S. HRG. 109–643

REGIONAL FARM BILL FIELD HEARING: GRAND ISLAND, NEBRASKA

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

August 16, 2006

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

Available via the World Wide Web: http://www.agriculture.senate.gov

U.S. GOVERNMENT PRINTING OFFICE

30–125 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,

SAXBY CHAMBLISS, Georgia, *Chairman*

RICHARD G. LUGAR, Indiana	TOM HARKIN, Iowa
THAD COCHRAN, Mississippi	PATRICK J. LEAHY, Vermont
MITCH McCONNELL, Kentucky	KENT CONRAD, North Dakota
PAT ROBERTS, Kansas	MAX BAUCUS, Montana
JAMES M. TALENT, Missouri	BLANCHE L. LINCOLN, Arkansas
CRAIG THOMAS, Wyoming	DEBBIE A. STABENOW, Michigan
RICK SANTORUM, Pennsylvania	E. BENJAMIN NELSON, Nebraska
NORM COLEMAN, Minnesota	MARK DAYTON, Minnesota
MICHEAL D. CRAPO, Idaho	KEN SALAZAR, Colorado
CHARLES E. GRASSLEY, Iowa	

MARTHA SCOTT POINDEXTER, *Majority Staff Director*
DAVID L. JOHNSON, *Majority Chief Counsel*
VERNIE HUBERT, *Majority Deputy Chief Counsel*
ROBERT E. STURM, *Chief Clerk*
MARK HALVERSON, *Minority Staff Director*

CONTENTS

Page

DOCUMENT(S) SUBMITTED FOR THE RECORD—Continued

REGIONAL FARM BILL FIELD HEARING: GRAND ISLAND, NEBRASKA

WEDNESDAY, AUGUST 16, 2006,

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Grand Island, NE

The committee met, pursuant to notice, at 9:04 a.m. in the Hornady-Marshall Theatre, College Park, 3180 West Highway 34, Grand Island, Nebraska, Hon. Saxby Chambliss, chairman of the committee, presiding.

Present: Senators Chambliss and Nelson.

Also present: Senator Hagel.

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

The CHAIRMAN. This hearing is called to order. I welcome everybody here to this facility as we prepare to write the 2007 farm bill. I want to thank College Park for allowing us to use the Hornady-Marshall Theatre and to Randy Blair, who is Executive Director here at College Park. What a great facility this is and they have certainly been most accommodating to us in preparation for this hearing today.

I also want to thank my colleagues, Senator Chuck Hagel and Senator Ben Nelson, for hosting us in the great State of

Nebraska. As everyone in this room knows, both of these men sitting next to me are champions of agriculture and the interests of farmers and ranchers in Nebraska are certainly represented well in Washington because of them. They remind me every day abou't the fact that you all grow a lot of crops in Nebraska that we don't grow in Georgia and as Chuck has reminded me again, we always carr'y on about the Georgia peanuts that are hard to grow. Thank goodness you all can't grow them in Nebraska because you all are pretty prolific.

Agriculture in the United States is very diverse and in different areas of the country, they view our farm programs in their own unique way. Today, we hope to gain a better understanding and establish a record of the unique nature of the agriculture industry in the Midwestern United States.

This is the sixth in a series of regional field hearings we will hold in preparation for the next farm bill. We have held hearings to date in Georgia, Missouri, Pennsylvania and Iowa.

Yesterday we had a hearing in Oregon and tomorrow we will be in Montana. Our final farm bill hearing will be held in

Lubbock, Texas on September 8. These hearings are intended to provide American producers with an opportunity to explain how the farm bill programs have worked for them, particularly relative to the 2002 farm bill and what changes we should make in these programs as we prepare to the new farm bill in 2007.

This is an important exercise because it allows farmers and ranchers to provide Members of Congress with direct input that we will utilize during the development of the next farm bill.

As many of you know, American agriculture will face tremendous challenges in the coming years. One need point no further than the recent suspension of the Doha round of World Trade

Organization negotiations. In addition, we will most likely write the next farm bill in a climate of deficit reduction.

This Committee is readying itself to take on those challenges and with your help and input, we can provide a safety net for

America's farmers that will assist them during times of need, while keeping them competitive in international marketplace and being fiscally responsible at the same time. Developing the next farm bill is a tremendous responsibility and as

Chairman of the Committee on Agriculture, Nutrition and Forestry, I understand the importance of hearing the first-hand experience and input of actual farmers and ranchers who work the fields, herd the cattle and help provide this country with the most abundant, affordable and safest supplies of food this planet has ever known. I commend all of you for your hard work on behalf of all Americans and I look forward to hearing your testimony. For those of you who are not witnesses but are interested in submitting your thoughts to the Committee, the Committee's website has guidelines for providing written statements for the record in a web form for informal comments. Any comments received will also be considered during the re-authorization process. I would like to remind our witnesses that each has 3 minutes to present testimony, followed by the opportunity to answer questions and we will certainly take your full statement and submit it for the record. Senator Nelson, who is a very valuable member of the Ag Committee, has obviously joined as has Senator Hagel and these two gentlemen are not only strong advocates of agriculture but they are my good personal friends. Senator

Nelson and I serve on the Ag Committee together and we also serve on the Armed Services Committee together. Senator Hagel and I serve on the Intelligence Committee; in fact, we're neighbors on the Intelligence Committee. At a recent hearing, where we were, I think, working on the confirmation of somebody, the New York Times put the picture of Chuck and I in and I'm sitting there listening very intently to him and there was a caption under there or something to the effect that

Senator Hagel visits with Senator Chambliss about something relative to this very important nominee. Actually, we were sitting there talking about Nebraska football.

[Laughter.]

But I thank both of these gentlemen and as a member of this Committee, I recognize Senator Nelson first.

STATEMENT OF HON. BEN NELSON, U.S. SENATOR FROM NEBRASKA

Senator NELSON. Thank you, Mr. Chairman. First of all, let me welcome you to Nebraska. We're delighted to have you here. We appreciate the fact that you have included Nebraska in your journeys. This is the second time you and I have had hearings in Nebraska. The previous time was in connection with the Armed Services. So I am just happy to have you back.

I want to thank you for holding this hearing, particularly to get the input from Nebraska's farmers and ranchers and agricultural producers. Hosting a field hearing in Nebraska is important to our farmers and ranchers because it allows them to have this opportunity to provide input to help shape what will be a very important project for us this coming year and that is putting together a farm bill. In a state where one in five jobs, at least, is related to agriculture and nine in ten acres of land is farm and ranch land, today's hearing is significant because so much that affects the daily operations and the bottom line for our farmers and ranchers is intricately involved in the policy set at the Federal level and especially in the next farm bill. Agriculture is the

No. 1 industry in Nebraska and our farmers and ranchers lead the Nation in many areas of production. They are in the trenches, producing our food and our fuel. Their input is extremely valuable and I appreciate your recognition of that fact in agreeing to hold this hearing in Grand Island and I thank you for granting my request for this field hearing. As you'll be able to see, this hearing is very important because the next farm bill, which I prefer to call the Food and Fuel

Security Act of 2007, because of its potential to feed the nation but also fuel our energy needs affects so much of the state. I'm pleased that Nebraskans will be able to provide this valuable information today. This input is great to have an opportunity for local viewpoints to be heard in Washington and bring Washington to Nebraska. So I'm looking forward to the testimony of all the witnesses here today and I ask that the rest of my testimony be included as part of the record.

We have some additional testimony from others who were unable to be here or were unable to be on the list of testifiers and

I would ask that those comments also be included in the record.

The CHAIRMAN. Without objection, they'll be included.

Senator NELSON. Thank you, Mr. Chairman.

[The prepared statement of Senator Nelson can be found in the appendix on page 54.]

The CHAIRMAN. Thank you. Now, to my friend, Senator Hagel.

STATEMENT OF HON. CHUCK HAGEL, U.S. SENATOR FROM NEBRASKA

Senator HAGEL. Mr. Chairman, thank you. Welcome to Nebraska. We are always grateful for a fresh supply of Georgia peanuts. Senator Chambliss has been very generous over the years in supplying Congress with Vidalia onions and Georgia peanuts.

Also, there is a very strong intellectual basis of leadership in the Congress that we get from Georgia and we are grateful that you would include our state in your series of hearings around the country, which you have noted. I want to also thank our witnesses, all three panels, the organizations that you represent, the producers that you represent. We could not do this job without your input, without your valuable counsel. We will go deeper into that treasure box of wise counsel and advice as we shape and mold and craft and hopefully, write, a new farm bill, which I think we desperately need. And as always, Mr. Chairman, it is good to see you.

Nebraska producers consistently rank among the top five in the production of live animals and meat products, feed grains, soybeans and ethanol and other renewable fuels. The upcoming farm bill will significantly impact our state, our country and the world and we appreciate the opportunity to share our views here in the state with the Senate Agriculture

Committee.

Mr. Chairman, there are 99 new members of the House of

Representatives and 21 new senators since Congress voted on the last farm bill in 2002. The Doha round of trade negotiations, which you have noted, has stalled over the last month and the outcome remains unknown.

The Secretary of Agriculture, Mike Johanns, who we are all very familiar with, was in Lincoln yesterday. I was with him most of the day and he addressed the Doha round issue and it will obviously be part of this hearing this morning in more detail.

The current drought conditions that you are very familiar with, Mr. Chairman, across the Midwest, specifically here in the State of Nebraska, budget constraints, global market access, the availability and cost of energy and many other issues will provide the backdrop for the 2007 farm bill debate.

I voted against the farm bill in 2002. Our Federal farm policy, in my opinion, has drifted far from where it was originally intended to be 70 years ago. We need to re-evaluate the current system and adjust our farm policy for 21st century challenges and opportunities. Currently, about 70 percent of farm payments go to roughly 10 percent of producers. The lopsided payments keep commodity prices low, drive up land prices, and allow large landowners to buy up small agricultural producers with taxpayer dollars. I am an original co-sponsor of the Rural American Preservation Act, which would lower farm payment limits from $360,000 to $250,000. Risk management must be a focus of the next farm bill. Some parts of Nebraska are suffering from their eighth year of continuous drought. Instead of a safety net already in place, agriculture producers are forced to rely on Congress to pass emergency disaster assistance each year. As I noted in Lincoln yesterday, we chase our tails around and around and around every year. The next farm bill needs to address this issue. We know that natural disasters will continue to occur.

Why shouldn't we anticipate them in a forward-thinking, visionary new farm bill? The 2002 farm bill has done little to promote rural development. We need to help rural communities jumpstart their economies with incentives that will keep talented Nebraskans right here in our state, using provisions like those in the new Homestead Act, which Senator

Dorgan and I introduced in the last two Congresses. The new

Homestead Act would provide multiple tax credits, loan guarantees and other incentives to attract individuals and businesses to rural areas.

Energy must be a primary focus of the next farm bill. We need to increase exploration for oil and natural gas but we also need to do everything possible to expand the production and use of renewable energy sources like ethanol, biodiesel, solar, wind, geothermal and biomass. Renewable energy means less dependence, obviously on foreign oil and more jobs at home, both on and off the farm.

Trade—trade will continue to play a central role in the world of agriculture. The future of agriculture lies is international markets. The recent setbacks in the Doha round of global trade negotiations are disappointing but we must continue to push for greater access to more worldwide markets.

There is an irresponsible and dangerous protectionist streak growing in the Congress of the United States that be dealt with. It must be dealt with directly. Global trade has always meant for opportunities for America's consumers and producers and I don't know of an industry that has benefited more from global trade than agriculture.

Conservation must be an important focus of the new farm bill. Conservation has been instrumental in reducing soil erosion and improving water and air quality. The biggest issue facing the State of Nebraska, Mr. Chairman, over the next few years, will be water. Water! Additionally, with the ongoing drought limiting the availability of water, conservation will take on an even greater significance. The 2007 farm bill will affect the relationship between the government and agricultural producers and you noted this, Mr.

Chairman in your opening remarks. It will be critical that

Nebraska's agricultural producers get involved in the debate and sharply, deeply, involved in this debate. Lawmakers will rely heavily on the participation and the advice of our producers. We appreciate, Mr. Chairman, the efforts of this committee and your leadership because it will be continuously important to have your structured hearings as well as your involvement and attention if we, in fact, are to produce a relevant, meaningful farm bill next year. I look forward to today's hearings and our witnesses, their testimony and again, thank you, Mr. Chairman, for being here and including me in the hearing.

The CHAIRMAN. Thank you, Senator Hagel, as well as you,

Senator NELSON. We're excited about being here because we know we're in the breadbasket of agriculture in America. I particularly look forward to hearing our witnesses today and gentlemen, our format will be, we will start with you, Mr.

Ebke and we'll move down the row for your opening statements. First panel consists of Mr. Steve Ebke, from Daykin, Nebraska, representing the Nebraska Corn Growers; Mr. Steve Wellman of

Syracuse, Nebraska, representing the American Soybean

Association; Mr. Doug Nagel of Davey, Nebraska representing the National Grain Sorghum Producers; and Mr. Dave Hilferty, of Grant, Nebraska, representing the National Association of

Wheat Growers. Gentlemen, welcome. We look forward to your comments. Mr. Ebke?

STATEMENT OF STEVE EBKE, PRESIDENT, NEBRASKA CORN GROWERS ASSOCIATION, DAYKIN, NEBRASKA

Mr. EBKE. Thank you, Senators, for this opportunity to present input on the 2007 farm bill on behalf of Nebraska Corn

Growers Association and our nearly 1,700 farmer members. It's not the same nation or the same world as it was 4 years ago when the 2002 farm bill went into effect. The 2007 farm bill needs to reflect these changes and anticipate challenges to come. We believe that the agricultural safety net should have a component based on net revenue, not price alone. A revenue-based program could help moderate the fluctuations in farm payments that occur from year to year and it is hoped, reduce the frequency of emergency payments for program crops and the impact we have on the Federal budget. Resistance to change, comfort and familiarity with the current program, waiting until WTO talks are complete—these are some of the reasons suggested for maintaining the status quo. However, the

Nebraska Corn Growers believe that the 2007 farm bill should represent the next step in the evolution of commodity support, improving on previous programs and addressing the concerns that producers have voiced over the past several years. We want to move forward involving a 2007 farm bill that at least maintains the current level of support, delivered through a revenue-based safety net that protects America's farmers from events beyond their control. A revenue-based program can be in compliance with the current WTO provisions and would have the flexibility needed to adapt to potential changes in WTO rules. Most importantly, the revenue-based commodity title program makes better use of taxpayer dollars by investing government resources when and where they are needed most by

American farmers.

Nebraska Corn Growers are advocates of a strong conservation title. Under funding of the Conservation

Security Program or CSP, has meant that the original concept of rewarding the best and motivating the rest simply cannot be accomplished by the reasons outlined in my written testimony.

We've seen only sources of funding for CSP and do not favor a shift of funding from the commodity title. Our recommendation is that the CSP not be included in the 2007 farm bill. We support reallocation of the CSP budget to the EQIP program and to the NRCS to provide more technical assistance to farmers.

The EQIP program, a program with proven benefits, supports the livestock sector and in particular, the largest customer of corn and a critical market for the storage grains produced by the ethanol industry.

The Nebraska Corn Growers Association believes that the 2007 farm bill offers the opportunity for us to rethink our nation's approach to commodity support and rural development.

We believe that the changes suggested in my remarks today as well as others in my written testimony, can lead to a 2007 farm bill that strengthens America's leadership in agriculture and makes sense for America's taxpayers. Thank you again for this opportunity to comment on behalf of the Nebraska Corn

Growers Association.

[The prepared statement of Mr. Ebke can be found in the appendix on page 59.]

The CHAIRMAN. Thank you. Mr. Wellman?

STATEMENT OF STEVE WELLMAN, AMERICAN SOYBEAN ASSOCIATION, SYRACUSE, NEBRASKA

Mr. WELLMAN. Good morning, Mr. Chairman. It is my pleasure to represent the American Soybean Association today.

Mr. Chairman, soybean producers support the safety net we have under the 2002 farm bill and most soybean producers would also support extending these programs. However, the current budget baseline for farm program spending declines over the next ten years and will probably not accommodate outlays based on current support levels. With the collapse of the WTO negotiations, there will not be a new agreement in place before your Committee writes the 2007 farm bill. Yet we want to avoid putting programs in place that are vulnerable to future WTO cases. Also, farmers need the certainty, for decisionmaking purposes, that a long-term farm bill provides.

Given these circumstances, ASA's policy for the 2007 farm bill is there be no further cuts in the budget baseline for agriculture spending, that farm programs do not distort planting decisions and that future programs are WTO compliant.

To explore alternatives, ASA has been working with other farm organizations to look at Green Box programs. The results of this analysis indicate a variety of options that would guarantee 70 percent of historical income and still meet WTO compliant. These options include covering only program crops or all crops plus livestock and basing the guarantee on gross or net income. This revenue guarantee could be combined with other programs to create a more effective safety net. We are working to have recommendations to present to your full committee by this fall. Mr. Chairman, ASA is also very supportive of proposals to strengthen the energy, trade and conservation titles in the farm bill. We support the 25x25 vision to enable agriculture to address our energy needs. We are especially interested in programs that would support soybeans as a renewable energy source. Specifically, these would promote domestic biodiesel production. The CCC Bio——

Energy program has provided payments to biodiesel producers who utilize domestic feed stock such as soybean oil. This program has helped expand our domestic biodiesel production but the program sunsets after 2006. Therefore, ASA urges

Congress to authorize and fund a biodiesel bio-energy program.

A higher premium should be placed on domestic biodiesel production and expansion. The prospective cost of this program could be offset by reduced outlays from the soybean marketing loan and counter-cyclical programs.

Related to trade promotion, we strongly support maintaining funding for foreign market development and market access programs, along with international food aid. With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs.

ASA supports increased funding for conservation payments on working lands. In closing, ASA supports a bill that strengthens our rural economy by supporting farm income, renewable fuels, foreign trade and conservation on working lands and is WTO compliant. Thank you.

[The prepared statement of Mr. Wellman can be found in the appendix on page 124.]

The CHAIRMAN. Thank you. Mr. Nagel?

STATEMENT OF DOUG NAGEL, NATIONAL SORGHUM PRODUCERS, DAVEY, NEBRASKA

Mr. NAGEL. I would also like to thank the senators,

Senator Chambliss, Senator Nelson and Senator Hagel for being here and listening to my testimony. A little bit about me—— my name is Doug Nagel and I farm with my father in Davey,

Nebraska. We raise 500 acres of sorghum, 600 acres of corn and about 900 acres of soybeans. The eastern part of the state, while it usually receives about 26 1/2 inches of rain a year, but we have to keep in mind that Nebraska is a semi-arid region. So there are years like this when adequate rain does not fall or it does not fall in a timely manner. During those drought years, sorghum is the most consistent yielding crop that we raise on our farm. Last week I was able to forward contract sorghum for 11 cents more a bushel than I could for bushels of corn in Lincoln. Feed exports and markets like the

IAM pet food plants are contributing to strong demand for my grain sorghum. Looking at the current farm program, direct payment and marketing loan programs, provide our operation with the most protection. We live in a time where day-to-day market volatility decides whether or not we can make a profit.

Currently we have high prices on the board of trade but the loan rate happens to be within reach due to local cash price differences, high basis. This is mainly due to high shipping costs, high fuel costs and fuel surcharges. If Congress changes our farm programs because of WTO or budget constraints, I would ask that the Committee preserve the equitable relationships in loan rates between all grains that was achieved in the 2002 legislation and any new farm programs need to have a safety net for all farmers.

Regarding conservation programs, sorghum is a water-sipping crop and it uses less water and nitrogen than other crops in my rotation. If a greener farm bill is to be developed, I ask that the program reward crops that use an overall lower quantity of water and require fewer inputs. For example, the EQIP program works well but I'm told by other sorghum growers that they have seen an overall water use increase rather than a decrease. Also, any new program needs to be distributed evenly and fairly to all farmers based on production and not just on the method that it is produced by.

Finally, sorghum can and does play an important role as a feedstock in the renewable fuels industry. Currently, 15 percent of grain sorghum is used in the ethanol industry throughout the Midwest. In the future, sweet sorghum may be an option for farmers.

Rather than the grain starch juices extracted from the stock, sugars from the stock are fermented and ethanol is made from that. Also, forage sorghums can be used as biomass production and this uses the whole plant where tons of convertible biomass per acre would also help drive the feed stock equation. So the next farm bill needs to expand the role of all types of sorghums in the move for renewable energy and let's not overlook preserving and conserving our valuable natural resources. We look forward to working with you and I'd be glad to entertain your questions in a minute.

[The prepared statement of Mr. Nagel can be found in the appendix on page 93.]

The CHAIRMAN. Thank you. Mr. Hilferty?

STATEMENT OF DAVID HILFERTY, NEBRASKA WHEAT GROWERS ASSOCIATION, GRANT, NEBRASKA

Mr. HILFERTY. Mr. Chairman, Senator Nelson and Senator

Hagel, and members of the Committee, my name is David Hilferty and I am a wheat farmer from southwestern Nebraska and I thank you for this opportunity to summarize my written statement.

The wheat growers that I represent here today believe that the 2002 farm bill has many good features and the next farm bill should build on those strengths. While I don't want to pit any one commodity against another, but I'd like to quote what the Secretary of Agriculture Mike Johanns said when he was asked, are we going to have a new farm bill or are we going to have the 2002 farm bill extended? He says, First thing is, you have five major program crops: corn, wheat, rice, cotton and soybeans and they get 93 percent of the subsidies. But when you really kind of peel through the layers, one of those crops, wheat, has really had a rather challenging time of it.

Wheat tends to be grown in more drought-prone areas; therefore a wheat crop can be very dependent upon what the drought conditions really are. In the current farm bill, you do not collect payments like LDP and often times, counter cyclical if you've lost a crop. The other thing with wheat, you don't collect LDP and counter cyclical with this farm bill. I don't think they've collected in any year since this farm bill has been passed. You may prove me wrong here or there, but they have really been on the short side of this farm bill. So to go to that fifth major crop, wheat, and say, are you satisfied? And do you want to re-extend it word for word, letter for letter, period for period? I think you'd get a very interesting discussion and debate there.

Well, Mr. Chairman, I believe Secretary Johanns was probably looking at my farm when he made that comment because

I'm in the fifth year of a moderate to severe drought and my farm income reflects exactly what the Secretary was alluding to. So the Domestic Policy Committee of the National Wheat

Growers Association is recommending that the fixed payment be one dollar instead of fifty-two cents and the counter cyclical target price be five-fifty instead of three ninety-two. Those two changes will provide equity with the other four major crops. A higher fixed payment would also be more WTO compliant. Operating credit would be easier to obtain with a larger fixed payment and we also believe that conservation programs should continue as authorized, especially the

Conservation Security Program and we also recommend that these programs be fully funded so that when a farmer does sign up, for say, CSP, that he knows he's in for the long term. I thank you again for this opportunity and I'd be happy to answer any questions you may have.

[The prepared statement of Mr. Hilferty can be found in the appendix on page 72.]

The CHAIRMAN. Thank you very much, gentlemen. I want to start out by asking five questions that we've asked every panel, every commodity panel, as we've been around the country and these are questions that relate to particular parts of our current farm bill and issues that are important to all farmers and ranchers. First of all, Mr. Ebke, we'll start with you.

How would you prioritize the programs in the farm bill generally and the commodity titles specifically? How would you rank the relative importance of the Direct Payment

Program, the Marketing Loan Program and the Counter Cyclical Payment programs?

Mr. EBKE. Thank you, Senator. I think as far as prioritizing, I think most producers are going to, if you're looking at titles, they are going to prioritize the commodity title as the main thing and as we alluded to, the other ones, conservation seems to be important. People, farmers will embrace those programs and again, probably then looking at trade and energy, and similar in that respect. As far as within the commodity title, I think the list would probably be the way most producers would rank them. The Direct Payment

Program is widely accepted and probably the next thing, funds are very adaptive and the Marketing Loan Program has provided them with tools for marketing and they become used to those.

If we were to maintain that program as it is, that would probably be the second thing of importance as far as the commodity title is concerned, counter cyclical probably ranking last.

The CHAIRMAN. OK. Mr. Wellman?

Mr. WELLMAN. I believe the Soybean Association would prioritize, we would begin with the commodity title also, as the top priority and maybe look at energy as their second priority and trade issues, third. There is still a big portion of the soybeans that gets exported out so that is a big issue for soybean producers. Within the Commodity

Program, the commodity title itself, payments that can be directed into the Green Box would be our priority. It would help ease our issue of being WTO compliant. Marketing Loans, at times, works well but it is something that doesn't really affect soybeans at all and also, that is based on for sure that you have to have production. So the years that we have a drought situation and not very much production, that is not a big component. I guess that takes it back to either Direct

Payments or some other type of issue that could be developed to fit in the Green Box.

The CHAIRMAN. OK. Mr. Nagel?

Mr. NAGEL. I would have to agree with my two counterparts here. When it comes to the farm bill, the National Sorghum Producers, of course, we're looking at commodity title. That's very important to us and then energy is right up there. I don't know how you prioritize one over the other. I think you have to have one with the other because that's—we're depending on that internal drive in the United States nowadays. We can talk all we want about trade. When I was in college, they talked about China was going to open up their doors and we're going to feed the world—you know, feed the world. Well, that hasn't happened yet and I was talking to my uncle about it and in the 1960's, that same topic was coming up. So trade—it's a big deal and I hope it comes to par some time but I think we need to protect ourselves internally right at the moment and that would be through energy legislation. Like I said, all—we have different kinds of sorghums to kind of fit that bill. We're getting into biomass production, we're getting into sugar production. So I think it would be good. But commodity title is the big deal. Third, I would rank the conservation title.

In the State of Nebraska right now, there are regions in the area that have CSP or people are able to sign up for them.

It's been nothing but frustrating. That's going to have to be revamped and it's going to have to be fine-tuned in order for more people to take part in that because right now, it's very constraining. The rules and regulations are very hard to live by and there are a lot of things in the paperwork right now about it, so I don't know where it's going or where it will end up, but that's going to be the last priority. As far as commodity title goes, I would rank Direct Payments first because whether we produce a crop or not, we do get that.

Nebraska, as I said earlier, is a semi-arid country. LDPs, sometimes they land when we don't need them. Last year, we were producing a lot of corn. We had low prices and man, we were getting some big LDP checks. That's no secret to anybody out there. This year it is just the opposite. We're going to need the money. The crops aren't going to be there in northern Lancaster County. LDP payments are going to be fairly low. So that's my second priority. Counter Cyclical,

I think that's our third and I don't really have much to expand on that.

The CHAIRMAN. Mr. Hilferty?

Mr. HILFERTY. I believe the commodity title is very important and probably second would be the conservation area of that. Within that, I think the direct payments would be our top priority and the counter cyclical part would be number two. The Marketing Loan program would be No. 3. I'd go back to the direct payments. Direct payments are reliable and they are able to be budgeted. They are all compliant with

WTO and they don't evaporate during a drought.

The CHAIRMAN. Great. The second question. We can expect an effort to further reduce payment limits in the next farm bill. Do payment limits need to be modified in this next farm bill. Mr. Ebke?

Mr. EBKE. Our organization has struggled with payment limitations for a number of years. We've had numerous policy discussions amongst the delegates at our annual meeting. We support payment limitations. What we've had difficulty with is assigning a dollar value and that seems to always be the situation. We'll see how it plays out this year at our delegate session but at this point in time, we do believe that they should exist. We do not have a target number. One thing, when we talk about payment limitations and Senator

Hagel quoted some statistics. I think we need to be cautious sometimes with those statistics. Tuft University had a study recently that talked about or tried to analyze some of the public comments made by environmental working groups' data and so forth, about the percentage receiving payments and the percentage of the payments they received. I'll have to admit that I have looked at their website and when I see that in my county, those people receiving payments and we won't talk about the dollar amount because that's where you come into where to cap it. But those people receiving the majority of the payments are those who are actively engaged in farming as their primary occupation and when you get down to the end of the list, you find my dad and my mother, who are receiving funds because they happen to own some land and are willing to rent it to me. So I do think, when we look at that and we look at some of those numbers and the percentages, we need to maybe dig a little deeper and sort through some of that information to find out where those payments truly are going.

There may be some very egregious situations, I won't deny that. But I think the bulk of the payments today are received by family farmers or individuals who are attempting to make their livelihood from the farm and they are not—if you want to call it recreational farms and whatever.

The CHAIRMAN. Not Hollywood movie stars. Mr. Wellman?

Mr. WELLMAN. I would agree with Mr. Ebke and their association, that very similar circumstances with the American

Soybean Association in discussions about payment limits and where it should be set at and if there should be any.

Currently, the American Soybean Association still has their longstanding policy that there be no payment limitations. We believe that the payments should follow where the production is at. It's always a big headline in the news, with people drawing the big dollars and so I did a little research. I looked up the University of Minnesota Fin-Bin website where they do financial analysis and they had records there of a 3,200 farms out of four states. In 1997 to 2002, the average government payment per farm, per year was $32,000 dollars.

That represented 77 percent of the net income for those farms.

So a large portion of those farms' net income came from government payments. From 2002 to 2005, the annual government payment actually decreased. The average was $30,105 dollars and that represented 46 percent of their net income. Over that timeframe, that 5–year difference, the gross income for those farms grew by $100,000 dollars. So the gross, obviously went up, farm program payments went down, the percentage of net income decreased. Those are real numbers from real farms and the Nebraska Farm Business Association of

Nebraska have data going back on that for 10 years and the average government payment there was about $40,000, which represents 74 percent of the net income over those last ten years. That isn't anywhere close to the payment limitations we're talking about and we can see that it definitely plays a big role in keeping these farms vitally functional and profitable.

The CHAIRMAN. Mr. Nagel?

Mr. NAGEL. I think these two have covered everything that needs to be said amply. As far as the way it affects my farm and my neighbors, payment limitations is not an issue.

We're not even bumping up on them on a yearly basis. So it doesn't affect me. As far as the National Association goes, if we were to move this geography into Texas, we have a whole different situation and I'll let them do the explaining on that but one thing I do know is you've got—I've got a few landlords that I do some farming for that were kept out of the program because you've got the million dollar rule written in there right now. I think that might go a long way as far as keeping people that don't need the income out of the program.

Me, it will be a long time before I make a million dollars, so we'll have to see how that works.

The CHAIRMAN. Mr. Hilferty?

Mr. HILFERTY. I have to agree somewhat with most of the other three members of the panel but the National Association of Wheat Growers believe that the payment limitation may need to be raised because of inflation and cost of diesel fuel and cost of fertilizer, which have gone up tremendously in the past two or 3 years, especially this last year. I personally believe that alluding back to what Senator Hagel said about the lion share of these payments going to a small percentage of farmers, I believe that is very true and I think you need to work on a method by which some of that income could be transferred back to the smaller and intermediate family farms. I think that would be a priority to me.

The CHAIRMAN. Great. The Doha round of negotiations has sought to provide additional market access for U.S. agriculture goods in exchange for cuts in domestic farm payments. How important are exports to the future of farmers?

Some of you have alluded to that already, so don't worry about repeating yourselves, but how important are exports, Mr. Ebke?

Mr. EBKE. Sometimes in Nebraska, we tend to think that they are not very important. Most of our products are used domestically or are moved within the relatively close area to our state. However, when you really do look at the broad issue, exports are important in Nebraska. No. 1, we found and have found in the past that if for some reason,

Illinois and Iowa can't move products down the river, they are very ingenious and they find ways to get into our market. So it does have a significant impact on us. So I think the

Nebraska Corn Growers realize the importance of trade and the importance of exports, particularly when we look at what is happening with the ethanol industry and the fact that distillers greens are going to become a large volume item that we are going to need to handle and we're assuming and we hope that with some research and so forth, that those become an export item that is going to be desired by our foreign trade partners. So we are interested in trade but we would not be willing to trade domestic supports without very solid assurances that the trade access that we receive are going to benefit us, come back to us. So that would be a word of caution.

The CHAIRMAN. Mr. Wellman?

Mr. WELLMAN. The U.S. produces 40 percent of the world's soybean supply and we export a great deal of that. The

American Soybean Association, International Marketing

Division, currently has nine worldwide offices to expand and develop export markets for our products. We recently celebrated 50 years of our office in Japan. So we've been at it for a long time and it has been a very big part of the expansion of our marketing and any kind of market competition we can get, I think is to get a good price for soybeans. It reduces the need for maybe some commodity payments and that type of issue. So I think it is going to play a big part, still. Currently we have some issues, the European Union has some biotechnology labeling laws that keep us out of their market and India and Russia are working on some very similar type of labeling requirements. We can have the trade agreements written but then they find some way to keep our product out. So that is an issue we would agree that we don't want to substitute trade policy for domestic programs because those foreign export markets may be kind of iffy at times and we can't always still have access to those markets that have been agreed upon.

The CHAIRMAN. Mr. Nagel?

Mr. NAGEL. Grain sorghum, right now, we probably export 55 percent of our grain and we do enjoy access to places where other commodities don't get right at the moment. We export to the European Union because we are not a GMO type of crop and we like that. If those tariffs go down in the European Union, that may end up hurting us overall, for our exports. But we're going to have side agreements because right now, we look at the Philippines, India and a few of those other places that still, like he says, don't want GMO issues. We should have market access there, whether there is a Doha agreement or not.

We like our side agreement.

The CHAIRMAN. Mr. Hilferty?

Mr. HILFERTY. Wheat is in a unique situation. Most of all, it is only used for human consumption and only about 50 percent of the wheat raised can be used in the United States so of course, that leaves 50 percent that has to be exported.

We live and die by the export market and when it comes to WTO negotiations, we would rather have a good deal than no deal at all. So I guess it has worked out probably better to have unilateral trade agreements than multi-lateral. We rely on our negotiators to get us a good deal but we want a good deal rather than—I mean, I would just as soon they would cancel out as to getting a poor deal.

The CHAIRMAN. Mr. Ebke and Mr. Wellman, you have mentioned a revenue based approach for the commodity title as a possibility and Mr. Ebke, we have seen the preliminary paper from the National Corn Growers so I won't ask you to repeat what you've said or maybe what it's there, but what are your thoughts on a revenue based approach as a safety net replacement for the current commodity programs?

Mr. EBKE. As you've suggested and as my counterparts in Nebraska, we've looked at that and we believe that concept should be explored and that exploration, flushing out of a proposal is in the process. We're not radically changing the way we approach things now but we're looking at maintaining a direct payment. We're looking at having a basic revenue insurance program that would generate approximately 70 percent of net revenue and we're looking at a counter cyclical component to cover that upper end. So we're using some of the things that are in the current program, just reshaping them, making them more available. On the surface, I think it will provide a more consistent safety net and eliminate some of the difficulties that have been mentioned as far as LDPs and so forth, where sometimes those producers who really need the help because of production problems and possibly shortcomings within their own crop insurance coverage, they've missed out and others have maybe had support when it wasn't necessarily needed. So in looking at a revenue-based proposal, we think it will even things out and help those individuals who need the help.

The CHAIRMAN. Mr. Wellman?

Mr. WELLMAN. I won't add very much to what Mr. Ebke said. I just believe that it addresses the need to be WTO compliant and it could possibly support income in a manner that we haven't seen before and if we can some way work in it with other programs and give a good safety net for net income, then it would take away some of the problems we have with marketing loans, when it comes in effect, the times we don't need it or it's not there when you do need it. So, I think it is something that we need to really look at.

The CHAIRMAN. Mr. Nagel?

Mr. NAGEL. Most revenue insurance work is being conducted on major crops like corn and soybeans so I don't have any good numbers for grain sorghum right at the moment.

The first—what we have to remember is that a crop needs to be produced to collect payment and if we're having an insurance type of situation—when I pay my premiums, when I do all that stuff for my insurance, if I have 2 years of drought, my guarantee goes down after 2 years or 3 years or for instance, back in his area, it is 5 years of drought. So what is our revenue that we're going to cover?

That's the main questions that we have. So right now, we're a little bit iffy. We will have to put some numbers on it but to me, it doesn't sound like a very good idea. It would be great for irrigators. It would be great for Iowa and Illinois but here in Nebraska, I don't know.

The CHAIRMAN. Mr. Hilferty?

Mr. HILFERTY. I do know that wheat growers believe that a revenue based program would be better in some instances, especially in drought, than we currently now have but it would be a very tough program to implement. For example, compliance with WTO rules requires that no more than 70 percent of the crop value can be covered with a revenue-based program. That top 30 percent is when a real loss occurs. In fact, our insurance kind of covers that bottom 70 percent anyway but I do believe that the revenue-based theory is probably the best in the long run.

The CHAIRMAN. I think I know the answer to this question. You've all spoken directly or indirectly to it, as a matter of fact, but just a quick answer. Should an increase in conservation or energy programs come at the expense of commodity program?

Mr. EBKE. Well, again as I mentioned, all members would probably not support that. We support conservation but the commodity title seems to be pretty sacred for most producers and I'm not sure that they are willing to give that up at this point. I suppose it would depend upon the proposal and how that then might fall back to them as far as moving funds out of the commodity title. At this point in time, that would not be something that a Nebraska Corn Grower member would accept.

The CHAIRMAN. Mr. Wellman?

Mr. WELLMAN. With the current CSP program and the funding that has been stripped away from that program, and the way that it has been administered, I can't see that we can—— unless there has been drastic changes to the way that program is—or a similar program is implemented. I can't see where it would take the place of the commodity program that we have now. It has actually caused problems between neighbors because one neighbor can qualify for the program and the other one hasn't because of lack of funding and things like that.

It's definitely a situation that would have to be changed.

The CHAIRMAN. Mr. Nagel?

Mr. NAGEL. Well, I mean, the commodity title is sacred and as a I said earlier, the energy title should be right up there and that should be looked at a national issue, too, national security issue, rather. What more can I say about it? The conservation CSP, I hit on that earlier and rather than repeat myself, there are just a lot of issues that we need to work out with that, too. I think energy is the way to go. I'm pretty high on energy.

The CHAIRMAN. Mr. Hilferty?

Mr. HILFERTY. Myself, I'd answer no, would not like to see the transfer from one program to another but we're interested in the energy problem. There should be more money spent there. As far as taking money from commodity programs, there is already a backlog of un-funded conservation programs.

So where does it end if you start taking money away from the commodity programs?

The CHAIRMAN. All right. Senator Nelson?

Senator NELSON. Thank you, Mr. Chairman. Mr. Wellman, in your testimony, you mentioned offsetting funding for biofuels research and development by reducing outlays from the commodity credit appropriation. What are your thoughts on how you do this. How would you make the reduction and balance that out? Do you have any thoughts that might help us as we look at that?

Mr. WELLMAN. I think the theory there is that with increased biodiesel production, they would drive the price of soybeans up, therefore lowering the cost of the marketing loan program and the counter cyclical program.

Senator NELSON. That would be the assumption. If you didn't have that happen for whatever reason, it might not be such a good idea because all of you recognized the importance of the commodity program. So that would be your assumption, that if you didn't have the prices go up, this would be a good way to offset it. Is that fair?

Mr. WELLMAN. Yes.

Senator NELSON. OK. And then, the Corn Growers,

Steve, the Revenue Protection programs have been an interesting idea for reforming the farm safety net and one thing that jumps out at me is the concerns that many farmers have expressed to me about needing the payment limitations.

Will the program be better equipped to help small and medium sized farmers stay in business and stay competitive if we are able to figure out the level of payment limitations?

Mr. EBKE. I would expect that it would be supportive of all farmers. Small, medium-sized, depending upon their situation at this point in time, but it would provide them with that basic coverage, similar to a revenue insurance program, plus then we add that 30 percent, would be covered with some sort of a counter cyclical field similar to GLIP insurance. But depending upon the situation, I think it will do more for them than what we have today. Again, some of that comes down to economically viable units and I'm not sure if we can develop any program that will help you if you're not a viable enterprise. I think that this will do more than what we have today, as far as leveling it out and providing support in those years when the LDPs might not be available because of production problems.

Senator NELSON. I'd like to concentrate on drought issues a little bit more. I think you've all mentioned it and we've all talked about it to one degree or another. Can you help us understand what might be the viable options to begin to deal with the impacts of drought? How reasonable is it to consider helping farmers transition toward growing more drought-resistant crops. You hear that. If we're going to have to have a multi-year drought situation and maybe we ought to mitigate against that. I've been working with the

University of Nebraska and we'll have, I think, some testimony about drought mitigation. But just from your perspective, is it reasonable for us to talk about that? Will people change their direction in agriculture based on recognizing the impacts of drought? Are farmers open to that suggestion? I guess I'd like to get your thoughts individually about that.

