does H.R. 1254 represent the best interest of small scale farmers, 4-H, and hobby owners of livestock, taxpayers or consumers. Not only is this bill a huge invasion of property rights but threatens our basic right to grow our own food. A mandatory FPI and/or mandatory NAIS will devastate the Arkansas economy.

I find, HR 1254 to be unconstitutional; Article 1, Section 8 and clearly violates Amendments 1, 4, 5 and 14 of the United States Constitution.

I find, its initial purpose was to increase the foreign market and then changed to prevent disease under the guise of the Patriot Act. H.R. 1254 purposes to promote an objective review of Department of Agriculture response to livestock disease outbreaks. However, Agriculture Secretary Mike Johanns said Thursday, July 20, 2006. "There is no significant BSE (mad-cow) problem in the United States, and after all of this surveillance, I am able to say there never was."

I find, it hard to believe if this Bill is truly about disease, while there are no mention of stopping the import of beef and cattle, stricter measures on slaughter, or even Country of Origin Labeling.
Is this why the wording in the Bill reads "Disease **and other purposes.** " Exactly, what are these other purposes?

Farmers were so misled when told "NAIS will be a voluntary program". H.R. 1254 is **mandatory.**

H.R. 1254 states: financial assistance--**to the extent funds are made available**. In all do respect, when this bill is threatening my small farm, I doubt that I can count on taking this wording to the bank.

I find that the only interest this Bill serves is those of "Big" meat producers, the infrastructure for this huge bureaucratic system, micro-chip and data contractors. "BIG BUSINESS" "BIG MONEY"

H.R. 1254 states "Data will be secure." Chairman Chambliss, our United States VA data is not secure!!

In conclusion, Whereas NAIS will not prevent disease; H.R.1254 is designed for marketing purposes -- in which case the market should govern!!

I request your strong opposition to any mandatory FPI and mandatory NAIS bill.

Sincerely,

Sam Gill

Sam Gill
PO Box 919
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Enc/Arkansas Animal Producer's Association state & FYI

R-CALF USA

Comments on Renewal of the Farm Bill
Submitted by Mr. Max Thornsberry, DVM, Richland, MO
on Behalf of R-CALF USA
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing
Cape Girardeau, Missouri

July 17th, 2006

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) appreciates this opportunity to provide comments on the renewal of the Farm Bill through this submission by R-CALF USA member Max Thornsberry, DVM, Richland, MO.[1] R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation, along with 60 state and local affiliates. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA. R-CALF USA works to sustain the profitability and viability of the U.S. cattle industry, a vital component of U.S. agriculture. The renewal of the Farm Bill presents an important opportunity to strengthen the cattle sector and create a competitive playing field at home and abroad for United States cattle producers.

I. <u>Introduction</u>

The cattle industry is the largest single sector of U.S. agriculture, and the continued health of the sector is essential to creating strong, thriving rural communities all across the United States. In the past decade, U.S. cattlemen and women have faced significant obstacles in domestic and international markets. Since 1994, more than 122,000 cattle ranches and farms have closed down or otherwise exited the beef cattle business.[2] During the same period, the inventory of cattle and calves in the U.S. dropped from 101 million to just under 95 million.[3] The renewal of the Farm Bill provides an important opportunity to reform U.S. agriculture policies to create a competitive playing field at home and abroad for U.S. cattle producers. Without independent and profitable cattle producers, an increasingly vertically-integrated cattle and beef

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[1] Mr. Thornsberry can be contacted at PO Box 818, Richland, MO 65556.
[2] U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.
[3] *Id.*

industry in the U.S. could dictate increased dependence on foreign beef supplies, thus raising beef supply and quality issues for U.S. consumers.

The Farm Bill should help U.S. cattle producers compete in honest and open markets and maintain their central role as the backbone of U.S. agriculture. In order to do so, the Farm Bill should make progress in five key areas: 1) honest competition in the domestic livestock market; 2) animal health and safety; 3) consumer information; 4) international trade; and 5) the development of initiatives to sustain a more prosperous and competitive cattle and beef sector. In recognition of the importance of our sector and the challenges it faces, the Farm Bill should contain a separate cattle and beef chapter encompassing each of these issues to ensure they receive the urgent attention they deserve and are addressed comprehensively.

II. Ensure Genuine Competition in the Domestic Cattle Market

Consolidation in the meatpacking industry has grown at an alarming rate over the past few decades, as have abusive contracting practices. Market concentration and packer-dominated contracting practices have systematically undercut cattle producers and denied them an honest price in a competitive market. Concentration among meatpackers has more than tripled since the late 1970s, and today just four beef packing companies control more than 83 percent of the industry.[4] This level of concentration far exceeds other industries, and the rate of growth in concentration is unmatched among other industries for which the Census Bureau collects such data.[5] Such a high level of concentration is indicative of a severe lack of competitiveness in the industry, given that most economists believe competitive conditions begin to deteriorate once the four-firm concentration level exceeds 40 percent.[6]

At the same time that the meatpacking industry has been consolidating dramatically, packers have increasingly used non-traditional contracting and marketing methods that further erode the selling power of cattle producers. Thus, while the meatpacking industry has become more integrated horizontally (through consolidation), it has also been increasing its vertical coordination through its contracting practices. Such methods include purchasing cattle more than 14 days before slaughter (packer-fed cattle), forward contracts, and exclusive marketing and purchasing agreements. Together, the four largest packing companies employed such forms of "captive supply" contracting methods for a full 44.4 percent of all cattle they slaughtered in 2002.[7] And use of these captive supply methods has been increasing rapidly, rising 37 percent from 1999 to 2002.[8]

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[4] J. McDonald et al., "Consolidation in U.S, Meatpacking," Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 785, February 2000 at 7 and M. Hendrickson and W. Heffernan, "Concentration of Agricultural Markets," University of Missouri Department of Rural Sociology, February 2005, available on-line at http://www.foodcircles.missouri.edu/CRJanuary05.pdf. (Hereinafter McDonald).
[5] McDonald at 7.
[6] "Economic Concentration and Structural Change in the Food and Agriculture Sector: Trends, Consequences and Policy Options," Report Prepared by the Democratic Staff of the Committee on Agriculture, Nutrition, and Forestry, United States Senate, Oct. 29, 2004 at 4 – 5.
[7] RTI International, "Spot and Alternative Marketing Arrangements in the Livestock and Meat Industries: Interim Report," Report Prepared for the Grain Inspection, Packers, and Stockyard Administration, U.S. Department of Agriculture, July 2005 at 3-15.
[8] *Id.* at 3-17.