Let's just go down the line there. I know you may have your own concerns about it because you get a little bit more rain than Mr. Hilferty. But Steve, would you start off for us?

Mr. EBKE. I think certainly that agriculture producers are going to be open to that. They're very innovative.

They're going to take advantage of what is offered and if, in the years that we have more moisture, maybe it's normal—— maybe it was above normal. I don't know. You can look at all kinds of charts and try——

Senator NELSON. It's hard to understand what normal is anymore.

Mr. EBKE. That's the point. When it was adequate, there were transitions of crops that used more water. I don't think there is any doubt that if this continues to persist, we're going to see a transition to crops that are more resistant to drought, that tolerate it—

whatever, and that farming practices will change. They've been adapting for years.

Technology may provide some help in that aspect. There are things that are being promised but they are always another couple 3 years away and we'll see how that develops. I think those things will be—if those things come to the market, they will be adapted rapidly. I think the producers are very adaptive and so they are going to figure out how to make the most of what they have.

Senator NELSON. Yes.

Mr. WELLMAN. I believe that in the past and in the future, farmers will be very flexible as to the crops that they can produce. Even in my area, we are 100 percent non-irrigated and as I look back when my father farmed a lot of grain sorghum and wheat and corn in that area. Over time, it has changed to more soybeans and corn. On my operation, we still don't raise any milo at the current time but we still produce wheat and we have some cattle. I think it will be important for farmers to look at other options and diversify themselves. It may just be a matter of survival. If you can't make the change, then—it's just going to be necessary to make the change, I guess, to farming a product that we can grow and a field to grow it and still make a profit.

Mr. NAGEL. You've heard us say it before, we always refer to milo as a water sipping crop and if there ever was a year that you could see a difference between a grain sorghum field and a cornfield on a dry land basis in Lancaster County, it's this year. I do have neighbors right now that are chopping corn for silage. The appraiser has been out and they are looking at corn maybe in the mid-thirties, 30 bushel per acre. I am currently out working with my grain sorghum. We have to do a few extra steps. That's why people don't like it but I work hard at it and I keep it looking nice. I'm hoping for 100 to 120 bushel of sorghum, maybe more. I think we have some guys in Thayer County in the same situation. Corn is burned up and milo has never looked better. Timing is an issue when you get rainfall. Corn needs it earlier. Sorghum can use it earlier but it is able to put itself into a mode where it can just not take so much water until a rain comes and then, poof! The head comes out and you've got a lot of them.

We've also done some studies on irrigation. By no means am I ever going to advocate replacing irrigated corn acres with sorghum acres because the yield won't be there but maybe there should be a transition for some guys on saving water.

We know that grain sorghum uses approximately 30 percent less water than corn. We know it uses a lot less in soybeans and it is just a hair below wheat. That's according to studies that have been done in Bushland, Texas. Maybe we need to transition some of these irrigated corn acres into sorghum acres by using a little enticement somehow, go with corn rental rates and milo rental rates and pay the difference between them to get farmers to switch. It will save irrigation water—there is no doubt about it. You've seen my written testimony that if we do switch pivots in western

Kansas or in Texas and those areas, the amount of water that we will save in 50 years time can definitely provide water for a city the size of San Antonio. So it is a big deal and I think farmers, they are always waiting for that new technology for corn. They say there is going to be a drought-tolerant——

I don't know. I've got corn that has spread up next to me.

They say it is better than milo but—I've got them in my pocket right now. Sorghum is a good deal, a good option.

Senator NELSON. Thank you, Doug. Dave?

Mr. HILFERTY. In my area, they call it drought-resistant wheat. They're working on it. It may be 10 years away but it might be less. It's more like drought-tolerant rather than drought resistant and wheat growers are working closely with a private company and I'm sure some of universities are working on this drought-resistant wheat. They can't tell you whether it is going to increase your yield by 10 percent, 20 percent or 30 percent. They really won't give you a figure on that so

I don't know exactly how much it would benefit us but I know when we have a dry year, it's definitely going to help, even if it is a little 10 or 20 percent. I would like to see more research done on that.

Senator NELSON. Just a general question. I mentioned the Drought Mitigation Center, where we're pushing real hard at the University to try to get more research to get more information so that we can get word out to our farmers and ranchers, to what the expectation is about the next year or for two or 3 years, whether they are going to be the driest or less dry and to help, I think, producers understand.

Do you think that you will make planting decisions if you can get that kind of information, which would—not only a single year but perhaps, multiple years in giving you the best expectation as to what the future holds? Would that help you make planting decisions for what you're going to do? Just any one of you, just a couple.

Mr. NAGEL. I base my planting decisions on what happens before. I didn't expect a drought this year. We had an extremely wet spring and I'm out there, planting milo. I'm thinking, my goodness! I'm giving up a lot of income here when in the end, it ended up being all right. That's what we're dealing with in a semi-arid state like Nebraska. That's why I said in my intro, we plant about an even amount of sorghum to corn and then a lot of soybeans on top of that.

I'm going to keep doing that until something persuades me differently and I wasn't persuaded this year. You'll see more milo in northern Lancaster County next year.

Mr. EBKE. Senator, I would think that any information that could be made available will be assessed. It still comes down to individual gut feelings or whatever but I think the producers are going to look at that information and certainly take that into account.

Senator NELSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Hagel.

Senator HAGEL. Thank you, Mr. Chairman. Gentlemen, thank you. Mr. Hilferty, you talked a little bit about your experiences in representation that you provide for your industry. Over the last few weeks, I've had some opportunities to be in southwest Nebraska and see some of those wheat fields. They're in as bad as shape as probably they've been in, in many, many years and the yield and all the measurements that you respond to and deal with. For you, I would start with this question and then, I would appreciate answers from the other panel members. It really is precipitated by a number of comments that were made to me over the last few weeks by wheat farmers, that our crop insurance programs will not help them and partly that's a result, as you know, and a consequence of where you have to have a crop and the 5 years and all the things that you talked about.

Here's the question. What changes should we be making to our crop insurance programs, if any? And the second part of that is and I'd like a response from each of you, going back to a comment that I made in my opening statement. Should we include in the new farm bill, some new crop insurance/disaster assistance programs in anticipation of what we know comes every year, whether it is a flood, whether it is disease, whether it is drought, whether it's fire—every year, we face something. Those are the two questions, starting with you, Mr. Hilferty.

Mr. HILFERTY. I know from my own experience, from the fifth year of the drought, my APH on my insurance has dropped so bad that insurance is not even a good safety net. I don't know if it is a way of changing the way they figure APHs over this 10–year theory that you can drop, having such poor crops for 5 years, this is going to ruin your APH and your coverage just isn't there. I don't know how you get around that unless you can not drop or be able to drop more of those low years, would be the way to get around that, I think.

Senator HAGEL. So, we should change it? Not change it?

Should there be some kind of a disaster assistance program written into the new farm bill? Should we take a different approach, a new approach? Change the approach?

Mr. HILFERTY. I don't think there would be any need for a disaster payment in there all time if you went to a revenue-based type of fund program.

Senator HAGEL. Thank you. Mr. Nagel?

Mr. NAGEL. Grain sorghum, as far as insurance goes, we've got a lot of questions on that and it all gets back to how the crop was reported to begin with. When a farmer sits down in Lancaster County right now, we've got an assigned yield to our—if you haven't got a base built up, you get an assigned yield of your base on your crop insurance. Right now, corn sits at 106 bushel an acre. Milo is about 20 bushel to the acre less than 80. I find these numbers troubling. In my operation, I equal corn and this year, I'll supercede corn and my base, on my personal crop insurance, makes it worthwhile for me to take it out. But corn—they start out with a high base, it drives farmers into that arena of planting corn because they started out at 106, they are guaranteed 80. Milo—we can't live on 70 percent of a crop.

We're always striving for that 30 percent extra crop. So the first thing that we need to work on, that the national program has been working on, is data that is collected and where these sorghum yields come from. That's our biggest gripe right now.

As he said, if you get your crop insurance, if you are collecting on it every year, your base goes down. I don't know how you make that better. I mean, if you are 5 years drought and your corn base is now 50 instead of 100—that tells me you need to switch practices. You need to think outside the box and maybe sorghum isn't outside the box enough. Maybe it is sunflowers, maybe it is something else.

You just have to think of something different once in a while,

I guess. That's kind of where I'm coming from on insurance.

Senator HAGEL. So you would not necessarily see a need to make any specific changes, alterations as we look at——

Mr. HILFERTY. For crop insurance, just equalizing, I mean—determining the data is what we have to do. And if we can get people into growing more grain sorghum and having that insurance of a drought-hearty crop out there instead of corn, that's where we need to make the changes.

Senator HAGEL. Thank you. Mr. Wellman?

Mr. WELLMAN. With the current crop insurance situation and it always has been based on yield, and that has always been a problem, is how that yield is figured out. In the years, like was mentioned, the yield before and you continually drop that basis for your protection. So I think a revenue package and then there is revenue assurance, crop insurance now, that still, one of the factors is the yield factor for the last 10 years. I believe yes, there needs to be some changes there and there needs to be, based on revenue and the question is, how do you get a consistent revenue that will actually support and back the producer in the year when he needs it. I'd carry crop insurance and it's one of those things that we're on such tight budgets that if you do have a yield where you have a total crop failure, like in my instance, was 2002, crop insurance was a very big part of my income that year. I didn't make any money out of it but it kept me in business and kept me going to the next year. So to answer your question directly, I believe there can be, there should be changes to it and I will have to agree with Mr. Nagel—part of the reason that I don't produce sorghum right now is because of the guarantee that is assured me under the crop insurance program for corn. I maybe don't quite agree with Doug on the yield. I have raised milo in the past. I think the last time I raised it was 3 years ago, which happened to be the highest corn yielding year we had so milo didn't compare very favorably that year. But I think there definitely can be some changes made to improve it and make it a better program.

Senator HAGEL. Thank you. Mr. Ebke?

Mr. EBKE. As has been expressed, the APH erosion has been a continuing problem. There are a lot of people who have addressed it. I'm not sure that anyone necessarily has come up with a solution at this point. They just continue to beat the revenue-based program—that still would have a component in it that would be based on production. So we still have to wrestle with that. I'm not sure what the answer is.

Sometimes—well, I shouldn't say sometimes—I'm thinking a little bit along the group risk programs that are available, somewhat new to Nebraska but they are available and in those cases, an expected yield is determined by using some math numbers and so forth. Those will erode too, if you experience drought, those numbers will erode so I'm not sure how you go about holding a base under those APHs. I know that there is a lot of effort being put forth to attempt to come up with some sort of solution that will prevent that. I don't have an answer for you, Senator, I guess. I would say that there is a problem and we need to continue to look at it and see if we can find a way to prevent that erosion. Again, we go back to—maybe some people might think it is a cynical view but if you continue to encounter those types of situations, then it is time to become innovative and look for something that fits your climate at this particular time. Again, talking about the provision for emergency disaster programs, we're going to continue to make the statement that we believe a revenue-based program available to all producers will reduce the frequency and the need for emergency, now, in program crops. I'm not talking about livestock. But in the cropping area, we think that will help out. But as far as livestock is concerned, that is a whole different game and there may need to be something allocated for that so we don't have to continually rob another program or whatever. I know it has been expressed several times that we have some hurricane aid. It doesn't seem to have to be offset by some other budget item. Yet when we look at agriculture, we always are expected to see some sort of budget offset. So in that respect, it might be good to allocate something for that.

Senator HAGEL. Well, I—and I appreciate the answers but I go back to something that the Chairman noted in his remarks and he is exactly right. He made the comment, in a fiscally tight environment and I don't have to remind any

American citizen what kind of deficits we're running in Washington. When we're looking at new programs, spending money on any new program next year and the on years, it will be an issue. The smarter we can be on this, obviously the better off we're going to be because the American people are not going to continue to accept these kind of deficits and we're already seeing political consequences and we'll probably see some significant consequences on Election Day on November 7th over this, in both parties, we're talking about. And this will drive much of this farm bill. We need to be very smart on this and get ahead of it and that's why you all will be critical to this and the Chairman noted it earlier. A couple of other questions, quickly—energy. Mr. Nagel, you mentioned energy a couple of times, how important it is and should be in this farm bill. Give me a couple of examples and suggestions that you think should be included in this new farm bill and if the three of you in addition to Mr. Nagel, would like to offer anything for the record as well, I would appreciate it.

Mr. NAGEL. Well, of course, we've got the ethanol right now and it is mainly done from the start standpoint, from the grain that we get from either corn or sorghum—I believe you can make it out of any grain, for that matter. As I said earlier in my testimony, we are looking at some field trials in Florida, using sweet sorghum. Now, sweet sorghum might be an option. We know it is a lot like grain sorghum. It uses less water but the potential for producing ethanol out of sweet sorghum is extremely high. They are already using that technology in China and India right now and from what I understand, you're looking at maybe 2 1/2 times more ethanol per acre being produced out of an acre of sweet sorghum than you are for an acre of irrigated corn. The problems that we have with that in the future, is going to be where is the market going to be? Who is going to be able to handle these big bales of sweet sorghum or how are we going to extract the sugars? Right now, I think it is a very expensive situation but technology is going to get it into a little bit better of a situation coming down the road. Other types of sorghum fit there well. I think you hit on it earlier. I think solar is a very good option. I think wind turbines are a very good option. I've always had it in the back of my mind, if I ever own a piece of ground in Lancaster County, would it be of benefit for a farmer to go ahead and put a wind farm up? Sell the electric back to the big city or have another option there. Maybe have a 40–acre solar panel. I don't know how you would fund that and how I would go about implementing that on my farm is a whole different situation. It sounds kind of expensive. But I'm tired of depending on foreign oil. We're looking at some huge, huge fuel bills coming up here for harvest. We just got through a busy irrigation season. There are guys who have doubled and tripled their fuel bills.

They're talking $15,000 dollar bills a month for diesel and a few years ago, it was one-third of that. To fill my semi up to go to town right now, we're looking at $3.40. You talk about revenue—I'm worried about the input side. How much revenue are we going to need in the future to cover all that stuff? So energy—I'm getting off the subject here a little bit but I like all your ideas on energy and sorghum can fill that need, too.

Senator HAGEL. Thank you. Gentlemen, any additional comments?

Mr. HILFERTY. There is a lot of possibility with wheat straw in the biomass field, rice straw, wheat straw and even wood chips. There is a lot of room for expansion on ethanol if you go through the biomass method. But I think one thing that would help, if we can go back to a conservation program.

And this maybe could go under the energy title. There has to be a method by which the Congress can encourage no-tell farming and you can save a lot of diesel fuel with the use of chemicals. So that would be one way to look at it—that could be part of the energy title.

Senator HAGEL. Thank you.

Mr. WELLMAN. I have one additional comment. I believe the renewable fuels can play a big part in our energy situation in the United States but it is going to take many different aspects of it. I don't believe that just ethanol is the answer or biodiesel is the answer. I think it is a combination of any renewables that we can produce here and the other key to that is, our livestock producers and the relationship that we have between the corn, the commodity growers and the livestock producers because they are going to play a big part in using the co-products that come out of a lot of this manufacturing of renewables.

Senator HAGEL. Thank you. Mr. Ebke?

Mr. EBKE. Briefly a comment. You know, the cellulosic ethanol seems to have the spotlight right now and it's in the future and I think it is going to be a major component. I guess we would look at continuing research, not only in that area but not to forget some of the processes that we're utilizing today and looking for ways to make those more efficient. I think the farmer will benefit from all of those avenues, whether it is a cellulosic, whether it is corn-based, whether we are looking at the biodiesels. The farmer stands to play an important role in that so I think the research components on those are going to be very valuable as far as farm income in the future.

Senator HAGEL. I've got one last question, Mr. Chairman, to each of you. Future generations. I'm going to read just one sentence from a letter I received from a Nebraska farmer after the 2002 farm bill was passed and he said this: This farm bill is the same old thing and will do nothing to reverse the trend of fewer and fewer farmers on our land. You know the numbers. We are losing farmers at significant numbers, rates every year, in Nebraska and across the country. Is that just going to happen? Should it happen? Is it evolutionary?

Anything we can do to stop it? Should we stop it? I think, when we are talking about farm policy in this country and we're talking about a significant amount of investment that needs to be made in our agriculture community and all the dynamics that are included, which you all have covered rather well this morning, this question needs to be dealt with and certainly it cuts right to payments and can you afford to stay on the land and the next level of that, what about the young people? There is a very limited opportunity for entry into your business unless you are the son or daughter of a farmer or a producer. I hear this, as do my colleagues, all the time. Is it a matter of your industry just now being essentially closed to anybody who wants to get into it? I'll start with you, Mr. Hilferty.

Mr. HILFERTY. The trend started in the twenties and especially in the thirties, that the small farmers disappeared and that trend has just continued. There are fewer and fewer farmers and I'm not real sure what we do about that, whether changing the structure of government payments, trying to restructure it back to the small farmers and the medium-sized farmers, might reverse that trend. But in my own case, I know—my wife and I have four kids and at this point, I wouldn't recommend any one of them to come back and farm. They can make more money elsewhere.

Mr. NAGEL. It's getting to easy to leave. Agriculture, as you know, is very capital-intensive. I have a magazine article here and it is talking about new combines that are coming out: bigger, better, stronger. Three hundred thousand dollars! You need trucks, you need planters, you need big tractors, you need all that stuff. If anybody wants to put themselves under that kind of stress, more power to them but

I'm not happy about doing it any more. I'm almost 40. I live just a few minutes from Lincoln, where I know I can go to town and make a lot more money and go home at 5 o'clock at night and kick my feet up. I have brothers who do that, I have brother-in-laws, and man, I'll tell you. It is pretty dog gone tempting. You know—they don't care if it is raining or if there is a drought or anything like that. When my situation is good, the farm pays for itself. OK? This year might be a little different. I'm going to have to chop the numbers on that but usually the farm paid for itself. But what I do have, is off-farm income because my wife works in town. She is buying the groceries, she is paying the rent, she is taking care of the kids. I have two boys that are 3 and 2 right now. They love the farm. They like to go out and walk in the corn and I'd love nothing more for them to do that in 10 or 15, 20 years or whenever they could take it over but it's just too capital intensive and it's too easy to make money if you go to town.

Senator HAGEL. Well, life agrees with you, Mr. Nagel, You don't look 40, if that helps you.

[Laughter.]

Mr. Wellman?

Mr. WELLMAN. These are excellent points brought out and

I don't have the answer on how to necessarily stop that process of losing producers. In my situation, I joined my father on the farm and we expanded together and then, before you know it, he's retirement age or has a health problem and so he's not involved anymore and I'm still earning the same amount of acres and I hired some labor to replace him, and so it's still basically the same. I've grown some since he retired, the size of the operation has, but basically it is the same operation that him and I had. But now, when we go back and look at payment limits, he is not involved anymore so then it is just myself that is drawing the payments on that.

I do have a sister and we separated off part of that and that brings up an issue with estate planning and what we can do with the state tax to make that more affordable to pass on operations that have been grown over the years, to future generations so it isn't maybe so costly, at least for the initial investment, if there is somebody to take over the operation. And if there isn't anyone, it would be nice to some way have some type of program for a young individual to get started in agriculture and part of that goes back to maybe guaranteed loans and programs that have—well, they've been around a long time, through the farm credit and that type of situation but if there is a way to strengthen those programs.

The bottom line is that it still comes down to profitability.

If the farm isn't profitable, nobody is going to be interested in being there anyway. So whatever we can do to increase market share, increase our revenue from our products, find new products and maybe—I don't know what the water usage is for peanuts but maybe that can be moved up into Nebraska or something like that. We need to be looking at whatever we can to make sure that we can stay profitable.

Senator HAGEL. Thank you. Mr. Ebke?

Mr. EBKE. I could add a lot to what has already been said. It is capital intensive and there is no question about it. You look at those types of industries and access to those is somewhat limited unless you've got a tie. The other point that was made and I agree with it, it does take a certain type of personality to be an agricultural producer. It's not for everyone and so I think those who seem to have an aptitude, I would hope that we would continue to have programs that may allow them to enter the system and as Mr. Wellman has talked about, expand those. It's still going to probably take a mentor. If someone does not have the family ties, they are probably going to have to have a mentor and there have been some programs to try to allow for that to happen in Nebraska.

There have been some tax proposals put forward that might help an older generation transition to a younger generation who might not have an heir of their own, find a unrelated party and help them out. I think those things need to be continued.

But with the nature of the industry, it's probably going to continue to consolidate and it's probably going to consolidate within families.

Senator HAGEL. Thank you. Mr. Chairman, thank you very much.

The CHAIRMAN. Thank you. Well, we came out here to hear the issues and you all have laid a lot of them out there, let me tell you. This will be my third farm bill and I also was a member of the House Ag Committee when we reformed the crop insurance programs and this issue, Mr. Hilferty, relative to

APH, comes up every single farm bill, every time we talk about crop insurance and we are never able to determine what is the right answer there. I have different parts of counties in my home state that historically don't get rain so it's the county average. It helps in some instances but yet it hurts those farmers that have had great production and see their county average down. Whether you talk about farm history or whether you talk about county history, it is always an issue and we struggle with it and I really don't know what the answer is.

Mr. Nagel, you make a good point in responding to Chuck's last question there. I have—my son-in-law is a farmer and I have two grandchildren that are growing up on that farm and I often talk about the fact that I don't know how long I'm going to be in Congress but when I leave here, I want to make sure that we've got long term farm policy in place that will allow those kids, if they want to come to the farm, to be able to do so. But I was in Iowa a couple of weeks ago at one of these farm bill hearings and there is a John Deere plant there.

They were celebrating the one millionth engine that had come out of this one plant. It would have to go into a cotton picker. The cost of that cotton picker was $375,000 dollars.

Now, that situation is an issue not just for folks coming back to the farm but for payment limits, for LDPs versus direct payments and I don't know what the answer to that is. So we're very appreciative if you guys for taking your time.

This has been extremely insightful and what we always find is, you all don't grow peanuts, you don't grow cotton, but you have the exact same issues that we have with our rope crops.

So we're very appreciative of you being here. Thanks for the insight and we'll look forward to continuing the dialog with you. Thank you very much. We're going to take a quick break before we move to our second panel.

[Recess]

The CHAIRMAN. Before we move to our second panel, Senator Nelson and Senator Hagel and I would be quick to tell you that we don't function very well in Washington without great staff and they have to spoil us. We make them spoil us but they always do. And coming to Nebraska, I happen to have a staffer who grew up here in Nebraska and is one of your native sons, Cameron Burke. Cameron, stand up, buddy and let them see a real Nebraskan that works for me.

[Laughter and applause.]

Cameron is from Omaha and his mother, Mathea Sanders, is here also. Mathea? Let us recognize you.

[Applause.]

I have my staff director, Mumscott Sacerly, who is a Mississippian that has been with me for almost all of my twelve years in Washington and does a great job and we also have Senator Harkin, who is my Ranking Member on the Ag Committee, his staff director, Mark Halvorson, is with us. Folks, thank you all very much for being here.

Senator NELSON. Do you want me to introduce mine?

The CHAIRMAN. Yes.

Senator NELSON. Well, I'm not going to be outdone. I don't know how we let Cameron get away from us but we have Jonathon Compus, who handles the legislative assistants. Of course, there is Dale Williamson, who works with us on Agriculture. Jonathon, if you would stand up and Dale——

[Applause.]

He'll be back. Thanks very much.

The CHAIRMAN. I've got some others here but those native sons, we always like to make sure we recognize. Our second panel today consists of Mr. Doug Nuttleman from Stromsburg, Nebraska, presenting the Dairy Farmers of America; Mr. Keith Olsen from Grant, Nebraska, representing the Nebraska Farm Bureau; Mr. Roy Stoltenberg from—in Georgia, we would say, Kero and in Egypt, they say, Kiro. So I'm going to assume that you adapt to the Georgia name of Cairo, Nebraska, representing the Nebraska Farmers Union; and Mr. Duane Kristensen of Hastings, Nebraska, representing Chief Ethanol Fuel, Inc. Gentlemen, thank you very much for being here.

We'll follow the same format. We would ask you to hold your opening statements to 3 minutes. We will submit your full statement to the record. We'll start with you, Mr. Nuttleman.

STATEMENT OF DOUG NUTTLEMAN, DAIRY FARMERS OF AMERICA, STROMSBURG, NEBRASKA

Mr. NUTTLEMAN. Thank you very much, Senator Chambliss,

Senator Nelson, too. If I needed to bring snacks, I would have sent somebody out for cheese and crackers.

[Laughter.]

I'm Doug Nuttleman. I'm a dairy farmer from Stromsberg, Nebraska. My wife, Gloria and my three sons and I operate a 175 cow dairy farm and approximately 2,000 acres. We produced about 3.5 million pounds of milk over the last 12 months. We have been in the dairy business ourselves for 20 years. My father-in-law was there 20 years before that and my sons will be the fourth generation on our farm. I represent my fellow dairymen on various state and regional organizations by serving on the National Dairy Board. While organizations that I serve have not officially established a position for all of the 2007 farm bill issues, I would like to share my thoughts on some of these items. Because we do not think there will be any radical shifts in policy directions as a result of the 2007 farm bill, we support first the view that the extension of the current farm bill, which will work well for the nation's dairy families. We need to have a more clear view of the Doha rounds and the

WTO trade talks. We can see no reason to change our programs at the present time until we know what the rules are and who will be playing for those rules. We feel that the next farm bill should maintain some form of economical safety net for dairy farmers. Safety nets prevent prices from falling so low that businesses cannot become viable. Because dairy farmers produce 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 most production assets have limited use in any other agriculture enterprises, past Congresses have maintained a safety net for the dairy industry. We hope this Congress will continue to do that.

The most important safety net that we have in the dairy policy program right now is our price support program. We favor continued operation of the price support program at a target of $9.90, although that target price was set clear back in the eighties and has survived several farm programs, for the cost of operating a dairy farm, most dairymen would tell you they cannot operate a farm based on $9.90.

Up until the present time, the CCC has purchased some non-fat dry milk, doing what safety nets are supposed to do. The last time milk prices fell to this safety net was in 2002, when the average Class 3 price for milk was at $9.74, which our support was at $9.80. The 10–year average price for this was $12.62, which we can live with. The second safety net provision is the Milk Income Loss Compensation—MILC—— program. My farm is affected by the payment limitations, restricting my ability to fully take advantage of this program. Like the Price Support program, I view the MILC program as a very good safety net for producers. Its key benefits are that it puts cash in the hands of dairy farmers at a very important time when prices are very low. In general, the guidelines for a safety net program should be that they do not discriminate between farmers of different sizes, they do not discriminate between farmers in different regions of the country and they are not high enough to encourage additional milk production. I guess I would note that under the current farm bill, our MILC payments run out a month before the farm bill expires and to be part of any type of extension, we would need to pass that as part of getting an extension policy.

I would like to touch on just one area quickly and that is our CWT program. I don't know if you are aware of it, but farmers have established a self-help program by contributing ten cents a hundred, to actually try to control the dairy herds within the United States and also by exporting products. So I thank you for listening to my remarks.

[The prepared statement of Mr. Nuttleman can be found in the appendix on page 102.]

The CHAIRMAN. Gary Hanman reminds me of that.

Mr. NUTTLEMAN. Yes, he does. I think he is a good friend here.

The CHAIRMAN. He is. Mr. Olsen?

STATEMENT OF KEITH OLSEN, NEBRASKA FARM BUREAU, GRANT, NEBRASKA

Mr. OLSEN. Thank you. My family and I operate a dry land farm in southwest Nebraska. We raise wheat and corn. I appreciate you coming to Grand Island today to listen to the views of a Nebraska producer and I'm glad you brought your good friends, Senator Nelson, to keep you straight, or maybe keep the Committee straight.

[Laughter.]

The CHAIRMAN. Both of them.

Mr. OLSEN. The landscape of agriculture is constantly changing and this is very true since the enactment of the 2002 farm bill. Unpredictable weather conditions, markets, uncertainty with international trade, and variable input costs have produced turbulent times for production agriculture.

This year has been particularly difficult for Nebraska producers as we continue to have a widespread drought in the main parts of the state, and lately have been hit with some very severe fires. This will result in severe losses of crop, hay and livestock production. In addition, production costs have significantly increased due to skyrocketing costs of fuel, fertilizers and other energy related inputs.

Our long-term goal is to have a level playing field, around the world, so that farmers and ranchers can compete in open markets without tariff and non-tariff barriers, without export subsidies, without currency manipulations and without production-distorting domestic subsidies. To get to that goal, there is a gap between where we are now and where we want to be in the future and it will take some time and it will take some transitional policies. The short-term reality is that we need a safety net in years when revenues decline due to low yield or low prices. The American Farm Bureau is taking the position that because of the collapse of the WTO talks, that we would support an extension of the current farm bill for at least 1 year, understanding that certain adjustments have to be made in the current farm bill to meet recent WTO rulings. We believe that the United States should not unilaterally disarm our farm program or give up negotiating opportunities when our trading partners remain unwilling to take the same steps. While we support the one-year extension, we understand the need, in the long-term, to look at a new farm bill. One of the keys that we think needs to be continued in the new farm bill is a good safety net. We talked about that with the past panel substantially. When you developed the 2002 farm bill, we talked substantially about a safety net, which were loan deficiency payments and counter cyclical payments but we kind of forgot about the people who have crop failures. What safety net is there for them? I understand that the farm bill and the Crop Insurance bill are two different bills in the past and talked about in different times. I think they need to be combined. They need to be hooked together when revenue insurance comes into effect.

Just on my own farm, a quick example. On some of my fields, my wheat guaranteed bushels have dropped from 31 bushels to 24 bushels. Yesterday, I dealt with the my crop insurance, trying to settle up for my crop that I lost a substantial amount on this year and I lost $33 dollars an acre in coverage from where I would have been 5 years ago.

My time is up. I appreciate you being here. My full comments have been submitted to the Committee. Thank you.

[The prepared statement of Mr. Olsen can be found in the appendix on page 109.]

The CHAIRMAN. Great. Thank you. Mr. Stoltenberg?

STATEMENT OF ROY STOLTENBERG, NEBRASKA FARMERS UNION, CAIRO, NEBRASKA

Mr. STOLTENBERG. Senators and guests, thank you for the opportunity to participate in your hearing today. I would like to start by stating that since the WTO talks are in limbo, now is not the time to make drastic concessions but to write a farm bill that works for our own country. We thank you for your efforts in the last farm bill. The direct payments and counter cyclical payments in the past have supplied some cash-flow and target prices to shoot for but it is not always wise to bet the farm on income transfers. Receiving a larger share from the marketplace would be a better practice.

Recent price increases in crop inputs have eaten up our chances of showing a profit and the past farm bills have eliminated programs that producers could use to impact the market. While we support the efforts to increase exports, the facts also show that for feed grains, they have been flat for years, while domestic use has really increased, not only as feed but in the last few years, as a fuel. I believe we can supply our livestock and ethanol industry and exports while letting our producers gain some extra revenue in the marketplace. The following are some suggestions I have.

A farmer-owned reserve should be established with storage payments starting upon enrollment. With the aggressive use of our current storage program through FSA, we could have a steady supply of quality grain for our end users. Temporary ground piles at our local elevators are very susceptible to spoilage and weather problems. Reserve storage payments would build more permanent, producer-owned bins and would allow producers to market their products where and when needed.

Flexible fallow—with today's technology of grid samples and yield monitors, we know where the spots are in our fields that do not return enough to cover our cost of production. We need incentives by conservation payments for producers who want to use this technology and identify those sandy knobs or alkali holes to produce forage for livestock. This program is very compatible with wildlife programs and would be a series of 1–year contracts so we could change, depending on demands and input costs. Country of origin labeling, which was introduced in the last farm bill, must be enforced. By putting your name and reputation on the label, consumers have more information to make an informed purchasing decision. A packer ban on long-term ownership of live cattle—most of our livestock producers in Nebraska are family owned and operated and those livestock receipts are a large part of our economy. We do not want to packers telling us, sorry we are out of the market for a time while we butcher our own cattle. Most producers own their animals. They raise their own feed and are proud of the high quality product they produce. They will also agree that low-priced feed grains will eventually lead to low-priced livestock. Research dollars to develop use for wet distiller's grains—you don't need to waste more energy driving this stuff down when it is already a good product the way it is. We just need some more uses for it.

Encourage farmer ownership of renewable energy projects, either individually or through our local co-ops. These would include ethanol, bio-diesel or wind generation. These community-based plants would add greatly to the local economy. Payments limits are there to help family sized farms. It is time to be tough on enforcing these limits so that we don't lose valuable programs for all producers. Thank you for your time.

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

The CHAIRMAN. Thank you. Mr. Kristensen?

STATEMENT OF DUANE KRISTENSEN, CHIEF ETHANOL FUEL, INC., HASTINGS, NEBRASKA

Mr. KRISTENSEN. Welcome to south-central Nebraska and thank you for the opportunity to speak to the Committee. I'm proud to say that Chief Ethanol was the only ethanol facility operating when Senator Nelson began his term as Governor and we're still running today, but at a sixfold increase from where we were at that time. Presently, we are at some heady times in the ethanol industry. The current geo-political climate proves true what some of us have been saying in the industry for a long time, that ethanol has a place in the transportation fuel industry in the United States. Ethanol is economically viable and environmentally friendly while being a tremendous economic driving force on Wall Street as well as, in my estimation, in rural areas such as we see here in Nebraska. At the outset, let's be clear about the evolution of the Renewable Fuel Standard. The policy initiative responsible for ethanol growth was based upon the role of ethanol as an oxygenate. In that context, the Senate Environmental Public Works had jurisdiction over the issue because of the EPA administrative Clean Air programs. During debate over our efforts last year, members of the Energy Committee were actively involved because it was an issue that evolved into an energy program and a course was ultimately enacted as the Energy Provision and EPACT 2005. Today, we are clearly focused on the role agriculture can play in supporting domestic renewable energy development. DarFS may indeed be an ag issue today in addition to being an environmental and energy issue. That being the case, I encourage all of you and members of the Senate Energy Committee, as well, to take an aggressive position with regard to the key role biofuels can play in our agriculture future as well as our energy and environmental future. As a former member of the Senate Energy Committee, Senator Hagel previously proposed an RFS of 13 billion gallons. He stated, If we are going to adopt this policy of a renewable fuel standard, let's make sure it is a meaningful policy and one that makes a meaningful contribution to our energy supply. At that time, 13 billion gallon RFS was considered by some to be a preposterous goal, a goal that could not be reached any time in the next decade. Today, that 13 billion gallon figure is a meaningful figure and one that could serve as a potential floor and not as a ceiling.

If changes are contemplated in the RFS, they should be based on practical limitations. If 15 billion gallons of grain-derived ethanol is considered to be a practical limit for grain ethanol in the near-term, Congress should consider the contribution of cellulose-derived ethanol and biodiesel. Congress may also wish to consider a specific RFS for E85. This approach would encourage a greater total contribution from biofuels and therefore, a more meaningful contribution to the ag sector.

Just the same, the important contributions of biofuels generally and ethanol specifically, it is important to have a stable public policy, especially on tax issues. The Federal Ethanol Tax Incentive, available to fuel marketers who blend ethanol is set to expire in 2010. This incentive has proved to be an effective, flexible mechanism that helps stimulate ethanol marketing and the use of ethanol-based fuels.

Congress should consider authorizing an extension for this incentive in the 2007 session. Delays in extending this mechanism will generate uncertainty in the financial community. If changes are contemplated to this tax policy, they should be gradual and certain. The incentive has gradually been reduced from $.60 cents a gallon for ethanol blended in gasoline to $.51 cents. Gradual changes can be accommodated in the marketplace. The ag sector has and will respond to the energy challenges we face today by providing challenging goals and a stable policy and we can continue to play an increasingly important role in the demand for renewable transportation fuels. Thank you.

[The prepared statement of Mr. Kristensen can be found in the appendix on page 75.]

The CHAIRMAN. Thank you very much. Mr. Nuttleman, the reported aggregate measure of support for dairy totals $4.5 billion. If the WTO negotiations resume and are successful, the United States will be restricted to $7.6 billion in the Amber Box. These reductions will require proportional cuts in all commodities, including dairy. How would dairy be able to adjust to that kind of scenario?

Mr. NUTTLEMAN. I guess it would be my hope that we could maybe look at putting dairy in several different boxes, not only just the Amber box. If there was some type of program that could be in some of the other boxes, like the other commodity prices and maybe a program that could focus on dairy farmer income, as many of the panels before talked about as far as revenue goes, rather than on certain commodities. I know dairy has, in the past, used up quite a bit of the Amber box but when supports aren't used, we really don't use it.

It's in there as part of the payment. I think since I've been a dairy farmer, we've only used the support program probably about three different times in my 20 years. So I think by being able to move some of it out of the Amber box and into some other boxes when it is needed, and would be useful to dairy farmers.

The CHAIRMAN. You mentioned MILC program in your opening comments. As we move to the next farm bill, is that the type of program that you would like to see continued or are there some other programs that we might ought to think about relative to a figure when commodity prices get lowered for small dairy farmers?

Mr. NUTTLEMAN. For my particular farm operation, the MILC is a good form of a price safety net because when prices are triggered and they are a little lower, that money actually gets put back into my pocket, as a dairy farmer. I can use it to pay bills, I can use to pay input costs, and stuff like that. The MILC program, at its current level, the limitations are pretty low. I think we need to be able to look at Dairy Farmers of America which favors no caps. But we need to have a program that does not—incentivize over-production. But yet, at my family farm size, I'm only allowed to get about half of those. So we need to look at expanding that cap or putting it in an area where the family farm can still maintain an income from that program. Then again, as I mentioned before, if we need to extend that MILC program, if you would look at extending the current farm bill. I think the MIC program is a good program.

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

Mr. NUTTLEMAN. I think forward pricing and the ability to contract your product is very vital to us. I use commodities, as far as options go. I guess I wasn't aware that maybe just co-ops had that particular provision but I think even if I didn't market my milk through a co-op, there are times I have used options and futures contracts. Every producer does have the opportunity to lock in prices. I forward contract a lot of my cheese and everything else. I think dairy farmers should all have that option, to be able to forward contract their prices. I think if the statement says we are limited to co-ops doing that, I think there are other alternatives out there that allow dairy farmers to do the same as anybody that is with a co-op.

The CHAIRMAN. Mr. Olsen, how would Iowa farmers, prior to the last farm bill programs generally and to commodity titles specifically? The same question I asked the previous panel and how would you rank the relative importance of those programs within the commodity titles?

Mr. OLSEN. Well, since we are in Nebraska today, I don't know how the Iowa farmers would answer that.

The CHAIRMAN. Did I say Iowa?

[Laughter.]

The CHAIRMAN. Like I say, we have great staff.

[Laughter.]

Mr. OLSEN. I think my members would respond pretty much like the first panel did. I think the direct payment is a very important program. The farmers appreciate getting it in the springtime, when they can use those funds to pay for their expenses they incur in the spring. A lot of them would like to get it all at once instead of getting it two different times. The Marketing Loan program or Loan Deficiency Payment are extremely important to producers, especially in a year like last year when we had the really large corn crop. The prices went very poor. It gave farmers the opportunity to get some protection using the Loan Deficiency payment. Some of them were fortunate to contract corn at a little bit better price than that, so any price that they received for their corn was good. The counter cyclical payment—I don't think it is a real big item because it hasn't been used a whole lot.

We get a little bit of the payments. I am more of a wheat farmer and we've gotten very little payments out of that. In fact, since 2002, we've gotten very little payment from loan deficiency payments for wheat producers. But I think that is the way we prioritize the different levels of opinions.

The CHAIRMAN. From a Farm Bureau perspective, on the issue of reduction in domestic support and as compensation for that, we receive access to European markets and the markets in Asia and South America. Do you think that is a fair compensation for a farmer?

Mr. OLSEN. If we are allowed to move into foreign countries and hopefully increase our exports and in exchange, get less government payments, hopefully the market will reflect the increased exports. The challenges may be—and I'll use wheat as an example—A number of years ago, when I started farming, we would export close to 1.6 billion bushels of wheat some years. Lately we have been fortunate. We export 800 million bushels of wheat and I cannot see exports of wheat increasing substantially because wheat can be grown in a lot of different countries, a lot of areas and farms in other areas are getting very good at producing wheat. That particular commodity, I don't know if there is much hope for an increase in exports. But those other commodities, I think it is very real and especially true if we can export meats.

When we export a cow, we export pork, we are exporting our corn and we are exporting our soybeans. So it is extremely important that we have every opportunity possible to export agriculture commodities and the farmers of the United States will react to the effect that those exports have on the marketplace and we'll be supported there.

The CHAIRMAN. Mr. Stoltenberg, let me ask you that same question. Is it fair if compensation for our farmers for a reduction of domestic support, particularly by the 60 percent that has been proposed, to get access to foreign markets?

Mr. STOLTENBERG. I guess in my opinion, exports are pretty fickle markets. They are there 1 year, they're gone the next. I like the idea of exporting cattle and hogs because it adds value to what we do, when they export those. But as far as the raw products, to give up our domestic support, which are banker and everybody here, our ag suppliers, we all rely on those. I suppose the last I saw, the biggest exports numbers we had was in 1995 and 1996, for corn, anyway, when we had $5 dollar corn. People around the world, if they need it, they'll buy it. But we need programs in place so that we can isolate these products and demand a little more from the marketplace instead of just turning it over to somebody that can ship it around the world.

The CHAIRMAN. Should an increase in conservation or energy programs come at the expense of commodity programs.

Mr. STOLTENBERG. No, I don't think they should. Energy is a national concern. Why should farmers be cut back because we want the Nation to be more independent? So we can raise the grain and produce ethanol but we shouldn't be asked to foot the whole bill on that.

The CHAIRMAN. Mr. Kristensen, there is significant potential for all segments of agriculture to help supply the nation's energy needs. Where should Congress focus its efforts and limited resources of the farm bill to help farmers across the Nation participate in this potential growth?

Mr. KRISTENSEN. I think the Committee is in a unique situation here, as we go through these times, where the Agriculture Committee can take a very positive and prominent position in the energy situation and what is going on in this country, along with the Senate Energy Committee and the House, obviously. But I think there are a number of things that we need to look at. The renewable fuel standard—you can see by our production that the ethanol industry and agriculture overall, has responded to where these fuel prices are and we're growing at a very rapid pace. We will be beyond any of our set points for the RFS substantially, as we go forward. So we need to revisit RFS and increase the RFS. Also, when we are looking at, the tax policy and provisions, I think we need to look at that and extend them out to make sure that we have a steady playing field as we go forward. There are a lot of things that are involved in the ethanol industry.

The CHAIRMAN. How should Congress balance agriculture's potential in renewable energy production with wildlife, environmental and feed stock concerns?

Mr. KRISTENSEN. I think that we are sitting, again, in a position here in agriculture, that we have tremendous opportunities to produce crops and not only just the fundamental basic crops but also producing the energy crops, too. I think there are a lot of things that can be done in conjunction. Obviously, a lot of play has been on the cellulose, which is still a little ways a way, a number of years, before it economically works into it. But by taking some of the CRP ground and mowing them. That grass comes back stronger and better than what it was before. I don't see tying up assets that we have out here and not being able to use to its maximum potential.

The CHAIRMAN. Some have suggested that in the next farm bill, Congress should provide production incentives for other feedstock, such as switch grass, to be used to make ethanol. You addressed this somewhat, but in your opinion, do you believe we are ready for that and does technology exist now, to allow us to do that?

Mr. KRISTENSEN. I've been in the ethanol business for over 20 years and it continues to be more efficient, more cost effective every year that we go forward. Cellulose is not here today, economically but it will be. I believe there are some breakthroughs that could come. I think we need to look at an overall, comprehensive program. Grain-derived ethanol cannot meet enough of the needs of this country to supply the fuel but we certainly are a very important part that works today. Some of the other switch grass initiatives and some of the other products that we are looking at, I think certainly have their place. Which one will play out 5 years down the road, 10 years—I don't know if any of us know that. But I think the Ag Committee and

Congress overall, should be aggressively looking at this. I would prefer and I think most people would prefer that the money to stay in Grand Island and in this audience, as opposed to being shipped over to Iran or someplace.

The CHAIRMAN. We don't have the capability of growing corn with the yields that you did here in the Midwest but we do have an awful lot of soft wood timber and I was at Georgia Tech last week, visiting with those folks and they are on the verge, at Georgia Tech, of developing the technology to allow soft wood timber, in particular, for which we have lost our market over the years, into ethanol. And it is pretty exciting stuff. I imagine 20 years ago, you were still on the real initial stages of developing that here. So it is exciting for us to see what you all have done relative to the production of ethanol and to look forward to the day when we are producing it over our way, also.

Mr. KRISTENSEN. I think that points out something very interesting. We are seeing that the ethanol industry is evolving into taking waste products, like pulp or like paper, and there are some real interesting things that have gone down because I could break down cellulose, the switch grass is getting a lot of attention, but that's exactly what you have here and that's exactly what you have in the waste trees.

So there are an amazing amount of things going on right now.

The CHAIRMAN. Senator Nelson?

Senator NELSON. If we re-write Title I of the farm bill because of either a Doha round agreement or anticipated agreement, or because of trade litigations similar to Brazil's successful challenge on cotton programs, what do you think would be the best approach that we could make in trying to protect ourselves but also put forward a farm bill. Would it be an extension of where we are or are there steps that we could take as initial steps? We'll start with Mr. Nuttleman.

Mr. NUTTLEMAN. At the present time, I would hope that it would just be an extension until it would be looked at more in-depth. As far as dairy goes, the dairy industry, in the United States, of what we produce, about 92 percent of the product is consumed at home. Eight percent of our product is exported and our exports are growing. About 2 years ago, we exported about 5 percent of our products and our co-op is working on joint ventures in other countries to see how we can do that. When it comes to dairy products, if we're going to compete—I'm not going to say Brazil and some of them are going to be our competitors but our competitors are actually going to be New Zealand and Australia because they have to export about 90 to 94 percent of their product. So just to have level playing field for them as far as to get our products in, without tariffs or the same amount of tariffs as what they could bring their products in right now. In the past, we've looked at trying to get tariffs on MPC that come into our country. There is no tariff on MPC so right now we do have an open door policy on the MPCs that come into our country. I know we've tried to get legislation through to get some type of tariff but dairy can compete very well in the open market. Right now, non-fat dry milk is trading at $.88 to $.90 cents, which is just a hair above what our price support program is. So right now, our non-fat dry milk is going into the world market. We just need a level playing field. I think we need to focus on the ones that challenge us the most, which is New Zealand and Australia, right now. I don't know if that answered your question.

Senator NELSON. Yes, it did. Thank you. From the standpoint of the Farm Bureau, facing a drought as we have for multiple years, you and I have talked about it, Keith, on so many occasions. Unfortunately, we like to think that the conversation will end but it doesn't seem to end quickly. What are your thoughts about how we should deal with drought? We have crop insurance on the one hand, payments on the other and you've some of the problems that we have. Do you have any wisdom that you can share that we might consider in putting together this program?

Mr. OLSEN. That's a tough question. The drought, as we talked about before, has been going on for many years.

Senator NELSON. I even named the drought to try to give it some significance, like hurricanes.

Mr. OLSEN. In 1998, I went to McCook with Congressman Barrett, to talk about drought. He's been out of office now about eight, 9 years. I went back there this spring with the Governor, talking about drought again, in McCook. So those areas have been hurt hard for many, many years and I have spent a lot of time thinking, what do we do about this issue? How do we handle it? I can tell you how we're trying to do it on our farm, right in the middle of the drought area.

We've gone to 100 percent no-till operation. I mean we reduced our diesel purchases to what would amount to about $25,000 dollars this year. Of course, we increased our chemical costs. We bought a new header for our combine to leave our straw in the field instead of clipping it and it deteriorating, which will give us more cover for the shade, it will cover the soil and keep the soil cooler. Hopefully, it can conserve the moisture. There are things like that we can do but you're looking at different crop practices but I live in that area. Normally—we used to be a wheat area. Now we raise wheat, corn, sunflowers, millet—or I should say, we attempt to raise because of the drought. None of the crops are working this year for most producers. Occasionally, we get a cup of rain, you have a crop. Maybe we're having a permanent change in the weather and I think we need to look back at putting the ground into pasture, like we did 100 years ago. But so many pastures dried up this year, too. So it is really a frustrating situation we're in and I don't have a real good answer, but I think the role that the government needs to play—and I get this thought back from when I was in a class a few years ago. The instructor talked about the farm programs that evolved after the country went through the thirties. It was to make sure the farmers would not go through the same turmoil that they went through in the thirties. I think we have failed. I think a lot of farmers are going through the same turmoil that the farmers went through in the thirties. The answer—you know, we can work together and hope we come up with a solution. If I had the answer, I would be writing books or making talks and getting rich. But I don't have the answers but together we can try to find those answers. I think the government needs to play a major role in providing a safety net and maybe we use that term too often but that's what we need. We need that from the government.

Senator NELSON. Well, would you suggest that the last thing we need to do is to eliminate the safety net? So we do need to have a program that will protect America's capability to produce its own food. The second thing, as part of that, is that you've heard some discussion about how we structure the crop insurance program. In a multi-year drought, the base just keeps getting smaller so that the insured has a smaller base and as things get worse, there is less protection for them. So, would you agree that maybe structuring something that takes into account revenue as well as maybe yields, might be a good way to look at it so that we've got factors, more than one factor in calculating what the base is, so that if crop insurance is, indeed, a risk management tool, as it should be, that it is a better risk management tool?

Mr. OLSEN. I absolutely agree with that. We need to have the ability to have a crop insurance program or revenue insurance program, whatever you want to call it, not to necessarily make a profit.

Senator NELSON. No.

Mr. OLSEN. But at least a guarantee that we can continue to stay in production. I don't care if you are a livestock producer or a crop producer, even a peanut producer, we need to allow the farmers the right to be able to maintain their business. You know, you want to make a profit, that's what we are in business for. But the government shouldn't always guarantee a profit.

Senator NELSON. Mr. Stoltenberg, in terms of specific ideas, do you have any workable solutions to make sure that farmers share in the benefits of biofuels production? One of the things that I've been noticing as I always like to point out and Duane did too, that when I started as Governor, we had one plant, the Chief plant and when I left, we had seven. There are 12–14 now. We've seen the increase and many of these are farmer invested, farmers are invested at the local level. Is there any other way to make sure that farmers can share in the benefits of ethanol and biofuels overall production?

Mr. STOLTENBERG. I guess besides being an investor in one of these plants, the next best thing would be to hold your grain on the farm because in Nebraska, we're just about going to have every bushel of corn raised in Nebraska almost run through an ethanol plant in the next few years and there is going to be tremendous competition to get that grain, especially in the summer—the July, August period when the only ones left are the stuff that are in the corners of the grain bins. So that's why I mentioned if we could get a producer on reserve, we could hold that off the market and the farmer would benefit from that competition between ethanol plants, to secure their fuel needs.

Senator NELSON. You run the risk of gambling multiple years on when you should hold and when you should sell, but do you think that the risk is—the reward is certainly there to take care of that risk. Would you agree?

Mr. STOLTENBERG. I believe it is. That's why when I propose these things, the competition, I believe, will offset the cost of the program because of lower counter cyclical payments, which we really kind of enjoy because when the price is low, we need that extra income. If it wasn't that high, then we're responsive to the taxpayers. We don't take as much money from the government that way. I believe the competition going to these plants and through our livestock, will raise that floor on its own, eventually, and we won't need those payments, near as much anyway.

Senator NELSON. Mr. Kristensen, as you look out in the future and you see the ethanol industry in Nebraska, you did mention that the future for other cellulosis production—— we're not quite there yet. What do you project that we would have in the way of production of ethanol just using corn-based production right now, what is the maximum, the ultimate that you would expect that we could do in Nebraska if we—and I say this to the cattle feeders—close your ears for a minute—every kernel is ground into ethanol?

Mr. KRISTENSEN. I don't think the cattlemen need to close their ears because I'm a good proponent of why the ethanol industry really makes a good fit for Nebraska and states like us because we do have a good steady supply of corn—and when I say, corn—you don't have to exclude other things—grain sorghum is used in the ethanol production but there is a tremendous corn crop that is being grown here every year and it is a very high quality and steady crop so we know consistently what we are using year to year. I was kind of pointing back to a little bit of what Mr. Stoltenberg said about having corn retained on the farm. That we see one of the advantages that you have on using feed grains and corn to be your feed stock, is that the corn quality is as good in July and August as it is. At the end of the growing season people do an extremely good job of maintaining the quality of corn. The benefits that we get and one of the things that we see in the transition over the years, is on our by-product.

Back in the late eighties and early nineties, we dried all of the feed. By drying all of the distiller's grain it is used as a protein source and we shipped almost all of that out of this state, predominantly California with a dairy industry because they were looking for proteins. We started a transition in the mid-nineties to wet ditillers and presently we don't dry at all. We're making all wet feed, which goes directly to the cattle industry, which the wet feed is sold more as an energy source and offsets corn. The cattle industry is very critical and vital for the ethanol industry. In fact, just from my own personal standpoint with this drought issue but we were out of grass early because we had an extremely dry spring and we spent the bulk of—this summer supplementing our cattle, our cows and calves, on grass with distillers grains. So it is a very advantageous thing that we have here in this state. When we talk about going into other forms of ethanol production one of the benefits that we're going to get is, that there is a certain portion of the corn kernel and grain sorghum that just takes a ride through the plant and it ends up being into the feed. So there is a moderate amount of fiber and bran that ends up being in the distiller greens. With cellulosic enzymes that can break this down, all the sudden you are upping our ethanol yield on what we're getting through our plants.

Our yield has consistently increased over the 20-plus years that we've been producing. We're growing well over a billion bushels of corn in this state. We're 2.75 to 2.8 pretty consistently on ethanol yields. It's going to climb up over three with cellulose enzymes in there. We're going to get higher yields on that. You're going to see, things that are coming on this corn production is phenomenal.

We're seeing yield curves increase relatively rapidly. I think we are going to see that continue. Talking to some of the companies, the genetics—— there is a tremendous potential out here for yields yet, this drought-tolerant gene is going to be out here for less water use. So, depending on how we want to structure all the acres, but there are a number of acres that will convert back over to corn if the incentive is there. I don't know if I have a specific hard number but I can tell you that we are a longs way from it.

Senator NELSON. Thank you very much, Mr. Chairman.

The CHAIRMAN. Gentlemen, thank you. We could sit here and talk with you all day as we could with the commodity guys. But unfortunately, we have to move on. Thank you very much for being here, for your very insightful testimony and we'll look forward to staying in touch and dialog as we continue forward. At this time, I'd like to ask our next panel to come up. Mr. Jay Wolf of Albine?

Mr. WOLF. Albion.

The CHAIRMAN. Albion, Nebraska representing the Nebraska Cattlemen; Mr. Jim Hanna of Brownlee, Nebraska, representing the Independent Cattlemen of Nebraska; Mr. Bill Luckey of Columbus, Nebraska representing the Nebraska Pork Producers Association; and Mr. Dwight Tisdale of Kimball, Nebraska representing the Nebraska Sheep and Goat Producers. Gentlemen, likewise to you as with the other panels, we appreciate you taking time to be here with us today to share some thoughts with us and we look forward to your comments. We'll insert your full statement in the record. Mr. Wolf, we'll start with you.

STATEMENT OF JAY WOLF, NEBRASKA CATTLEMEN, INC., ALBION, NEBRASKA

Mr. WOLF. Mr. Chairman, Senator Nelson, I am Jay Wolf, third generation cattle rancher and feeder from Albion, Nebraska. I currently serve as President Elect of the Nebraska Cattlemen and I am board member of the National Cattlemen's Beef Association. I will provide comments this morning representing NC on several important issues. The Conservation Program—NC supports continuation of provisions that allow haying and grazing of the CRP acres at a reduced rate for that year. During times of drought, such as now, the opportunity to utilize grass on the CRP has helped cattle producers survive. It is the most common, effective disaster program the Federal Government has and we strongly advocate that these provisions continue. EQIP has been a very effective program for ranchers as it provides critical assistance in developing grazing and water management. This is especially true during these drought years. I can personally attest to the meaningful benefits of EQIP, as my ranch has received less than 20 percent of normal rainfall during the growing season. Yet EQIP has been instrumental in helping me maintain both the cattle herd and the health of the range. The use of EQIP to assist feedlots in constructing better waste management controls has been far less effective.

NRCS requires extra expense and bureaucracy over and above what ETA requires, therefore the costs become greater than the benefits. We welcome the opportunity to work with NRCS to streamline and harmonize feed lot EQIPS so that it can be as effective as the grazing program. We encourage the Senate to continue and strengthen EQIP, as it is truly a program that helps producers make positive, long-term changes in the environment. It is a classic win-win. Disaster assistance and relief—failure to plan means planning to fail. Cattlemen need a drought relief program that is preplanned rather than reactive and ad hoc. It needs to be effective, efficient and funded.

Title 10—COOL is a marketing program that would best be served outside the farm bill. While NC supports mandatory COOL, we cannot support the legislation as it is currently written, because it is seriously flawed. Language contained in the 2002 farm bill imposed unnecessary costs on the entire beef production system. Also, COOL prohibits use of mandatory animal live heat, which is illogical. Research—we need to possess research dollars, research funds will be needed to develop new uses for ethanol by-products and to develop ways to use these valuable co-products without threatening the environment. We need continued research to control or eradicate animal diseases. Johne's Disease is one priority in need of expanded funding, to find a cost effective way to eradicate it. Additional NC priorities include re-authorization of mandatory price reporting, exempting manure from Super Fund regulations and exempting ag dust from EPA's coarse particulate matter regulations.

Thank you for providing the opportunity to testify and I'll be happy to respond to questions.

[The prepared statement of Mr. Wolf can be found in the appendix on page 127.]

The CHAIRMAN. Thank you. Mr. Hanna?

STATEMENT OF JIM HANNA, INDEPENDENT CATTLEMEN OF NEBRASKA, BROWNLEE, NEBRASKA

Mr. HANNA. Good morning, Senator Chambliss and Senator Nelson. My name is Jim Hanna. I am a fifth generation cow/calf producer from Brownlee, Nebraska. I appreciate the opportunity to provide comments on the development of the 2007 farm bill. The goal of any farm legislation should be to enhance the climate for America's farmers and ranchers. With all due respect, Congress must understand that discussions of government subsidization, rural development and the like, are secondary to the more pressing problem of the lack of profitability we see in agriculture today. Until we come to grips with creating a business climate in which the income generated by the sales of our farm and ranch products is sufficient to pay for the land, cover the operating debt and the overhead and provide a modest profit, we will never attract young people back to the land or reverse the decline of our rural communities. U.S. consumers have access to the safest, most diverse and inexpensive food supply in the world.

However, they must understand that the cost to produce to it is constantly on the rise. While it is true that cattle have reached new but certainly not unreasonable price levels, it should be noted that the percentage of the cost of beef at retail attributable to the cost of the animal continues to decline. In other words, cattle producers are receiving an ever-smaller share of each dollar generated by the retail sale of beef. With these comments in mind, the following items are critical for inclusion in the 2007 farm bill. First, a comprehensive competition title must be drafted in order to ensure that the more concentrated segments of our industry do not unduly influence the independent business structure that is the hallmark of our farmers and ranchers. This title, at a minimum, should address topics such as limits on a meatpacker's ability to own and control cattle in excess of 14 days prior to slaughter, prohibiting discriminatory pricing and enacting reforms that would end unfair practices in agricultural contracts. It is important to note that currently, cattle markets are at the mercy of packers voluntarily reporting price information. Therefore, before the 2007 farm bill is written, we need the immediate re-authorization of the Livestock Mandatory Price Reporting bill, including the provisions proposed by Senators Grassley and Harkin. Our second concern is that at least cost and logical mandatory country of origin law remains as part of the farm bill package. Recent free trade agreements continue to expose the domestic live cattle industry to greater and greater threats from imports of cattle and beef products. U.S. producers must be given a tool to delineate and differentiate their product. Implementation costs can be lowered if processors can distinguish U.S. and foreign cattle entering into production lines. Currently, all cattle from Canada and Mexico are branded for health and safety reasons. Allowing packers to rely on these markings will greatly lower the cost of COOL. Immediately removing cattle from the J-List will make such marking of imports permanent and universal, while cutting the cost for COOL and simplifying animal trade pacts.

In closing, thank you, Mr. Chairman and Senator Nelson, for taking the time to listen to the concerns of the Nebraska Cattle Producers here today. I welcome your comments and your questions.

[The prepared statement of Mr. Hanna can be found in the appendix on page 62.]

The CHAIRMAN. Thank you. Mr. Luckey?

STATEMENT OF BILL LUCKEY, NEBRASKA PORK PRODUCERS ASSOCIATION, COLUMBUS, NEBRASKA

Mr. LUCKEY. Good morning, Chairman Chambliss, Senator Nelson. I am Bill Luckey, a pork producer from Columbus, Nebraska. Along with our swine operation, we also have a cow/calf herd and a small feedlot and we produce row crops. I am currently the President of the Nebraska Pork Producers Association and we are very grateful to you for holding these field hearings and for this opportunity to provide you with the pork industry's views on what is working and what we need to improve upon as you consider the re-authorization of the farm bill. Pork producers have actively been engaged in discussions relating to the crafting of the 2007 farm bill.

We have organized the 2007 farm bill Policy Task Force that is in the process of reviewing and evaluating many of the farm bill issues that will affect our industry. As pork producers, our livelihood is tied to many of the agricultural commodities. This morning, I would like to share some of the general comments and thoughts of the nation's pork producers we have on the 2007 farm bill. Pork producers make an investment in the industry to maintain a competitive edge domestically and globally. The 2007 farm bill should also make an investment in competitiveness by increasing and encouraging research, open access to new markets, enhancing conservation efforts and rewarding producers for good practices. Taking these important steps will maintain a vibrant agricultural sector that provides a safe and secure food supply, innovative fuel options using our natural resources and continued abundant feed for our animals. We know that the members of this Committee understand better than anyone, the significant economic contribution the pork producers make to the U.S. agriculture sector, how important it is to grow our international markets and maintain our global competitiveness. The U.S. pork industry enjoyed its 15th consecutive year of record exports in 2005. These exports amounted to $25.44 per dead slaughter. Pork producers, along with other livestock and poultry producers are the single biggest customer for U.S. feed grain producers.

Our single largest expense by far is the feed we purchase for our animals. USDA estimates that livestock feed will account for six billion bushels, over 50 percent of the total corn usage and livestock will use the majority of the domestic beans produced in 2005. Pigs consume just over one billion bushels of corn and the meal from nearly 418 million bushels of soybeans. Pork producers are strong and vital contributors to the value-added agriculture in the U.S. and we are deeply committed to economic health and vitality of our businesses and the communities that our livelihood helps support. The pork industry has changed dramatically in this country since the early and mid 1990's. Technology advances and new business models changed operation size, production systems, geographic distribution and marketing practices. The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production, economics, environment regulation, labor costs and productivity. The United States must continue to be a leader in food production and meet the needs of increased consumer demands. As the pork industry evaluates the re-authorization of the 2002 farm bill, we have formulated some guiding principles for consideration.

The next farm bill should help the U.S. pork industry maintain its current points of competitive advantage. These include low production costs, unparalleled food safety, further advances in animal health and consumer driven for the processing. The next farm bill should strengthen that position by expanding and including such elements as trade assistance, research, risk management tools, science-based conservation programs and EQIP regulations. Finally, the farm bill should not harm the competitive position of the U.S. pork industry by imposing costs on the industry by restricting its ability to meet consumer demand in an economical manner.

Government intervention should not stand in the way of market-based demands. In conclusion, while my comments today have been preliminary, together I believe we can craft a farm bill in 2007 that meets our objectives of remaining competitive producers in both domestic and world markets. We look forward to the journey and believe your leadership will allow the U.S. agricultural sector to continue and prosper for many years to come. Thank you.

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

The CHAIRMAN. Thank you. Mr. Tisdale?

STATEMENT OF DWIGHT TISDALE, NEBRASKA SHEEP AND GOAT PRODUCERS, KIMBALL, NEBRASKA

Mr. TISDALE. Thank you, Senators. I appreciate the opportunity to speak today. I am representing the Nebraska

Sheep and Goat Producers and the American sheep industry. There are approximately 68,000 farms and ranch families producing lamb and wool, driving about a $500 million dollar industry. That's not a large industry compared to my colleagues here. I feel a little bit like the low end here but nevertheless, these producers have aggressively developed programs to strengthen domestic industry, like the $2 million dollar a year Lamb Board check-off program, promoting American lamb—not New Zealand or Australia but American lamb and the American Wool Counsel, which has helped develop some flame-retardant, exceptional combat clothing for our Armed Services.

The Wool Loan Retention Program has been effective in helping the promotion and retention of ewe lambs and the growth of the industry and we want to continue that growth. The Wool Loan Deficiency has provided the only—and I repeat—the only safety net for the sheep industry business. I encourage the Committee to reauthorize the Wool Loan Deficiency payments at a base loan rate of $1.28 a pound, not the dollar that it is now. This would provide the benefit of the programs as originally intended. The sheep industry actively participates in the USDA Foreign Market Development, Market Access programs and Quality Sample programs and encourages the inclusion of these in the next farm bill. The National Sheep Industry Improvement Center was established to provide loans and grants to improve the industry's infrastructures. Continued funding of the National Sheep Industry Improvement Center is vital and beneficial to the industry. That is the only place where places like packing plants, wool warehouses, etcetera, can go borrow money to develop these infrastructures. Our industry submitted in 2005, to USDA, the Lamb Risk Program. The lamb industry has no price risk tool available, unlike the cattle and the pork. We need this pilot program implemented. Our industry needs mandatory price reporting. The stop gap voluntary program was reporting something close to half the sales. That is not a reporting system. We need your help in re-authorizing this mandatory price reporting. Thank you very much for your time.

[The prepared statement of Mr. Tisdale can be found in the appendix on page 120.]

The CHAIRMAN. Thank you, each of you. We appreciate your very insightful testimony. I know all of you have environmental and conservation issues in your respective industry and I'd like to ask you to each address what is your No. 1 environmental or conservation issue to current conservation programs, address that issue and what do we need to think about as far as improvement of the conservation title to address your issues. Mr. Wolf?

Mr. WOLF. The EQIP program would be near the top of our list. It works well for the ranching program. We would want to see that maintained and as I mentioned, we need to improve how it can be used by the feedlots. That's important because we're continuing to see added pressures constantly from EPA and we need an effective EQIP program for feed yards so that they can come into compliance. We talk about what is putting small producers out of business. We would start with the EPA and that is not in the farm bill but here's a tool that can help us try to comply with some of their regulations that we're not utilizing as well as we should. On the CRP, we really like the hay and grazing provisions for dry years. We would like to continue to find ways where we can streamline and simplify that so that it can be done quickly enough in dry years. You have a limited time horizon that you can do it effectively. You don't want the delays to take you outside that effective window and furthermore, we want to find ways, if we can, to open up CRP acres that are in areas that have had sufficient rainfall but are within the transportation distance of the dry areas because often, that is where the feed is. You're opening up CRP in dry areas and it is limited there. Those would be some of the environmental or the conservation thoughts that I have.

The CHAIRMAN. Mr. Hanna?

Mr. HANNA. From strictly a cow/calf producer's point of view, the conservation programs that Jay alluded to may be aren't as sharp of a focus for us. We see through feedlot's ability to access money to do some of their manure control and some of those kind of things. For myself, EQIP funds have not been anything that we've pursued. They just aren't there to do the kind of things that we need to do. But as far as other things that would help us access more feed, opening up CRP, as Jay alluded to, would certainly benefit cow/calf producers.

Mr. LUCKEY. On the pork production side, the EQIP funds, we haven't been getting very much money coming into that program for the pork producer. A lot of it seems to be going into the cow/calf side or to the feedlot side, probably more so than what we've ever gotten for the pork industry. There are quite a few bells and whistles, so to speak, to jump through and some timing issues. Sometimes when you have a building construction going on, you need some answers a little bit quicker than what the government seems to be able to help you out with. I know of one producer who has used some money for some manure facilities and they said it has taken several years to get that but he waited for it. And it would be nice to move a little bit faster, possibly, to get these EQIP funds for the manure management program to utilize different types of facilities, whether it be lagoon or deep pits, things like that and possibly something also into a little research to help with some odor and control, research into those programs also.

The CHAIRMAN. Mr. Tisdale?

Mr. TISDALE. Thank you. I'd like to speak from two perspectives. We have a farm in Kimball, Nebraska, raising things like sugar beets, edible beans, malt barley, wheat and corn. We farm for a living. When we talk about conservation, we raise corn, wheat and the barleys not as a revenue crop but to remain in conservation compliance with the present farm programs so that we can raise edible beans and we can raise sugar beets at a profit. Our farm has been working and works well with the present farm programs as they are written. As far as what is my most pressing concern, I'd have to say that water is at the top of the list. Water is our environment and our environment feeds the American people. They talk about water and drought. We are in the midst of a drought. I think it is going to here for a long time. We've gone from 12 to 14 inches of precipitation in Kimball County to I'm guessing an average around 7 or 8. You cannot raise a crop on dry land there, I don't care what it is and return a decent amount for your investment for the risk involved. Because water is where it is in my environment, I use irrigation water. Everything we raise is under irrigation. Water is being taken from agriculture. It's been taken for things like to water the yards in San Diego or to build lakefront property in Phoenix.

I'm talking about the Colorado River. Water priorities have become turned upside down. Doesn't it count that the American farmer feeds the American people but we have to give up our water for recreation?

The last thing I have under environmental and conservation concerns is the American farmer. You know, he feeds all the people in the United States and it sounds to me like we're going to have to produce the energy for the United States. We need to have a little protection in the United States of our water and our livelihood. Now, speaking from a standpoint of the sheep industry, the existing programs——

EQIP, etcetera are OK. Sometimes it is hard to fit those programs into your exacting environment. There needs to be more flexibility. And before you ever write the program, please fund it first because I hate to apply for a program and then finding out 2 years later, I'm finally going to get the money when I needed it 2 years ago. That does not work. I don't know how it works in your cash-flow, but it doesn't work in mine.

The CHAIRMAN. Thank you. We are constantly remind the appropriators that we need money to fund our programs, I assure you. All of you have mentioned mandatory price reporting as a necessity in your respective industry and as you probably know, we are kind of at loggerheads right now. The House passed a 5–year mandatory price reporting bill and we passed a 1–year because of some concerns that Senator Grassley and Senator Harkin have relative to that particular issue. But I hear all of you saying that it is important to your respective operations that we have mandatory price reporting. Talk for a minute if you will, each of you, about forward contracting, as well as country of origin labeling.

Mr. LUCKEY AND MR. Hanna mentioned COOL but I'd like for you to amplify on that in any way and particularly with respect to the funding of the cost of it, because what we have always seen at our level, from the policy level, that when we mandate these programs, that the folks that market the product, the folks that are putting it out in the grocery stores are not going to pay for that. The folks who deliver it to the grocery stores are not going to pay for that and it always comes back down to the farmer paying for it. That concerns me, for us to mandate a program and at the same time, we're hearing you guys talk about what tough times you're having and here we're going to put another expense into your operation that you didn't anticipate before. So if you will, talk to us a little bit about that and try to help us think through those respective issues.

Mr. WOLF. Well, when it comes to COOL, when the rules were written, it was almost written in a way that there would be no possible way for the program to work. Big fines for retailers, especially small retailers would be, I think, very reluctant to support a program or even carry beef for those types of owners, penalties hanging over their heads. So you really need to think about turning that around and looking at from the producer's standpoint and making it the producer's responsibility to produce a U.S. product and be able to verify to buyers of our products that it is a U.S. product if it is going to be labeled that way. There was a real complex set of label rules written. It seemed way more complex than we ever anticipated or desired. It just got to be a bureaucratic nightmare, you're absolutely right. So if there is going to be a COOL program, it's got to be scaled way back and simplified, one that retailers would look at as an advantage rather than something that would be a penalty to try and utilize.

Mr. HANNA. Senator, you asked a number of questions and we could probably spend all day talking about them. In the mandatory price-reporting field, of course, it is important to us in our cattle industry that we have transparency in that marketplace. Right now, I think we are lacking some of that. There are too many loopholes in that program as it has been administered. We need to take a strong look at the J-O recommendations and those recommendations of Senators Grassley and Harkin as well. As far as tightening up some of the requirements, making sure that we have a good feel for what our market is doing. An awful lot of our business—Jay's business and my business—are decisions that we make, are dependent on what is going on in the current marketplace. And if that is not transparent to us, if we don't have a good understanding of that cash marketplace, our forward contracting, our futures markets, don't operate in a logical manner either. So it is critical that we are able to put together a price-reporting package that gives us a good feel, a good sense, of what is going on in the marketplace. Forward contracting, I think we've got two issues that we need to touch on in that arena. In restricting the use of contracts, I think it is important that the rules be written so that those contracts are handled in a fair manner so that certain entities in our business are not using leverage that they have to force producers into contracts that are essentially not good for their bottom lines. We need to make sure that we don't confuse that with the idea of forward contracting through the use of futures markets. That is a viable thing for our industry and we need to maintain that ability to access those futures and options contracts. As far as COOL is concerned, COOL has been the cornerstone of our Independent Cattlemen's Organization and the R-Calf organization as well.

Certainly we agree with Jay that the rules as promulgated are unworkable. They definitely need to be revisited. There are a number of ways that we feel country of origin labeling, could be handled in order to address some of those. One of those I alluded to in my testimony, which would be removing beef from the J-List, recognizing it as being a cyclical and perishable item. Then we could use it to mark our imported beef as well. As far as the cost, I think we need to recognize that right now, the consumer doesn't have a good concept of what it is that they are able to purchase. We're able to apply a USDA grade stamp to nearly all the product that comes into the U.S., so there is no differentiation. We believe and our organizations believe that given the choice, if the markings are there, that the consumer will be willing to pay a higher price for those products, so much so that we firmly believe it is a necessary part of the farm bill and something that we are going to continue to pursue aggressively.

Mr. LUCKEY. As far as the price reporting, mandatory price reporting, we are in favor of that again. The one thing that we have a little concern about is Nebraska. Actually, we have a law here in Nebraska, I believe, that states if we don't have the mandatory price reporting at the Federal level, that Nebraska has to come up with our price reporting system. And if that be the case, we're going to have to hire more people and have an extension here in Nebraska. Right now, we can utilize the Federal program to satisfy this need. Right now, the voluntary work that is being done is good for now but in the future, we're going to have to be aware of that, if this sort of is put on the back burner or eliminated, Nebraska has to come up with the funds, the personnel and the resources to handle this price reporting in the State of Nebraska. It would just be a lot better to have the Federal Government do it instead of a lot of little pieces all over the place, little entities doing it all over. Just have it come from one source. As for the forward contracting aspect, the pork producers associations that producers should be able to have the marketing opportunities that they need to remain profitable. Let those producers figure out what they need to remain competitive. As far as the COOL situation, I'm going to be a little bit of the odd one up here, I think. We're looking more for a voluntary COOL program instead of the mandatory. When the program first came out, we were for mandatory COOL but when you started to really dig into it and you saw the expense, the regulations, and paperwork—— everything going on, we thought, is this really to the benefit of our producers and to the consumer. If the consumer wants to have basic knowledge of where their product came from, let them pay for it. If a producer can receive a penny more a pound, then let that go back to the consumer and have the consumer help pay for that. If it is a really big thing that has taken off, you'll have everyone doing it, if there is an economic impact for us. In order to make a few extra bucks, we'll gladly do it but when you look at single-family households, living on a real strict budget, do we need to increase their expenses for food? We really want to maintain a key food supply, basically. Where else in the world can we go and have what—11 percent, I think, of our disposable income is spent on food. We don't want to have to increase these food prices for people on fixed incomes. So that is one thing we would like to see. A voluntary—it becomes a marketing program then, basically or let the marketplace dictate the prices.

I kind of think enough has been said about the mandatory price reporting. We really need it. As far as the sheep industry having any protection with the Board of Trade, there is none. We have no forward contracting. We have no insurance. We're out there on our own and I'll give you a little example of what we're fighting. The European Union provides subsidies over $2 billion a year to their sheep producers and maintains strict and effective tariffs. This has created an unfair advantage for import lamb and made the U.S. the target for Australia and New Zealand lamb. Our industry looks to you to fix this problem. As far as country of origin labeling is concerned, we produce a far superior product than what Australia and New Zealand does. Country of origin label is a sales tool that we need. Besides that, if you are going to sell to the major food stores like Wal-Mart, you're going to have to do it or they are not going to buy our products. Thank you.

The CHAIRMAN. Thank you. Senator Nelson?

Senator NELSON. Well, to Jay and Jim, I'm nixing that about grinding the last kernel of corn to get your attention but I've never felt that is much of a threat or something we have to be concerned about. But clearly, the corn that is grown in Nebraska has always in our mind, been for two sources: one to export any surplus but for value added purposes to our livestock industry. We recognize that is the case and so we all have an interest in making sure that the conservation programs that are in place for production agriculture, in turn for crops, are appropriate but also the production of your business also has to have appropriate conservation programs. You mentioned a need to streamline the conservation programs. I might not have picked up exactly whether you had some specifics, but maybe it would be helpful to us to have a couple of ideas of what we might do to have them more streamlined. Jay, let's start with you.

Mr. WOLF. I know that Nebraska Cattlemen's staff has been working on those recommendations, Senator and I will have them forward them to you.

Senator NELSON. Would you get those?

Mr. WOLF. Yes.

Senator NELSON. I think it would be very helpful because there are different kinds of conservation programs and we want to make sure that what we do is that we don't have a one size fits all. We ought to have it industry specific. Jim, you stressed confrontation and market consolidation issues. Do you think that these are the major problem you're facing within your industry right now. You mentioned them but are there others as well? Or are these the primary?

Mr. HANNA. I guess from our organization's standpoint and from my standpoint personally, I would probably rank those competition issues first and then probably following that quite closely would be environmental issues, water issues and some of those kind of things. Essentially, we're looking at a situation right now where we have four companies in the beef packing industry that control over 80 percent of the production. Generally, economists will you tell when you have a four-firm concentration over 40 percent, you need to start scrutinizing those industries very carefully for the kind of leverage and power that they are holding over the rest of the industry. I think it is just critical to the survival of independent, small farms and ranches here in the State of Nebraska, that we make sure that we're being dealt with fairly, that all the transactions are open and available to all producers. It's just a critical item on our list.

Senator NELSON. I would have thought that CIRCLA might have been a bigger factor but I didn't hear anybody focusing on it. Maybe I missed that in terms of trying to make animal waste into hazardous waste, for purposes of the EPA's consideration. Since virtue can't be the only reward in this business, I wanted to point out that I'm one of the co-sponsors of the legislation that would stop that from happening but maybe you can give us your concerns about environmental challenges that you face in terms of regulation, current regulation but also what you worry about on the horizon and what that will do for or to your industry, including Bill. I know you've already been down that pike.

Mr. WOLF. You're not going to turn the red light on me?

Senator NELSON. No, I won't.

Mr. WOLF. OK. This could take a while. With EPA, it just goes on and on. Most recently, with the coarse particulate matter regulations, they are going to make dust illegal. Their own advisory group told the EPA that the science didn't justify these regulations yet. Yet, EPA has gone ahead and gone forward with it. They've talked a little bit about an inclusion of agriculture and mining but we are not at all taking any comfort in that. That is one. Another one is, as you mentioned and I mentioned in my remarks, was the Super Fund. That's insane, to try and list manure as a toxic waste or treat it like Love Canal. It's insane but it is a tremendous threat to our industry. The K–4 rule, where it is one size fits all. You talk about something that is driving small producers out of business, that would be top on my list because small producers pose smaller risks to the environment yet they are all being required, basically, to meet the same standards. It is illogical. Like I said, I could go on and on. I'll stop there.

Mr. HANNA. Certainly from my point of view, I don't own a feedlot. I don't have cattle in confinement at any time during the year but what affects the small feedlots, what affects Jay and family feeders around the state and nationwide, affects my bottom line as well. If they are spending more money to get into compliance with these EPA regulations, they don't have money to spend on cattle, very simply. So it's important that those regulations be drafted appropriately and with these things in mind that Jay has mentioned. A concern to those of us in the cow/calf industry and like I said, we don't have cattle in confinement right now but it is how those definitions of confinement get drafted.

There has been some question about if you have cattle, say a number of cows in a lot during the springtime for calving, does that get defined as a confined animal feeding operation?

And if it does, here again, trying to bring us into compliance with those regulations is ludicrous. We don't have the ability to do that. We see small feeders around the state. A gentleman in the panhandle, who I fed cattle with for a number of years—or that back grounded cattle for me, I should say. Finally just went out of business. It was not a good financial decision for him to bring his yard up to compliance. He was over the number; he was over 5,000 head. It was going to cost him between a quarter and a half of million dollars to bring that lot into compliance and that lot wasn't returning the kind of money to justify putting that expense in.