Captive supply practices push risks of price instability on to cattle producers and hold down cattle prices.[9] As prices for cattle are artificially depressed and become more volatile, it is cattle producers who pay the price, even when broader demand and supply trends should be increasing returns to producers. The impact of packer concentration and abusive contracting practices is evident in the declining share of each beef retail dollar that actually reaches cattle ranchers. The rancher's share of each retail dollar earned on beef was 47 cents in 2005, down from 56 cents in 1993.[10]

In the Farm Bill, steps must be taken to guard aggressively against anticompetitive practices and protect producers from the abuse of market power. There are two key components to this strategy: 1) strengthening tools to combat excessive concentration and enforce existing competition laws in the meatpacking industry; and 2) improving regulation to prohibit unfair contracting practices that deny market transparency and reduce producer bargaining power in open markets.

The Farm Bill should ensure that antitrust and competition laws are effectively and vigorously enforced. Numerous studies have criticized the failure of the USDA's Grain Inspection, Packers, and Stockyards Administration (GIPSA), the Department of Justice, and Fair Trade Commission to work together more aggressively to scrutinize mergers and acquisitions in the industry and to pursue a proactive strategy for preempting and remedying anticompetitive practices.[11] In January 2006, the USDA's Office of Inspector General (OIG) found a broad range of management problems within GIPSA that have severely undermined the agency's effectiveness.[12] The OIG found that GIPSA's investigative tracking system for violations of the Packers and Stockyards Act was inaccurate and incomplete, that GIPSA's process for managing investigations was inadequate, that GIPSA left important policy decisions unmade for months and even years, and that previous recommendations from the OIG and the GAO to strengthen GIPSA had not been fully implemented. As a consequence of these failures, GIPSA has referred only one competition investigation to the USDA's Office of General Counsel (OGC) for follow-up since the end of 2002, and the OGC has not filed any administrative complaints against the meatpacking industry since 1999.

Urgent steps are needed to ensure the law is enforced effectively to combat concentration and anticompetitive practices. The structure of the enforcement agencies should be reformed to ensure that there is one central coordinating office which has the full authority needed to vigorously pursue enforcement actions and which can be held accountable by Congress for

[9] *Id.* at 3-18 – 3-22 and John M. Connor, "The Changing Structure of Global Food markets: Dimensions, Effects, and Policy Implications," Paper Presented to The Conference on Changing Dimensions of the Food Economy: Exploring the Policy Issues, The Hague, Netherlands, Feb. 6 - 7, 2003 at 8.

[10] USDA Economic Research Service, "Beef Values and Price Spreads," available on-line at http://www.ers.usda.gov/briefing/foodpricespreads/meatpricespreads/.

[11] *See, e.g.*, General Accounting Office, *Packers and Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices*, GAO/RCED-00-242, Sept. 2000 and General Accounting Office, *Justice's Antitrust Division: Better Management Information Is Needed on Agriculture-Related Matters*, GAO-01-188, April 2001.

[12] USDA Office of Inspector General, *Audit Report: Grain Inspection, Packers and Stockyards Administration's Management and Oversight of the Packers and Stockyards Programs*, Report No. 30601-01-Hy (January 2006).

effectively enforcing the law. Agencies should report regularly to Congress on cases referred, pursued, and prosecuted. Market consolidation thresholds that trigger enforcement action should be established. Protections should be put in place to ensure that producers complaining of anticompetitive practices are not retaliated against by packers and processors. If needed, additional dedicated funding should be available to the agencies responsible for enforcement.

On the issue of market coordination and unfair contracting practices, the Farm Bill should strengthen the law in order to prohibit packer ownership, end captive supply, and guarantee a minimum open market volume. In addition, the law should require processors to bargain in good faith and prohibit other unfair contract practices by:

- Requiring a fixed base price in formula contracts and ban "tournament" or "ranking system" payments;
- Ensuring cattle purchase contracts include a clear disclosure of producer risks and duration, termination, renewal, and payment factors;
- Requiring contracts to be traded in open, public markets and prohibiting confidentiality clauses; and
- Improving termination and arbitration provisions to ensure cattle producers can retain and enforce their rights.

In previous comments R-CALF USA suggested that the Farm Bill should include language to strengthen Livestock Mandatory Price Reporting. However, the precipitous drop in U.S. fed cattle prices that began in January 2006 and continues through today, despite widespread reports of tight cattle supplies and strong beef demand, demonstrate the need to immediately reauthorize Livestock Mandatory Price Reporting in accordance with recommendations recently made by the GAO.[13] The U.S. cattle industry needs more accurate and complete market data and we urge the Senate Agriculture Committee to work to resolve the differences between the Senate and the House. We support the recommendations proposed by Senators Charles Grassley and Tom Harkin and trust that transparency in the market can be improved by extending and strengthening Livestock Mandatory Price Reporting as quickly as possible.

III. <u>Safeguard Health and Safety</u>

Following the discovery of a Canadian cow with bovine spongiform encephalopathy (BSE) in Washington State in 2003, more than 50 countries banned U.S. cattle and beef imports, costing the U.S. industry billions of dollars. The U.S. exported more than $3 billion in fresh, chilled or frozen beef in 2003, which fell to $0.5 billion in 2004 and $0.8 billion in 2005. Meanwhile, U.S. imports of fresh, chilled or frozen beef have risen since 2003. The U.S. imported $2.4 billion of fresh, chilled or frozen beef in 2003 and $3.3 billion in 2005. The result of declining exports and rising imports has been a significant trade deficit in fresh, chilled or frozen beef. The deficit totaled $2.8 billion in 2004 and $2.5 billion in 2005.

Closure of foreign markets is preventing a rebound in the domestic cattle sector at a time when such a resurgence would otherwise be expected, with growing domestic beef demand and the closure of the border to imports of cattle from Canada for much of the 2003 to 2005 period. Instead of the normal rebound in the cattle cycle, the loss of export markets and live cattle price

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[13] Government Accountability Office, *Livestock Market Reporting: USDA Has Taken Some Steps to Ensure Quality, but Additional Efforts Are Needed*, GAO-06-202, Dec. 2005.

volatility are thwarting a full recovery in the domestic cattle and beef sector. Restraints in external markets are artificially reducing the size of the U.S. cattle industry, as imports are increasing and seizing a large share of domestic consumption.

- In 2003, all cattle and calf marketings totaled 56.8 billion pounds.[14] In 2004, the volume marketed fell to 53.8 billion pounds, and in 2005 it fell again to 53.1 billion pounds.[15]
- The number of cattle operations in the U.S. dropped from 1,013,570 in 2003 to 982,510 in 2005, and the cattle and calf inventory fell from 96 million head to 95 million from 2003 to 2005.[16]
- Overall U.S. beef production (domestic and export combined) declined 6 percent from 2003 to 2005 (by quantity).[17]
- From 2003 to 2005, production employment in the animal (except poultry) slaughter industry fell from 134,900 to 128,800 and production employment in meat processing fell from 96,900 to 93,800.[18]
- U.S. beef imports increased both in absolute terms and as a portion of domestic consumption from 2003 to 2005. Beef imports accounted for a higher portion of domestic U.S. consumption in 2005 (12.9%) than they did in 2003 (11.1%).[19]

Though some key export markets, such as Japan, have promised to loosen their import bans on U.S. beef, it is unlikely that this partial market opening will allow for the full resumption of previous export volumes. While the U.S. has struggled to negotiate even limited access for U.S. cattle and beef exports to foreign markets, the domestic market has been thrown open to a much broader range of imports from abroad. As a result, cattle and beef imports into the U.S. face lower standards than U.S. exports must meet overseas, giving foreign countries an excuse to keep their markets closed due to the potential risks posed by the lower health and safety standards the U.S. applies to its imports.

In the case of Japan, for example, USDA agreed to allow imports of Japanese beef with no age limits while securing access to Japan only for U.S. beef from animals aged 20 months or younger. The broad opening to Japanese beef makes the U.S. the only major beef-consuming country in the world to accept beef from a BSE-infected cattle herd – regardless of the scope of the disease problem in that country and without requiring the more stringent BSE risk mitigation measures recommended by the OIE (World Organization for Animal Health). This lack of a coherent BSE protection policy presents a major obstacle to United States cattle producers who seek to protect their herds from disease and market their high-quality product around the world.

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[14] USDA, *Meat Animals Production, Disposition, and Income 2003 Summary* at 1 (April 2004).

[15] USDA, *Meat Animals Production, Disposition, and Income 2004 Summary* at 1 (April 2005) and USDA, *Meat Animals Production, Disposition, and Income 2005 Summary* at 1 (April 2006).

[16] U.S. Department of Agriculture, National Agricultural Statistics Service, Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*.

[17] U.S. Department of Agriculture, Production, Supply and Distribution Database, *Meat, Beef and Veal*, available on-line at http://www.fas.usda.gov/psd/ (hereinafter "USDA PSD Database").

[18] U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, Animal (except poultry) Slaughter and Meat Processing, Production Workers, NAICS 311611, 311612 and 311613. While these numbers include other animal products such as pork and lamb, the decline in employment since 2003 contrasts markedly with steady or growing employment in these sectors over the previous ten years.

[19] USDA PSD Database.

The Farm Bill should lay out an aggressive, comprehensive global strategy for protecting the integrity of the United States cattle and beef supply. Ultimately, global markets for U.S. products will not re-open fully if U.S. health and safety standards, particularly import standards, are perceived as inadequate. The Farm Bill should direct USDA to engage with other countries to upwardly harmonize global import standards for beef. These standards must provide the highest level of protection for animal health and food safety and rely on sound science. The Farm Bill can ensure that USDA makes health and safety a top priority as it works to restore global export markets for U.S. beef by:

- Closing loopholes in the U.S. feed ban that were identified by an international scientific panel convened by USDA;
- Instructing USDA to adopt the most stringent BSE risk mitigation measures recommended for both imports and exports by the OIE pending an international agreement on BSE standards;
- Employing more FSIS meat inspectors to work the lines in the large processing plants rather than using HACCP inspection so that Specified Risk Materials (SRMs) and other prohibited cow parts are not entering the food system;
- Allowing voluntary BSE testing by U.S. packers; and
- Directing USDA to take the lead in bringing countries together to upwardly harmonize BSE standards that would allow trade of safe cattle and beef products to resume and prevent any further global spread of the disease.