Senator NELSON. Bill?

Mr. LUCKEY. As far as these programs, I think the little lights may have curtailed some of our comments on that. We would have gotten into that possibly, had we a little more time but right now with—when we came in and talked to you, I believe that spring and when you agreed to sign on to that and we appreciate that but right now in our area, fertilizer is almost considered a commodity. I have neighbors who call me up and say, hey, if you don't have time to haul the manure or something, why, we'll gladly do it if we can have it. And basically, it is treated almost as a commodity in some locations, especially in Iowa. But in Nebraska, on my own fields, we apply manure and we get to reduce the commercial fertilizers that we put on greatly. There are times when we haven't put on any commercial fertilizer at all. This isn't something that you put it on today and it's going to be used up in 1 year. It's going to stay in the soil and in coming years, it will still be available. It is all organic. It is a natural product and it is something that we produce in our own operations. Also, as far as other issues, things affecting us, I left one figure out of my presentation and it was about Special Interest groups or activist groups getting into the farm bill, about trying to regulate our production and the care of our animals, how we do these kinds of things.

These are some of the things that we have to keep out of the farm bill. We know how to produce animals very well and we take great pride in doing that. I don't think some activist group should be out here telling us how to produce the animals that we have in our care.

Senator NELSON. Dwight, do you want to finish up?

Mr. TISDALE. I don't believe there are any sheep feed lots in Nebraska large enough to come under this rule, however speaking from the standpoint of Colorado and Wyoming feedlots, there are and it is ridiculous. I think that is the easiest way to put it. Speaking from the standpoint of an irrigation farmer, manure is an absolute necessity for continued fertilization of your land because you cannot put on enough artificial fertilizers to duplicate what manure will do. Thank you.

Senator NELSON. Thank you very much, gentlemen. Thank you, Mr. Chairman.

The CHAIRMAN. Well, gentlemen, we haven't even gotten to

Japan and Korea that we can certainly talk about. But again, we appreciate very much your being here and particularly somebody like me. People ask me all the time, why do you go around the country and hold these farm bill hearings? Well, we could probably fit most of our cattle in Georgia in your feedlots and in your pastures. We are just not big livestock producers like you are here and that is why it is so critically important that folks like me have more of an understanding of not just the way you have to operate everyday but these rules and regulations that I happen to agree with you, are ridiculous but unfortunately, some of them we have to live with. So I thank you very much for being here and for giving us your input as we move forward with re-authorization.

I encourage anyone who is here who did not have the opportunity to testify, as I stated in my opening comments, to visit the Committee's website and if you'd like to submit testimony, you can find out very easily how to do that. This hearing will be open for five business days for any additional comments that we might receive. I want to thank Farm Credit Service, particularly Mr. James Nigren for providing our coffee and pastries back there. We appreciate that very much and I want to thank all of you for showing up today to show your interest and express your concerns about the farm policy. With that, this hearing is concluded.

[Whereupon, at 12:17 p.m., the hearing was adjourned.]

APPENDIX

AUGUST 16, 2006

SENATOR E. BENJAMIN NELSON

WRITTEN STATEMENT FOR THE RECORD
SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
FARM BILL FIELD HEARING, AUGUST 16, 2006, GRAND ISLAND, NEBRASKA

Mr. Chairman: I want to thank you for holding this Agriculture Committee field hearing in my home state of Nebraska. Hosting a field hearing in Nebraska is important to our farmers and ranchers because it allows them to have an opportunity to help shape this nation's agricultural policy. In a state where one in five jobs is related to agriculture and nine in ten acres of land is farm and ranch land, today's hearing is significant. Agriculture is the Number One industry in Nebraska and our farmers and ranchers lead the nation in many areas of production – their input is extremely valuable and I appreciate your recognition of that fact in agreeing to hold this hearing in Grand Island.

As you will be able to see, this hearing is very important to Nebraskans because the next farm bill -- which I'm calling the Food and Fuel Security Act -- affects so much of the state. I'm pleased that Nebraskans will be able to provide valuable input for legislation that touches so many of them. It's also a great opportunity for local viewpoints to be heard in Washington, and I'm looking forward to listening to the testimony of all these witnesses here today.

I. REVIEWING CURRENT FARM POLICY AND OUTLOOK

A. The Doha Affect

The recent collapse of the Doha round of agriculture negotiations in the World Trade Organization has important implications for our future farm policy and I think we should see it as both an important opportunity and a serious warning.

The Doha collapse provides a unique chance to revisit farm policy without undue outside pressure and with an eye toward improvements for the American farmer. We can and should improve American farm policy on our own terms with a focus on securing American agriculture for the long run. We should embrace this rare opportunity to change our policy not because we HAVE to, but because we WANT to.

We must also heed warnings inherent in the Doha collapse. Our farm support programs have many detractors around the world and amongst important trading partners. Brazil's successful challenge to our cotton subsidy programs, for example, has set a powerful precedent that could be used against the rest of our commodity support programs. If we don't make wise and necessary changes to our programs on our own, it's likely that we'll be forced to by world trade litigation -- an undesirable and ineffective alternative.

B. Effectiveness of Current Farm Policy

As we start considering renewing the Farm Bill, it only makes sense to begin by asking whether the 2002 Farm Bill is actually working for our farmers and rural communities. I certainly hear from constituents who say the farm bill isn't working; and I hear from others who say it is working but could use improvements.

At the very least, I think that effective farm policy should accomplish a few very basic goals. An effective farm policy should: provide farmers a reliable safety net; protect the environment and our natural resources by rewarding farmers for good conservation practices; increase opportunities for farmers to make a good living off their lands and stay in business; help farmers compete both locally and globally, including addressing market concentration so that independent farmers compete against large agri-businesses; and seek to improve the overall rural economy by helping rural communities and business succeed and flourish.

I have concerns that the picture we're seeing of our farms and rural communities indicates that our current policy may not be succeeding as we had hoped. For example, in 1995 Nebraska had roughly 56,000 farms but ten years later that number shrank to 48,000. That's 8,000 Nebraska family farms that have gone out of business in the last decade. At the same time, commodity prices remain at historically low levels while the costs of inputs such as fuel, fertilizer and chemicals have reached historically high levels and farmers have had to become more reliant on government subsidies to survive.

The news out of rural communities is hardly better. Our small towns are losing jobs, manufacturing facilities and talented, educated young people. Since the new millennium, 69 of the state's 84 rural counties experienced population loss. And this is on top of the losses suffered by the farming families that form the backbone of our rural communities. These communities are getting stuck in a downwardly destructive cycle and need help.

The results of the 2002 Farm Bill aren't all negative. By all accounts, the conservation programs have been very successful. These programs have helped retire unproductive and environmentally fragile lands. They've helped reduce soil erosion and conserve water resources while also improving water quality.

More importantly, the conservation programs may well hold the key to helping us devise farm policy that supports farmers, protects the environment and avoids world trade problems. I look forward to exploring the possibilities these programs may provide.

One final issue also merits mention and continues to demand more of our attention: the current federal fiscal situation and budgetary environment. I think we're all aware of the substantial deficit problems we face and farm programs have certainly been asked to carry a large share of the budget cutting burden. These problems may provide another set of good reasons for reevaluating our farm programs.

It's clear to me that it's time to reassess what's working, what's not, and what we can do better and I look forward to working towards improving our farm policy. I think that work should begin with renaming the farm bill the "Food and Fuel Security Act of 2007" so that we focus our attention on achieving both food and fuel security for America.

II. <u>THE FOOD AND FUEL SECURITY ACT OF 2007</u>

A. <u>Food Security</u>

Food security is absolutely vital: the cornerstone of any successful civilization is the ability to provide its citizenry with high-quality, affordable food. American agriculture has long led the world in food production. One American farmer can currently produce enough food for 129 people. Food security requires many things, but it is essential that we produce a sufficient percentage of our food supply domestically. It troubles me to know that we are importing an increasing share of our food supply with some trade deficits emerging for the first time. I think we all know how well importing large percentages of our fuel needs has worked out for America, I think we must be vigilant to make sure we don't become dependent upon foreign sources of food too.

Food security also requires farmer security: we must keep farmers in business, especially our family farmers and ranchers. This is becoming an increasingly difficult task. Farmers are facing commodity prices at historically low levels and input costs at historically high levels. Corn, for example, has been in the $2.00 range since at least 1992. And since the adoption of the 2002 farm bill, the corn for grain price has slipped from 2.72 to 2.11 in 2006. Gas and diesel prices, though, are now in the $3.00 range and natural gas prices keep pushing input costs up further.

I don't think it is in doubt that this has contributed to the nearly 8,000 family farmers that have gone out of business in Nebraska in the last decade. We cannot expect to have food security if we are losing farmers at this rate.

Food security also requires land security: we must sustain our valuable cropland through conservation, good land stewardship and sustainable agricultural practices. To that end, the last farm bill expanded the conservation programs and provided important funding increases for many programs that are important to agriculture as well as the environment. We should continue to expand and enhance these important programs as well as looking for new ways to support farmers as they continue to be good stewards of the land.

The last farm bill also introduced the Conservation Security Program which I think was a valuable policy idea with great potential to support agriculture through rewarding working-lands conservation practices. CSP, however is an important innovation in farm conservation policy, but it needs to be fully funded and properly implemented so all farmers can have the opportunity to participate and benefit. Because it allows farmers to continue to farm their land, producing crops we need to ensure food security while also rewarding them for sound conservation practices, CSP is conceptually an important development. Unfortunately, funding shortfalls and problems with implementation and administration of the program have greatly reduced the benefits and effectiveness of the CSP; as well as souring many farmers on the program.

I'm sure that some of our witnesses here today will express strong concerns with this program, and I share their concerns. I am very concerned about the way it has been implemented in Nebraska, particularly. I've heard from farmers that have been cut out of the program while their neighbors are accepted, even though there is no discernable difference in practices. Washington bureaucrats blame funding problems and don't think through the implications of their decisions. This hurts farmers and it destroys the credibility and acceptability of this important and innovative program.

We must address these problems in 2007 and fix the program because CSP may provide an important blueprint for developing a system of farm support that is "more green" and thus more acceptable -- both to Americans and to our global trading partners. If the farm safety net were rooted in rewarding responsible farming and land stewardship instead of merely supporting certain crop production, we may be able to create a more effective support system that is also favorably accepted by the WTO. We must be vigilant, however, that our policies are not misapplied so as to cause great harm to farmers.

We must also adjust our farm policy so as to better conserve natural resources vital to farming, such as water. As Nebraska farmers know all too well, drought is devastating our crop production. We have to figure out how to conserve our water resources as well as learn how to mitigate the effects of weather problems like drought. We may need to consider conservation programs and the green safety net as a way to help accomplish this without losing farms and farmers.

Before I talk about fuel security in the new farm bill, I want to mention how food and fuel security intersect. As we rely more and more on our crops to produce fuel, we need to remember to produce enough feed for our livestock producers so they can continue to feed out the animals that make up such a major portion of our food supply. This situation requires policy that balances the two needs and helps diversify our ethanol feedstock so we aren't just relying on corn.

B. Fuel Security

We are all aware of the dangers and problems created by our current energy situation. I believe that agriculture can lead the way in our search for alternative and renewable sources of fuel, as well as leading America towards energy security and, eventually, independence. American agriculture is poised to provide the nation with an abundant source of clean, high-quality energy that will reduce our destructive reliance on foreign oil and our farm policy should encourage it.

In order to improve our energy and fuel security, we must significantly invest in biofuels. This is the only way to break the cycle of our dependency on foreign oil, and as such should be a national priority. Biofuels can be a catalyst for a new wave of American innovation in our continuing search for better energy solutions. Producing cleaner, more sustainable fuels grown in our own fields promises to spur new technologies, new jobs and new growth in our national and rural economies -- just as we've experienced in Nebraska.

Twelve ethanol facilities currently exist in Nebraska that are able to produce more than 500 million gallons of ethanol annually. These facilities represent more than $700 million of capital investment and have a net-value of production that tops $1 billion annually. Plus, more than 6000 Nebraskans are now employed directly or indirectly in Nebraska ethanol production and we have more facilities and jobs on the way.

Investing in biofuels production should be a national priority and a priority in the 2007 farm bill because it is an investment in the proud tradition of the American farmer, American ingenuity and American productivity. There is not an area of the country that doesn't have some agricultural product that can be used as an alternative energy feedstock -- corn in Nebraska, forestry wastes in the Northeast and Northwest, sugar cane in Hawaii, Louisiana and Florida; not to mention the incredible potential of dedicated energy crops like switchgrass that can be grown throughout the country.

The Food and Fuel Security Act provides an important opportunity to begin diversifying the feedstock used for ethanol production. We must begin growing dedicated energy crops and producing biomass while we continue to advance toward cellulosic ethanol production. Switchgrass and other native prairie grasses offer great potential and will allow farmers to diversify their farm production and increase their income, as well as providing ethanol producers more feedstock diversity. Corn has many important uses and it will always play a vital role in ethanol production. But, we have to maintain a healthy balance among its uses, including livestock needs. It is important that we remain as open as possible to as many potential feedstocks as are available. It only makes sense for the sustainability of both agriculture and ethanol production in the future to diversify our ethanol feedstock while making sure that our policies remain feedstock neutral; encouraging all that are realistically possible.

In the Food and Fuel Security Act, I believe that we should consider utilizing retired lands, as well as cropland that is only marginally productive for other crops, to grow energy crops and begin producing biomass feedstocks. The technology for cellulosic ethanol is here and I hope that we will soon see construction of the first commercial cellulosic ethanol facilities. As such, griculture needs to be prepared for this change and our policies should help farmers equip for the needs of the next generation in ethanol production.

C. Investing in Rural America

One final area that does not get enough attention in our farm policy but that needs real attention and workable solutions in this farm bill -- investment in our rural communities.

To adequately ensure our food and fuel security for years to come, we must be able to attract and retain a new generation of farmers and ranchers. This requires that we address the continuing declines in rural America by seriously investing in effective rural development. Such investment necessarily includes investing in the community building blocks of schools, hospitals, airports and entrepreneurship.

We have to encourage entrepreneurship that will breathe new life into our rural communities. Investing in a community entrepreneurial development program and instilling entrepreneurial values in schools are just two ways to accomplish this. Additionally, there are options worth exploring to develop new opportunities for farmer-entrepreneurs, especially small and medium sized family farms.

Reauthorizing the value-added producer grant and the Beginning Farmer and Rancher Development programs, opening a family farm innovation fund, and expanding and enhancing the beginning farmer land contract pilot program are all good ideas to help make agriculture a viable option for the next generation of potential farmers and ranchers. Research and development is the final component to opening opportunities in rural America. We should support research that focuses on strengthening the opportunities for young people looking to make farming a successful way to make a living and not just a preferable way of life.

Investing in innovative farming techniques like biofuels production will add jobs and incentives for people to stay and contribute to our rural communities. I envision biofuels as uniquely suited to attract new farmers who are interested in being a part of the solutions that will revolutionize our domestic energy production and that can lead our country to towards our national energy independence goals. What better way to bring a new generation into agriculture production? We must encourage these opportunities so that they can in turn help sustain our farms and our rural communities.

Conclusion

I look forward to working on the 2007 Farm Bill -- the Food and Fuel Security Act. I think the convergence of the Doha collapse, our national energy problems and the continued concerns amongst our farmers and ranchers present important and unique opportunities. We need to seize upon these opportunities and challenges to craft wise farm policy that benefits more farmers and more Americans.

America needs a farm bill that emphasizes protecting and growing rural America from within rural America -- rural America deserves nothing less. For centuries, our farmers and ranchers have fed the people and the prosperity of our nation. That's no easy task and we all must share the burden if we hope to keep enjoying the benefits of a secure food supply and if we hope to enjoy the benefits of a secure fuel supply. In this new century, we must continue supporting rural America if we hope to achieve these goals. Since its birth, America has only been as secure as the as the sum of its parts. As we make progress on the Food and Fuel Security Act, I'll push for the support of rural America and American agriculture; the backbone of our great nation.

NeCGA

TESTIMONY OF NEBRASKA CORN GROWERS ASSOCIATION
STEVE EBKE, President and Farmer from Daykin, Nebraska
August 16, 2006
Grand Island, Nebraska

Thank you, Senators, for this opportunity to present input on the 2007 Farm Bill on behalf of the Nebraska Corn Growers Association and our nearly 1700 farmer-members.

There have been significant changes in agriculture and rural America since the 2002 Farm Bill. WTO talks are not going as expected. Congress has had to pass three *ad hoc* disaster bills in five years. And the Renewable Fuels Standard has dramatically altered our nation's energy outlook, created value-added opportunities for farmers and is changing the rural landscape as a whole.

Other factors are also weighing heavily on the federal budget: the increased costs of social programs, escalating energy prices, and the effects of hurricanes and war.

It's not the same nation—or the same world—as it was four years ago. The 2007 Farm Bill needs to reflect those changes and anticipate challenges to come. While we are food producers, we are also American citizens and taxpayers—and we understand that we must take a fresh look at government's relationship with and responsibility for agriculture, food production and rural development.

As corn producers, we have invested a great deal of time, money and intellectual capital in analyzing the most recent Farm Bill—and we have some recommendations that we believe can make the 2007 Farm Bill meet the needs of ag producers and America in an environment of increased budget pressure.

We believe part of the agricultural safety net should have a component based on net revenue—not price alone. More specifically it is anticipated that this component would establish a benchmark to assure 70% of a producer's five-year Olympic average of net revenue—which would include the program payments. The payment would be triggered when a producer's net income drops below the 70% threshold and would amount to the difference. This component also has the merits to be "green box-designated" for WTO compliance.

Basing the program on revenue provides the flexibility to account not only for production and price that producers receive for their crop (based on market conditions), but also the input costs of production. To some degree, all three aspects need to be factored in order to maintain an adequate safety net provision from commodity support programs. Using revenue indicators provides the advantage of greater stability of the safety net. With the proper structure, revenue based payments could be better tailored to local conditions, making them more effective for the farmers who truly need them—and more manageable and fiscally sound for the nation's taxpayers.

Support for maintaining the status quo likely comes from resistance to change, comfort with familiarity and a belief that the new farm bill must wait until the WTO talks are successfully completed. Our members remember the complaints and concerns regarding the deficiencies of the current program. Nebraska Corn Growers favor moving forward with a 2007 Farm Bill that at least maintains the current level of support, delivered through a revenue based safety net. We believe a revenue-based program is the best avenue toward ensuring that America's farmers have a strong safety net—providing protection for events beyond their control.

A price-based commodity program does not direct benefits in a beneficial way when and where they are needed most. When general production is abundant, thus lowering the market price, those who experience a substantial production shortfall receive less assistance in program support. Those producers experience an inadequate safety net even though they most need the assistance.

At the same time, we believe that a properly structured revenue payment program can significantly reduce the potential for manipulation, waste and fraud.

Most of the problems with the current program develop from losses experienced in the top range of expected income. Therefore, we propose a second component of revenue protection covering that 30% target. The payment would cover a shortfall below a revenue target determined by the multiplication of a county's expected production per acre times a national average price. The payment rate would be applied to the producers planted acres. The maximum support would be no more than 30% of the target. Since this protection is derived from current price and applied to current acres, it would be declared as "amber box" for WTO.

From the perspective of Congress, a revenue-based program could help moderate the fluctuations in farm payments that can occur from year to year and bring greater consistency to the payment process. Another positive to this approach is the potential reduction in the frequency of emergency payments for program commodities and the impact these payments have on the budget.

Where does the money come from? We believe that funding for this new approach could likely come from the reduction or elimination of LDPs, marketing loan gains, crop insurance premium subsidies and countercyclical payments that are integral to the current farm program.

As envisioned this two-component, revenue-based program would meet current WTO provisions—and would have the flexibility needed to adapt to potential changes in WTO rules. Also, this type of program has the potential to work for any crop.

Most importantly, a revenue-based commodity title program makes better use of taxpayer dollars—by investing government resources in a much more targeted manner for those producers who need the assistance the most.

In the area of conservation: Nebraska Corn Growers are advocates for maintaining a strong conservation title. It is our opinion that the primary programs administered by the NRCS for the most part are accomplishing what they were designed to address and should be continued. The one exception is the Conservation Security Program (CSP).

CSP today is nothing like it was portrayed during the debate for the 2002 Farm Bill. We realize that the program quickly became more expensive than anyone initially envisioned—and that the dollars simply are not there to provide meaningful payment to all producers the program was designed to involve.

Under-funding of CSP has resulted in inconsistencies in the implementation and increasing restrictions on eligibility. The CSP motto of "rewarding the best and motivating the rest" cannot be accomplished with the current funding level. A minority of the "best" is being rewarded, but the rest have no opportunity to participate at any level now or in the foreseeable future. Therefore, there is no motivation for the majority to adopt or improve conservation practices, as was the program's promise during the debate. A close look at the matrix used to rank participants reveals an effort with good intentions. As difficult as it is to say, the hard reality after three years of this effort is that it is time to cease the program. Furthermore, we see no new sources of funding for CSP and do not favor a shift of funding from the commodity title. We believe the Conservation Security Program is not working as intended and should not be included in the next Farm Bill.

Another critical note regarding CSP: In our opinion, the NRCS is not equipped with the funding or the manpower to administer the program. Self-compliance and spot checks leave much to be desired—casting serious questions about the agency's oversight of current programs.

We recommend that those program dollars targeted for CSP be redirected to under-funded conservation programs with proven benefit. An example is the EQIP program, which supports the livestock sector in particular—the largest customer for our corn and a critical market for the distillers grains produced by our ethanol plants. EQIP funds help maintain and strengthen our livestock sector for producers of all sizes—and that is critical for corn farmers and rural vitality.

We also recommend that some CSP dollars should be redirected to the NRCS to help shore up their ability to provide technical assistance to producers. NRCS is woefully understaffed and under-funded—and, as a result, the level of service and response does not meet our needs.

In terms of trade: We hear the talk about whether or not we're going to have the corn needed to meet our domestic demands for livestock, ethanol and new uses such as bioplastics—let alone continue our leadership in providing corn as a food product to the world. Let there be no question about it: Trade and trade agreements will continue to be important and essential to Nebraska corn producers—whether they occur in the WTO arena or in individual trade agreements with other nations. Global demand for ag products helps determine the final price we get for our product. It is imperative that U.S. farmers have access to good markets capable of paying a price that will sustain the growth of our ag economy.

Additionally, the export of distillers grains will continue to grow—and with it, the need to strengthen our ties with nations that can take advantage of this value-added co-product of our country's ethanol industry.

Research and rural development are two additional areas that need continued attention and support in the 2007 Farm Bill.

Even with the astounding growth in our ethanol industry, America's energy needs will not diminish. We need to continue to fund research focused on improving the efficiency of renewable energy from ag production—and discovering new ways to transform our agricultural commodities into energy solutions for America. While cellulosic ethanol certainly holds some promise for the future, right now we're making ethanol from corn and we expect to do so for some time to come—so let's continue finding ways to do it even better and even more cost-effectively.

There is no question that the expansion of the ethanol industry has revitalized rural communities across the nation—and will continue to do so as more and more plants come on line. Still, the rural areas of our nation deserve continued investment and development—not only for crop and livestock producers, but also for the main street businesses, schools and families that have chosen to locate in rural America. For that reason, we strongly advocate continued federal investment in value-added grants, entrepreneurial assistance and other programs that are having a dramatic and positive effect on America's rural landscape.

Agriculture has always been central to the quality of life in America—providing a safe, reliable and affordable supply of food. With the passage of the Renewable Fuels Standard and the dramatic growth in the ethanol industry that has resulted, America has directed its hopes for the future into the hands of its farmers and the rural communities in which they live and work.

In other words, agriculture has become even more essential to the security, success and quality of life in the United States.

We believe that the changes suggested in this document can lead to a 2007 Farm Bill that strengthens America's leadership in agriculture—and makes sense for America's taxpayers.

Thank you for this opportunity to comment on behalf of the Nebraska Corn Growers Association.

R-CALF USA

Comments on Renewal of the Farm Bill
Submitted by Mr. Jim Hanna of Brownlee, Nebraska
on Behalf of R-CALF USA and the
Independent Cattlemen of Nebraska
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing
Grand Island, Nebraska

August 16, 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 Jim Hanna of Brownlee, Nebraska.[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

[1] Mr. Hanna can be contacted at HC 58, Box 94, Brownlee, Nebraska.
[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]

---

[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. Safeguard Health and Safety

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

[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.

---

[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. <u>Address Global Distortions in Cattle and Beef Trade</u>

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;

[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).

David Hilferty
Nebraska Wheat Growers Association
before
the Senate Agriculture, Nutrition and Forestry Committee
Farm Bill Regional Hearing
Grand Island, Nebraska
August 16, 2006

Mr. Chairman and Members of the Committee, my name is David Hilferty. I am a wheat farmer from Grant, Nebraska. I live and farm in Perkins County, which is located in southwestern Nebraska. My farm is in its fifth consecutive year of a moderate to severe drought. A good deal of my testimony will deal with how farmers in drought conditions are affected by the 2002 Farm Bill. I thank you for this opportunity to discuss wheat growers' concerns about the current Farm Bill and our thoughts on the 2007 Farm Bill.

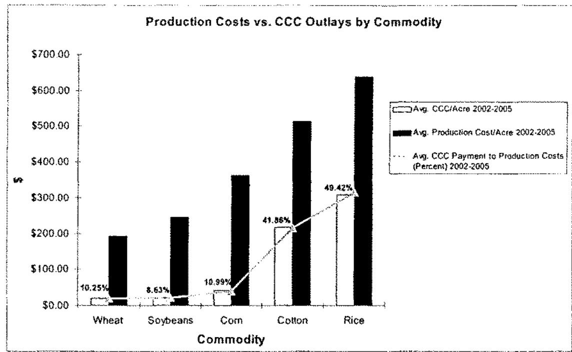
Effective farm legislation is essential, not only for wheat growers, but also for rural economies and American consumers. Farm programs were designed to cushion the boom and bust cycles that are inherent to agricultural production and to ensure a consistently safe, affordable and abundant food supply 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. These extremely low yields have lowered APHs to a point that insurance becomes less of a safety net. 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

I am 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 potential changes in the World Trade Organization rules, have led the wheat growers 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 the effects of increasing 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, wheat growers 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.

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

Discussion points for Senate Ag Hearing 8/16/06:

The growth of the ethanol industry in the U.S. continues to generate a variety of economic impacts that are critical to farmers and others. As a corn producer and cattle feeder, I recognize the importance of ethanol plants which offer a nearby market for my corn. This is a reliable, domestic marketing outlet and farmers who sell corn and other grain to ethanol plants quickly realize that the plants are often the "market maker" in an area. This new demand for our crop tends to stimulate price and income for those of us who produce corn and other grains.

The use of corn and other grains in ethanol production clearly illustrates the concept of "value-added". We are able to convert a raw material into a variety of food, feed and fuel products that have a significantly higher value than the bushel of corn from which they are produced. When farmers and others who live in areas near ethanol plants have the option to take an ownership position in the plants, we in effect hedge our marketing position. We are then positioned to make a profit from the marketplace, whether from the sale of corn or from the profits generated by the plant that processes the corn. I applaud the committee for supporting tax legislation initiatives in the recent past that helped to support ownership structures involving farmers and cooperatives and for modifying the definition of a "small" ethanol plan. Local ownership often involves plants that meet the "small producer" definition. The tax distinction has been important in the past and the recent change allows many of the smaller plants to expand without being penalized by the tax code.

In addition to farming and feeding cattle, I've spent over 20 years employed within the ethanol industry. In my capacity as general manager of Chief Ethanol Fuels, an ethanol plant located in Hastings, I see first hand the impact of ethanol production on the Ag sector. Our plant, like many others, is an aggressive buyer of local corn and a producer of distillers' feeds, the high protein co-product left when starch is removed from grain to make ethanol. Distillers feeds are an excellent livestock feed and many cattle producers have discovered the value of feeding this product as part of the ration. A report by University of Nebraska researchers noted that the practice of feeding wet distillers feed from NE (Nebraska) ethanol plants to cattle produced in the state will generate more than $55 million in economic activity annually. That impact is increasing each year and the majority of that specific economic benefit accrues to the cattle feeder.

Chief Ethanol Fuels was initially constructed and put into service in 1985. We are a reliable supplier of ethanol fuel to markets in many areas of the country. We add value to the corn we process and market feed and fuel from NE to California. Our plant and others are important to the Ag sector but we also serve an important role as strategic, decentralized providers of liquid transportation fuels. In addition, the initial capital commitment for our plant was followed by additional capital commitments that have allowed the plant to expand from an initial size of 10 MGY to more than 62 MGY. Like our facility, many other plants continue to expand. The expansions as well as the construction of new plants represent an important flow of capital to NE. Like many other states with an Ag based economy, capital is often difficult to attract. The expansion of the ethanol industry in NE and other states with an Ag based economy has been an important means of attracting new capital to the state. That capital infusion remains an important means of stimulating economic activity in the Ag sector of NE and many other states.

And finally, it is important to note the economic impact of ethanol plants on communities. Many of the communities in NE and other states that host ethanol plants are communities with small populations. Ethanol plants serve to generate a host of economic impacts and quality jobs that are essential to the economic vitality of rural communities. This activity stimulates local demand for goods and services and allows us to expand the diversity of the local tax base.. For example, recent studies by the Nebraska Public Power District indicates that in the first full year of operation a 40 MGY ethanol plant will generate more than $82 million in total economic activity. That is a huge impact on communities and it often serves as the impetus for other economic activity.

In conclusion, I want to suggest that the expansion of the ethanol industry is perhaps the most important economic engine we've seen in states with Ag based economies. We've seen the importance of these plants to local economies, especially in rural areas. We've seen the importance of expanding our supply of renewable transportation fuels. The Ag sector can continue to play an important role in this strategic area.

As you consider policies that address economic and rural development, fuel security and supply and the stability of the Ag sector, please note that certainty and stability is essential to many of us involved in grain production and ethanol production. The recently enacted Renewable Fuel Standard has been an important catalyst for growth in ethanol production. However, the ethanol incentives designed to stimulate use of the product by the petroleum industry has also been an important factor for two decades. As you consider policies to encourage the expanded production and use of energy produced by the Ag sector, please take the time to solicit our input. I appreciate the opportunity to share my thoughts with you today and I invite you to tour our facility at any time in the future.

Thank you.

Duane Kristensen

Testimony of

Mr. Bill Luckey

Pork Producer

Columbus, Nebraska

President of the Nebraska Pork Producers Association

on behalf of the

National Pork Producers Council

Before the

Senate Committee on Agriculture, Nutrition and Forestry

August 16, 2006

College Park
Grand Island, Nebraska

INTRODUCTION

Good morning Chairman Chambliss, Ranking Member Harkin and Members of the Committee. I am Bill Luckey, a pork producer from Columbus, Nebraska. My family and I own and operate a diversified farm which has been in our family for over 60 years. My operation finishes 8,000 market hogs annually. Along with our swine operation, we have a cow/calf herd, and also produce row crops. I am the current President of the Nebraska Pork Producers Association (NPPA). We are very grateful to you for holding this field hearing and for this opportunity to provide you with the pork industry's views on what is working and what we need to improve upon as you consider the reauthorization of the 2002 Farm Bill.

Pork producers have been actively engaged in discussions related to crafting the 2007 Farm Bill. We have organized a 2007 Farm Bill Policy Task Force that is in the process of reviewing and evaluating many of the Farm Bill issues that will affect our industry. As pork producers, our livelihood is tied to many other agriculture commodities.

We look forward to enthusiastically participating in the discussions for the 2007 Farm Bill. This morning I would like to share some general comments and thoughts the nation's pork producers have about the 2007 Farm Bill. Pork producers make an investment in the industry to maintain a competitive edge domestically and globally. The 2007 Farm Bill should also make an investment in competitiveness by increasing and encouraging research, opening access to new markets, enhancing conservation efforts and rewarding producers for good practices. Taking these important steps will maintain a vibrant agriculture sector that provides a safe and secure food supply, innovative fuel options using our natural resources and continued abundant feed for our animals.

I want to thank you Mr. Chairman and Members of this Committee for the opportunity to address you today. The policy issues we discuss together affect me, my fellow Nebraska farmers and pork producers across this country. We know the members of this Committee understand better than anyone the significant economic contribution that pork producers make to the U.S. agricultural sector and how important it is to grow our international markets and maintain our global competitiveness.

PROFILE OF TODAY'S PORK INDUSTRY

Pork producers' farm-gate receipts were approximately $15 billion in 2005, representing almost a quarter of the value of meat animals produced by U.S. farmers and slightly more than 10 percent of the total farm-gate receipts received by all farmers. In Nebraska our 2005 farm-gate receipts were $768 million, up from 2004. Nebraska is one of the largest pork producing states in the nation by any measure, ranking 5th in commercial hog slaughter and carcass weight production and 6th in live weight production and inventory.
The U.S. pork industry enjoyed its 15th consecutive year of record exports in 2005. We exported 905 million metric tons of pork and pork products valued at $2.28 billion. In addition, we exported 164,000 metric tons of pork variety meats valued at $378 million. These shipments amounted to $25.44 per head slaughtered.

Pork producers, along with the other livestock and poultry producers, are the single biggest customers for U.S. feed grain producers. Our single largest expense, by far, is the feed we purchase for our animals. USDA estimates that livestock feed will account for 6 billion bushels (54 percent) of total corn usage this year. Here in our state we know that well over 50% of Nebraska-produced corn is fed to livestock.

While USDA does not have a specific estimate of the amount of soybean meal used for livestock feed, suffice it to say that livestock will use the vast majority of the 34.25 million tons of domestic soybeans produced in 2005. Of these totals, pigs consumed just over 1 billion bushels of corn and the meal from nearly 418 million bushels of soybeans in 2005. Pork producers are strong and vital contributors to value-added agriculture in the U.S., and we are deeply committed to the economic health and vitality of our businesses and the communities that our livelihoods help support.

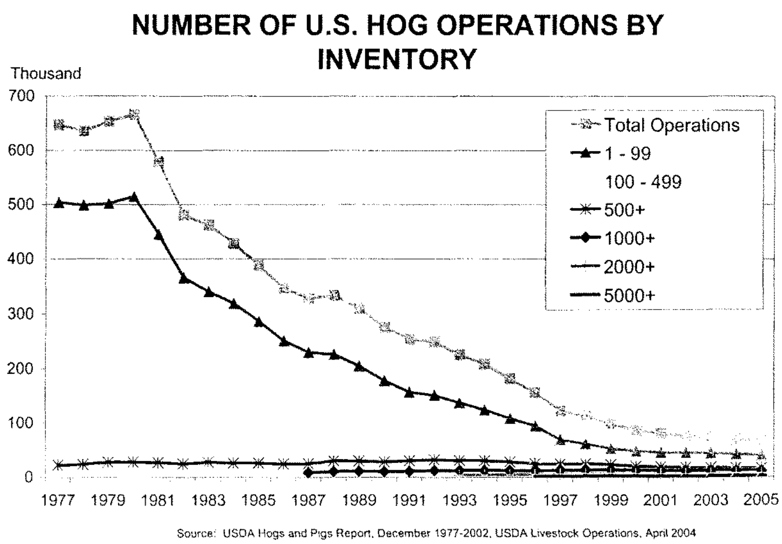
Pork production has changed dramatically in this country since the early and mid-1990s. Technology advances and new business models changed operation sizes, production systems, geographic distribution, and marketing practices. The demand for meat protein is on the rise in much of the world. Global competitiveness is a function of production economics, environmental regulation, labor costs and productivity. The United States can continue to be a leader in food production and meet the needs of increased consumer demands.

The U.S. pork industry today provides more than 20 billion pounds of delicious, wholesome and nutritious meat protein to consumers worldwide each year. In fact, 2006 will be the fifth consecutive year of record pork production in the United States, and all indicators point to another record in 2007. This is accomplished by nearly 67,000 pork operations in all 50 states, though the lion's share of production is located in the upper Midwest, mid-Atlantic, and High Plains states.

The number of operations today is much smaller than in years past, mirroring a trend that is widespread throughout agriculture. Figure 1 shows the number of operations of various sizes since 1977. The decline has been driven by the general downtrend in farm numbers and the fact that there are substantial economies of scale in hog production. USDA data indicate, for instance, that large hog farms average 1.5 pigs per litter more than small hog farms (USDA Hogs and Pigs Report, December 2005). Reasons for these advantages include specialization of labor and management and the ability to adapt modern technologies, such as group farrowing and split-sex feeding.

U.S. pork production units have changed from single-site farrow-to-finish (ie. birth to market) production systems, which were generally family-owned and small by today's standards, to multi-site specialized units, which may be part of very large businesses – many of which are still family-owned. The changes were driven by the biology of the pig and the business challenges of the modern marketplace. Separate sites helped in controlling troublesome and costly diseases and enhanced the effect of specialization. Larger operations can spread overhead costs (such as environmental protection investments and expertise) over more units and buy in large lots to garner lower per-unit input costs. The change in size has been the natural result of economics, plain and simple.

Figure 1



Marketing methods have changed as well. As recently as the early 1980s, a significant number of hogs were traded through terminal auction markets. Larger producers, though, began to bypass terminal markets and even country buying stations to deliver hogs directly to packing plants to minimize transportation and other transaction costs. Today, few hogs are sold through terminal markets and auctions, and the vast majority of hogs are delivered directly to plants.

Pricing systems have changed dramatically as well - from live-weight auction prices to today's carcass-weight, negotiated or contracted prices with lean premiums and discounts paid according to the predicted value of individual carcasses. The shift to lean premiums and discounts was largely responsible for the dramatic increase in leanness seen in the 1990s.

According to researchers at the University of Missouri, the price of about 11 percent of all hogs purchased during January of this year was negotiated on the day of the agreement. All others were packer-produced or sold on marketing contracts wherein prices were not negotiated one lot or load at a time but determined by the price of other hogs sold on a given day, the price of feed ingredients that week or the price of Lean Hog futures on the Chicago Mercantile Exchange. These contracts are entered into freely and often aggressively by producers and packers alike to ensure, respectively, a market and a hog supply and, in some cases, to reduce the risk faced by one or both parties.

The economic impact of this industry is immense. Iowa State University researchers estimated that in 2003, the production sector directly employed more than 33,000 people and supported a total of 565,781 jobs in the U.S. economy. This estimate includes the jobs in sectors such as feed, supplies and processing that directly interact with pork producers as well as those in the rest of the economy that are stimulated by the spending of owners and workers. This vast economic impact included total economic activity of more than $83.6 billion, total value-added of $20.8 billion and total employment income of $32.5 billion.

As the U.S. pork industry evaluates the reauthorization of the 2002 Farm Bill, we have formulated some guiding principles for Congress to consider. Principle number one: we must maintain our competitive advantage. Principle number two: we must strengthen our competitiveness. Principle number three: we must defend our industry.

MAINTAIN OUR COMPETITIVE ADVANTAGE

The next Farm Bill should help the U.S. pork industry maintain its current points of competitive advantage. These include low production costs, unparalleled food safety, further advancements in animal health and consumer-driven further processing.

Low Production Costs

Low production costs are the result of affordable feed ingredients and efficient production units. The Farm Bill can help the U.S. industry on both counts by maintaining and enhancing programs that keep feed ingredient prices competitive with the rest of the world. Feed comprises 65-75 percent of the input cost of producing a market hog. (Each market pig consumes approximately 10.5 bushels of corn and 200 pounds of soybean meal – that's about 4 bushels of soybeans.) With that in mind, U.S. pork producers are concerned about the impact on our industry of the increased use – sometimes through mandates – of corn-based (ethanol) fuels.

U.S. pork producers believe that this country needs a strong renewable energy policy. However, such an energy policy cannot come at the expense of the livestock industry. The current focus on renewable fuels is laudable, but markets must be neither distorted by subsidies and taxes nor constrained by mandates to the point where they cannot send effective price signals. Further research and development are needed to find other energy alternatives, such as using animal manure and fat and biomass, including switchgrass and corn stover. Because this is an issue of high importance to producers, the NPPC board of directors recently directed the Farm Bill Task Force to establish a Renewable Fuels working group. We want to emphasize that the right balance is needed to meet the needs of fuel *and* feed security.

Unparalleled Food Safety

U.S. pork producers have made unparalleled food safety their highest priority. The pork industry has been very responsive to the issue of residues in the food supply and will continue to be vigilant in these efforts. Residues are found in less than .02 percent of all animals marketed. Success in reaching this small percentage is due in part to industry-sponsored producer education programs that help producers understand how and why we need to reach these goals. We believe that adequate funding for the Agricultural Research Service (ARS) and Food Safety Inspection Service (FSIS) is needed to allow those agencies to do what it takes to continue their work in keeping the U.S. pork supply safe and wholesome.