A coherent, global approach to health and safety in the cattle and beef sector will protect livestock health, ensure that products coming into the U.S. face standards as high as U.S. exports face overseas, provide producers with certainty and predictability, and confirm for consumers at home and abroad that U.S. cattle and beef is among the safest, highest-quality product in the world.

Finally, while R-CALF USA agrees that animal identification can play an important role in controlling and tracking disease, it is absolutely essential that any mandatory animal identification system be fully funded by the government and implemented through federal, state and tribal cooperation. The Farm Bill should ensure that any animal ID system maintains current programs and leaves jurisdiction over such programs to the respective states. A federalized or nationalized animal ID system that ignores the role of states and tribal authorities will impose undue burdens on producers while providing limited protection to animal health and consumer safety. Any producer-related liability associated with animal ID must cease when the animal changes ownership as long as proper animal husbandry practices have been followed.

IV. <u>Provide Information to Beef Consumers</u>

Congress passed mandatory Country of Origin Labeling (COOL) for beef and other agricultural products in 2002. The American people in poll after poll support knowing what country their food comes from, and domestic producers believe that labeling provides an excellent opportunity for promoting high-quality U.S agriculture products. [20] Due to historical anomalies in country-of-origin marking rules and the marking practices of the Bureau of Customs and Border Patrol, beef and other perishable products are some of the few items

[20] *See, e.g.*, John VanSickle et al., "Country of Origin Labeling: A Legal and Economic Analysis," University of Florida Institute of Food and Agricultural Science, May 2003. (Hereinafter VanSickle).

consumers purchase in the U.S. that lack country of origin information.[21] The vast majority of other developed countries have already implemented country-of-origin labeling programs for such products, including beef.[22] The track record with fish and shellfish country-of-origin labeling proves that such labeling can be implemented to the benefit of both consumers and industry in the U.S. Unfortunately, despite broad public support and the proven success of similar programs, COOL implementation was recently delayed until 2008 due to widespread misunderstandings about the costs and benefits of COOL.

The Farm Bill should restore COOL by moving its implementation date as close as possible to the original date passed by Congress. In addition, the Farm Bill should outline an implementation approach that ensures COOL is administrated in the most simple and cost-effective manner for producers while providing the full scope of information to consumers contemplated in the original COOL law. The GAO and independent analysts have expressed concern that initial plans for COOL implementation outlined by USDA are unnecessarily burdensome and expensive, and could be simplified significantly.[23] In the 2004 interim final rule for country-of-origin labeling for fish and shellfish, there were significant revisions and simplifications to the labeling and recordkeeping requirements outlined in the initial proposed rule by USDA.[24] Cost-saving revisions that do not weaken the substance of the COOL law should be considered in any final implementing rules for COOL for beef.

Packers should be capable of identifying those animals exclusively born and raised in the U.S., whose meat qualifies for a "U.S." label of origin under COOL, without passing along undue additional costs and legal liabilities to producers. Current marking and sealed conveyance requirements for cattle imported from Canada and Mexico due to health and safety concerns, together with any necessary modifications to marking law and regulations which exempt imported cattle from regular import marking requirements, should be sufficient to ensure that packers have all of the information they need to comply with COOL without imposing additional burdens on cattle producers. Finally, the Farm Bill should establish technology grants for COOL-related or other meat traceability programs to facilitate their implementation.

V. Address Global Distortions in Cattle and Beef Trade

While the Farm Bill does not typically address U.S. trade policy, these policies have significant impacts on U.S. cattle producers, and it is therefore important that the Farm Bill examine whether U.S. trade policies are consistent with broader policy goals for the cattle and beef sector. The U.S. has not enjoyed a significant trade surplus in cattle and beef trade since 1997 in dollar terms, and the deficit in the sector has exploded over the past few years, hitting more than $3.3 billion in 2005. Given the supply-sensitive nature of the market for U.S. cattle, the growing trade deficit in both cattle and beef has a profound impact on the U.S. cattle industry. The lack of harmonization of health and safety standards outlined in Section III, above,

[21] *See, e.g.*, General Accounting Office, *Country-of-Origin Labeling: Opportunities for USDA and Industry to Implement Challenging Aspects of New Law*, GAO-03-780, Aug. 2003. (Hereinafter GAO-03-780).
[22] *Id.*
[23] *See, e.g.*, GAO-03-780 and VanSickle.
[24] *See Mandatory Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule*, 68 Fed. Reg. 61,944, Oct. 30, 2003 and *Mandatory Country of Origin Labeling of Fish and Shellfish; Interim Final Rule*, 69 Fed. Reg. 59,708, Oct. 5, 2004.

plays a large role in the loss of U.S. export markets. United States' competitiveness is also undermined by large subsidies and high tariffs on cattle and beef in other countries, while the U.S. market is one of the most open in the world and U.S. cattle producers receive no trade-distorting subsidies. It will also be important that USDA become more engaged in researching how exchange rates play into agricultural trade flows and monitoring the manipulation of exchange rates.

Congress outlined a number of steps that should be taken to eliminate the gross distortions plaguing global cattle and beef trade in the Trade Act of 2002.[25] There have been varying degrees of progress in meeting these objectives in ongoing negotiations at the World Trade Organization (WTO). In the Trade Act of 2002, Congress called for reduction of foreign tariff levels to meet U.S. levels,[26] which would require substantial reductions in beef tariffs by trading partners such as Japan and Korea. It is too early to tell whether this goal will be met in the Doha Round because of on-going discussions around the scope of carve-outs for sensitive products and the extent of tariff reductions, though negotiators have agreed in principle to a formula that would cut higher tariffs more steeply than low tariffs. Congress also called for the elimination of "subsidies that decrease market opportunities for U.S. exports or unfairly distort agriculture markets" in the Trade Act of 2002.[27] Significant progress has been made on this objective, as WTO negotiators have agreed in principle to eliminate export subsidies in agriculture by 2013 and called for substantial reductions in trade-distorting domestic support.