Further Advancements In Animal Health

U.S. pork producers support efforts underway in the Animal and Plant Health Inspection Service (APHIS) to address emergency animal disease outbreaks and efforts to implement a national animal disease programs. The Nebraska Pork Producers Association and the NPPC support a mandatory species-specific animal identification system that enables USDA to meet a 48-hour trace-back goal. The pork industry has publicly committed to working toward having our swine premises registered and identified by December 2007 and a mandatory swine identification system for all relevant species by December 2008. For the U.S. pork industry, premise identification is the key to meeting the 48-hour trace-back goal, and we will continue to place a strong emphasis on achieving our industry's goals. Premise registration is the firm foundation for any National Animal Identification System (NAIS) that is capable of responding to an emergency animal disease outbreak. At this time, there is insufficient swine-specific surveillance data, and NPPC is very concerned that without swine-specific surveillance data to determine the prevalence of swine diseases, we would be unable to act quickly to prevent disease spread or to make certifications to our trading partners about diseases in the U.S. We also believe that a mandatory animal identification system can be implemented under authority of the Animal Health Protection Act, eliminating the need for additional legislation. However, we strongly believe that before an effective animal identification system can be put in place, the Federal government must fund the development and maintenance of a database and provide the infrastructure necessary to support such a system.

Consumer-Driven Further Processing

We must continue to meet the demands of our consumers. Therefore, we should allow the structure of the production and packing sectors to change with the demands of the marketplace. This includes allowing producers and packers to change to adopt new technologies and capture economies of size and scope. The U.S. pork-packing sector is the envy of the world in terms of efficiency, and Congress must be careful not to take away or hamper this source of international advantage. Allowing producers and packers the freedom to develop new ways of doing business will only enhance the value of U.S. pork products, home and abroad, and reduce costs and risks. A key issue here is workable immigration reform that allows us to maintain a viable workforce without significantly increasing labor costs or placing the law enforcement burden on pork producers.

STRENGTHEN OUR COMPETITIVENESS

In addition to maintaining our competitive advantage, the next Farm Bill should strengthen that position by expanding and including such elements as trade assistance, research, risk management tools and science-based conservation programs and environmental regulations.

Trade

At the present time, there is a considerable global demand for pork and pork products. Pork represents 44 percent of global meat protein intake, far more than beef and poultry. World pork trade has grown from 3.9 percent to 5.3 percent of total world pork consumption in just the past 5 years. The extent of this increase in global pork trade in the future will hinge heavily on continued efforts to increase agricultural trade liberalization.

Here are some revealing statistics about U.S. pork trade and the important role of trade agreements:

- U.S. exports of pork and pork products have increased by more than 332 percent in volume terms and by more than 289 percent in value terms since the implementation of NAFTA in 1994 and the Uruguay Round Agreement in 1995.
- The U.S. has exported a new record amount of pork each year for the last 15 years and now exports over 15 percent of its total production.
- Exports to Mexico, our number one volume market and number two value market, have increased by 279 percent in volume terms and by 406 percent in value terms since NAFTA.
- China, a recent entrant to the WTO, has become, due to diverse cultural preferences and tastes, a huge marketplace for U.S. pork variety meats that have very little value at home. Shipments of pork variety meats to China exploded by 690 percent in volume and 750 percent in value in 2004 before growing by 27 percent and 33 percent, respectively, in 2005.
- The Center for Agriculture and Rural Development at Iowa State University estimates that U.S. pork prices were $33.60 per hog higher in 2005 than they would have been in the absence of exports.

U.S. pork producers have been and continue to be strong supporters of trade agreements. We support open markets. We support the Market Access Program (MAP) and the Foreign Market Development Program (FMD), which help expand opportunities for U.S. pork, and we urge continued funding for these programs that have long-term market benefits. It is important to emphasize the need to strengthen the ability of U.S. agriculture to compete in the global marketplace.

American agriculture is among the most competitive industries in the world, but it should not be expected to compete alone in the export markets against foreign governments. Reductions of MAP and FMD funding would put American farmers at a substantial competitive disadvantage.

The downside of growing exports is, of course, the larger economic impact should there be any disruption in trade. Pork producers understand this dynamic and recognize that trade disruption would be devastating for the U.S pork sector. We would welcome the opportunity to work with this Committee to develop risk management tools that would support producers and packers should our export markets ever be interrupted by a serious animal disease outbreak.

Regardless of the timing in writing a new Farm Bill, Congress should extend Trade Promotion Authority or TPA. TPA is very important to U.S. agriculture and the U.S. livestock sector – it provides new avenues for trade and sends to our trading partners the message that the U.S. is a willing and open trading partner. As pork producers, we should emphasize the need to strengthen the ability of U.S. agriculture to compete efficiently in the global and domestic marketplace.

Research

To maintain the U.S. pork industry's competitive advantage, we must invest in research. USDA's research is critical to the pork industry, be it improving swine genetics by completing the mapping of the swine genome, testing and deploying new and improved animal vaccines, improving the usefulness of energy production by-products, such as distillers dried grains, or further increasing animal productivity. Research can assist in monitoring diseases and preventing a disease outbreak. A significant amount of research has been devoted to other animal genomes. It is time for USDA to do the same for the swine genome. Genome sequencing is only the first step to unlocking key genetic information. Annotation is the identification of the functional genes associated within the sequence of the genome and will provide the industry with tools to quickly and efficiently improve production efficiencies in nutrition, swine health, reproductive physiology, animal welfare, nutrient management and pork quality. In addition, the pig is an excellent model for human research in health and nutritional disciplines. Annotation of the swine genome will assist in the development of research models in human nutrition, physiology and medicine.

Risk Management

Although production variability has stabilized, pork producers still face significant price risk. The USDA Livestock Risk Protection program and an Iowa program, which protect livestock producers' margins above feed costs, have both had limited success. We believe that the USDA should critically evaluate both of these programs to determine if changes can make them more useful and thus more widely accepted by pork producers. These have worked relatively well, but the usage rate could be increased. We do not believe that any national programs should be overly subsidized.

In addition, we believe that more attention should be given to whole-farm programs that would include livestock. Iowa was one of the pilot states for whole-farm coverage and, in most cases, demonstrated how livestock revenue assurance together with crop insurance can reduce premiums compared with insuring enterprises separately.

As noted in the section on Trade above, we also urge the Committee to consider risk management tools to cover producers and packers should export markets be disrupted by a serious animal disease outbreak.

Conservation and the Environment

Conservation and natural resource stewardship are areas that are most important to our producers. Nationally and in Nebraska, pork producers are committed to running productive pork operations while they meet and exceed environmental regulations. Pork producers have fought hard for science-based, affordable and effective regulatory policies that meet the goals of today's environmental statutes. For us to meet these costly demands while maintaining production, we believe that the federal government must provide cost-share support to help us defray some of the costs of compliance through conservation programs of the Farm Bill, namely through the Environmental Quality Incentives Program (EQIP) of the 2002 Farm Bill.

As my fellow pork producer Randall Spronk from Minnesota stated during his testimony before this Committee, the EQIP program has not provided pork producers with the support to the challenges we face related to conservation and the environment. I would refer you to the testimony he presented during the June 7, 2006, hearing in Washington, D.C. [1]

Pork producers take a broad view of what it means to be environmentally responsible farmers and business people, and we have fully embraced the fact that our pork processing operations must protect and conserve the environment and the resources we use and affect. We take this responsibility with the utmost seriousness and commitment, and it is in that spirit that our producer members would make major contributions to improving our practices through the Conservation Title of the 2002 Farm Bill. We will continue our efforts to improve the programs in the Conservation Title.

DEFEND OUR INDUSTRY

[1] Testimony of Randall Spronk on behalf of the National Pork Producers Council before the Senate Committee on Agriculture, Nutrition and Forestry concerning the Implementation of the Conservation Title of the 2002 Farm Bill; June 7, 2006 See:
http://agriculture.senate.gov/Hearings/hearings.cfm?hearingid=1923&witnessId=5385

The next Farm Bill should defend the competitive position of the U.S. pork industry by not imposing costs on and restricting the industry from meeting consumer demands in an economical manner. Government intervention must not stand in the way of market-based demands. We must work against efforts to ban marketing contracts, activists' positions on animal care and housing and other efforts that will harm the agriculture sector.

Marketing Practices

We understand that the issue of banning packer ownership of livestock or eliminating forward contracting continues to be discussed. However, we do not believe that U.S. pork producers will be well-served by having Congress eliminate certain types of contracting mechanisms. This only forces the livestock markets to revert back to an inefficient system used more than half a century ago in which livestock was traded in small lots and at prices determined in an open-market bid system. This system was inefficient and makes no economic sense in today's economy—it died out in the '70s and '80s because it was inefficient. Today, the U.S. pork industry has developed a wider variety of marketing and pricing methods, including contracts, to meet the changing needs of a diverse marketplace.

Industry Structure

We should allow economics to determine the structure of production and processing, including the ownership of both. No economic research has ever shown that either the structure or marketing practices of the industry have harmed producers or consumers. While the NPPA strongly supports the constitution of the state, which includes the Initiative 300 provision that places restrictions on some ownership and partnership arrangements, questions have surfaced in recent years about the effectiveness of this mandate. Having been approved over 20 years ago with the intention of protecting family farms, this constitutional provision in essence places a ban on packer ownership of livestock in our state.

Questions from our producer members led the NPPA to support the efforts to evaluate the economic effects of I-300 on our states economy. As producers we recognize that farm policy must mature with the every changing ag economy, thus our desire to have our swine industry organization in the state establish such a position.

In doing so we recognize that the issue of captive supply is an emotional and controversial issue among livestock producers and NPPA does not support the establishment of legislative policy driven by emotion.

Until such research exists, the NPPA does not oppose the National Pork Producers Council policy that Congress should not impose limitations on packer ownership of production, producer ownership of packing, or marketing contracts.

Miscellaneous

Mr. Chairman and Members of the Committee, it is not news to you or the U.S. livestock sector that activist groups and special interest groups will be watching this 2007 Farm Bill debate and will attempt to push their particular agenda by adding regulations to our business practices, be it a social or animal rights or welfare or obesity agenda. We must be cautious about allowing these issues and alternative agendas to be added to the 2007 Farm Bill – a piece of legislation that has been aimed for the past 50 years at maintaining the competitiveness of U.S. agriculture and the U.S. livestock sectors.

The U.S. pork industry has developed and implemented strict animal care practices and judicious use guidelines for animal drugs. These programs are now part of the industry's pork quality assurance and trucker quality assurance programs. These programs require producers and handlers to be trained and certified to care and transport our animals with the utmost concern. We do not believe that Congress should legislate on these issues as part of the 2007 Farm Bill.

CONCLUSION

In conclusion, Mr. Chairman and Members of this Committee, my comments this morning are preliminary. As the NPPC's 2007 Farm Bill Policy Task Force proceeds in its deliberations on the development of the U.S. pork industry's positions related to the 2007 Farm Bill, we would be pleased to share our industry's thoughts and suggestions on the 2007 Farm Bill.

Together, I believe we can craft a Farm Bill in 2007 that meets our objective of remaining competitive producers in both domestic and world meat markets. We look forward to the journey and believe your leadership will allow the U.S. agriculture sector to continue to prosper for many years to come.

On behalf of the National Pork Producers Council, the Nebraska Pork Producers Association and many pork producers we represent, thank you for holding this hearing. We respectfully request y continued and focused attention to the matters we have brought to you today.

NEBRASKA FARM BILL HEARING

Presented to:

Senate Committee
on
Agriculture, Nutrition, and Forestry

Hornady-Marshall Threatre
College Park at Grand Island
3180 West Highway 34
Grand Island, Nebraska

August 16, 2006

Doug Nagel
12505 North 27
Davey, Nebraska 68336

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

My name is Doug Nagel and I farm with my father. We raise 500 acres of sorghum, 600 acres of corn, and 900 acres of soybeans. Sorghum is the most consistent yielding crop that we raise because of sorghum's water-sipping qualities. For example, our area of the state receives 26 to 28 inches of rain a year. Years that we receive less that than that, like this year, my sorghum still produces a crop. We can count on a yield from sorghum in when we have a drought.

Ethanol production is the fastest growing value-added market for the sorghum industry. Producers are working to attract ethanol plants to their areas because it can increase the local cash price. Sorghum is a good fit for ethanol production because one bushel of sorghum produces the same amount of ethanol as one bushel of corn.

My written testimony will follow the Titles of the farm bill. However, the sorghum industry is interested in the Energy title and ready for energy production opportunities that are available for agriculture industry. Including sorghum in the Energy title expands the ethanol industry outside the traditional Corn Belt, as one bushel of sorghum produces the same amount of ethanol as one bushel of corn. I ask that this Committee give serious consideration and discussion to this growing segment of the industry. While the commodity title remains the most significant title to most sorghum farmers, the energy title and energy legislation are drawing an increasing amount of attention.

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 impact 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 Georgia, Kansas, Nebraska, Mississippi, Missouri, Texas, Louisiana, Arkansas, Colorado, South Dakota, Oklahoma 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 or a new farm bill replaces our current farm legislation, 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 or a new farm bill 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.

In addition, Nebraska sorghum producers would be very, very anxious about switching from our current commodity based farm programs and farm policy to a completely green policy, if that new program would be operated similar to the current administration of the current Conservation Security Program. Our Nebraska membership is frustrated with the operation of that program in the state. For example, the agency needs to do a better job of including standard practices in qualifications for the CSP program. We have Nebraska farmers losing significant amounts of their payments because the program was not flexible to meet the management needs of their operations.

Also, if another new policy option, 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

First, I would like to talk about some of the comments sorghum producers have been making and have been hearing about the Conversation Security Program. When the program was created, the sorghum industry felt that it was a natural fit for the program. But after a couple years of operation in the state of Nebraska, we have several members very frustrated with the program.

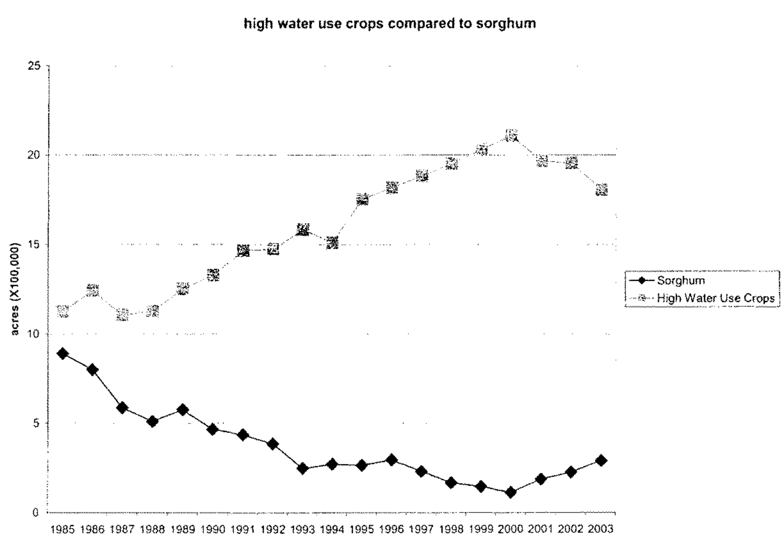
Our members in the Upper plains states feel strongly that serious problems exist with the program. Their first concern is that the Agency started funding the top tier of the programs and focused the programs on what looks like an all or nothing concept. Either farmers were in all tiers or he was not in the program at all. Next, our livestock memberships say that they have numerous more hoops to navigate to be in the program, than they have for the crop side of the program. Finally, the CSP Tiers need to be designed to meet the dynamic management needs of an individual farm and maintain a degree of flexibility to meet the needs of the farm. Our organization feels that a CSP-type program can be an important part of a farm program; however, the rules of the current program and the implementation of the current program are causing a significant amount of frustration among our Nebraska membership.

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. We believe that the starched-based ethanol industry will play an important role in the renewable fuels industry, even after the cellulosic or biomass technology is perfected.

Background on Sorghum in the Ethanol Industry

Currently, 15% of the grain sorghum crop is used by the ethanol industry to make ethanol, and the number is growing each year. 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. 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.

Sweet Sorghum Conversion to Ethanol

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 feedstock for ethanol production.

Under current systems, the sweet sorghum is harvested, and then the stems are crushed and juice extracted at a mill. Some harvesters, though not economically viable at this time, are being developed to extract the juice in one operation and leave the residue 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.

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.

Testimony of Doug Nuttelman
House Agriculture Committee Hearing
August 16, 2006
Grand Island, NE

I'm Doug Nuttelman, a dairy farmer from Stromsburg, Nebraska. My wife Gloria, our three sons and I operate a 175 - cow dairy and farm 2,200 acres producing over 3.5 million pounds of milk over the most recent 12 months. We have been in the dairy business for 20 years. I serve on the board of directors of Dairy Farmers of America, Inc. (DFA) a national milk-marketing cooperative based in Kansas City, Mo. with dairy farmer member owners in 48 states. I also serve as chairman of the DFA Central Area Council.

I represent my fellow local dairymen on various state and regional organizations by serving on the National Dairy Promotion and Research Board. I am the past chairman of the American Dairy Association and Dairy Council of Nebraska and past secretary treasurer of the Nebraska Dairy Industry Development board and past president of the Chamber of Commerce.

I appreciate the opportunity to testify at this hearing 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) 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.

2) 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 of the current Farm Bill which will work well for most of the nations dairy farm families.

3) 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.

Up until the last several months, the CCC has purchased some NFDM – doing what safety nets are supposed to do. The last time milk prices fell to safety net levels was in 2002 when the average Class III price for the year was $9.74 (below the safety net 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 2002 – but if it wasn't around and prices did fall to that level the Nuttelman farm would face a loss in income of $101,695 on an the most recent 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 DFA supports as long as there are no caps limiting access to the benefits. My farm is affected by the payment limitations, restricting my ability to fully take advantage of this program. Like the price support program

I view the MILC program as a valuable safety net for producers pay prices. Its key benefit is that 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 the program:

- 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.

4) We support continuation of the Federal Milk Marketing Order program. Marketing Orders are important to us as they undergird 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.

We are, however, becoming very frustrated in our attempts to get the Order system to recognize local issues – such as in our case the problems caused by de-pooling. De-pooling results in farms in the same area getting widely different pay prices in the same month for no valid economic reason. It is just the difference in various buyers 'ability to utilize loopholes in the Order regulations.

In addition to making producers upset about the different pay prices depooling and negative PPD's really mess up a producers ability to hedge his milk price. Several DFA members testified about this at a hearing relative to Federal Order 32 and again USDA recognized the problem. I personally have used contracts to try to stabilize my milk price and so have my neighbors. Several people I know have existing contracts out

into 2007. The next time we get in this situation – if we don't get a decision, there will be people asking questions and again being upset and concerned.

This should be fixed and we have asked USDA to do so in a hearing. They agreed, saying so in a Recommended Decision issued on February 22, 2006 – but, here we are, nearly six months later and still do not have a Final Decision.

DFA has participated in the industry make allowance discussion in both the California and Federal Order hearings. We understand the importance of product formulas and the need for them in our pricing structure.

DFA continues to support the NMPF compromise position, which calls for a reasoned and limited increase in the make allowances for Class III and IV, if justified by a Hearing Record and found for by USDA. But these changes should be paired with an index that will adjust the formula for energy cost changes and "hold harmless" any change in Class I and Class II prices from any changes in make allowances.

The industry (and USDA according to the "delay Notice) is waiting for a comprehensive study from Cornell University on the product formulas and manufacturing costs. We are waiting until that data is released and plan to review it carefully. We expect to work with the other cooperative members of National Milk Producers Federation to evaluate the Cornell study.

USDA has requested additional proposals be submitted by September 30. If we have any proposals for consideration we will submit them by the deadline.

We seem unable to get the USDA staff to realize the problems this causes and need them to be more responsive. If USDA fails to help dairy farmers in this dilemma we may need legislation to address this issue.

Also, while we to 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.

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 two 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

The implementation of conservation practices on our farm is extremely important to our operation. Increasing the funding for the Environmental Quality Incentives Program (EQIP) in the 2002 Farm Bill was very significant. We applied and received funding through the EQIP programs to offset the cost for these practices. Without the cost sharing mechanism it would have been difficult to fund some of the necessary and recommended practices.

There is another matter of local interest that I'd like to bring to your attention. Our area is a heavy livestock farming community. As such alfalfa hay is a key commodity and widely grown. However, the farm programs do not provide for any support payment calculations based on alfalfa production. So a primary use of cropland that could meet the program goals is excluded from any consideration.

I want to thank you Chairman Chambliss and Senator Nelson, for cosponsoring Senate Bill S.3681 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. I would ask you to urge your colleagues to support this important legislation.

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

We favor the elimination of estate taxes. If this is not possible, we would be in favor of any compromise that reduces the estate taxes.

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 including dairy producers in Alaska, Hawaii, District of Columbia and Puerto Rico. Their inclusion will allow the collection of the promotion assessment on imported dairy products as authorized in the 2002 Farm Bill. Such legislative action is obviously long overdue.

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 and Senator Nelson, 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.

nebraska farm bureau federation
5225 S. 16th St., P.O. Box 80299, Lincoln, NE 68501 Phone: (402) 421-4400, FAX# (402) 421-4432

**STATEMENT OF THE
NEBRASKA FARM BUREAU FEDERATION
TO THE
U.S. SENATE AGRICULTURE COMMITTEE
REGARDING THE 2007 FARM BILL**

**Presented by:
Keith Olsen
President**

August 16, 2006

Good morning. My name is Keith Olsen. My family and I own and operate a dryland wheat and corn farm near Grant in Southwest Nebraska. I serve as President of the Nebraska Farm Bureau Federation, the state's largest farm organization.

Mr. Chairman and members of the Committee, we commend you for holding these field hearings on the 2007 farm bill and for taking time to listen to those who have most at stake in this debate – our nation's farmers and ranchers.

The landscape of agriculture has changed considerably since the enactment of the 2002 Farm Bill. Unpredictable weather conditions and markets, uncertainties involved with international trade and variable input costs have produced turbulent times for production agriculture. This year has been particularly difficult for Nebraska producers as widespread drought will likely result in severe losses of crop, hay and livestock production. In addition, production costs have significantly increased due to the skyrocketing price of fuel, fertilizer and other energy-related inputs.

Our long-term policy goal is to "level the playing field" in production agriculture around the world so farmers and ranchers are allowed to compete in open markets without tariff and non-tariff barriers, without export subsidies, without currency manipulations and without production-distorting domestic subsidies. Frankly, most, if not all producers in Nebraska will state that they would rather get their income from the marketplace rather than government payments which could occur if we removed all barriers of trade and leveled the playing field for U.S. producers.

However, bridging the gap between where we are now and where we want to be in the future will require time and transitional policies. The short-term reality is that we will continue to need a safety net in years that revenues decline due to low yields and/or low prices combined with the high costs of doing business – which is currently the case for many producers raising crops today.

As we look to the 2007 farm bill it is important that Congress and USDA build upon the success of the current farm bill and put into place policies that help make the United States a place where producers have the ability to remain in production agriculture and expand their operations if so desired. Considering the average age of producers continues to increase, we need to identify ways to assist beginning farmers and ranchers who are interested in production agriculture as well.

Farm Bill Extension

Since the WTO talks were indefinitely suspended in July and it is uncertain when the talks will resume, Farm Bureau is calling for an extension of the current farm bill for at least one year after making minor adjustments to comply with recent WTO rulings. While we continue to support the Doha Round, we believe the U.S. should not unilaterally disarm our farm programs or give up negotiating opportunities when our trading partners remain unwilling to take the same steps.

While we support a one-year extension of the Farm Bill, that should not prevent those of us in agriculture to continue to further policy discussions in preparation of the next farm bill. It is fairly safe to say that Nebraska producers are generally pleased with the current farm program. The 2002 Farm Bill has worked well in providing a safety net for producers when commodity prices are low. In fact, the Loan Deficiency Payment and Counter-Cyclical Payment are good mechanisms for a safety net when a producer raises a crop. The question I have is, what happens with the safety net when producers raise little or no crop. We have worked hard to put in place a strong safety net in the 2002 Farm Bill but it tends to over compensate producers in years when they raise a big crop and prices are low, which requires more government spending. On the other hand, in years when producers raise little to no crop and the need for the safety net is high, the LDPs and CCPs help very little.

Farm Program Safety Net

Consequently, most Nebraska producers who have faced multi-year droughts will seriously question whether we have an adequate safety net in place under our current farm program coupled with the crop insurance program. There are many risks facing agriculture which would include both price risks and production risks which in combination determines the financial risks for producers. Unfortunately, many producers are currently experiencing a severe financial risk because of a significant hole that has been developing in the safety net.

The problem lies in the fact that while crop insurance is a useful tool to deal with production risks, coverage levels continue to decline in times of multi-year droughts which many producers are currently experiencing. Since the amount of coverage depends on the average yields of previous years, every consecutive year of drought drives down the amount of insurance farmers can buy for their crops.

For example, on my farm, the insurable yield for wheat on some of the fields has declined from 31 bushels per acre to 24 bushels per acre which is a 23 percent decline in coverage. The insurable yield on my corn acres has declined nearly 30 percent. This loss of coverage amounts to more than $30 per acre loss of risk protection. This declining coverage effect under the crop insurance program has impacted producers throughout much of state with certain areas of the state actually experiencing their sixth or more consecutive year in a drought.

The inadequacy I just described in our safety net is why we strongly urge that emergency disaster assistance needs to be approved by Congress. Without its passage, we could very well see many producers, particularly younger farmers and ranchers, financially forced to get out of the business of production agriculture because of the drought. With that being said, I think the discussions this Committee will have on the next farm bill should include the development of policy that truly addresses the risks we face in agriculture in order to avoid what has become an annual request from various areas of the United States to have Congress approve disaster assistance. In short, the safety net is crucial for long-term financial health of producers but it is currently inadequate and it needs fixed.

To address the issue of supporting revenue rather than prices, maybe consideration should be given to combining the farm program with the crop insurance program that pays producers based on revenue shortfalls. The Risk Management Agency has expanded a couple of pilot programs called the Adjusted Gross Revenue (AGR) and the Group Risk Income Protection (GRIP) policies that attempt to address revenue needs of a producer rather than just prices. In addition, programs such as these could be structured in a way that would be more WTO friendly as we deal with rules governing domestic trade distorting subsidies.

Unintended Consequences

There has been a great deal of discussion in farm policy circles about the unintended consequences of the current and past farm bills and how that impacts the next generation of farmers. Clearly, government support has had an impact on land costs and cash rents which is often cited as a factor limiting opportunities for young farmers entering agriculture.

If traditional farm policy is reformed to address these unintended consequences, we will have to "go the extra mile" to be careful and cautious on changes that may impact the value of farmland. A majority of farmers' own personal retirement investments are tied up in the value of their land. A sudden decrease in land values would wreak havoc on producers' balance sheet as well as the balance sheets for the entities which provide agricultural financing. Therefore, if movement is made away from these traditional payments, that movement will need to occur over a period of time.

Payment Limitations

Much focus in Nebraska continues to be centered on tighter payment limitations. While Farm Bureau opposes payment limitations from a philosophical standpoint, the whole discussion of payment limitations oversimplifies a deeper policy question as it relates to the unintended consequences of higher land costs and cash rents. Our current farm program system is based on production on the land and maybe consideration should be given to providing assistance to support producers' revenue rather than land-based production. Again, policy changes addressing this issue will be difficult and a transition to this type of reform should be over a period of time.

Conservation Programs

Continued examination should be given to enhance society's environmental objectives through the farm bill. Voluntary and incentive-based programs have historically worked the best for producers. As more producers and policymakers begin to discuss ideas to move towards more "green payments," a word of caution may be in order on how these payments will be distributed in Nebraska particularly in the flat, irrigated areas that rely heavily on farm program payments at this time.

Rural Development

Rural development should continue to be a key ingredient in farm policy particularly as we look towards providing some supplemental employment opportunities for younger producers entering agriculture and small operations needing outside income. This policy objective would even be more beneficial if these rural development programs focused on value-added projects such as the development of bio fuels and the spin-off jobs associated with those industries.

Livestock Production

Livestock production is often overlooked as organizations prepare for the next farm bill. While the farm bill does not directly deal with programs to support livestock impact, the type of farm policy we develop should enhance livestock production across the U.S. In addition, federal, state, and local regulations that negatively impact opportunities for livestock producers should be reexamined in the context of a broader strategy to reverse the decline of livestock numbers not only in Nebraska but across the U.S.

Tax and Regulatory Policy

In addition to sound farm policy, the U.S. must also enact tax policies that stimulate investment and growth, promote domestic energy security through the development of traditional and renewable sources, invest in infrastructure and create a regulatory environment that does not stifle crop and livestock production. These are issues that warrant the attention of Congress, as they have a significant impact on the competitiveness, profitability and overall livelihood of production agriculture.

International Trade

International trade continues to be important to the agriculture industry. With 96 percent of the world's consumers living outside our borders, we must continually look for ways to increase U.S. exports by reducing barriers to trade and opening new foreign markets. Nebraska's agricultural exports totaled $3 billion in 2004, accounting for one-fourth of farm cash receipts. Nebraska ranked second in live animals and meat exports, third in feed grains and products and fifth in soybeans compared to other states in the U.S.

Our ability to compete in the global marketplace will be affected greatly by the outcome of the Doha Round which is why we believe we should continue to work toward an agreement in WTO as well as continue our efforts to seek bilateral and regional trade agreements that will accomplish our objectives to liberalize trade. We continue to believe these arenas represent the best opportunity to reduce trade-distorting domestic subsidies, eliminate export subsidies and increase market access for U.S. agricultural products around the world.

Transportation

Farmers rely heavily on an efficient and competitive transportation system to move their products to domestic and foreign markets and to bring agricultural inputs to their farms. The locks, dams and ports vital to the movement of agricultural commodities must be maintained and updated to preserve efficient and cost-effective waterborne transportation. This includes modernizing the system of locks and dams on the Mississippi River and maintaining navigation on the Missouri River.

While we debate the need of investing in our transportation system, Brazil, Argentina, China and other countries are building infrastructures with the goal of lowering transportation costs while increasing exports and their overall world market share. Argentina, for example, has invested over $650 million in agricultural transportation. Brazil is reconstructing its waterway system in an effort to reduce the shipping cost of agricultural commodities by 75 percent. Due in large part to transportation advancements, these two countries have captured 50 percent of the total growth in world soybean sales during the past three years. If U.S. agriculture expects to continue to effectively compete in the global marketplace, we must preserve and enhance our transportation system.

Energy

Whether it is gasoline, diesel, electricity or natural gas, farmers and ranchers must have access to reliable and affordable energy inputs. Since 2004, Nebraska farmers and ranchers have experienced a substantial increase in input costs due to higher prices of fuel and fertilizers. Therefore, Congress needs to continue to advance legislation to expand our domestic production of oil and natural gas supplies such as drilling in the Outer Continental Shelf and the Artic National Wildlife Refuge.

Nebraska farmers and ranchers are doing their part in terms of helping address our domestic energy supplies. Nebraska ranks second in the U.S. in ethanol production capacity and currently there are 12 plants producing 574 million gallons of ethanol. Approximately 20 to 25 percent of the state's corn crop goes into production of ethanol. It is anticipated that if proposals to build ethanol plants and expand existing facilities occur over the next two years, about 50 to 55 percent of Nebraska corn would be delivered to ethanol plants.

Passage of the Energy Policy Act of 2005, our first comprehensive energy policy in decades, is a step in the right direction. The Renewable Fuels Standard and tax incentives for renewable energy will provide opportunities for producers and stimulate economic development in rural America. However, further action is needed to address the vulnerabilities of the energy sector and the resulting impacts on farmers and ranchers.

Mr. Chairman and Members of the Committee, thank you for the opportunity to share our thoughts with you and I look forward to any questions you may have.

Released by: Roy Stoltenberg (308) 381-0285

Local Farmer and Representative of Nebraska Farmer's Union

Senators & Guests:

Thank you for the opportunity to participate in your hearing today.

I would like to start by stating that since the WTO talks are in limbo, now is not the time to make drastic concessions, but to write a farm bill that works for our own country. We thank you for your efforts in the last farm bill. However, producers and a lot of smaller ag-related business' and coops continue to get by on about a 2% return on investment – companies that can move products around the world continually see a 15-20% return. The payments and counter cyclical payments have supplied some cash flow and price targets to shoot for but it is not wise to bet the farm on income transfers. Receiving a larger share from the market place would be a better practice.

Recent price increases in crop imports have eaten up our chances of showing a profit and past farm bills have eliminated programs that producers could use to impact the market. While we support the efforts to increase exports, the facts show exports for feed grains have been flat for years while domestic use has really increased; not only as feed, but in the last few years also as a fuel. I believe we can supply our livestock and ethanol industry and exports while letting our producers gain some extra revenue in the market place.

The following are some suggestions I propose:

1. **Farmer owned reserve** – Establish a farmer owned reserve with storage payments starting upon enrollment.
   With the ethanol industry owning storage for only about a weeks supply of feed stock, a farmer owned reserve with aggressive use of our current storage program through FSA we could have a steady supply of quality grain for our end users. As

harvest equipment gets larger and faster, we are seeing bigger and bigger ground piles at our local elevators. These temporary storage piles are very susceptible to spoilage and weather damage. Reserve storage payments would build more permanent producer owned bins and this would allow producers to market their products where and when needed and gain some extra value from the market place.

This reserve would be limited to roughly 20% of production so everyone could use it and also storage payments would stop when the monthly average price reached 140% of Federal Crop fall price. (for example: $2.00 fall price x 140% = $2.80 storage stop)

2. **Flexible Fallow** – With today's technology of grid sampling and yield monitors, we know where the spots in the field are that do not return enough to cover our cost of production. With the high cost of inputs, why turn fuel, fertilizer, and pesticides into a commodity that is already under priced.

   We need incentives called conservation payment or possibly a higher target price for producers that want to use their technology and identify those sandy knobs or alkali spots to produce forage for livestock This program is very compatible with wildlife programs and other Federal programs like the Natural Legacy Project that seeks to identify species close to the endangered list and establish habitats to help keep them from becoming endangered. These would be one year contracts so producers can respond to market demand and changes in input costs.
3. **Country of Origin Labeling** – As we talk about market demand we want to see country of origin labeling that was included in the last farm bill. By putting your name and reputation on the label, it will spark competition for quality and give consumers more information to make an informed purchasing decision.
4. **Packer Ban on Long Term Ownership of Live Animals** – Our livestock producers are a competitive and resourceful bunch. By giving them a constant and quality supply of feed through the reserve and storage program and some extra grazing or winter feed through the Flex Fallow program, we can continue that spirit of competition on the sales side by not letting packers feed their own cattle. Livestock receipts in Nebraska are a large part of our economy. We do not

want to hear "sorry we are out of the market for a time while we butcher our own cattle", or "we are full of our cattle right now but we will take yours at $2.00 discount". Most of our livestock producers in Nebraska are family owned and operated. They own their animals, they raise their own feed and are proud of their high quality finished product. Most will agree that lower priced feed grains will eventually lead to lower priced livestock. I believe the preceding points will help strike a balance in input costs and price received.

5. **Research dollars** to develop uses for wet distiller's grain. It doesn't make sense to use more energy to dry this co-product of ethanol plants if it can be used in its wet form. I know some research has been done already and just recently released, but more needs to be done as the quantity of this wet feed comes on the market.
6. **Encourage farm ownership of renewable energy** projects either individually or through their local coops. These would include ethanol, bio-diesel or wind generators. These community-based plants would add greatly to the local economy. Reinvestment of the profits would spread the tax base and help lower reliance on property taxes.
7. **Payment limits to producers** – Getting around payment limits has become a real art with some people. The actions of a few have hurt the reputation of us all. Those limits are there to help family sized farms and it is time to be tough on enforcing these limits or we may loose some valuable programs for all producers.

RECAP:

Establish **farmer owned reserves** of 20% of production with storage payment to start right away. This will result in better quality in and out of ethanol plants and a steady supply for livestock and exports.

Flex Fallow – Put our expensive inputs where they will do the most good. The payments will be the incentive to free up small parcels of fragile ground for livestock feed or wildlife preservation.

Country of Origin Labeling so our consumers can buy a product they have confidence in.

Packer ban on long-term ownership of cattle so our producers have an open and competitive market when their animals are ready.
Research dollars used for the benefit of wet distiller's grain.
Payment limits to producers needs strong enforcement to regain the trust of our fellow taxpayers.

Thank you for your time and attention.

Roy Stoltenberg

Biography for: Roy Stoltenberg
4656 N. 90th Road
Cairo, NE 68824
308-381-0285

Roy Stoltenberg, age 54, and his wife Mary live east of Cairo. Roy and Mary have been married 29 years and have three children, Laura, John and Patricia. Roy started farming in 1974 and raises corn, soybeans and alfalfa on mostly irrigated land northwest of Grand Island. He also has a 75 commercial cowherd and backgrounds the calves. Roy and his family are active in St. Mary's Cathedral parish in Grand Island,

Current Involvement:

- Second 3-year term on Aurora Co-op Board of Directors
- Nebraska Farmers Union Vice-President
- Nebraska Farmers Union District #2 Director
- President of German Farmers Mutual Insurance Corporation
- Knight's of Columbus
- St. Mary's men's choir

Past Involvement:

- Eight years on local school board (4 of those years as president)
- One year on the Ag Advisory committee for Tom Osborne
- 6 year 4-H leader
- Chairman of St. Mary's Parish Council
- St. Mary's Finance Committee
- St. Mary's Building & Grounds Committee

Statement of

Dwight Tisdale

On behalf of the
Nebraska Sheep & Goat Producers Association

Before the

Committee on Agriculture

United States Senate

August 16, 2006

United States Farm Bill

On behalf of the sheep producers in Nebraska, I am very appreciative of this opportunity to discuss our nation's agricultural policy with the agriculture leadership of the United States Senate.

I am Dwight Tisdale, past president of the Nebraska Sheep & Goat Producers Association. I have been involved in farming and ranching in Western Nebraska for over 40 years. My operation included a Registered Polypay Sheep flock of over 600 ewes. I am currently involved in a project that raises highly maternal designer replacement ewe lambs for commercial sheep flocks.

I am pleased to provide my thoughts on the priorities in the next Farm bill that will assist the sheep business. I can report to the Committee, as well Mr. Chairman, that these priorities are shared by my fellow producers in our state association and the American Sheep Industry Association.

The sheep industry of the United States is comprised of 68,000 farm and ranch families producing lamb and wool in every state of the country. The industry provides half a billion dollars to the American economy and is a mainstay of many rural communities in which sheep grazing is a key use of grazing and pasture land.

Sheep producers have been aggressive and creative in their approach to national initiatives that strengthen the domestic industry.

In 2005, the sheep industry approved a national referendum to continue our American Lamb Board checkoff program. This lamb promotion program is entirely funded by the industry and I am pleased to say that of those who voted, 80 percent voted in favor of the referendum. We collect over $2 million annually from sheep sales with producers, feeders and lamb companies all paying a share of the checkoff.

The American Wool Council launched a wool production, information and marketing program for American wool in early 2001. Our national initiatives have improved competition for American wool. International marketing programs have exposed U.S. wools to the world and exports have grown rapidly to over 60 percent of our annual production today. Total exports represented less than a third of production prior to our programs. We now sell into eight or more international markets each year. In addition to expanding market opportunities for producers, the Wool Council has developed new fabrics and treatments for textiles with U.S. companies and America's armed services. We are proud to help provide clothing and uniforms for the men and women of our military. Fully one fourth of our wool production is consumed by the U.S. military.

2004 marked the first growth in U.S. sheep inventory since 1990. We grew our industry again in 2005, the first year on year increase in sheep numbers since 1987 – 1988. Industry growth improves competitiveness for all segments of the industry from lamb feeders to lamb meat companies, wool warehouses to wool mills, feed suppliers, trucking firms and shearing companies.

The Wool Loan Deficiency (LDP) program provides the only safety net for producers in our business. **I encourage the Committee to re-authorize the wool LDP and at a base loan rate of $1.20 per pound in order to provide the benefit of the program as intended.** While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. The research and industry testimony provided in 2002 supported a $1.20 per pound base loan rate and authorization of the wool LDP at this rate should provide opportunity for all producers to participate in the program as intended.