Finally, because of the limited time periods in which perishable products can be marketed, Congress also called for the creation of special rules on perishable and cyclical agricultural products such as cattle and beef and timely access for growers of such products to import relief mechanisms.[28] R-CALF USA is troubled by the possibility that the special safeguard for agriculture that currently exists for beef could be given up by the U.S. at the WTO without the establishment of special rules for perishable and cyclical agriculture as directed by Congress. Preserving the right of developing countries to employ the special safeguard for agriculture while eliminating the right to do so for developed countries such as the U.S. could result in a mismatch of market opportunities that puts U.S. cattle producers at a competitive disadvantage. While the U.S. has tabled a proposal for special rules for perishable and cyclical agriculture within the Doha Rules negotiations, the proposal excludes livestock and meat products.

There is no doubt that further trade liberalization without special safeguards will erode the market for the U.S. cattle industry. This could happen even in the absence of unfair trade practices. The U.S. Trade Deficit Review Commission noted, "Easy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to pass on increases in their costs."[29] This dynamic is particularly apparent in the cattle and beef industry, where, as former U.S. International Trade Commission

[25] 19 U.S.C. § 3802.
[26] 19 U.S.C. § 3802(b)(10)(A)(ii).
[27] 19 U.S.C. § 3802(b)(10)(A)(iii).
[28] 19 U.S.C. § 3802(b)(10)(A)(ix) – (x) and (B)(i).
[29] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at 26.

Chairwoman Lynn Bragg observed, "The concentration of packers increases the packers' leverage relative to cattle producers, thus providing packers the ability to use imports to reduce domestic live cattle prices and/or prevent price increases."[30]

The International Trade Commission has confirmed the importance of the structure of the domestic beef market in determining the impact of trade on cattle producers. It stated, "market structure {of the cattle and beef industry} suggests that processors can eventually pass most, if not all, of any decrease in the price of wholesale beef that results from increased import access ... on to U.S. cattle producers in terms of lower slaughter cattle prices."[31] The Commission also noted the high sensitivity of cattle prices to increases in beef supply. The Commission stated that each percentage point of increase in beef supply was likely to translate into a decrease in live cattle prices of 2 percent.[32] Therefore, as the Committee considers what reforms to competition policy are needed to ensure that U.S. cattle producers receive an honest price in an open domestic market, it should also consider how these market dynamics interact with trade policy to impact the prices received by U.S. cattle producers.

In addition, the Farm Bill should create a global marketing information program – building upon existing data sources such as the FAO – to provide regularly updated information by country on commodity prices, supply and consumption trends, exchange rate impacts, and the dominant market shares of trading companies in order to help U.S. producers better target potential export markets. This need for better trade information was highlighted in the report of the bipartisan U.S. Trade Deficit Review Commission, which noted, "The growing importance of trade in our economy and the needs of government and businesses for information to be able to make good decisions make it essential that data on international trade in goods and services be relevant, accurate, and timely."[33]

VI. Support a Stronger, More Competitive Cattle and Beef Sector

The Farm Bill should sustain the cattle industry's health and competitiveness by removing impediments to growth and investing in strategic development initiatives. A number of new or expanded initiatives to strengthen and support the domestic cattle and beef sector should be considered in the Farm Bill, such as:

- An increase in direct purchases of beef in the school lunch program and stronger rules of origin for beef benefiting from the program;
- Federally-funded pilot projects on mini-packing facilities;
- Conversion of the Livestock Risk Protection pilot program into a permanent program with nation-wide coverage and sufficient funding to underwrite risk insurance for cattle producers;
- Grants, loans and loan guarantees for renewable energy and energy efficiency improvements, as well as financial assistance to cope with spikes in energy costs;

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[30] *Live Cattle from Canada*, Inv. No. 731-TA-812 (Final), USITC Pub. 3255, Nov. 1999 at 50.
[31] *U.S. – Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, Inv. No. TA-2104-11, USITC Pub. No. 3697 at 41, fn. 1 (May 2004).
[32] *Id.* at 44.
[33] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at ch. 7.

- Conservation programs that sustain wildlife and habitat as well as the rancher, and reward agricultural producers for taking measures to improve their land in a sustainable manner;
- Incentives and assistance programs for producer cooperatives and grower-owned value-added enterprises, research and development projects, and rural banking and economic development initiatives; and
- Initiatives to develop renewable energy sources, such as ethanol, soy diesel, juniper trees, wind, and poultry litter and rendered specified risk material.[34] Increased availability and use of these fuels can help grow and improve the livestock industry in the U.S. and create jobs in the U.S.

To increase the competitiveness and marketability of the U.S. cattle and beef, current law should also be reformed to allow for the interstate shipment of state-inspected meat. In addition, producers should have the right to vote on the beef check-off periodically in order to make sure it is being used to adequately promote their product and represent their needs, along with maintaining accountability to those who fund it.

VII. Conclusion

The Farm Bill presents an important opportunity to reform U.S. agriculture policy to level the playing field for U.S. cattle producers. A dedicated cattle and beef chapter in the Farm Bill should guarantee a competitive domestic market for cattle and beef, strengthen safeguards for health and safety, improve consumer information, address global distortions in cattle and beef markets, and establish new and expanded programs to support the continued vitality of the largest sector of United States agriculture.

[34] *See, e.g.*, 70 Fed. Reg. 58576, 58595 (Oct. 6, 2005).

MISSOURI DEPARTMENT OF CONSERVATION

Headquarters

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JOHN D. HOSKINS, Director

July 19, 2006

Mr. Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Russell Senate Office Building Room 328-A
Washington, DC 20510-6000

Dear Mr. Sturm:

The Missouri Department of Conservation (MDC) has responsibility for the fish, forest, and wildlife resources of Missouri and we appreciate this opportunity to comment on the 2007 Farm Bill in conjunction with the Senate Committee on Agriculture, Nutrition, and Forestry Field Hearing of July 17, 2006 in Cape Girardeau, Missouri. Sixty-five percent of Missouri is farmed and fish, forest, and wildlife resources and agriculture are inextricably linked. Farm Bill conservation programs are essential to help agricultural producers manage their land in concert with soil, water, fish, forest, and wildlife resources. These programs help ensure healthy streams, lakes, forest, and wildlife habitat while helping agriculture producers stay on the land. The environmental, societal, and economic progress that accrue from sound conservation are a benefit to all citizens and we commend USDA for continuing efforts on behalf of conservation in Missouri.

We are pleased with current Farm Bill programs that include the Conservation Reserve Program (CRP), Wetland Reserve Program (WRP), Environmental Quality Incentives Program (EQIP), Forest Land Enhancement Program (FLEP), Wildlife Habitat Incentives Program (WHIP), Conservation Security Program (CSP), Grassland Reserve Program (GRP), and Farm and Ranchland Protection Program (FRPP). The demand for these programs has far exceeded available funding - **we believe these programs should be reauthorized and funded equal to or exceeding 2002 Farm Bill funding levels.**

A Missouri funding inadequacy is reflected in the 2005 version of WHIP which garnered $1.3 million in applications but only $541,000 in available funding. The WRP continually results in many more landowners pursuing enrollment rather than facing continued uncertain economics and difficulty of farming lands at risk of flooding.

Other programs could benefit from modifications other than funding. **The GRP should be better focused on prairie and other grassland resources** that would, if converted to other uses or cover types, be irretrievably lost to future generations of agriculture producers **and to increasing enrollment authority to 1 million acres per year**. The CSP is working for fish and wildlife resources in Missouri due to excellent Natural Resources Conservation Service leadership but may not be working as well for wildlife in other states. **Effort should be taken to ensure CSP addresses wildlife.**

Forest resources warrant special attention. In previous Farm Bills, Congress recognized forestry as agriculture but the program supports have been far short of needs. Forest products, like row crops and forage, are of strategic importance to the nation. Examples include lumber, paper, nuts, and rayon for clothing. In Missouri, nearly one-third of the state is forested with 85 percent of these lands in private ownership. **Forest agriculture is a $5.5 billion per year Missouri industry that supports 32,250 jobs.** According to the Missouri Agricultural Census, **forest lands are divided amongst 350,000 private ownerships, of which 33 percent are family farms**. Nearly every Missouri farm has forest land that can produce income while conserving soil, water, and wildlife resources. Managed sustainably, forest lands provide society with clean drinking water and air, carbon sequestration, recreational opportunities, wildlife habitat, timber products, biomass for renewable energy, and aesthetic qualities.

In contrast, less than 10 percent of non-industrial, privately-owned forest lands in Missouri have a management plan or the benefit of forestry advice and are performing below potential. On-farm forest resources and forest agriculture need focused attention and funding through the Farm Bill. **EQIP can address forest-related conservation, but forest resources are often relegated to low priority. This is counterproductive** to conservation of strategically important forest resources. Regarding CSP, **the addition of managed forest land as eligible working lands under CSP is needed** so that working forest lands can receive the same conservation encouragement as lands in row crop or forage. There is a continuing need for a Stewardship and Forest Land Enhancement Program (FLEP) to place a focus on critical forest resources and, therefore, **consideration should be given to combining the Stewardship Program and FLEP with funding of $200 million per year.** Similarly, **a need remains for the Forest Legacy Program (FLP) and funding at or above 2002 Farm Bill levels.**

Across program lines, current NRCS staffing and Technical Service Provider funding is inadequate to meet demand. NRCS staffing levels in Missouri continue to decline even as programmatic responsibilities for Farm Bill programs escalate. Technical Service Provider (TSP) funding has helped, but active non-federal providers are limited and TSP funding has been challenging to access and somewhat uncertain from year to year. MDC has an unparalleled cooperative relationship with NRCS and we have been assisting NRCS with the fish, forest, and wildlife technical aspects of Farm Bill conservation programs despite TSP reimbursement levels that fail to provide even 50 percent of the cost to state government. The conservation progress that has resulted from the state/federal partnership has been productive although the progress could be even greater if the federal technical assistance were more adequately funded.

As renewable fuels gain attention, we encourage support of energy initiatives that also promote ecologically-healthy fish and wildlife populations and habitats, and preserve other natural resources. There is only so much land in the nation so it makes sense to take every opportunity to produce multiple societal needs from each acre of land. It makes little sense for the public to pay today for one societal benefit on this acre of land and pay again tomorrow, separately and additionally, to correct an environmental shortcoming that could have been addressed at no extra cost the first time around. In specific, harvesting CRP lands to produce biomass for energy production could be problematic if mechanisms are not incorporated to ensure wildlife purposes are also met. The next Farm Bill could help ensure that CRP meets a multitude of needs in Missouri, including carbon sequestration or energy production, if native species that are ecologically-adapted to individual sites (i.e. native grasses on grassland soils and trees on woodland soils) are established. It will be important to not let haste for carbon sequestration or biofuel production result in unintended consequences that would be difficult to impossible to rectify.

Perhaps most importantly, other USDA programs should not encourage the conversion or loss of native forest, fish, and wildlife habitats. There is growing interest in silvopasture which can be productive such as when trees are introduced into pasture for the dual purpose of producing livestock forage and trees for harvest. However, it would be counterproductive to conservation to apply silvopasture, with funding from Farm Bill conservation programs, to convert native hardwood forest to pasture with widely-spaced trees and no functional forest understory.