Industry research by Food and Agriculture Policy Research Institute (FAPRI) and testimony by the American Sheep Industry Association documented a base loan rate of $1.20 per pound; however, the legislation lowered the base to $1.00 a pound with a cost score of $20 million annually. The total payments for each of the 2002 through 2005 crop years is $7.8 million, $7 million, $7.3 million, and $6.1 million respectively. The significant difference between the annual cost estimate and the actual payment total each year combined with the fact that nearly all participation has been in only one loan category out of nine total categories, supports the request that the program be authorized at the base rate of $1.20 per pound rather than $1.00 in the current legislation.

Additionally, the sheep industry actively participates in the USDA Foreign Market Development, Market Access Program and Quality Samples Program and encourage inclusion of these in the Farm bill.

I urge the Committee to support re-authorization of the National Sheep Industry Improvement Center.

As established in the 1996 Farm Bill in the Rural Development program of USDA, the National Sheep Industry Improvement Center provides loans and grants to business ventures for financing programs which normal commercial credit or funds were not available.
This program does not provide funds for individual producers nor purchase of sheep or land, but rather for projects to strengthen the sheep business including loans to wool warehouses, lamb slaughter and processing ventures, and wool processors. The Center has provided 56 loans to 38 entities in 21 states. The total volume of dollars that have been loaned since 2000 totals approximately $15.5 million. The Center has also made 58 grants equaling $20,754,529.

The United States has no barriers to lamb meat imports and as such has become the market of choice for lamb exporters from around the world. Lamb was never part of the Meat Import Law so other than the brief period of temporary restrictions in late 1999 – 2001, lamb meat has and is freely traded. However, the playing field is not equitable for U.S. sheep producers. The European Union continues to provide over $2 billion annually in government price support and subsidies to their sheep producers. The European Union maintains strict and effective tariff rate quotas on lamb imports. Our industry looks to both the Agriculture Committee's role in industry programs in the next Farm Bill and the Committee's role in pushing for aggressive reform of Europe's agriculture programs and barriers to assist the domestic sheep business.

As evident in the listening sessions on the Farm Bill that Secretary Johanns conducted last year, a number of comments were provided by producers in support of a retained ewe lamb program in the next Farm bill. The growth of the U.S. sheep industry can in part be credited to the USDA retained ewe lamb program that was in effect for 2002 - 2004. The incentive payment to producers to keep ewe lambs in their breeding herd rather than sell them for slaughter encouraged producers to expand breeding herds which, in the longer term, will provide increased market lambs to help U.S. producers maintain and increase their share of the American meat case.

Two key issues of the sheep industry under the authority of the Committee on Agriculture are Mandatory Price Reporting (MPR) for Livestock and Livestock Risk Program for Lamb (LRP). Our industry does not receive wholesale lamb cut prices for nearly half of the trade under the current stop gap voluntary reporting system nor do we have retail prices for lamb cuts. We strongly encourage the Committee to reauthorize Mandatory Price Reporting for our industry.

Our industry submitted a LRP proposal to USDA in December 2005, with strong support from the United States Senate. As the domestic lamb industry does not have any tools for price risk available, we encourage the Department to implement a pilot program for lambs as has been done for cattle and hogs.

The American sheep industry prefers both of these issues be addressed now rather than in the next Farm Bill.

Thank you for the opportunity to provide sheep industry priorities for the next Farm Bill.

STATEMENT BY STEVE WELLMAN
BOARD OF DIRECTORS, AMERICAN SOYBEAN ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Grand Island, Nebraska
August 16, 2006

Good morning, Mr. Chairman, and Members of the Committee. I am Steve Wellman, a soybean and corn farmer from Syracuse, Nebraska. I am a member of the Board of Directors of the American Soybean Association. 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 are all aware of the collapse of the WTO negotiations last month. It is apparent that there will not be a new trade agreement in place, including reductions in production and trade-distorting programs, before your Committee writes the 2007 Farm Bill next year. However, as you have stated, Mr. Chairman, we don't want to put programs in place that are vulnerable to being overturned as a result of future WTO cases. And farmers do want the certainty for decision-making that a long-term farm bill would provide.

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. As promoters of biodiesel and supporters of the 25x25' vision to enable agriculture to address our country's energy needs, we are particularly interested in looking at programs that would support soybeans as a source of renewable energy. Specifically, these would 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.

Testimony on behalf of the

Nebraska Cattlemen, Inc.

with regard to

Future Agriculture Policy and the 2007 Farm Bill

submitted to the

United States Senate – Committee on Agriculture

The Honorable Saxby Chambliss, Chairman

submitted by

Jay Wolf - Albion, Nebraska

President-Elect - Nebraska Cattlemen, Inc.
Board Member - National Cattlemen's Beef Association

August 16, 2006
Grand Island, Nebraska

Mr. Chairman, and Members of the Committee, thank you for the opportunity to present the Nebraska cattle industry's perspective on the upcoming 2007 Farm Bill. My name is Jay Wolf, and I am a cattle rancher and feeder from Albion, Nebraska. I currently serve as President-Elect of the Nebraska Cattlemen and I am a board member of the National Cattlemen's Beef Association.

On behalf of the membership of the Nebraska Cattlemen (NC) and the National Cattlemen's Beef Association (NCBA), I appreciate the opportunity to provide comments regarding the development of the 2007 Farm Bill. The Nebraska Cattlemen association serves as the spokesman for the state's beef cattle industry and represents professional cattle breeders, ranchers and feeders, as well as 47 county and local cattlemen's associations. Our headquarters are in Lincoln and a second office in Alliance serves cattlemen in western Nebraska.

The beef industry in Nebraska powers our state's economy. The multiplied impact of the $5.9 billion in cattle sales each year is estimated at $11.5 billion. As well, Nebraska is a microcosm of the U.S. cattle industry. We have large ranches and feedlots and small ones as well. We have a strong cow/calf industry, a healthy feeding industry and a robust packing industry. Nebraska is number one in the U.S. in red meat exports, number two in cash receipts from cattle and calves and number two in commercial cattle harvest representing 22% of the U.S. commercial cattle harvest. One out of every five steaks and hamburgers in the U.S. comes from Nebraska. In fact, the only component of the beef industry that is not heavily represented in Nebraska is our number of consumers as cattle outnumber Nebraskans by almost 4 to 1.

The opportunity to work cooperatively on shaping the 2007 Farm Bill is welcomed by the Nebraska Cattlemen. Nebraska beef producers are keenly interested in the crafting of this important piece of legislation since our livelihoods are in part directly tied to many other agricultural commodities. With that being said, however, Nebraska Cattlemen view agriculture policy with fundamental guiding principles that reflect the independent nature of cattlemen of wanting the opportunity to run our operations as we see fit with minimal intrusion from the government. We desire 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 and provides an opportunity to compete fairly in foreign markets.

To address specific portions of the Farm Bill, I will provide comments this morning representing NC on several important issues specifically Conservation programs, Activism, Energy, Research and Country-of-Origin Labeling.

Conservation: Protecting the environment and those that protect the environment

Conservation programs have been identified as a highlight of the 2007 Farm Bill discussion. The Conservation Reserve Program (CRP) will have many acres that will mature in contract agreements in the next year or so. While CRP is more directly associated with farmland, there are implications to the livestock industry regarding grazing and haying. NC has supported provisions that allow haying and grazing of CRP acres at a reduced payment for the year in which the haying or grazing takes place. During times of drought such as right now, the opportunity to utilize the grass on CRP has benefited cattle producers. Additional questions that need to be discussed and answered in respect to CRP is how many additional acres of corn could be needed to keep pace with the growing ethanol industry and maintain affordable feed for livestock.

In addition to CRP, the Environmental Quality Incentive Program (EQIP) is an important conservation program with the goal to achieve the greatest environmental benefit with resources available. Many Nebraska Cattlemen members have successfully utilized EQIP funds to improve their conservation methods. However, many cattlemen have complained that the intense administrative paperwork and time allotment for receiving funds makes EQIP an unattractive and burdensome program. Realizing that dollars are limited and expanding programs by adding dollars may be impossible, one method to realize more dollars to the end users of conservation programs would be to make the program more user friendly and less burdensome. Now certainly verification of records in order to ensure that appropriate qualifications are met is very important. But achieving a more efficient application method and accountability system would result in more dollars to participants.

Paramount to any discussion regarding conservation programs is the need to protect individual private property rights. Nebraska cattle producers are environmentally conscious by our very nature. Our desire to improve the environment thus preserving it for our children and grandchildren is one of our strongest attributes. To that end, government policy should reflect both the U.S. and state constitution and enhance the individual right of free choice of land, water, soil and energy use, development, and conservation. The rights of private landowners must be protected. Any loss of private lands or water rights including waters arising or claimed on public lands without specific procedures of due process of law and just compensation is not acceptable. Agreements involving individual private land and water rights shall be solely a decision of individual private property owners. The laws and policy of state and local governments and private rights should be paramount in governing the use and ownership of water and natural resources.

Disaster Assistance and Relief: Failing to plan means planning to fail

The 2007 Farm Bill discussion provides a great opportunity to address the need to plan for disaster assistance and relief. Disasters can strike in many forms. Some are sudden such as earthquakes, some can be seen coming such as hurricanes, some take years to inflict such as droughts. All of these examples cause undue harm on U.S. agriculture and thus cripple our ability to produce our on food and fiber. We need disaster relief programs that are effective, efficient and funded.

Activism: No place for extremism and special agendas

More and more the debate involving the Farm Bill is not being limited to those who are affected by the programs within the legislation. The beef industry, indeed agriculture in general, is seriously at risk from attacks by environmental and animal activists who desire to put the beef industry and thus my family, out of business. Threats to animal agriculture may be as slight as trying to influence a food guide principle that labels beef as a minimal use protein to as blatant as passing a law that bans horse processing. The Farm Bill is no place for anti-agricultural views and should not be used as a platform for activist groups.

Energy: Balancing inputs and outputs

There is no doubt that renewable energy sources will continue to become more important to the future of the U.S. energy supply. There is much to be learned in finding cost-effective methods of utilizing animal waste as a fuel supply. No where in the U.S. is the excitement of the growing ethanol industry more present than in Nebraska. Paramount to the equation of adding value to corn through ethanol production is the need to cultivate the livestock industry to utilize the by-products of ethanol production. It would be a shame to limit our energy and economic growth by not realizing the full potential of feeding distiller's grains to livestock. Research is needed to most effectively utilize renewable energy by-products and capitalize on this growing industry.

Research: Human and Animal Health Needs

Continued research is needed to help control and eradicate animal diseases. Johne's disease is an example of the need for research to better understand the pathology of this disease so that management plans can be created for cattlemen to adopt. The health of our cattle herd is crucially important in our ability to produce a high quality product that is desirable to domestic and foreign consumers. In addition, nutrition research is important to reinforce the importance of beef's role as a healthy part of American's diets. USDA has done an outstanding job of evaluating diet needs and trends and should be the government agency responsible for evaluating and recommending America's food guidelines such as the "My Pyramid" program.

Country-of-Origin Labeling: Competitiveness and Common Sense

NC seeks a process for country-of-origin labeling that will benefit the U.S. beef industry as well as domestic and international consumers. The process for country-of-origin labeling as contained in the 2002 Farm Bill would impose unnecessary cost and labor burdens on producers and does not represent what NC membership views as an efficient, effective and acceptable country-or-origin labeling program. For instance, the current COOL rule prohibits the use of mandatory animal identification from being used for determining the origin of cattle. Under the proposed National Animal Identification System, all cattle born in the U.S. will be identified with a tag containing a similar prefix (the number '840'), it seems logical that this system could be incorporated easily into the COOL program to ensure accuracy and compliance.

NC supports dramatic revisions to the current COOL law and will support a mandatory program only if it is profitable to all segments of the beef industry. Furthermore, this kind of marketing program is best debated outside of the Farm Bill where all factors can be weighed and open and frank discussions can occur. COOL should not be decided in last hour of Farm Bill debate when fatigue and time constraints are present to hinder beneficial and progressive proposals.

Conclusion

As you can tell, Nebraska Cattlemen has many interests in the 2007 Farm Bill. My fellow cattle producers and I are hard-working and risk takers that simply want the opportunity to run our cattle businesses the best way we can. In doing so, we believe that we will continue to produce the safest and most wholesome beef supply while providing a quality way of life for raising our families. Nebraska Cattlemen appreciate the opportunity to participate in this field hearing and look forward to working with all partners to create an effective 2007 Farm Bill that will help create opportunities for growth in U.S. agriculture.

DOCUMENTS SUBMITTED FOR THE RECORD

AUGUST 16, 2006

Written Testimony of Chuck Hassebrook

Of the Center for Rural Affairs

To the US Senate Agriculture Committee

August 16, 2006

The next farm bill offers America a choice. We can continue the misplaced federal priorities destroying rural communities, or we can invest in creating a future in Rural America.

All Americans have a stake in the outcome. America is strongest when all of its communities are strong and all of its people have access to genuine opportunity. Rural America is a valuable part of America. But rural communities are not sharing in the nation's prosperity. That hurts all of America.

We can create a better future for rural America and with that enhance the rural contribution to a stronger America. There are proven, practical, local strategies working to revitalize 21st century rural communities. But local initiative must be matched by federal policies that support rural revitalization rather than hinder it. It's time to invest in creating a future in rural America.

Renewing Agricultural Opportunity by Fixing Policies that Destroy It

The farm bill should foster genuine opportunity in agriculture and make it possible for modest-size family farms to earn decent incomes – incomes that enable them to contribute to build strong communities. Strengthening family farms is one element of a strategy to build strong rural communities – not the only element but a significant one. Strengthening family farms is a legitimate policy objective – a social good.

A substantial body of research demonstrates that social good. University of California researcher Dean McCannell summarized the research for the Congressional Office of Technology Assessment. He wrote that "All the serious studies reach the same conclusion .... Communities that are surrounded by farms that are larger than can be operated by a family unit have a bi-polar income distribution, with a few wealth elites, a majority of poor laborers and virtually no middle class."

That is not progress. That is social decay. The current farm policy reinforces that decay. Its basic rule – the bigger a farm grows, the more money it gets from the government – ensures three outcomes.

1. The farm program will do at least as much to help mega farms drive family farms out of business by bidding land away from them; as it does to help family farms stay in business.
2. The program will do little to support the income of farm operators except on previously owned land. As the long as aggressively expanding mega farms are promised more government money for every acre they add, virtually every nickel of farm payments will be bid into higher cash rents and land purchase prices.
3. As long as we squander billions on such dubious purposes as helping mega farms drive up land rents and drive out family farms, little money will be left to invest in programs that offer a future to rural America.

That's why 81 percent of farmers nationwide and even 70 plus percent of southern farmers support more effectively targeting payments to small and mid-size farms, according to an Extension Service poll prior to the last farm bill. It also accounts for growing cynicism toward farm programs among farmers. Many farmers, who in the past supported farm programs, now tell me they would be as well off with no program as with the current program providing unlimited payments to mega farms.

Sensible payment limitations reforms can make farm programs work better and provide the fiscal basis to invest in our future. It's a win-win solution. We do not have to choose between having effective farm programs and effective rural development programs.

Payment limitation reform that reduced the cost of farm programs by just five percent could fund a quadrupling of funding for entrepreneurial rural development, providing an additional half billion dollars annually at no additional cost to taxpayers. And it would leave an additional $250 million for investment in bio-energy, broadband telecommunications and rural development related research

Investing in Creating a Future for Rural America Through Entrepreneurship

It's the right time for an historic investment in the future of rural America. Toward the end, we urge you to establish through the next farm bill a ***Rural Community and Entrepreneurship Investment Initiative*** with mandatory funding of half a billion dollars annually.

Entrepreneurship is the key to rural revitalization. In the most rural farm-dependent counties, we found the majority of new jobs are non-farm proprietorships – people creating their own job by starting a small business. Small entrepreneurship is the one development strategy that consistently works in these communities.

It is also the strategy that has the capacity to bring back young people – including those who gain higher education. Our surveys of rural youth in three northeast Nebraska communities demonstrated that half would like to one day own their own farm or business. That opportunity has the potential to draw them back to rural America. Eight dollar per hour jobs in call centers won't. We urge you to invest in the following proven entrepreneurial strategies in the next farm bill:

Creation of the Rural Entrepreneurs and Microenterprise Program to make grants for providing training, technical assistance and loans to rural entrepreneurs. Microenterprise is defined as a business that employs five or fewer individuals and does not have access to the commercial banking sector. Such a program was included in the Senate version of the 2002 Farm Bill but not the final legislation. It should be included in the 2007 bill with $50 million of mandatory funding annually.

Creation of a Community Entrepreneurial Development Program based on four pillars of rural economic and community development: small entrepreneurship, charitable giving to support community development, youth engagement and leadership development. This program would offer grants to collaborating communities to establish regional initiatives for entrepreneurial development, including small business education and technical assistance, leadership development, youth attraction and retention, community-based philanthropy, and intergenerational business transfer planning. We propose mandatory funding of $75 million annually.

Creation of an Entrepreneurship Education Program administered through the four regional rural development centers. This program would make grants to four-year and community colleges, the extension services, non-profit organizations and primary and secondary schools to provide access for rural Americans to entrepreneurship education. Too often in rural America, we educate our young to move away. This program would help educate rural people to create their future in rural America. We propose mandatory funding of $50 million annually.

Adoption of the Individual Homestead Account provision of the New Homestead Act. Like the Individual Development Accounts typically used in urban areas, these accounts match private savings with public funds. Funds could be withdrawn to start small businesses (including beginning farming), gain education, purchase first homes and pay medical expenses. The provision would apply to 698 counties in 38 states that have experienced net out-migration of 10 percent or more. For beginning farmers, we propose broadening the New Homestead Act provision to all counties. We propose funding of $250 million.

Investing in Agricultural Entrepreneurship

The future opportunities for small and mid-size farms are in market niches, made up of consumers willing to pay premium prices for products with unique attributes and food produced in ways they support. For example, two-thirds of participants in a Better Homes and Gardens consumer panel said they would pay more for pork produced on small farms that treat animals humanely and are environmentally responsible.

Family farmers need support in developing these market-based opportunities. We also need new entrepreneurial beginning farmers to pursue these opportunities and keep family farming and rural communities alive. We propose the following initiatives:

The Value-Added Producer Grant program should be reauthorized and provided $50 million of mandatory funding. Created by the 2002 farm bill, the program should prioritize projects that strengthen the profitability and viability of small- and medium-sized farms and ranches and set aside 10-15 percent of funds for projects concerning beginning farmers and ranchers.

A Family Farm Innovation Fund should be created to provide seed capital for innovative initiatives to strengthen family farming and ranching opportunities. For example, an agricultural bank in eastern Iowa is sponsoring a series of forums on machinery cooperatives as a means of enabling small and mid-size farms to lower machinery costs to competitive levels. But it takes legal work and research to launch such initiatives. USDA innovation funds could support such initiatives by providing the Secretary of Agriculture authority to use up to $2.5 million annually to support such initiatives from the funds authorized and appropriated for USDA direct lending programs.

Reauthorize the Beginning Farmer and Rancher Development Program to support collaborative local, state, and regionally-based networks and partnerships for training, mentoring, linking, education, and planning activities to assist beginning farmers. This time, the farm bill should commit $15 million of mandatory funding.

Make the Beginning Farmer Land Contract pilot program nationwide and permanent. It allows USDA to provide loan guarantees on land contract sales to beginning farmers. The prohibition on use of USDA guarantees with "first time farmer bonds" should be removed. These bonds make interest on contract land sales to beginning farmers tax exempt. Together, these provisions could provide a powerful incentive to sell land on contract to beginners. Seller could gain tax-free interest and very low risk.

Support Research Focused on Strengthening Small and Medium Sized Farms. Congress should commit $10 million of mandatory funding annually to the existing USDA National Research Initiative competitive grants program initiative "Enhancing the Prosperity of Small Farms & Rural Agricultural Communities".

Innovative Conservation Initiatives Support Sustainable Community Development

We can and should get much better at designing conservation programs to support communities as they protect the land and water.

Public access to natural space can be a development asset for communities. It can draw young family to start businesses, populate the schools and revitalize communities. And it can provide the basis for new tourism related self-employment opportunities involving bed and breakfasts, hunting, horseback riding, hiking, biking, wildlife viewing and other activities.

Conservation programs should work in concert with community initiatives to use public access to natural space as a development asset. Landowners who enroll in the Conservation Reserve Program, Wetland Reserve Program or the Grassland Reserve Program should receive bonus payments if they restore natural space and provide public access as part of a community plan to use natural space as a development asset.

Conservation programs should help conservation-minded beginning farmers get started. Programs that provide a ten-year stream of payments could, for beginning farmers, provide one up-front, lump-sum payment in return for a binding 10-year conservation commitment. So structured, conservation payments could help finance farm entry and help establish both stewardship and resource stewards on the land.

Testimony of Rebecca Ceartas, Program Director for the Contract Agriculture Reform Program RAFI-USA (Rural Advancement Foundation International), Pittsboro, North Carolina

Submitted to the Grand Island, Nebraska Field Hearing of the Senate Committee on Agriculture, August 16, 2006

Chairman Chambliss, Ranking Member Harkin, Members of the Committee-

I am Rebecca Ceartas, Director of the Contract Agriculture Reform Program with the Rural Advancement Foundation International (RAFI) - USA based in Pittsboro, North Carolina. Thank you for this opportunity to submit this testimony on behalf of the Campaign for Contract Agriculture Reform, a coalition of which RAFI- USA is a founding member.

RAFI-USA, a nonprofit in Pittsboro, NC, creates conditions for a dependable supply of safe food. Based on equity, diversity and community, these conditions include: strong family farms & rural communities, close connections between consumers and producers of food, environmentally sound farming, and safeguarding of agricultural biodiversity.

The Campaign for Contract Agriculture Reform (CCAR) is a national alliance of organizations working to provide a voice for farmers and ranchers involved in contract agriculture, as well as the communities in which they live. The goal of the campaign is to assure that the processor-producer relationship serves as a fair partnership, rather than a dictatorship.

Traditionally, farm bill debates have focused on issues such as research, credit, conservation, and the structure of commodity price support mechanisms and direct farmer assistance programs. Undoubtedly, those themes will continue to be a central part of the debate on the upcoming farm bill.

However, the structure of U.S. agriculture is rapidly changing and therefore the focus of the farm bill process must also be broadened to keep pace with the modern realities facing farmers and their communities.

Unfortunately, the traditional model of independent producer selling their product to independent processor is rapidly shifting toward an environment in which contractual arrangements between farmers and vertical integrators and processors are commonplace. In addition, agribusiness firms are rapidly consolidating to gain market control. It is critical that the farm bill not only address the structural issues of agriculture to help independent farmers stay independent and viable. But it is also important to acknowledge the rapid shift toward contract production, and to address the unique needs and challenges of contract farmers.

These trends are not only evident in Nebraska, but in the nation as a whole. With the rapid rise of vertically integrated methods of agricultural production, farmers are increasingly producing agricultural products under contract with large processors. In 2004, USDA's Economic Research Service estimated that 36 percent of all agricultural production was produced under contracts.[1] These contractual relationships take many different forms. The dominate forms are marketing contracts and production contracts.

[1] *Contracts, Markets, and Prices: Organizing the Production and Use of Agricultural Commodities,* Agricultural Economic Report #837, Economic Research Service, USDA, November 2004

Marketing contracts, now common in the production of beef, hogs, and tobacco, describe a relationship where a farmer or rancher contracts with a processor or integrator to sell product in the future at a certain price. Often the contracted price is benchmarked off a market, such as the Chicago Mercantile Exchange.

Production contracts – which are nearly universal in poultry production, and are becoming more common in hog production – describe an arrangement in which the farmer never actually owns the product they produce, but instead makes large capital investments on their own land to build the facilities necessary to raise animals for an "integrator."

Under such arrangements, farmers and growers are often given take-it-or-leave-it, non-negotiable contracts, with language drafted by the integrator in a manner designed to maximize the company's profits and shift risk to the grower. In many cases, the farmer has little choice but to sign the contract presented to them, or accept bankruptcy. The legal term for such contracts is "contract of adhesion." As contracts of adhesion become more commonplace in agriculture, the abuses that often characterize such contracts are also becoming more commonplace and more egregious.

Under both of these contract models, but particularly with production contracts, farmers and growers lose their autonomy and any bargaining power that they once had as independent farmers. This corporate control of production unnecessarily 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. Contracts are often signed as a last resort. In many parts of the country, farmers have little choice but to sign a contact. For example, for broiler production, with very few exceptions, there really are no alternatives other than producing under a production contract.

Compounding the problems of contract production is the rapid consolidation of agribusiness firms. 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.

In the recent past, this Committee has taken a very "hands-off" approach to the issues of market consolidation and contract agriculture. As the market concentration of agribusiness firms reaches historical levels, and as the contract model spreads quickly throughout other sectors of agriculture, it is time for Congress to take notice, and to legislate commonsense protections to assure that basic of standards of fair dealing and good faith apply, and that fair contracting standards are defined and enforced. In many sectors, such as poultry, growers have no viable option for production other than through a contract relationship. And because total control over the contract terms and contract implementation is in hands of the integrator, farmers and growers are very vulnerable to abuse.

In previous decades, Congress recognized the need to regulate the behavior of powerful packers, integrators and processors in their dealings with farmers and growers. The two most notable examples are the Packers and Stockyards Act of 1921 and the Agricultural Fair Practices Act of 1967. In both cases, Congress recognized the danger of allowing integrators and processors to have unfettered power over agricultural markets, and the need to regulate the behavior of integrators and processors to prevent abuse to farmers. Unfortunately, both statutes are in great need of reform in order to respond to widespread abuses that farmers are experiencing today.

Therefore, because of the importance of competitive markets, where farmers and processors can work together in a balanced and transparent marketplace, I urge the Committee to make the issue of agricultural competition and market concentration a top priority for the 2007 farm bill.

Specifically, I urge the Committee to hold hearings on the issue of agricultural competition and market concentration, in preparation for the inclusion of a Competition Title in the 2007 farm bill. This Title should:

1) Create minimum contract standards to assure that livestock packers and integrators can not use their market power to force abusive contract terms on farmers through take-it-or-leave it contracts. Many of these standards are highlighted in the Competitive and Fair Agricultural Markets Act (S. 2307) introduced by Senators Harkin and Enzi, and the Fair Contracts for Growers Act (S. 2131) introduced by Senators Grassley and Feingold to address abusive arbitration clauses in livestock and poultry contracts.

2) Update the Packers and Stockyards Act to close the loopholes that deny poultry growers basic protections against unfair and deceptive trade practices of live poultry dealers, as specified in the Competitive and Fair Agricultural Markets Act (S. 2307).

3) Update the Agricultural Fair Practices Act to require processors and integrators to bargain in good faith with producer associations in establishing contract terms, to restore fair competition to the ever-concentrating agricultural markets, and to close loopholes that have made it difficult for USDA to enforce the Act. The Competitive and Fair Agricultural Markets Act (S. 2307) would make several necessary improvements in the Agricultural Fair Practices Act to address some of these goals.

4) Address the ownership structure of livestock to assure that direct livestock ownership or contracting practices by livestock packing firms are not used as anticompetitive tools to drive down prices to livestock producers. The Captive Supply Reform Act (S. 960), introduced by Senators Enzi and Dorgan, and S. 818 introduced by Senators Grassley and Salazar would make significant improvements in livestock marketing to address these concerns.

5) Insist on Mandatory Country of Origin Labeling for agricultural products.

I think you for your consideration of these important issues. The structure and fairness of our agricultural markets is as critical to farm income and rural economic health as are the commodity programs themselves. Therefore, it is vital that Congress review these concerns as part of the farm bill process.

To the agricultural committee of the United States of America,
%Senator Ben Nelson

Improvements to the Next Farm Bill

1. Problem: Farm Income
When the 1997 Farm bill changed corn target price from 2.50 a bushel to less than 1.90 a bushel, it was a nail in the coffin of our rural life. Rural families could not afford to support their local rural communities. They had to cut corners wherever possible. They had to go to the larger cities to shop at the discount stores such as Kmart and Wal-mart.

Almost all other industries our able to allow for cost of living increases.

Solution: The 2002 farm bill helped gain some of the buying power back. There should be a 25% increase in the counter-cyclical price and add 10% to it for the each year of the farm program. This will get us closer to parity to the rest of the consumers.

2. Problem: Storage and food supply
Ldp caused low prices at harvest, But the low cost of the grain benefited the processors and the control of marketing the corn was lost by the producers.

Solution: To enhance the bin program and provide payments of .30 for 3 years to make sure every producer would have enough storage for one year.
And to still continue the current bin program with low interest loans for the producers that want storage up to the current limits of the bin program. It would also provide an ample buffer for the needed supply of grain for the alternative fuel plants that are being built.

3. Problem: Energy costs
Energy and fertilizers costs have doubled in the last few years; this is jeopardizing our food security.
There is not enough control of our input costs.

Solution: Have a cap or a subsidy to the farmers to limit the high energy and nitrogen costs. Give more money or incentives to research alternative energy and to support the alternative fuel industry.

4. Problem: Land values and the 1031

Solution: To amend the 1031 tax code to classify a buffer zone of 5 miles of agricultural land from the edge of the city limits. To have special exemption in capital gains tax of the first 2 million dollars if owned for at least 5 years and/or a reduction of the capital gains tax rate of 1% a year for every year owned after the first 5, To a rate no lower than 9% tax.

5. Problem: Exports and imports
The Farmer has been affected by price fluctuations due to foreign policy.

Solution: To continue to fund and support research of new uses of our surplus grain. To limit imports by putting a tariff on American companies that import their grain or livestock from other countries, unless there was an emergency, like a natural disaster.

As William Jennings Bryan once said: "Burn down your cities and leave our farms, and your cities will spring up again as if by magic, But destroy our farms and the grass will grow in the streets of every city in the country."

Thanks for your time,

Roger Bray
2051 Co Rd N
Oakland, NE 68045 rolin@nnta.net

presented by:
Ronald Wieczorek
25140 396th ave
Mt Vernon, SD

Testimony to Regional Farm Bill field hearing: Grand Island, Nebraska:
Save Agriculture, Dump Globalization

"Breakdown Phase of Globalization Now Grips Agriculture; Launch FDR-Style Emergency Measures for Economic Recovery"

Dear Senator Saxby Chambliss,Chairman; Senator Tom Harkin, Minority Leader; and Committee Members:

Drafting the next five-year farm law comes at a time radically different from past periods of policy deliberation. We are now in a crisis context with two interrelated features: 1) *breakdown of the entire monetary financal system* itself—as seen in out-of-control hyperinflation and deficits, bursting of the home mortgage bubble, chain reactions of insolvencies and other manifestations; and 2) globalization in the extreme, to the point that financial interests behind the scenes—from Cargill/Monsanto, to Lazard/Macquarie and all the rest—constitute a fascist menace to the continued existence of the nation-state system.

What is required is Federal emergency action, for which precedents exist. During the 1930s FDR period, bipartisan anti-Depression efforts succeeded in rebuilding the nation, under the General Welfare principle.

The Lyndon LaRouche Political Action Committee (LPAC) was formed exactly two years ago this month, in Boston, at the conclusion of the Democratic Party convention, to serve as a mobilization effort for bipartisan policy action. At a press conference then, LaRouche said, we would "draw the economic map of the nation" to make clear to people, who have been persisting in denial, that there is a takedown process under way in the physical economy. Now, we have reached an emergency stage.

On the manufacturing side—the heart of any modern nation—the U.S. auto/machine sector is being liquidated. In May this year, LPAC released the "Emergency Economic Recovery Act of 2006" (ERA), which is in mass circulation (available on www.larouchepac.com), spelling out action required to save and retool auto capacity, for a vast infrastructure-building drive, to lead a recovery in rejuvenating family-farm agriculture and the economy across the board. The ERA outlines the monetary/financial reform measures needed. Hundreds of leaders in the Northeast and across the country have signed a petition calling on Congress to take action.

LaRouche's evaluation is that the financial system itself may explode as of September. In his statement, "Emergency Legislation, Now!" of May 2, he defined the "Threat To Be Defeated":

"For a little less than two generations, about forty-two years, the presently leading circles of government and private enterprise in our national economy have been persuaded to adopt the delusion that a so-called 'post-industrial' orientation for our nation's economy is both an available, and even an inevitable long-term option. Under the influence of what has been this increasingly popular delusion, the independent agriculture, manufacturing, health-care system, and our republic's basic economic infrastructure generally, have been collapsing, per capita and per square kilometer, throughout virtually all of our national territory...."

This, then, is the context in which the 2007 farm bill must be considered. We here provide your Committee with summary information on three points: 1) stopping globalization; 2) the "U.S. Emergency Economic Recovery Act of 2006"; and 3) key measures for an infrastructure-led recovery in agriculture.

Stop Globalization

Over the last four decades, U.S. economic policy has shifted into financial "bubble economics" (speculative episodes of all kinds—Nasdaq, infotech, fiberoptic, derivatives, home mortgage securities, commodities, etc.), while the means of physical production have been downgraded to ever more cheap conditions—global sourcing for food, outsourcing of industry, and now outsourcing of services. At the same time, basic infrastructure—from bridges, to locks, dams, and water supplies—has not been repaired or replaced. This pattern prevails worldwide.

In the agriculture sector, look at manifestations of the takedown process: U.S. food import dependence, loss of family farms and farmland, reliance on ever-cheaper immigrant labor, and mass depopulation of our farm counties. North Dakota's population growth is negative. Agriculture Department statistics document the fact that farmers' receipts for their output, are way below their costs of production. At the same time, manufacturing has been drastically downsized.

Concentrations of industrial and farm output are being de-structured. Look at the entire nine-state region, from western New York and Pennsylvania, through to Missouri. Historically, this was the world's center of auto production and heavy industry. At the same time, its high-tech farming, and regional food processing were significant national assets. But over the last 40 years, all this activity has declined, to the point of mass population loss from Michigan, Ohio, western Pennsylvania, etc.

This map (Figure 1) shows the patterns of high loss of farmland over the past 30-year period in this region.

Now we are at the point of total loss of what's left of the auto/machine tool capacity in this region. As of June 23, 47,000 auto-sector jobs are being eliminated through "buy-outs" from General Motors/Delphi. The auto workforce has already been cut by 240,000 (20%) since 2000. Of 50 auto plants targetted for shutdown nationally, 37 are in these 9 states. Over 75 million square feet of capacity is shutting down—more than in the last 30 years combined. Machine tools are being sold off at pennies on the dollar.

Who Is Behind the Destruction?

A network of individuals and companies is operating internationally to acquire production assets and commodities, in the face of financial blowout, to stand as corporate trusts over and above nations, as their predecessors did in the 1920s and 1930s, backing Hitler and other fascists. World War II U.S. intelligence reports called these banker fascists by their own self-description, the "Synarchy." One of these figures, Felix Rohatyn, who connects back directly to these circles, is active in the industrial takedown today, along with such infamous entities as Lazard, Morgan Stanley, Goldman Sachs, Steve Miller, Kirk Kerkorian,

and a swarm of others.

In agriculture, the names are well known, including Cargill/Monsanto, ADM, Bunge, Smithfield, and the rest.

This is the same crowd conducting a wholesale grab for public infrastructure, going under the cover-name of "PPPs"—public private partnerships, also under Felix Rohatyn's personal leadership. For example, a Lazard connection, Macquarie Infrastructure Group, now is part of the syndicate which bought the Chicago Skyway, northern Indiana Toll Road, and many more choice public works.

These operations must be stopped. You can't "privatize" the General Welfare.

'Economic Recovery Act of 2006'

The guidelines for Congressional action in the LPAC ERA call for a set of actions of the following kind, in brief: Put a halt to the plant shutdown and job eliminations in the auto sector; preserve the auto/machine-tool capacity and workforce through various precedents of Federal receivership powers. Secondly, bring about retooling of unused auto/machine tool capacity in auto to supply inputs for an array of needed public works projects from rail, to locks and dams, to power plants. Thirdly, launch major new infrastructure-building programs, creating millions of new jobs in the process; expand the Army Corps of Engineers' approach to coordinate both large-scale projects, modern-day CCC programs.

At the same time, Federal emergency measures are needed, to counter chaos from a financial crash. These include stabilizing currencies, freezing unpayable and "unworthy" debts, and issuing low-interest credits to rev up the economy from the infrastructure-building drive.

Launch Infrastructure-Led, Farming Recovery

In this context, family farming can revive and thrive. We sketch some of the Federal actions required, specific to agriculture:

- **Put an end to the free-trade practices, imposed by globalist financial interests. Roll back NAFTA and the other pacts. Stop trying to resuscitate the dead WTO. Restore policy of domestic-produced food supplies, and pursue the same principle in foreign policy, for mutual interest trade, and for infrastructure and food aid to Africa and other points of need.**

- **Re-establish floor prices for farm commodities, under the standing 1940s parity law principle, to restore equivalence of farm commodity prices received to prices the farmer pays. Resume anti-trust interventions to dismantle the globalist corporations.**

- **Launch infrastructure building throughout the farm regions, including: restore the rail grid; upgrade flood control, waterway systems and all other Army Corps installations; advance nuclear power, and initiate nuclear-power desalination projects for vast new water supplies; undertake the long-delayed water conveyance projects, such as the North American Water and Power Alliance.**

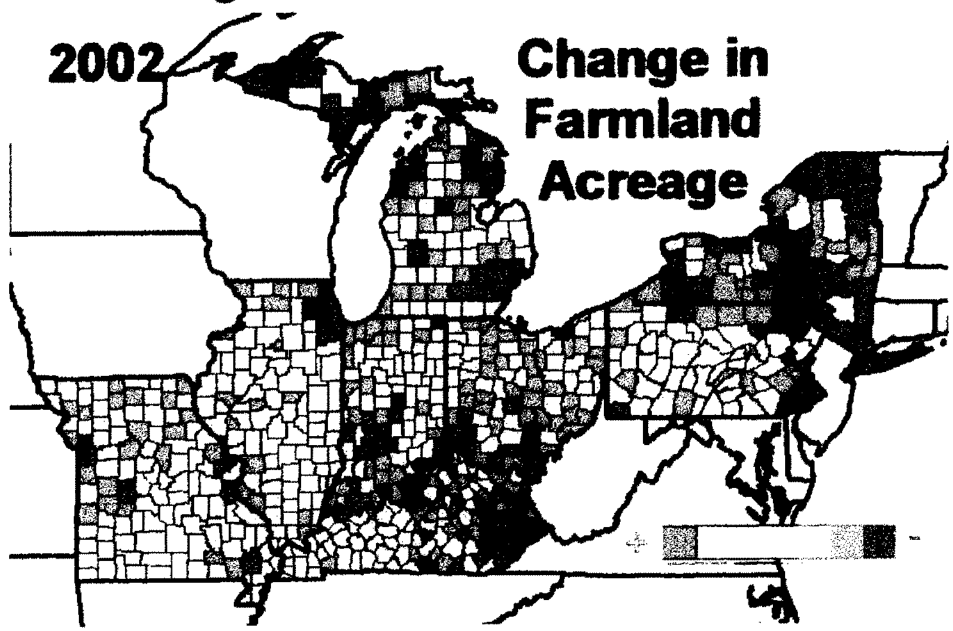
Land Improvements; Upper Watershed Dams

Among the thousands of "ready-to-go" projects is the backlog of authorized work on upper watershed dams, under the jurisdiction of the National Resource Conservation Service division of the Agriculture Department, in partnership with local entities in all 50 states. Over half of the 10,000 installations need work. This itself sets up demand for massive job creation and provision of inputs.

The combined impact of all these actions creates conditions to literally repopulate rural counties, and restore towns and states to solvency and growth. The Federal institutional framework already exists, it just needs to be expanded. For example, the AmeriCorps has programs such as the NCCC—National Civilian Community Corps, which can be scaled up to provide jobs, and do needed infrastructure work.

It sounds like a tall order, but the Senate is the institution that has unique power to initiate such emergency action.

Decline of Upper Midwest Land in Farms, County; 2002 Acreage in Farms, As a Percentage of 1969



Source: U.S Department of Agriculture: Census of Agriculture.
EIR Meghan Rouillard

Midwest Association of Fish and Wildlife Agencies

August 29, 2006

Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, DC 20510-6000

Dear Mr. Sturm:

The Midwest Association of Fish and Wildlife Agencies (MAFWA) appreciates this opportunity to comment on development of the 2007 Farm Bill in conjunction with the Senate Field Hearing of August 16, 2006 at Grand Island, NE. We represent the state fish and wildlife agencies of Colorado, Iowa, Kansas, Kentucky, Illinois, Indiana, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. These agencies have statutory authority for management of fish, wildlife, and their habitats within their respective states. Farm Bill programs directly affect our ability to manage these public trust resources. On behalf of MAFWA, I urge your committee to give strong consideration to the following comments and recommendations:

1. We support maintaining or increasing authorized spending in <u>all</u> conservation programs. Shifting or reducing funding levels will not sustain natural resources, satisfy the needs of the farming public nor meet the expectations of the public in general. Examples of how Farm Bill conservation program funding has not met needs are the 2005 Wetland Reserve Program (WRP) in Iowa ($73.7 million in applications and $11.6 million in funding) and the 2005 Wildlife Habitat Incentives Program (WHIP) in Missouri ($1.3 million in applications and only $541,000 in funding). Specifically,

- **The Conservation Reserve Program (CRP) enrollment cap should be restored to the 45 million acres authorized in the 1985 Farm Bill.** CRP has demonstrated significant benefits to waterfowl and grassland birds in the Prairie Pothole Region (PPR). Economic studies have shown that CRP payments on these marginally productive lands are less than commodity price supports and crop insurance payments on the same acres.
- **WRP should be reauthorized and funded to enroll 250,000 acres/year with a 3.5 million acre cap.** Many states have lost nearly 90% of historic wetlands, and WRP can continue as the proactive tool that helps the nation achieve no net loss.
- **WHIP should be reauthorized with increased funding** to better assist the farming public to restore habitat for species dependent on agricultural lands.
- **The Grassland Reserve Program (GRP) should be reauthorized with increased funding and a better focus on declining native grasslands.** GRP has much potential to conserve agricultural

grasslands including native prairies that cannot easily be recovered once converted to other land uses.

- **The Environmental Quality Incentives Program (EQIP) should be reauthorized with fish/wildlife as a co-equal purpose, funded at the current or a greater level, and all on-farm lands (cropland, grassland and forest) should be eligible** to achieve conservation on the entire farm. EQIP should continue to be USDA's centerpiece for conservation cost-share on working lands.
- **The Conservation Security Program should be continued only <u>under the following conditions:</u> CSP funding does not replace/reduce funding for other Farm Bill conservation programs; wildlife is truly integrated in all states; and all agricultural lands on the farm (cropland, grassland and managed forest) are eligible.** The Conservation Security Program (CSP) has been of considerable interest to agricultural producers where implemented and can help stabilize farm income through income for conservation. CSP has not worked well for wildlife in most states, although Missouri provides an example where it is working.
- **The Forest Land Enhancement Program and the Forest Stewardship Program should be combined, with increased funding to better match the need on agricultural forest lands.**
- **The Farm and Ranch Land Protection and Forest Legacy Programs should be reauthorized, with adequate funding.**

2. Conservation program priorities should be established at the state level to best structure programs and direct funding to landscape-scale needs. State fish and wildlife agencies have the expertise and statutory authority to help USDA efficiently and effectively integrate fish and wildlife needs through research-based and science-driven collaboration. In addition, state fish and wildlife agencies have the lead in implementation of the national Comprehensive Wildlife Strategies (CWS), the National Fish Habitat Initiative, and other initiatives that focus on fish and wildlife conservation. It makes sense for USDA to work closely with state fish and wildlife agencies to design and implement Farm Bill conservation programs.

3. USDA should establish a Habitat Technical Team in each state to provide technical guidance to best tailor Farm Bill programs to meet state needs. These teams would develop and review of all fish/wildlife criteria related to USDA conservation programs. USDA established similar teams for the new Conservation Reserve Program Habitat Buffers for Upland Birds practice (in 2004). This approach has improved relationships and coordination between FSA and state agencies, and could provide a needed structure to promote the integration of fish/wildlife considerations into all Farm Bill conservation programs.

4. Funding for fish/wildlife technical support, as well as emphasis on multi-year technical service providers (TSP) agreements (to help justify staffing increases to state legislatures), should be increased. Current NRCS staffing levels are inadequate to meet landowner demand for technical assistance or implement conservation programs. The Technical Service Provider aspect of the 2002 Farm Bill was to be the mechanism for meeting the technical needs of the farming public as programs ramped-up and NRCS staffing levels declined. However, TSP funding has not met the demand and has been difficult for state fish and wildlife agencies to use. State agencies are staffed to handle state responsibilities and must justify staffing increases to state legislatures as well as find funding for new staff. State fish and wildlife agencies would like to better assist NRCS (and FSA) to provide landowners with fish/wildlife expertise for program implementation, but it isn't reasonable to ask state agencies to forego state responsibilities to handle federal workloads.

5. We encourage you to work toward energy initiatives that promote sustainability of fish and wildlife populations and associated habitats. Renewable fuels are gaining attention. Using CRP lands as a source of biomass seems benign, but the rush for biofuels should not undercut the purposes for which

CRP was created. We encourage you to carefully consider the implications of biomass harvest from CRP or other lands enrolled in Farm Bill programs and ensure that only "best management practices" (that conserve soil, water and wildlife) are used for biomass production, whether on CRP, forestlands or other lands. **The next Farm Bill should require native and ecologically appropriate cover choices for energy and carbon sequestration purposes.** Farm Bill programs should not allow, or promote, cover that is detrimental to wildlife, such as tall fescue and hybrid poplar. The haste for biofuel production to meet potential demand should not result in unintended environmental consequences that may be costly, difficult, and/or impossible to repair. **Neither should any Farm Bill program encourage the conversion or loss of native forest, fish and wildlife habitats.**

6. Funding should be allocated to implement standard monitoring procedures to evaluate program benefits and ensure that soil, water, fish and wildlife goals are met on enrolled acres. This will help focus and refine programs in the future and allow evaluation of the contributions of programs to conservation goals.

In closing, the Midwest Association of Fish and Wildlife Agencies appreciates the opportunity to comment on the 2007 Farm Bill in advance of legislation. We commend USDA for the continued effort to make the most of the tremendous potential reflected in the 2002 Farm Bill for the fish, forest and wildlife resources of the Midwest.

Sincerely,

Douglas R. Hansen

Douglas Hansen
President

cc: Midwest Directors
Bill Smith
Sheila Kemmis

Submission for the Record by
Ervin Schlemmer
Mountain State Beet Growers Association
Billings, Montana
Senate Agriculture Committee Hearing
Great Falls, Montana
August 17, 2006

U.S. Sugar Policy in the Next Farm Bill

Mr. Chairman and members of the Committee:

Thank you for holding these field hearings to listen to growers of all crops and commodities explain how the current farm bill is working for them, and what they would like to see in the next one.

Farmers have a pretty common saying: "If it ain't broke, don't fix it." As a family farmer who produces sugarbeets and other crops here in Montana, that's exactly how I feel about the current sugar program. The policy is working for sugar producers and processors, it's working for consumers, and it's working for taxpayers.

Because of that, sugarbeet growers in Montana are asking for the Committee's help in keeping the current sugar policy intact in the next Farm Bill. We need a farm policy that allows for balanced and orderly marketing. Sugarbeet growers across the country own all of the 25 processing factories, where we ship our crop and add value locally. That alone is very unique in agriculture. We can't get in and out of the sugar business – you're either in or you're out.

The current sugar program helps others besides sugar farmers, however. We are the only major row crop that operates at no cost to taxpayers. As you know, we receive no government checks, and USDA's overhead costs for administering our program are nominal.

Plus, consumers aren't interested in "fixing" a program that lets them pay some of the lowest sugar prices in the world. Sugar prices paid by American grocery shoppers last year was were 23 percent lower than in other developed countries. Candy companies paid prices that were identical to world averages. Believe it or not, Mexican prices were actually 5 cents per pound higher.

These three benefits characterize an agriculture policy that is absolutely not broken.

The U.S. sugar industry has seen and adapted to tremendous change over the last ten years. That is particularly true for the sugarbeet growers in the mountain states of Montana, Colorado, Nebraska and Wyoming. For decades, two competing sugar companies processed our sugarbeets. Given low sugar prices and higher production and processing costs, the corporate processors decided to exit the business. If the industry was to survive, growers had to become the owners and incur substantial debt to stay in the sugar business.

During the development of the 2002 Farm Bill, then-Secretary of Agriculture Ann Veneman encouraged producers throughout agriculture to invest in the value-added portion of their raw commodities. "Move up the value chain" was a constant message being sent to producers so that more income could be generated in the marketplace, rather than from direct government income supports.

Fifteen-hundred family farmers in four states took the Administration's advice. With the help of many of our local banks and other financial institutions in the region, we took on substantial debt to pay $90 million to purchase the Western Sugar Company and it's its six factories from the multinational British firm, Tate and Lyle. After the successful purchase of the company, we were not only proud that our company was once again American-owned, but more importantly, it was *farmer-owned.*

Farmers needed to rescue our company for reasons well beyond the business of producing sugar. First, the 200,000 acres of sugarbeets in the four-state region are an essential alternative to other crops that are in a constant and burdensome surplus. We know first-hand from a bankruptcy of the Great Western

Sugar Company in 1984 that when acres go out of sugarbeets and into other crops, there is a significant price-depressing effect on other alternative commodities.

Second, the loss of processing factories and an alternative high-value crop has a significant price-depressing effect on the land values that support the tax base that is essential to local schools and communities. The sugar industry provides good-paying factory jobs and requires many local goods and services from small independent businesses. It is the cornerstone for one of the best rural development programs there is, and it doesn't cost the taxpayer one dime.

Since the purchase and the passage of the 2002 Farm Bill, we have had to manage many challenges, including relatively low sugar prices as a result of less sugar demand and mandatory imports under trade agreements. Sustained drought means very difficult growing conditions, warm winters have challenged our ability to store the crop, and skyrocketing energy costs threaten us on the farm and in the factories. High natural gas costs make drying the sugarbeet pulp, which is the tissue left from the beet after the sugar is extracted, uneconomical. This high-protein cattle feed now must be fed locally, because if it cannot be dried it cannot be exported to our traditional markets in Japan or Europe.

Sugar is an essential ingredient in the most sophisticated food processing industry in the world, and it is basic to this country's food supply. The sugar and corn sweetener industries provide more than 42 different sugars and syrups to the market. Given the devastating impact of the recent hurricanes on the cane crops in Louisiana and Florida, it has been essential to have a domestic industry that is geographically dispersed so that shortages don't occur in the marketplace.

At the same time, sugar is the most volatile commodity market in the world. Prices around the globe over the past three decades have been known to fluctuate from 6 less than 2 cents per pound to more thannearly 60 cents per pound. That's why more than three-quarters of the world's sugar is never traded on an open market, and that's why U.S. sugar policy must be crafted differently than programs for exported crops. It's this distorted dump market and the enormous sugar subsidies around the world that make the current sugar program so important. We hope that this Committee will address the market distortions and subsidized exports of sugar from countries that don't play, and don't want to play, by the same rules that American farmers do.

The next farm bill must continue to be a farm bill for American farmers. Keeping the current sugar policy provisions will make it a bill that Montana sugar farmers can support and applaud.

Thank you for the opportunity to submit these comments.

Drought Mitigation, Preparedness, and Management

Field Hearing on the 2007 Farm Bill
August 2006

Statement of

Dr. Donald A. Wilhite, Director
National Drought Mitigation Center
University of Nebraska
Lincoln, Nebraska 68583

I appreciate the opportunity to submit this statement to the Field Hearing on the 2007 Farm Bill. My name is Don Wilhite; I am the founder and director of the National Drought Mitigation Center (NDMC), located at the University of Nebraska in Lincoln. The National Drought Mitigation Center (NDMC) was formed in 1995 following a sequence of severe drought years between 1987 and 1994 that affected virtually all portions of the United States. At the time of the NDMC's formation, there was no national initiative or program that focused on drought monitoring, mitigation, and preparedness. I have been involved in drought-related research and outreach since 1980. My efforts have principally been focused on how to lessen the nation's vulnerability to drought through improved monitoring and early warning, mitigation, and preparedness. We have made considerable progress, but much work remains. The 2007 Farm Bill offers the opportunity to address many issues associated with improving drought management at the farm level to lessen vulnerability to future drought episodes. Because agriculture is one of the most affected sectors by drought, the inclusion of specific programs and policies to reduce drought vulnerability would represent a critical step forward in moving this nation to a more risk-based management approach to drought, an approach called for in the report of the National Drought Policy Commission to Congress in 2000, the National Drought Preparedness Act (S 802; HR 1386) in 2005, and in legislation introduced in 2006 to establish a National Integrated Drought Information System (NIDIS) (S 2751; HR 5136).

It is imperative to point out that drought is a normal part of the climate for virtually all parts of the United States. For this reason, we need to be prepared for droughts and focus our attention on mitigation and planning strategies that would reduce impacts before drought strikes. Drought is one of the most costly of all natural hazards in the United States, estimated by FEMA to be between \$6-8 billion per year. The 1988 drought resulted in estimated losses of \$39 billion (about \$64 billion in 2006 dollars). On average, approximately 15% of the nation is affected by drought each year, based on the historical record from 1895 to present (Figure 1). This drought record illustrates both single- and multi-year events; in particular the droughts of the 1930s, 1950s, 1960s, 1974-77, 1987-94, and 1996 to present are noteworthy for their intensity, duration, and spatial extent. During the most recent drought period, 35-40% of the country has been affected in most years and for some regions drought conditions have persisted for 5 or more years. For example, parts of the southeast, particularly Georgia, North Carolina, South Carolina, and Florida experienced 3 to 4 consecutive years of drought between 1999 and 2002. States all along the east coast from Maine and New York to Florida were seriously affected in 1999. In the west, much of the southwest, especially Arizona and New Mexico, experienced 5 consecutive years of drought between 2000 and 2004 while much of Montana, Idaho, and surrounding states experienced severe drought for as many as 7 consecutive years since 1999. Nebraska has experienced 7 consecutive years of drought and those conditions continue in 2007.

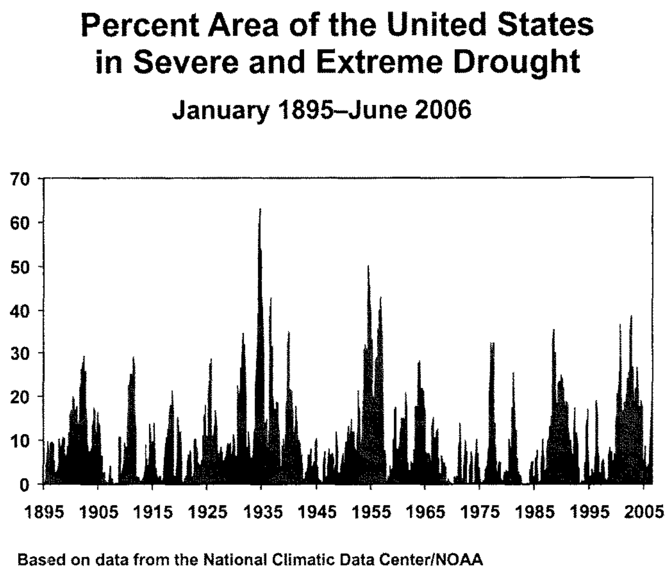


Figure 1. Percent area of the United States in severe and extreme drought.
(Source: National Drought Mitigation Center, University of Nebraska-Lincoln)

The impacts of drought in recent years have been increasing and, it appears, at an accelerating rate, although a systematic national assessment and database of drought impacts has only recently been developed by the NDMC in the form of the web-based Drought Impact Reporter tool. The impacts of drought have also been growing in complexity. Historically, the most significant impacts associated with drought have occurred in the agricultural sector (i.e., crop and livestock production). In recent years, there has been a rapid expansion of impacts in other sectors, particularly energy production, recreation and tourism, transportation, forest and wildland fires, urban water supply, environment, and human health. The recent drought years in the western United States, for example, have resulted in impacts in non-agricultural sectors that have likely exceeded those in agriculture. In addition to the direct impacts of drought, there are also significant indirect impacts that, in most cases, would exceed in value the direct losses associated with drought episodes.

Vulnerability to drought is dynamic and influenced by a multitude of factors, including increasing population, regional population shifts, urbanization, technology, government policies, land use and other natural resource management practices, desertification or land degradation processes, water use trends, and changes in environmental values (e.g., protection of wetlands or endangered species). Therefore, the magnitude of drought impacts may increase in the future as a result of an increased frequency of meteorological drought, changes in the factors that affect vulnerability, or a combination of these elements. The development of a national drought policy and preparedness plans at all levels of government that place emphasis on risk management rather than following the traditional approach of crisis management would be a prudent step for the United States to take. Crisis management decreases self-reliance and increases dependence on government, as illustrated by the hydro-illogical cycle (Figure 2).

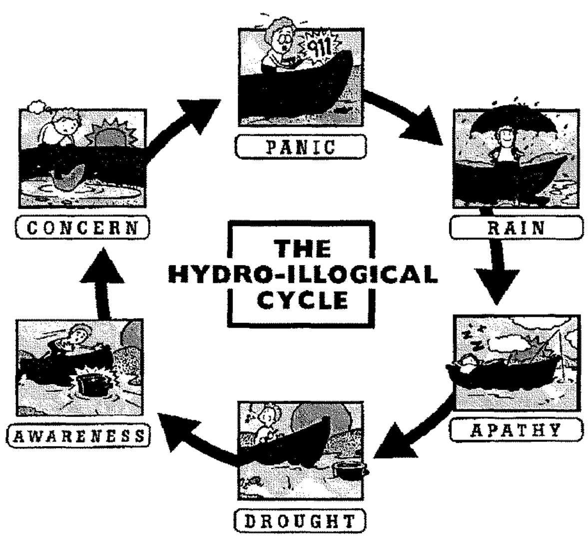


Figure 2. The hydro-illogical cycle. (Source: National Drought Mitigation Center, University of Nebraska-Lincoln)

Crisis management has been ineffective because response is untimely, poorly coordinated, and poorly targeted to drought-stricken groups or areas. In addition, drought response is post-impact and relief tends to reinforce existing resource management practices. It is precisely these existing practices that have often increased societal vulnerability to drought (i.e., exacerbated drought impacts). The provision of drought relief only serves to reinforce the status quo in terms of resource management--i.e., it rewards poor resource management and the lack of preparedness planning. Many governments and others now understand the fallacy of crisis management and are striving to learn how to employ proper risk management techniques to reduce societal vulnerability to drought and, therefore, lessen the impacts associated with future drought events.

National Drought Mitigation Center: Objectives, Programs, and Activities

The NDMC's program is directed at lessening societal vulnerability to drought through a risk-based management approach. The Center's activities include promoting and conducting research and outreach activities on drought monitoring, mitigation, and preparedness technologies; improving coordination of drought-related activities and actions within and between levels of government; and assisting in the development, dissemination, and implementation of appropriate mitigation and preparedness technologies in the public and private sectors. Emphasis is placed on research and outreach projects and mitigation/management strategies and programs that stress risk management measures rather than reactive, crisis management actions. It has been demonstrated that crisis management responses, such as drought relief, actually decrease self-reliance and, therefore, increase vulnerability to future drought episodes. Mitigation and preparedness increase self-reliance and reduce vulnerability. Programs that provide incentives for mitigation and preparedness are a very good investment for government at all levels and for the private sector as well. It has been demonstrated that for every dollar invested in mitigation and preparedness, four dollars are saved through reduced impacts when a natural disaster occurs. It is imperative that we shift the emphasis from crisis to risk management, as illustrated by the cycle of disaster management (Figure 3).

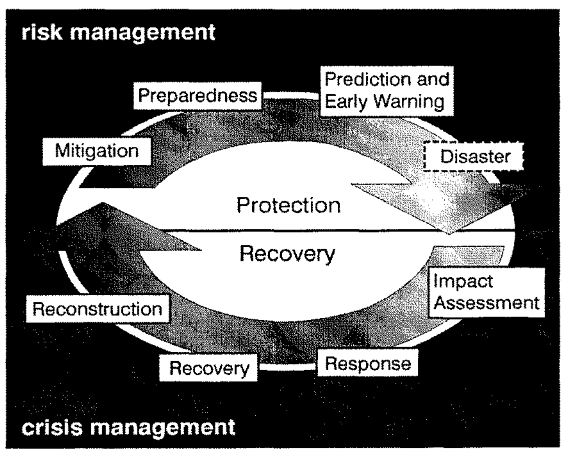


Figure 3. The Cycle of Disaster Management. (Source: National Drought Mitigation Center, University of Nebraska-Lincoln).

2007 Farm Bill: Recommendations for Improving Drought Mitigation and Preparedness

An important goal of the 2007 Farm Bill should be to reduce the nation's vulnerability to drought and the reliance of the agricultural community on drought assistance programs. The recommendations below are directed at achieving that goal.

1. It has been demonstrated that development of drought management/mitigation plans in advance of drought events lessens societal vulnerability. That fact that 38 states have adopted drought plans in the past two decades reinforces this point. Drought plans provide a strategy for states, tribal governments, communities, and river basins to improve decision making and coordinate actions during periods of drought. These plans also provide a mechanism to build public awareness of drought and water management issues during non-drought periods. The NDMC has recently undertaken an effort to encourage the adoption of drought management plans by agricultural producers by developing model drought plans that can be adapted to local conditions. The 2007 Farm Bill should require agricultural producers to prepare a drought mitigation plan for their farm or ranch for the purpose of reducing their risk and associated impacts. The provision of drought assistance funds could be linked to the existence of such a plan at the farm/ranch level.
2. Expand the availability of non-insurance-related decision support tools to assist agricultural producers in their assessment of risk in advance of and during the growing season. Specifically, web-based tools such as the U.S. Drought Monitor (a product produced since 1999 through a partnership between the NDMC, USDA, and NOAA), the NDMC's Drought Impact Reporter, and other products need to be enhanced to allow agricultural producers and other economic sectors to better assess risk at the local scale. Greater investment needs to be made through the 2007 Farm Bill to support research on improving our understanding of the causes of drought, increasing the reliability of seasonal climate forecasts, and investigating how changes in climate and climate variability are affecting the frequency, duration, and intensity of drought events. Funding should also be provided through the 2007 Farm Bill to ensure support for the research and development of risk-based decision support tools. On-going support also needs to be provided to support the operational aspects of these tools following development.
3. A national soil moisture monitoring network should be established that provides rapid access to this critical information for agricultural producers, scientists, consultants, and policy makers. The current SCAN network operated by NRCS is insufficient in station density to adequately represent soil moisture conditions in the country. Soil moisture is one of our most valuable resources but we have no comprehensive national network to assess its status. This information is critical for both drought and flood assessments.
4. A percentage of all drought assistance funds appropriated by Congress should be devoted to the development of effective mitigation programs and actions, as required by the Stafford Act for other natural hazards. It has been determined that Congress has appropriated over $30 billion in drought assistance funds since 1988. It can be argued that this allocation of resources has done little to lessen societal vulnerability to drought

and may have actually increased vulnerability by increasing reliance on government bail outs (i.e., diminishing self-reliance of agricultural producers). The 2007 Farm Bill should address this issue, linking the receipt of drought funds to the development of farm/ranch-level drought mitigation plans and the purchase of crop insurance. It is also clear that drought relief discourages participation of agricultural producers in the crop insurance program. Drought assistance should also be science-based, relying on science-based tools such as the U.S. Drought Monitor and other tools currently under development, so assistance provided is properly targeted to the most affected areas. Drought assistance should not be provided where it reinforces poor resource management practices at the farm/ranch level.

5. The 2007 Farm Bill should support the development and implementation of the National Integrated Drought Information System (NIDIS) (S 2751; HR 5136) through a full partnership between NOAA, USDA, and other federal agencies, non-federal agencies, and organizations, including the National Drought Mitigation Center (NDMC), in order to improve monitoring and early warning systems and seasonal climate forecasts to provide better and more timely and reliable information to decision makers; address data gaps in drought monitoring and enhance networks, particularly for soil moisture, snow pack, and ground water; and develop new monitoring and assessment tools/products that will provide resource managers at all levels with proper decision support tools at higher resolution.

Summary

The National Drought Mitigation Center at the University of Nebraska-Lincoln strongly supports greater investment in research and policies directed at reducing this nation's vulnerability to drought through a more risk-based approach. A challenge for the 2007 Farm Bill is to incorporate programs and policies that provide the agricultural community with new tools to survive recurring drought episodes while at the same time encouraging a more risk-based management approach. My years of experience with drought management have convinced me that a wise initial investment in improved monitoring, early warning and prediction, mitigation, and planning will reduce this nation's vulnerability to drought and concomitant impacts on economies, the environment, and the social well-being of its citizens.

NEBRASKA
Appleseed

A decade of sowing the seeds of justice.

16 August 2006

Senator Ben Nelson
720 Hart Senate Office Building
Washington, DC 20510

Dear Senator Nelson,

Thank you for your leadership in convening today's Farm Bill Listening Session in Grand Island. As you are well aware, the Farm Bill is a very important piece of legislation for Nebraska.

As you continue to represent Nebraska farmers and further the dialogue on the Farm Bill, please remember how important the Food Stamp Program is for Nebraska families (including farming families) on their way to self-sufficiency. The 2002 Farm Bill improved access to the Food Stamp Program, helping more working Nebraskans put food on the table for their families, and *stimulating $199,991,778 per year in local Nebraska economies.* Additionally, Food Stamp payment accuracy rates have improved greatly following changes that simplified and streamlined program participation and oversight.

The facts below highlight the importance of the Food Stamp Program in Nebraska. I urge you to support a bill that would continue to serve the nutritional needs of Nebraskans and empower low-income Nebraskans to make even greater strides toward self-sufficiency.

Characteristics of Food Stamp Households in Nebraska

The 2002 Farm Bill improved access to the Food Stamp Program, contributing to an increase in monthly participation rates of Nebraskans from 93,149 in August of 2002 to 119,704 in March of 2005, serving mostly children.

According to a 2004 report on the characteristics of food stamp households (the latest available information) by the Office of Analysis, Nutrition, and Evaluation, 56.8% of Nebraska food stamp recipients were children and 14.2% were elderly individuals. Nationally, 54.3% of food stamp recipients were children, while 17.3% were elderly individuals.

In February 2006, according to data from Nebraska Health and Human Services System, Nebraska had a total of 51,421 households participating in the Food Stamp Program, with a total of 119,704 individuals receiving benefits. Both of these figures had increased from February 2005, during which 50,043 households and 117,461 individuals received food stamps.

Food Stamps are effective, efficient and closely monitored.

- The Food Stamp Program is efficiently targeted to reach people who have the most difficulty affording an adequate diet. Over 95 percent of benefits go to working households with incomes below the poverty level; nearly all of the remaining beneficiaries are elderly or disabled.

- A full-time minimum wage worker earns the equivalent of just under half of the poverty level for a family of four. Even with the earned income tax credit (EITC), this family's income is only about 70 percent of poverty. Food stamps make it possible for such working poor families to stretch their income so that it approaches the poverty level.

- Last year's GAO report found that efficiency in the Food Stamp Program nationwide has reached its best level in history. Among the findings:

  - The error rate for the Food Stamp Program has declined by almost one-third over the past five years from 9.86 percent in 1999 to a record low of 6.63 percent in 2003.
  - 98 percent of households receiving food stamps were eligible for the program.
  - By reducing the error rate between 1999 and 2003, the Food Stamp Program avoided paying out some $700 million in erroneous payments in 2003 that it otherwise would have paid had the error rates from 1999 remained constant.
  - Of the errors reported in the Food Stamp Program, two-thirds are the result of caseworker error (such as failure to act on reported changes in income or making mistakes in applying program rules).
  - In addition, declining error rates in the Food Stamp Program have occurred at a time of rapidly rising participation in the program, showing increased efficiency and targeting of resources.

Food Stamps benefit farmers, the food industry, and the economy.

- USDA's Economic Research Service (ERS) estimates that each $1 billion of retail demand by food stamps generates $340 million in farm production and 3,300 farm jobs. Each $5 of food stamps generates almost $10 in total economic activity.

- Changes in food stamp policy have significant impacts on economic activity and household income across the economy, according to an ERS study finding that cuts in food stamp benefits reduce food demand and farm production.

- In 2004, the State of Nebraska received $108,691,184 in federal Food Stamp funds. According to a report from the Economic Research Service (ERS) of the USDA, every $5 in Food Stamps spent generates $9.20 in the local economy. Based on this study, local Nebraska economies received a total of $199,991,778 from the Food Stamp Program in 2004.

The Food Stamp Program helps individuals and communities hit by disasters.

- When natural or man-made disasters hit, the Food Stamp Program provides timely, critical resources to help people cope, and is an important ingredient for physical and economic recovery.

Senator, the *Food Stamp provisions in the 2002 Farm Bill are working.* They offered states an array of new options to simplify the program, make it more accessible, and better coordinate child care and Medicaid for eligible families. In Nebraska, we have adopted new rules to simplify paperwork, modified the ban on drug felons to allow the receipt of food stamps in certain cases, offered transitional food stamps to families leaving cash assistance, and provided food stamps for all eligible documented immigrants, among other efforts. Nebraska also uses an electronic benefits card that reduces the stigma on recipients while decreasing fraud and abuse. Program changes that add unwarranted complexity and excessive bureaucratic conditions on food stamp administrators and beneficiaries would undermine these advances.

In light of these facts, I urge you to support the following 2007 Farm Bill Priorities.

<u>Maintain the Entitlement Structure of the Food Stamp Program</u>. The 2007 Farm Bill should maintain the entitlement structure of the Food Stamp Program, which responds to increases in need whether due to economic changes or disasters.

<u>Continue the Strong Nutrition Title that Reauthorizes and Improves the Food Stamp Program</u>. The 2002 Farm Bill made important progress upon which to build. It restored food stamp eligibility for many legal immigrants. In addition, the bill maintained the program's entitlement structure, improved access for low-income working families, modestly increased allotment levels, reformed how USDA evaluates state administration of the program, and gave states new options to streamline enrollment and reporting, aiding both clients and caseworkers.

<u>Increase the Minimum Benefit and other Allotment Levels</u>. It is important to make benefit allotments adequate by increasing the minimum benefit and other allotment levels. The current $10 minimum benefit is highly inadequate. Rather, we suggest a minimum food stamp benefit of $50. *Food stamp benefits should be based on what it actually costs to feed a family a healthy diet.*

To be eligible for food stamps, the household must comply with work requirements (30 hours per week in Nebraska) and meet the income guidelines set in the following table:

Household Size	Maximum Gross Annual Income	Average Nebraska Monthly Food Stamp Allotment	Maximum Monthly Food Stamp Allotment (set in federal law)
1	$ 12,108	$ 79.52	$ 149
2	$ 16,248	$ 159.04	$ 274
3	$ 20,376	$ 238.56	$ 393
4	$ 24,516	$ 318.08	$ 499
5	$ 28,644	$ 397.60	$ 592
6	$ 32,784	$ 477.12	$ 711
7	$ 36,912	$ 556.64	$ 786
8	$ 41,052	$ 636.16	$ 898
Each additional member	+ $345	+ $79.52	+ $112

Expand Eligibility to more Needy People. Many low-income Nebraskans are currently excluded from the program, including able bodied adults who face arbitrary time limits, ex-drug felons making new starts, and others struggling to make ends meet. Restoring eligibility to these populations should be seriously considered.

Revise Resource Rules. Families should not forfeit the ability to save in order to participate in the food stamp program. Current resource restrictions allow $3,000 for a household with an elderly or disabled individual and only $2,000 for other households. Allowing families to access food stamp benefits without exhausting their resources would help those families rebound, build assets and promote long-term self-sufficiency.

Further Simplify the Program for Participants and Caseworkers. There were positive changes made in the 2002 Farm Bill to give states options to streamline reporting and ease the transition for those leaving TANF. The 2007 Farm Bill could further simplify the program for clients and caseworkers.

Increase Reimbursements (Match Rates) for State Administrative Operations. Currently, on average, states put up 54 cents of each administrative dollar, while federal funding provides 46 cents. By increasing federal reimbursements, Nebraska (and all states) will be able to provide better program service and more accurate benefits processing.

Increase Funding for Food Stamp Outreach and Education Activities. It is estimated that just over half (56%) of those eligible under current rules are participating in the program. USDA's "Food Stamps Make America Stronger" media campaign and grants to fund community-based outreach efforts are important initiatives, and a sound start.

Continue to Allow Recipients Choice Among Food Purchases. The 2007 Farm Bill should continue to allow recipients' choice among food purchases and support healthy choices through nutrition education. The current clear distinction between food and non-food items is in keeping with the fundamental purposes of the program and provides consumers and retailers with a simple test for determining an eligible product.

Continue EBT (Electronic Benefit Transfer) Delivery. Another important component of the 2007 Farm Bill is continuing EBT delivery. EBT delivery has helped to decrease stigma and increase public confidence in the integrity of the program. Nebraska is just beginning to experience the benefits of EBT access into our farmers markets, supporting local producers.

Senator, if there is further information about the Food Stamp Program I can provide for you, I would be happy to do so. Thank you again for your leadership on convening the Farm Bill Listening Session. As you move forward with reauthorizing the Farm Bill, I urge you to support a bill that would continue to serve the nutritional needs of Nebraskans and empower low-income families through the Food Stamp Program to make even greater strides toward self-sufficiency.

Sincerely,

Jennifer M. Hernandez

Jennifer M. Hernandez, MSW
Nebraska Appleseed Center for Law in the Public Interest

registered dietitians

Food & Nutrition Professionals You Can Trust

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
FARM BILL REGIONAL HEARING
GRAND ISLAND, NEBRASKA
AUGUST 16, 2006

STATEMENT OF NEBRASKA DIETETIC ASSOCIATION

My name is Jessye Goertz and I am the Community Representative of the Nebraska Dietetic Association (NDA) and a University of Nebraska Extension Educator. I am representing the 521 members of the NDA and the 65,000 members of the American Dietetic Association (ADA). NDA and ADA commend the United States Senate for conducting a series of hearings as part of Farm Bill 2007 development. In addition, to the regional hearings, we ask the you hold a hearing on nutrition – in particular nutrition research, education and extension efforts – as part of the Farm Bill reauthorization process.

ADA is the largest organization of its kind and it is guided by a philosophy based on sound science and evidence-based practice. NDA and ADA members are sought-out participants in domestic and international discussions as they work on nearly every aspect of food, nutrition and health. As such, we are familiar with the importance of the Farm Bill on USDA food and nutrition resources.

The public needs an uncompromising commitment from their government to advance nutrition knowledge and to help people apply that knowledge to maintain and improve their health. Millions of Americans benefit from USDA food assistance programs, but we still see hunger in the United States. Co-existing with hunger is a national epidemic of overweight and obesity. In fact, overweight and obesity is the largest manifestation of malnutrition in the United States today. We also know that American children, who are a key recipient of USDA assistance programs, are overfed but undernourished. Studies show their physical stamina and activity have declined and their health literacy and knowledge is limited.

To address this sad commentary on the nutritional status of Americans, we recommend that the Senate address five key nutrition goals in their Farm Bill proposal.

registered dietitians

Food & Nutrition Professionals You Can Trust

USDA's food assistance programs must be available to those in need and adequately funded. USDA's domestic food assistance programs affect the daily lives of millions of people. About 1 in 5 Americans is estimated to participate in at least one food assistance program at some point during the year. The Food Stamp Program is a key component of the Federal food assistance programs, and provides crucial support to needy households. Food stamps reach those most in need. Most food stamp participants are children, with half of all participants under 18.[1] Households with children receive about three-quarters of all food stamp benefits. In addition, many food stamp participants are elderly or disabled.

Improving the nutritional status of Americans needs to rise in priority in food assistance programs, other food programs, and truly, for all Americans. A USDA study found a lack of several key nutrients in American diets, with nearly 93 percent of Americans having deficiencies in vitamin E. Americans also are not getting enough vitamin A, vitamin C or magnesium, according to the study. At the same time, consumers are eating too much of other dietary components. Almost 60 percent of the population consumes more than 10 percent of calories from saturated fat.[2] Approximately 95 percent of adult men and 75 percent of adult women exceed 2,300 mg of sodium per day.[3]

Increased investment in nutrition education and nutrition research is necessary and it must be sustained. If we expect consumers to take personal responsibility for making healthy choices, then we have a responsibility to make sure that they are adequately prepared. The government must invest in the nutrition research and nutrition education necessary to give Americans the knowledge and ability to make their own nutrition decisions. These nutrition recommendations and programs for the public must be based on sound science. Only the federal government has the public mandate and resources to carry out research on human nutrition needs and to develop dietary guidance that forms the basis for all federal nutrition programs. We

---

[1] U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation. *Characteristics of Food Stamps Households: Fiscal Year 2004,* FSP-05-CHAR, by Anni Poikolainen. Project Officer, Kate Fink. Alexandria, VA; 2005.

[2] Briefel RR, Johnson CL. Secular trends in dietary intake in the United States. *Annu Rev Nutr.* 2004;24:401-431.

[3] Institute of Medicine. Dietary Reference Intakes for Water, Potassium, Sodium, Chloride, and Sulfate. Washington, DC: The National Academies Press; 2004.

registered dietitians

Food & Nutrition Professionals You Can Trust

believe federal research exploring the relationships between diet (particularly dietary patterns) and health is particularly important.

ADA is an advocate of grading the science behind recommended diets, nutrition guidelines and product label claims, and teaching consumers how to read, analyze and use that information. ADA has its own system of evidence grading that is serving as a model to government regulators and nutrition experts here and around the world. But information is not education.

Labels and pamphlets alone do not lead to behavior change. People have to be taught, and their educational experience needs reinforcement. Nutrition education that works is a worthwhile return on investment. Economic Research Service scientists have studied the connection between nutrition knowledge and food choices with Americans.[4] They have learned that in socio-economically matched individuals, a 1-point improvement on a nutrition knowledge scale correlates to a 7-percent improvement in diet quality. In matched households, an improvement in the primary meal preparer's knowledge translates to a 19-percent improvement in household meal quality. Clearly, nutrition education is one key to nutrition health.

Our experience has shown that registered dietitians are uniquely educated and trained to help people learn and incorporate healthful habits into their lives. ADA works continuously to make it possible for more Americans to have access to dietetic services through private sector and public program coverage.

Having up-to-date knowledge of the nutrition composition of the food supply is essential for all of work in food, nutrition and health to bear fruit. While our farmers continue to grow a wide variety of foods for consumers here and abroad, our knowledge about food composition, the foods that Americans are eating and how overall dietary patterns contribute to health have grown outdated; some data series have lapsed. Our food supply is changing in important ways over time, as are the types of diets that people eat. Farmers and consumers need to understand what those changes mean.

[4] U.S. Department of Agriculture, Economic Research Service and Center for Nutrition Policy and Promotion. *USDA's Healthy Eating Index and Nutrition Information.* Technical Bulletin No. 1866, by Jayachandran N Variyam, James Blaylock, David Smallwood, Peter Basiotis. Alexandria, VA; 1998.

THE NEBRASKA DIETETIC ASSOCIATION
AFFILIATED WITH THE AMERICAN DIETETIC ASSOCIATION

registered dietitians

Food & Nutrition Professionals You Can Trust

Food security and food safety issues cannot be ignored. The traditional definition of food security has evolved beyond access to sufficient, healthy food and now encompasses an abundant food supply safe from intentional and unintentional contamination. Recent outbreaks of food and waterborne disease and threats of bioterrorism have focused attention on the safety of US food and water systems. The US government needs to play a proactive role in ensuring that appropriate food and water safety practices are implemented and followed and that research is conducted on possible future threats.

Conclusion

It has been more than a decade since Congress has made a comprehensive review of the nation's nutrition policies and programs. Discussions regarding USDA and nutrition typically focus on food assistance programs, but do not address the key underlying work being conducted by USDA researchers throughout the United States that forms the basis for the Federal nutrition information and education efforts affecting every American.

Clearly, there is significant potential benefit in addressing food, nutrition and health issues now, before circumstances deteriorate, and to ameliorate human as well as economic costs. There will be market needs for healthful products and services that can help the public become more involved with their health and health care management. But there are roles that currently are not being effectively addressed and may rightfully need to be addressed by public policy.

We need the U.S. Senate to address the now out-of-date perception that a safe, affordable, varied supply of food necessarily leads to a well-nourished, healthy population. It is time to shift to a new paradigm that is founded on people being able and willing to choose healthy diets for themselves and their families.

We ask the Senate Agriculture Committee hold a hearing on nutrition – in particular USDA nutrition research, education and extension efforts – as part of the Farm Bill process. We stand ready to provide recommended topics and witnesses that can help illuminate the vital role the farm bill reauthorization process plays in nutrition and the health of Americans.