The Missouri Department of Conservation appreciates the opportunity to comment on the 2007 Farm Bill in advance of legislation.

Sincerely,

John Hoskins

JOHN D. HOSKINS
DIRECTOR

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

STATEMENT OF MISSOURI SCHOOL NUTRITION ASSOCIATION

July 17, 2006

Good morning, Mr. Chairman, Senator Harkin. I am Rick Kenkel, President of the Missouri School Nutrition Association and Child Nutrition Director for the Joplin R-VIII School District in Joplin, Missouri. I am appearing here today on behalf of the 650 members of the Missouri School Nutrition Association and the 55,000 members of the School Nutrition Association (SNA.)

As you know, our members serve 30 million students each and every school day. The National School Lunch Program was 60 years old on June 4th and continues to serve our country very well. If we are going to compete effectively in the world, we must educate our children. And to do that, we must provide nutritious school meals.

With your permission, I would like to make the SNA's 2006 Issue Paper a part of the hearing record and focus on just three points.

- First, I would like to express our deep appreciation for your support of the reduced price pilot. As you know, many eligible children are not participating in the reduced price program. Our opinion, based on anecdotal information, is that the fee, while modest, is the primary barrier. The pilot is intended to find out if that is correct. Please do all that you can to get this done.
- USDA provides 17 cents in commodities for each school lunch served, but none for breakfast. We believe that the farm bill may be the right place to address the issue and finally provide commodities for the breakfast program. Our suggestion is that USDA provides 10 cents for each breakfast. The commodities would help us keep down the cost of a meal and, of course, assist American agriculture.
- Finally, I would like to bring to your attention an emerging issue growing out of the recent Child Nutrition Reauthorization. SNA strongly supported the new Wellness Policy and we are delighted by the attention it has put on the issue of obesity and implementing the Dietary Guidelines. Senator Harkin has been a leader in this area and with the fruit and vegetable program, which we appreciate. Unfortunately, however, the new section of law is leading to a patchwork quilt of different nutritional standards all over the country. The nutritional needs of a child in Georgia are the same at the nutritional needs in Iowa or any other state. Perhaps you can clarify in the Farm Bill that the USDA nutritional requirements are a national standard so that we are all on the same page. That would be very helpful.
- As a part of the nutrition issue, we do believe that USDA needs the authority to regulate the sale of all food on a school campus during the entire school day. This was a controversial issue a few years ago, but we believe the feeling is changing and would ask that you revisit the issue.

Mr. Chairman, Senator Harkin, thank you very much for holding this hearing and for allowing us to participate. I would be pleased to answer any questions that you might have.

.NATIONAL CAMPAIGN FOR SUSTAINABLE AGRICULTURE
PO BOX 396 PINE BUSH, NY 12566

National Campaign for Sustainable Agriculture
Competition and Concentration Committee Comments
submitted for Farm Bill Hearing July 21, 2006

Today, a small handful of corporations overwhelmingly dominate the nation's food supply. The market control of the top four firms in food retailing, grain processing, red meat processing, poultry processing, milk processing, and nearly every category of food manufacturing is at an all time high. Corporate mergers and buyouts have concentrated the power of these firms and increased their ability to unfairly manipulate market conditions in their favor. This unprecedented level of horizontal market consolidation effectively eliminates free market competition to the detriment of independent family farmers and consumers.

Compounding the problem associated with horizontal consolidation is the rapid trend toward vertical integration. Manufacturers, processors, and packers increasingly control all stages of production and inventory through commodity ownership and one-sided contracts. This corporate control of production unnecessarily eliminates market transparency, creating an environment ripe for price manipulation and discrimination. It replaces farm-level decision making with centralized corporate planning and leaves farmers trapped in long-term debts tied to short-term, non-negotiable production contracts. In addition, top retailers and packers increasingly engage in relationships with dominant suppliers that exclude smaller competitors and minimize price competition. Because both supply and demand are controlled by the same players in the market, the basic principles of supply and demand cannot function.

The role of government should be to facilitate properly operating markets and to bring balance to the economic relationships among farmers/ranchers, consumers and food companies. Instead, inadequate federal legislation and the lack of enforcement of anti-trust policies have allowed a handful of corporations to continue to consolidate market power, manipulate prices, and create anti-competitive market structures. Government inaction has a dramatic, negative impact on not only farmers and ranchers, but also on rural communities, the environment, food quality, food safety, and consumer prices. It undermines sustainable production practices and state and local laws that support family-scale, sustainable farm and ranch operations.

Policy makers often state policy goals of maintaining a diverse, farm-and-ranch-based production sector and providing consumers with a nutritious, affordable food supply. However, government failure to redress industry concentration -- both vertical and horizontal --is thwarting these policy goals and driving farmers' earnings down and consumer prices up.

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To address these problems, the following legislation should be enacted:

1. **Prohibition on Packer-Owned Livestock:** Packer-owned livestock is a major market power tool for meat packers such as Tyson, Cargill, and Smithfield Foods. This practice fosters industrial livestock production and freezes independent farmers out of the markets. Packer-owned livestock has been proven to artificially lower farm prices while consumer food prices continue rising. A packer ban -- prohibiting direct ownership of livestock by major meatpackers -- addresses the problem of captive supply which packers use to manipulate markets. A packer ban would help increase market access for America's independent producers who currently experience great restrictions in market access due in part to packer ownership of livestock.

2. Producer Protection Act: This proposal is designed to set minimum standards for contract fairness in agriculture. It addresses the worst abuses contained in processor-drafted boilerplate contracts. It includes:
(1) Clear disclosure of producer risks;
(2) Prohibition on confidentiality clauses;
(3) Prohibition on binding arbitration in contracts of adhesion;
(4) Recapture of capital investment (so that contracts that require a significant capital investment by the producer cannot be capriciously canceled without compensation); and
(5) A ban on unfair trade practices including "tournament" or "ranking system" payment.