Submission for the Record by
Norman Nuss
Vice-President, Nebraska Sugarbeet Growers Association
Alliance, Nebraska
Senate Agriculture Committee Hearing
Grand Island, Nebraska
August 16, 2006

"U.S. Sugar Policy in the Next Farm Bill"

My name is Norman Nuss, and I am Vice-President of the Nebraska Sugarbeet Growers Association. On behalf of my fellow Nebraska sugarbeet growers and the Western Sugar Company, a grower-owned cooperative processing beets for growers in Nebraska, Colorado, Montana and Wyoming, I want to thank you for holding this important hearing.

I am a lifelong resident of Alliance, Nebraska and a third-generation sugarbeet grower. My grandfather, Fred Nuss, worked at the Ft. Morgan sugar factory in Colorado in 1917. His family moved to Bayard, Nebraska in 1921 to begin farming, raising sugarbeets and other crops, and moved to Alliance in 1937, buying the farm I currently live on. My father, Howard, took over the farm from him in 1945. I started farming with him and my uncle Robert in 1972, and took over in 1987. My son Steve, who is 30, farms with me and will take over the farm when I retire. We raise 1,150 acres of beets, 454 acres wheat, 600 acres of corn, 390 acres of dry edible beans, 125 acres of alfalfa and 100 acres of hay. I can say with confidence that without sugarbeets there would not be enough income for both of our families to get by without a job off the farm. Young farmers like my son are a vanishing breed, and that should be of great concern to both this Committee and our nation.

Nebraska farmers grow 61,300 acres of sugarbeets, and our Western Sugar cooperative processes 1,250,000 tons of beets every year in Scottsbluff, near the Wyoming border. The industry is a crucial economic engine for the survival of our businesses, families and communities. In Nebraska alone, the industry generates more than $68,400,000 in annual economic activity, creates 350 direct-employment jobs, and indirectly supports 3,700 jobs. Our state is very fortunate to have this value-added alternative crop.

With regard to U.S. sugar policy, our growers believe that Congress should be congratulated for doing a very good job in constructing a thoughtful and balanced policy in the 2002 farm bill. In the face of record-setting government debt, massive annual budget deficits and a staggering trade deficit, we have a policy that does not add to any of those problems. The program runs at no cost to the taxpayer, lets farmers get their income from the marketplace, and gives consumers fair prices compared to what consumers in other developed countries pay for sugar. It is a flexible program that adjusts to market conditions when they change dramatically, as we saw during the hurricane damage in the cane industry last year.

The problem that sugar policy and our growers face is this: through various trade agreements, our own negotiators keep giving away our market, leaving us with whatever is left over. Well, when it comes to the marketplace, our farmers don't like or deserve leftovers. We are world-class competitors, but we cannot compete with foreign governments, foreign monopolies, and a whole host of developing countries (like Brazil). They might be world-class sugar producers, but they don't want to play by the same international trade rules that we do. Even if the WTO negotiations are resurrected, it is very unlikely that these problems will be addressed. We won't have a level playing field in international trade, but we will have to compete against less-efficient producers in the developing world that actually gain advantage through a WTO agreement.

Our farmers who grow sugarbeets are not against trade. The current sugar policy allows plenty of it. Our country already offers preferential access to our market for 41 countries that benefit from our policy. For goodness sakes--we are already the second largest sugar importer in the world! How much more must we take? How much is enough? We have closed factories in this country to make sure that foreign producers have access to our market. Just a couple of weeks ago, our negotiators handed more access to the Mexican industry that was not warranted at this time. In fact, the Administration announced on July 27th that they will allow 100,000 tons of refined sugar to be imported, and it's now very likely that some of our farmer-owned cooperatives are going to have to store sugar in the coming year as a consequence of an over-supplied market created by the excessive generosity of Administration trade officials in giving more of our market to Mexico. That is an outrage. The problem is not the fault of our sugar policy--the problem is the administration of our policy. Our farmers are tired of getting in line behind foreign suppliers to have access to our own market. We are getting more angry all the time that our livelihoods and our futures are being outsourced. I respectfully recommend that you tell the negotiators and administrators to stop giving our market away and this program will work fine. If we need the additional sugar for our market over and above our WTO minimum import access requirements, as we did last year and again this year, then fine-- give preferential access to our trading partners that we have free trade agreements with. But don't continue to oversupply the market.

We cannot keep restricting our own production to accommodate imports. If we are going to remain globally competitive, producers need to be able to run our factories efficiently and maximize our throughput. If our negotiators want to let more sugar in, then they'd better be prepared to buy the surplus and dispose of it in some non-food use. That is the commitment made by Agriculture Secretary Johanns and U.S. Trade Representative Portman during the CAFTA debate, but it was only for the period of the current farm bill. Their commitment should be extended indefinitely. That way, if the government is going to give more access than what the market needs, then government will have to pay for it. That may bring more discipline to our negotiators and continue to allow the program to run at no cost to the taxpayer.

Mr. Chairman, there are efforts underway by our customers to try and change this program to a "standard" commodity program like other commodities have. It is yet another attempt to drive down the market price, import more sugar and ask the government to pick up the tab. We all know that the benefits of low commodity prices increase the profits of our industrial sugar customers, which is why they have fought so hard for it for decades. The farmer gets the government check and the food manufacturer gets the benefits. Don't get me wrong. We like our customers and we need each other. However, any policy that growers don't want and won't work, that adds to the budget and trade deficit, that actually harms our trading partners and may not be WTO compliant is not a policy direction that this Committee should consider.

Our nation already has a good sugar program. Your Committee did a great job in designing it in the 2002 farm bill. It should be continued in the next farm bill.

Thank you for the opportunity to submit our comments.

Women Involved in Farm Economics

Thank you for this opportunity to express the views of Women Involved in Farm Economics (WIFE) concerning long-term farm legislation as it will appear in the Food Security Act of 2007 (formerly called a "Farm Bill.") WIFE has noted that women producers have been largely ignored during listening sessions preparing for this Congressional debate and we, therefore, urge Congress to weigh heavily our input as farm and ranch women.

The question has been asked, "Why should we, the hard-working, tax-paying citizens of the United States of America provide welfare for farmers and ranchers?" Is it because we want to keep lazy, welfare recipients on the land or is it because we demand the safest, most abundant, affordable food supply in the world? The United States of American now has abundant food that is grown by men and women who love the land they till and are proud to be able to provide products that keep Americans healthy and happy at a price that is affordable for all.

Let's be realistic, there are many factors influencing profitability in agriculture. One is the "cheap food" attitude. Another is the concentration of segments of the food chain into the hands of a few entities, thus eliminating true competitiveness in bidding for agricultural commodities. Still another factor is trade treaties that do not provide for FAIR TRADE but skew trade policies in favor of other exporting nations.

Let's call this legislation what it really is—a plan to provide for a safe, abundant food supply available to all through affordable prices or government assistance such as food stamps and free meals. Let's call it the Food Security Act as it is consumer protection at its finest. It is time the consumers took possession of this piece of legislation since in 2005 52% of USDA expenditures went to Food and Nutrition Programs and only 31% went to Farm and Foreign Agriculture Programs. The whole idea behind farm legislation is to maintain a safe, secure, abundant supply of nutritional food for America's citizens. Let's call a spade a space. This "farm bill" debate is actually about food security and availability for all.

Yes, there are some problems with the present methods of distributing farm subsidies. Please remember that farmers did not write the rules. They were written by our elected officials in Washington, DC and interpreted by paid employees at the United States Department of Agriculture. Therefore, the content of farm subsidy rules has been tainted by special interest affecting both Congress and the USDA. Take away these special interests and a realistic, workable program without loopholes is possible.

We have categorized our comments for ease in applying them to various titles.

Rural Economic Development. WIFE feels the best economic development for rural areas is keeping family farmers and ranchers on the land. Policies must be in place to insure a floor under farm gate prices. Do you know a farmer who, if given the opportunity, would prefer a check from the government to selling his products for a profit that would provide for a reasonable standard of living for his family? Price support is necessary to maintain a minimum return on investment for producers. This should not be based on input costs for mega farms but should be aimed for support of family farmers and ranchers.

WIFE defines a family farm as a form of business enterprise in which the management decisions are made by a family engaged in the production of food, fuel or fiber for profit, which is intended to provide the major source of income and capital for investment. Crop insurance alone will not meet the needs of producers in a disaster situation. Permanent disaster assistance should be included in the Food Security Act to prevent mass exodus of families from rural areas during periods of disasters. This is a step in the right direction for rural development.

Conservation. Farmers and ranchers understand the preservation of his natural resources holds the future for his enterprise. Family enterprises, in particular, understand the importance of conservation in his plan to keep that enterprise in the family for future generations. A farmer who rapes his environment ruins his future.

Conservation programs must be aimed at maximum protection of the environment through ocean-to-ocean availability of all programs. The Conservation Security Program is an example of a program that was never fully implemented in all farming areas. Once a program is legislated, it should be available to all eligible producers and not just to targeted areas.

Financial assistance for agriculture must come in a package that primarily improves the immediate profitability of the enterprise. Not all conservation practices show immediate rewards. Some will not contribute to keeping the enterprise profitable until further down the line. Therefore, conservation payments should be in addition to price support programs.

Conservations payments must not be tied largely to practices for which the producer must spend additional funds from his cash flow. The bottom line in agriculture is often negative or, at its best, very tight. To use a large part of Food Security Act funding for programs that require additional outlays for producers through matching funds will create a negative cash flow position.

Disasters. Agricultural production is a gamble influenced by many uncontrollable factors. Both natural and price disasters occur. Congress needs to anticipate such and include a permanent plan for disaster assistance, earmarked for those with actual losses.

Eligibility. Much adverse publicity has occurred because wealthy individuals who are not full-time farmers, non-farming corporations using farmland as a tax write-off, and environmental organizations have received large government subsidies. WIFE believes that all those with a legitimate stake in the production of food, fuel and fiber at the initial place of production should be eligible for all Food Security Act programs. However, more scrutiny needs to be made to determine the true use of the land and to prevent abuse of payment limitations. Land taken out of production for housing, recreation and industry should not be eligible for subsidies. A local green belt designation might be a trigger for examination of land for eligibility. However, a green belt classification should not be the sole determinant but might be a "red flag" to signal the need for further tests.

Contract with producers. This legislation should be considered a contract with the men and women producing the food, fiber and fuel for America and, as such, should not be subject to negative cuts and adjustments during the term of the contract. All titles of this contract should be fully implemented on a timely scale and in a manner that is the least obtrusive and time-consuming to producers.

COOL. Country of origin labeling (COOL) should be implemented on a mandatory basis on all products immediately. The USDA should be instructed to rewrite the rules and regulations to include labeling of all imported meat and meat production at the point of importation with all other meat and meat products presumed to be born, raised and processed in the United States. This designation should continue until the product is purchased by the consumer. The American public has a right to know the origin of its food and USA producers have a right to distinguish their product from imported products.

NAIS. The National Animal Identification System should remain voluntary and be tied to current available identification methods (branding, eartags, tattoos, etc.) Source and age verification programs are now used as added value programs for livestock producers. If producers want to do the extra work and if the marketplace continues to show a profit for these producers, more and more producers will voluntarily provide source and age verification. If all livestock are required to have this information before changing hands, the current financial bonuses available to producers willing to verify age and source will be lost. In fact, penalties might be assessed for livestock without the information. The current plan for NAIS is too costly, too time-consuming and too intrusive.

Payment limitations. If we are going to have a limit, then let's make sure it is enforced. All payments to a producer must count against that limit, including marketing loans, LDP's, direct payments, countercyclical payments. WIFE urges that all payments be tracked by social security number of individuals.

Person status for women. Women who are partners in farming and ranching enterprises should be considered a separate and equal person for payment limitation purposes.

Renewable fuels. WIFE would like to congratulate Congress on increased emphasis on renewable fuels to meet US fuel demands and decrease dependency on foreign oil. This has opened up and increased demand for farm commodities, particularly corn and soybeans. However, current farm gate prices for our products have not increased proportionately to agricultural input costs, particularly fuel and petroleum-related products. Farm income must be increased either through increased prices or continued farm subsidies. This is important to insure continuation of a safe, secure, abundant food supply for American citizens.

After all, that is the purpose of the Food Security Act.

Sincerely

Norma Hall, President
Nebraska Women Involved in Farm Economics

Farm Bill Field Hearing
Senate Committee on Agriculture, Nutrition, and Forestry

August 16, 2006
Grand Island, Nebraska

Attn: Robert Sturm, Chief Committee Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, DC 20510-6000
Fax (202) 224-1725

From: State Senator Adrian Smith (District 48)
Room 2104, State Capitol
Lincoln, NE 68509
(402) 471-2802

Re: Please submit this written statement to the official record of the ag hearing that was conducted in Grand Island, Nebraska.

Thank you for having this important ag hearing in our state. Nebraska's Third Congressional District is the largest agriculture-based congressional district in the country. Agriculture is the backbone of our state's economy and unequivocally linked to the success of all our rural communities.

As a life-long rural Nebraska resident and a long-time member of the Nebraska Legislature, I know the tremendous impact that agriculture has on Nebraska's economy and understand the vital contributions that livestock producers, farmers and ag-related businesses make every day to our communities – from job creation, to support of local businesses, to ensuring a quality educational system for Nebraska's children.

Nebraska's future depends on the success of its agricultural industry.

Our nation's leaders must address four key areas if we are to grow Nebraska's ag economy.

1. Expanding Global Markets and Promoting our Ag Products
In 2005, Nebraska was the nation's third leading corn producer; we had a record soybean harvest; we continue to have solid wheat, sugar beet and dry bean production; and we have a livestock sector worth between $6 billion and $7 billion.

We must sustain and further develop foreign markets for these and other Nebraska agricultural products. But at a time when U.S. production is near all-time record levels for some commodities, including corn and soybeans, domestic demand is growing very slowly. To become more profitable, America's farmers and ranchers must look to foreign markets where more than 95 percent of the world's potential consumers reside. With incomes rising globally, the U.S. needs to be in a position to capture a larger share of that growing market

Unfortunately, Nebraska's ag producers still face an uneven international playing field. While U.S. tariffs on foreign ag products average only 12 percent, America's ag exports face a world average tariff of more than 60 percent. In several large developing nations, such as India, the tariff level is more than 100 percent.

Nebraska's ag producers deserve a fair shake and our goal should be to ensure free and fair trade for Nebraska producers. Our trade negotiators must work harder to level the international playing field, paying special attention to our state's agricultural goods. We should also open new markets, including Cuba. We should not endorse unilateral disarmament by supporting a reduction in the farm bill safety net without a successful conclusion to the Doha Round trade talks.

2. Limiting Government Regulations
Nebraska farmers and ranchers face multiple challenges every year – from droughts to market fluctuations. The last thing ag producers need is their government creating new federal mandates and regulations. We need to be attentive to regulations that can work against our agriculture industry.

We must monitor the activities of the Environmental Protection Agency (EPA) to ensure our ag producers are treated fairly. We need to oppose efforts to classify livestock manure as a "hazardous waste" or attempts to make livestock premises subject to the Superfund law (Comprehensive Environmental Response Compensation & Liability Act). Finally, we should make needed reforms to the Endangered Species Act (ESA), which has substantially restricted agricultural activities and infringed on private property rights.

3. Protecting the Family Farm
We must maintain the rich tradition of the family farm. In 2005, the number of Nebraska farms and ranches declined yet again, leaving our state with about 300 fewer ag operations. We can help beginning farmers and ranchers carry on the family operation simply by eliminating the federal estate tax. This two-time tax unfairly penalizes hardworking farm and ranch families, and, in most situations, causes serious financial strain.

We must also look for ways to ensure the transition of ag land from retired landowners to the next generation of producers. We must re-examine current tax policies – such as capital gains taxes and Section 1031 loopholes – which currently punish both younger and older ag producers by driving up the cost of farm and ranch land.

Additionally, we need to develop vocational training resources in rural areas, so that Nebraskans can obtain a quality education and utilize the latest agriculture technology – which happens to be America's biggest advantage against the global competition.

Finally, we must ensure that the next farm bill contains tighter limits on annual government payments. The largest agricultural operations should not use taxpayer dollars to overtake our family farmers.

4. Developing Our Rural Economy
As many regions of the Plains' states see declining populations, it is essential that we help our rural communities retain their working families and young citizens. Our small towns cannot survive without jobs, good roads and technological advancements.

We must look for new ways to grow employment opportunities in the Third District – new ways to encourage employers to consider our district as a place to relocate or expand their business. Rural America must capitalize on new and emerging opportunities in sectors such as telecommunications, health care, renewable fuels, bio-products, and agri-tourism. Also, we must do more to assist our state's existing entrepreneurs and small business owners, so their businesses can thrive in the Third District.

Unfortunately, only about one percent of the authorized spending in the 2002 farm bill was dedicated to rural development. We need to strengthen the farm bill's rural development title, as well as its renewable energy programs. Additionally, we should increase the federal Renewable Fuel Standard (RFS) which passed as part of the 2005 energy bill.

The economic vitality of the Third Congressional District relies on a strong, vibrant and expanding agricultural economy. The people of the Third Congressional District know this is one of the best places to live, work and play. By working together and creating a solid new Farm Bill, we can ensure prosperity for today – and tomorrow.

(The global trade figures come from the USDA – Sec. of Ag. Mike Johanns' November testimony to the U.S. House Ag Committee.)

2315 Road S
Milligan, Nebraska 68406

Thursday, August 17, 2006

TO THE UNITED STATES SENATE AGRICULTURE COMMITTEE,
The Honorable Senator Saxby Chambliss, Chair:

So long as the major mainstream agriculture subsidies are by the bushel, obviously farmers will continue to dig as many wells as they can get away with, install as many pivots as they can afford, drain as many rivers, lakes, and streams as may still be left, and use as much anhydrous ammonia as the law will allow. And there will be fewer and fewer people on the farms and ranches.

The only sane way to keep our precious water from being squandered is to switch now to subsidies by the acre -- Subsidize conservation, crop rotation, diversification, drouth-resistant crops. Conservation Reserve Enhancement Program is the precedent, the model. Offer perhaps a multi-year signup option to rotate crops, maybe with an alfalfa requirement if the area cattle could use it. Make it attractive.

The Conservation Security Program seems too complicated, expensive to administer, unfair. Ditto the insurance programs. And certainly the per-bushel subsidy system is grossly unfair to dryland farmers, especially in times of drouth. (Not to mention our livestock wells going dry because of all the surrounding irrigation.)

In the 2007 Farm Bill, please phase out the bushel subsidies (LDP, counter-cyclical, etc.), and give standard direct payments by the acre if conservation standards (rotation, etc.) are met.

I believe this would help satisfy WTO too, wouldn't it? And raise grain prices without commodity subsidies?

Thanks very much for the hearing in Grand Island. I'm so glad I was there.

Please dare to lead the way on this very basic water issue.

Thank you. Sincerely,

Ken Schropfer
(phone 402-295-2344)

Copies: Chuck Hagel
Mike Johanns
Adrian Smith
Jeff Fortenberry
Tom Osborne
Scott Kleeb

WRITTEN STATEMENT OF
Dennis Demmel

to the
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

FEDERAL FARM BILL FIELD HEARING
Grand Island, NE

August 16th, 2006

Dennis Demmel

32745 Road 769

Ogallala, NE 69153

Phone: (308) 352-4078

Email: dennisdemmel@hotmail.com

My name is Dennis Demmel of rural Ogallala, Nebr. My wife, Ruth, and I have three children. We farm approximately 1600 acres in Perkins County, both dry land and irrigated. Our crops include wheat, sunflowers, corn, soybeans and millet. We also utilize cover crops of peas, sweet clover and annual rye grass. We currently are in a 3 year transition phase toward organic certification. I would like to comment on several issues related to the Farm Bill.

Conservation Security Program

The Conservation Security Program has the potential to be the most significant advance in farm policy in history. However, numerous changes are required to make CSP a program that it was originally intended in the 2002 farm bill.

The 2007 farm bill needs to make a solid commitment to ensuring the Conservation Security Program becomes the key conservation program in the Conservation Title for working agricultural land. The CSP, with a few legislative and implementation changes, is the most promising green payments program that provides compelling benefits for taxpayers and the environment. The CSP can also provide a more sustainable basis for support of tax payers as well as farmers and ranchers. In addition, green payments have the potential to be more consistent with WTO rules than the commodity program.

The new farm bill must retain and strengthen the CSP to achieve its full potential as an open enrollment green payments program available for all farmers and ranchers who meet program conservation requirements. To that end, it is imperative that the CSP be fully funded in the new farm bill and allowed to be implemented under a full, nationwide sign-up. The current funding level and watershed rotation is inadequate. It places farmers and ranchers at a great disadvantage – those within the chosen watersheds (the ones who did not get a contract because there weren't enough funds) as well as those outside of the chosen watersheds. Full funding will lead to enrollment opportunities for farmers and ranchers on a regular basis regardless of their location.

The new farm bill must also provide statutory directives to ensure that the starting point for the CSP application is a comprehensive conservation plan; to require clear financial rewards for highly effective sustainable farming systems and to prevent the administrative addition of confusing and unpredictable qualifiers and limitations for CSP participation.

Greater emphasis should be given to sustainable and organic production systems in achieving resource conservation than exists within the current CSP rules. In addition, there should be a close linkage or coordination between the National Organic Program and the CSP that encourages participation in both programs. Similar record keeping in both areas would help reduce the burden of keeping adequate records by the producer. In addition, resource-conserving crop rotations should be emphasized on annual cropland, and managed rotational grazing should be emphasized on pastureland.

Commodity Program

The current LDP program is inequitable because during a drought a producer may receive not only zero bushels, but no LDP either, when a neighbor across the county may receive both in good rainfall. In essence, current LDP's provide incentives for overproduction in time of surplus, because they are triggered by low prices due to high production and paid on each bushel produced. The intent should be built into direct or counter cyclical payments to reduce administrative costs and producer paperwork and be more equitable. The tax payer would see this as a better return on tax payer investment.

One of the most effective actions Congress can do with farm policy is to reduce or cap commodity payments. Current policy allows huge subsidies to mega farms which allow such farms to bid up land prices and rents. This makes it harder for family farms and beginning farmers to operate as land costs go up. This increase in cost has the effect of negating the benefit of payments. Continuation of such policy is a clear invitation for the erosion of tax payer support of the program.

Rural Development

It is time to invest in the future of rural communities. Investing in small scale entrepreneurship, beginning farmers, value added agriculture, leadership development, business planning and youth involvement will enable small communities to improve their future. And to pay for these programs Congress can provide for more effective payment limitations to save the necessary funds to be utilized in rural development.

Beginning Farmer and Rancher Program

The Beginning Farmer and Rancher Development Program, authorized in Section 7405 of the 2002 farm bill, is targeted to collaborative local, state, and regionally-based networks and partnerships to support training, mentoring, land linking, education and planning activities to assist beginning farmers and ranchers. This effort should be supported further in the new farm bill. In addition, Individual Development Accounts should be considered for beginning farmers and ranchers to utilize special matched savings accounts to assist those of modest means to establish savings for future agricultural investments by new farmers and ranchers. In a related area, the 2002 farm bill established a Beginning Farmer Land Contract pilot program to allow USDA to provide loan guarantees to sellers who self-finance the sale of land to beginning farmers and ranchers. This pilot program should be made a permanent tool and it should be made available nationwide.

World Trade

We will not continue to be competitive in global makets if we pursue a role as the least cost producer. Eventually, such policy is doomed to failure as developing countries with lower labor, health care and energy costs out compete U.S. producers. Access to global markets is a good objective in many areas, but we should protect our producers and the producers in other countries for the long run. Driving farmers out of Mexico because they cannot compete only relates to other problems like illegal immigrants crossing the border. A better approach would be to seek alternative production in this country to reduce imports. An example would be to produce fuel from switch grass or to produce hydrogen from wind power. This would aid both balance of payments and our farmers.

Thank you for consideration of these comments.

Testimony
to the
Senate Agriculture Committee
Farm Bill Field Hearing

Grand Island, Nebraska
August 16th, 2006

By
John M. Dittrich
Producer

Chairman Chambliss, Senator Nelson, and other members of the committee, I appreciate your efforts to gain broad input on the upcoming farm bill with this Nebraska field hearing. I also appreciate the invitation from Senator Nelson to provide written testimony to the committee. Time is limited and I understand that the number of witnesses testifying must be limited.

I would begin by giving a bit of background on myself. I farm in partership with my brother and business associate Keith Dittrich on a 4,500 acre grain farm near Tilden, Nebraska. I believe we are viewed locally as successful and innovative. Locally I am vice-president of the Elkhorn Valley Schools board of education, which serves the communities of Tilden and Meadow Grove. I am also a primary founder and board member of the Tilden-Meadow Grove Community Foundation, a local community improvement entity that is affiliated with the Nebraska Community Foundation.

Nationally, I have been a farm policy analyst for 20 years, working through four farm bill debates. I have primarily served the American Corn Growers Association, Nebraska Farmers Union, and the Organization for Competitive Markets (OCM). OCM is a unique "think tank" organization with a quite conservative base that focuses on agricultural anti-trust and competition issues. The organization had much to do with the promotion of a competition title that then Chairman Senator Harkin introduced during the 2002 farm bill debate, but that was defeated during that debate.

During the 2002 farm bill debate, I was the primary architect of a farm bill proposal developed for the American Corn Growers Association and Nebraska Farmers Union. This proposal was drafted by legislative council, scored by the Agricultural Policy Analysis Center at the University of Tennessee, and was presented in Senate testimony.

Based on my diverse background and after careful thought, I wish to provide this testimony as an individual producer, rather than an organizational representative, which the witness list is composed of. The U.S. farm bill is an extremely important piece of legislation, and it after all was originally intended to primarily serve producers in this country.

As a producer, I would say the current situation in crop agriculture is extremely difficult due to the combination of rapidly escalating input costs, coupled with unrelenting low farm prices and a stable subsidy system that together do not in any way adjust for inflation. In addition, Nebraska is heavily irrigated and therefore more sensitive to rising energy costs than non-irrigated areas of the country. With few exceptions, my local peers in farming, who are primarily excellent commercial grain producers, are extremely discouraged and question their career decisions.

Much of the debate for the new farm bill has centered on the difficulty of maintaining the current subsidy structure considering budget limitations and WTO restrictions. Producers in general support the current subsidy structure because they fear the loss of subsidies in today's low price environment. However, little seems to be said about the reality that unless farm prices rise very significantly, the current subsidy structure is wholly inadequate to compensate for rapidly rising input costs.

I have kept very detailed records of my farm's annual costs and returns since I returned to the family farm in 1982. These records began as simple manual forms required by the then Farmers Home Administration for beginning farmers, and have evolved into the current complex spreadsheets our partnership has constructed to project annual input requirements, costs and returns. In 1982, I projected more net income from the 240 acres that my wife Jeanne and I began with, than I can project for my brother's and my 4,500 acres this year, based on projected prices that seem confirmed by the August 11th USDA Crop Production Report. Though our farm has grown greatly, often by grudging necessity, and we have capitalized on short-lived periods of opportunity over 25 years, the financial challenges and risks in farming have steadily increased since the late 1980's.

The changes and challenges I have described over 25 years correspond with the steady aging of both the farm population and small community populations over the same time period, as very few new entrants have returned to agriculture, or come back to rural communities.

As a school board member, I have seen our school's student population erode from 500 in 1997/98, to 300 today. This is a very common occurrence across rural Nebraska. Generally, those that entered agriculture as young farmers or started rural businesses during the relatively good years of the 1970's and early 1980's were the last generation to send children to school. As the last of these children graduated in the 1990's, student populations in rural schools began to fall rapidly.

While the trend line has not been good for many years, I know that there is still a strong desire by young people to come back to agriculture or rural communities, and a few are doing so, which is a hopeful sign. However, for most there has not been sufficient incentive to do so given the economic climate in agriculture.

The history and challenges I have described are real and not very positive. However, I am hopeful that the current energy crisis and the resulting national focus on renewable energy from agricultural regions can and will be a vehicle to restore opportunity in rural America.

However, it is important to realize that this promise has not reached producers yet, and I do not think this promise will evolve to the extent necessary unless there is a rethinking of US farm and trade policy. More than most realize, the farm bill has an enormous effect on the market forces that determine US farm prices and rural economic activity. In addition, the farm bill has an enormous effect on the food, and now energy security of the US.

As a farm policy analyst and as a producer, I have been frustrated by many common assumptions and perceptions that have driven the past four farm bills. In general, I think that the agriculture committees have often suffered from a lack of simple and focused data that speaks to some core assumptions and perceptions.

On behalf of the farm organizations I have served, I have often researched and advocated alternative farm policy. However, rather than promoting such alternative policy within this testimony, I believe I would be better served to suggest to the committee specific questions to ask of USDA, in order to collect more simple, focused, and historical data.

Following are four common assumptions or perceptions that help drive farm policy development. I would suggest four corresponding specific questions to USDA that would address these assumptions and perceptions. I would ask the Senate Agriculture Committee, or individual committee members to formally request answers to these questions.

Assumption: Increased net agricultural exports through trade agreements focusing on greater market access have been successful, and hold the greatest future promise for US agriculture.

This has been the highest profile assumption driving farm bill development since 1985.

I would suggest that USDA be asked to develop a year-by-year line graph for the US agricultural net balance of trade for the years 1975 to 2006. This graph should include the trade balance in both nominal terms, and inflation adjusted 2006 dollars terms. This graph should highlight specific years when significant agricultural trade agreements have been passed.

I would suggest that an equivalent graph be developed for the food portion only of the agricultural balance of trade, since the commonly published agricultural trade balance includes forest products and other non-food items.

Assumption: Approximately one-third of all US farm production is exported.

This is a common statement and assumption. According to the Kiplinger Agricultural Newsletter, 8% of the farm value of US agricultural production is exported. According to the editor of Kiplinger, the "one-third" figure is largely based on processed food value at export/import points, not farm-gate value, which skews the data. When challenged, the Kiplinger editor stood by the figure and said they used appropriate USDA analysts.

I would suggest that USDA be asked to tabulate data that showed the proportion of total farm cash receipts (239.0 billion dollars in 2005) that have been exported, based on farm value. Data should be tabulated for the years 1975 to 2006.

Assumption: Farm policy that is free of market distorting mechanisms and that allows crop prices to fall without support increases US commodity exports and increases US market share in global markets.

This is the farm policy path that has been followed since the 1985 farm bill and subsequent trade negotiations.

I would suggest that USDA be asked to develop year-by-year line graph that compares the crop portion of the Prices Received by Farmers Index (1990-92=100) for the years1975 to 2006 to:

1. The cumulative annual export volume of the eight major crops for the years 1975 to 2006.
2. The US market share of the world export market volume for the eight major crops for the years 1975 to 2006.

Perception: Significantly higher crop prices that result from increased demand due to renewable fuels initiatives or farm policy changes are unjustified, and a threat to end users and consumers.

There is little public or policy maker understanding of how low crops are on a historical basis when adjusted for inflation. There is little understanding of the very tenuous at best relationship between crop prices and consumer food prices. There is a common public perception that renewable fuels initiatives are currently increasing farm prices, and resulting in large benefits to farmers. There is a common public and policy maker perception that current crop prices are sufficient to allow farmers to be viable or even prosper if farm subsidies are reduced or eliminated in the current price environment.

I would suggest that USDA be asked to develop a year-by-year line graph for corn that shows the nominal national average farm price for the years 1975 to 2006. The graph should include an equivalent line for the same years that shows the inflation adjusted farm price in constant 2006 dollars.

An overlay for this line graph should be developed that shows the increase in the "Consumer Price Index-Food Eaten at Home" (1982-84=100) for the years 1975 to 2006. This overlay should include an equivalent line for the same years that shows the increase in the "Consumer Price Index-All Urban Consumers" (1982-84=100).

Corn is by the largest crop commodity by volume, and is the current largest beneficiary of increased demand of due to ethanol production. Therefore, it is the logical single crop to use as an illustration. However, I would suggest that equivalent line graphs and overlays be developed for all eight major crops (a comparison of cotton prices the CPI-All Urban Consumers would be valid, but not for a comparison to the food index).

In closing, I believe that food, agricultural production, agricultural markets, and now renewable energy production comprise an inextricably intertwined system that does not react to market or supply and demand signals as many commonly believe or hope. Farming and food production is fundamentally unique. Therefore, an effective farm program that recognizes agriculture as much different than other sectors of our economy is not only justifiable, but also vitally necessary to our national interests and national security.

The push to completely de-regulate US and global agricultural markets, which has been the driving force behind farm policy development and trade negotiations for over 20 years, has had very limited success for US producers, or for producers outside our borders.

As a result, at a time when the world demands increased agricultural production for renewable energy and food, and the need would seem to be there for new farmers to replace aging and discouraged farmers worldwide, agricultural markets are sending the signal that one bushel or pound of excess inventory means all the rest of one's production is valueless. At the same time, if the one bushel of excess inventory disappears, our food and energy security is immediately threatened.

We are promised a new era of agriculture. I hope that the very limited suggestions I have made will be pursued in some manner, and will be useful for the both agriculture committees in the development of our new farm bill, and a new era for agriculture and rural America.

Thank you.

From:
Kevin Raun, producer
428 40 Rd
Minden, NE. 68959

To:
Senate Agriculture Committee

I am sorry that I was not offered a slot on the official list of presenters for the Ag Committee Hearing held in Grand Island, Nebraska on July 16. I have prepared this written testimony that will hopefully be entered into the official record of this hearing. The testimony presented here will focus on the Conservation Security Program. I understand that the CSP may become a big part of the 2007 Farm Bill. Regretfully, I have become aware of some major problems with CSP. I would like to share some of my observations with you today. The areas I will concentrate on will be the funding of CSP and the grading of the applications for the CSP.

The watershed in which I farm became eligible for the CSP this past spring. I made application and was graded for a ranking. The ranking I received was not offered a contract by the USDA. The reason given for this disappointing event was that there was not enough money in the CSP to fund all eligible producers. There was however enough money to fully fund the eligible producers in the ranking above me.

You may not realize what a blow this is to my family farming operation, and the many other producers who were turned away by the USDA, until you realize the amount of money involved in the CSP. This is not some small dollar program. It is a windfall for those given contracts. The contract I would have received for my 1100 acre farm and 300 acre grassland farm operation, which I would classify as average sized for my part of the state, was for over 200,000 dollars. Farmers who were given contracts in my community now have a great competitive advantage over those of us left out. When I say "left out", I really mean it. Those given a contract will receive payments for ten years with the ability to increase their payments by adding conservation practices. Those not given a contract are simply out of luck. We cannot reapply for at least eight years. We have no incentive to adopt more conservation practices. This is all due to the funding method USDA is using for CSP.

As you are all aware, farming is a cash poor, yet incredibly competitive business. I do not believe that the legislation authorizing CSP intended for it to be exclusive to certain operators, or to alter substantially the competitive structure of our local farming communities.

The method by which the USDA has decided to fund the CSP has thrown a tremendous amount of scrutiny upon the grading formula used for the applications. The application is very detailed, requiring from several hours to days to complete. The grade is determined on tillage operations, and Soil Condition Index (SCI). The SCI is a score given by a model which hopes to predict soil organic matter trend. There are many producers who were not offered contracts for CSP simply because some of the land they operate could not under any circumstances qualify for a funded ranking because of the SCI score. Likewise, there are many producers who failed to grade at a funded level because a very slight differences in tillage systems. In my case, I failed to achieve a funded level because I performed one too many tillage operations on my ridge planted land. Ridge planting has long been the conservation standard for gravity irrigated and flatland farming. It has allowed me to use half the residual corn herbicide in my crop rotation. Incredibly, there are no credits given in the grading for using less pesticide. Another factor that cost me in my SCI score was my crop rotation. I have managed a corn-soybean rotation for years. The SCI says this will not allow enough organic matter buildup to grade my application at a funded level. However, those producers who were given a contract will receive enhancement payments if they adopt a corn-soybean rotation!

I could point out many more problems with the scoring of the applications but I think you have an idea of some major areas for adjustment. The most disgust I share with other producers who were not offered a contract is that we all have neighbors who have the same soils, same rotation, and same tillage practices who apparently graded higher for some unknown reason as they were given a contract. Surprisingly, there is no accountability for this apparently common problem in CSP. You may not realize that the NRCS relies 100 percent on the honesty of the applicant, without provision for audit!

CSP has potential to be a good program. A program that focuses on operators, not landowners, is definitely welcome in my view. The application process needs to be simplified and streamlined. The most important adjustment in the CSP needs to be in the funding method. If there is a shortfall in the funding available, the burden of the shortfall needs to be shared by all eligible applicants by prorating the funding across the board. Clearly, a lower ranking was meant to reflect incremental decrease in payment, not abandonment.

Lastly, I have an ironic observation. Some have mentioned that the CSP would be a good fit for the 2007 Farm Bill because it would not distort the international marketplace. CSP, as it is currently administered, is distorting the marketplace in my local community! USDA needs to allow all farmers to participate in the CSP.

I want to express my gratitude to Senator Nelson and the Ag Committee for giving me the opportunity to communicate my concerns on this important matter.

Sincerely,
Kevin Raun

Written Testimony of Scott Kincaid and Mike Korth
To the Senate Agriculture Committee
Farm Bill Field Hearing, August 16, 2006

Thank you Senator Nelson for allowing us this opportunity to provide our thoughts on Federal Farm Policy.

The basic question is 'What is the purpose of Farm Bill Policy?' We believe that most people would answer that it is to 'save the Family Farm'. We believe this is the way the government has sold this program to the American public. But is the current Farm Bill doing that. We and many of our neighbors don't believe that this is the case. In fact, we believe that the current farm bill has done a great deal of damage to the 'Family Farm'. It has had a horrendous effect on young beginning farmers as land rents and land prices have increased dramatically, essentially precluding young farmers with limited monetary resources from entering farming.

We're seeing millions of dollars going to large coops and individuals. Why? The government should be embarrassed and ashamed of how they have handled subsidies.

With this backdrop, we feel a huge overhaul of farm policy is necessary. Now is a perfect time to move in a direction of working for more competitive market opportunities and away from dependence on subsidies. **We believe the responsibility of the government is not to make handouts but to provide an opportunity for anyone to partake in a fair business environment**. Consolidation has been allowed under the guise of 'greater efficiency' when, in fact, 'greater market power' has been the result. This is what has hurt rural America the most. With more competition comes less need for subsidies. With more competition come more opportunities for individuals to enter the business world. With more competition comes greater food safety. With more competition come better prices for consumers <u>and</u> producers. This country has become the envy of the world on the backs of small individual businessmen who had a dream and the opportunity to make the most of that dream. Consolidation has taken that opportunity away from too many individuals. Subsidies do not make up for what was lost in opportunity.

Our food supply is a matter of national security. However, we are more dependent on huge multinational conglomerates for our supply of food than ever before. Is that what we want? To be dependent for our food on a company that has no particular loyalty to this country?

This is why we believe that farm policy should move away from a world of subsidies that, instead of helping 'family farmers', actually eliminates young beginning farmers and moves us toward more dependence on large corporations.

We desperately need to find a way to get more young people back into farming. Rural America is dying with the advancing age of producers. Discussing different ways to provide subsidies is analogous to doctors arguing over which pain reliever to provide to the cancer patient. If the doctors don't address the problem, the patient is still going to die regardless of what pain reliever was ultimately prescribed. Ignoring the competition issue and continuing to provide subsidies will have the same end result.

We would like to suggest some radical thinking. For instance, why not try something like a new kind of Homestead Act. Maybe the government could simply help young people under a certain age buy land. That way the money being spent would go to those who need the help and the end result would be more young families living on farms and raising their children on a farm instead of in a gang. Currently, the most money goes to those who produce the most bushels. We are not helping the future of the 'Family farm'.

Country of Origin Labeling should be made effective immediately. Domestic consumers and foreign countries alike would use that information to their advantage and diseases might be kept out of this country more effectively than with an animal identification system. All an animal identification program does is help find an animal after it is here but does nothing to keep a disease out. It also gives the large multinational meatpackers the opportunity to pass on the liability of a disease problem to the animal producer rather than being held responsible for their own sloppy procedures. And how can tagging each individual animal be more cost effective than simply keeping track of which animals are domestic and which are not?

If we keep doing what we have always done we will continue to get the same results. It's time for a change! Providing subsidies is not solving the problem. It is only a bandaid. Nothing more!

Let's do what is right for rural America, consumers and America as a whole. Let's not continue making policy that benefits a few at the expense of many.

We appreciate this opportunity to make our thoughts known.

Sincerely,

Mike Korth Randolph, NE
Scott Kinkaid Hartington , NE

Family farmers from Northeast Nebraska