3. Transparency/Minimum Open Market Bill: In the absence of a mandatory minimum open market volume, all producers will be forced into unfair contracts with specific packers. This bill will require meat packers to purchase at least 25% of their daily hog and cattle needs from the open market and will limit the ability of packers to use their owned and contracted livestock to manipulate prices down artificially.

4. Captive Supply Reform Act: This legislation will bring secret, long-term contracts between packers and producers into the open and create a market for these contracts. The Captive Supply Reform Act would restore competition by making packers (and livestock producers) bid against each other to win contracts. Currently, forward contracts and marketing agreements are negotiated in secret, in a transaction where packers have all the information and power, with the result that these contracts and agreements depress prices and shut small and independent producers out of markets. The Captive Supply Reform Act would require such contracts to be traded in open, public markets to which all buyers and sellers have access.

5. Clarification of "Undue Preferences" in the Packers & Stockyards Act: Packers commonly make unjustified, preferential deals that provide unfair economic advantages to large-scale agriculture production over smaller family owned and sustainable farms. Courts have found current undue preference legal standards virtually impossible to enforce. Additional legislative language is needed to strengthen the law and clarify that preferential pricing structures (those that provide different prices to different producers) are justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs.

6. Closing Poultry Loopholes in the Packers & Stockyards (P&S) Act: USDA does not have the authority to bring enforcement actions against poultry dealers. The P&S Act oddly omits this authority even as USDA can enforce the law against packers and livestock dealers. We seek to clarify that USDA's authority over poultry applies not only to broiler operations, but also to growers raising pullets or breeder hens. These loopholes should be closed.

7. Bargaining Rights for Contract Farmers: Loopholes should be closed in the Agricultural Fair Practices Act of 1967 (AFPA), and processors should be required to bargain in good faith with producer organizations. The AFPA was enacted to ensure that producers could join associations and market their products collectively without fear of retribution by processors. These goals have not been attained due to loopholes in that Act. Retaliation by processors is commonplace in some sectors. This legislation should be passed to promote bargaining rights and prevent processor retaliation.

8. Mandatory Country of Origin Labeling: Country of origin labeling (COOL) was passed as a provision of the 2002 Farm Bill. This popular measure allows consumers to determine where their food is produced while allowing producers to showcase their products for quality and safety. It also limits the ability of global food companies to source farm products from any country while passing them off as U.S. in origin. The meat packers and retailers have successfully stymied the effort to implement this law. Congress should immediately implement COOL to benefit producers and consumers as intended in the law.

Our country's farmers, ranchers, and consumers—both rural and urban—are asking for nothing more than a fair market and a competitive share for family farmers of the $900 billion dollars that consumers insert into the food and agriculture economy annually. Market reforms remain a key ingredient for rural revitalization and meaningful consumer choice. Laws to promote fairness and healthy competition, such as those outlined above, are key to achieving the goal of promoting an economically healthy and diverse agricultural production sector and providing consumers with healthy, affordable food.

July 20, 2006

Dear Chairman Chambliss and Senator Talent;

The undersigned organizations wish to thank you for the opportunity to provide a written statement for the record of the Senate Agriculture, Nutrition, and Forestry Committee's field hearing on the Farm Bill, in Cape Girardeau, Missouri on July 17, 2006

The 2007 Farm Bill offers a unique opportunity to address the many threats and challenges facing the nation's more than 10 million family forestland owners and develop forestry solutions to societal needs and concerns. Non-industrial and family forests comprise 42 percent of the nation's forestland. The benefits these lands provide the public are numerous and include: the bulk of the nation's hunting and fishing opportunities; critical habitat for wildlife including threatened and endangered species; two-thirds of the nation's drinking water; 60 percent of the nation's wood products; and recreational opportunities, scenic views, and other amenities that improve our quality of life.

These values and uses are at risk due to unprecedented development pressures, altered fire regimes and other forest health threats, a globalizing forest products market, an aging ownership demographic, an increasingly fragmented forest landscape, and a number of other issues that make financially and ecologically sustainable management difficult over the long-term.

As you know, these problems threaten forests across the entire country, including the forested landscapes so central to Missouri's identity. In the attached fact sheet, we have highlighted the situation in Missouri. Congress can begin to address these challenges by helping family and non-industrial forest owners conserve and manage their forests by providing financial and technical assistance through Farm Bill forest and conservation programs as well as through other opportunities. We urge you to consider these needs and create improved opportunities for family forestland owners as you begin your work on the 2007 Farm Bill.

Specifically, the 2007 Farm Bill should:

- Place a higher priority on forestland than currently exists and encourage **greater participation by forest landowners**.
- Leverage income from both public and private sources to **reward private landowners** for managing their lands to **provide public benefits to communities and the environment.**
- Be well integrated and coordinated, in order to improve efficiency and facilitate landowner participation in programs.
- **Be directed at priorities, encourage multiple landowner cooperation** across landscapes and watersheds, and address issues on a **scale that will make a difference** on the ground.
- Recognize the central role that **outreach, education and technical assistance** can play in guiding forest landowners toward sustainable stewardship of their forests, and the role that forestry research can play in moving these objectives forward.

We look forward to working with you as this process unfolds.

Sincerely,

American Forest Foundation, Washington D.C.
Association of Consulting Foresters, Alexandria, VA.
National Association of State Foresters
National Wildlife Federation, Reston, VA
Society of American Foresters, Bethesda, MD.
Southern Region, National Association of University Forest Resource Programs, Auburn, AL.
The Nature Conservancy, Arlington, VA.