

My name is Eric Doheny. I am a producer from Dutton, Montana, and a member of Montana Farmers Union where I am a former President's Committee member and serve on the organization's Resolutions Committee. Thank you, Chairman Chambliss and members of the committee, for holding this field hearing and providing me the opportunity to testify before your committee regarding the 2007 farm bill and future agriculture policy.

I am part of a shrinking pool of independent family farmers across America and speak with the interests of independent family farm food producers in mind. Corporate American agriculture seems to be doing quite well in terms of its economic stability. My goal today is to address the economic interests of independent family farmers and ranchers.

I believe that family farmers and ranchers are at a critical juncture in our existence. State and federal programs need to be structured to benefit and protect the family farm. On behalf of the Montana Farmers Union, I submit the following suggestions for the 2007 Farm Bill.

Disaster Assistance

Since the 2002 farm bill, natural disasters have been on the rise. Farmers and ranchers in 2005 alone faced drought, wildfires, hurricanes, and flooding with nearly 80 percent of counties in the United States receiving a disaster designation.

We believe the 2007 farm bill should include a permanent disaster assistance program. The last farm bill did not include a weather-related provision, yet disaster relief provides an economic lifeline to those who have sustained a massive economic loss from weather-related causes.

In order to fund disaster aid, we realize there must be some give and take. A plausible funding solution for offering a permanent disaster program would be to replace decoupled payments to producers with permanent nationwide disaster assistance.

Farm Payments and Programs

Farmers Union members believe farm policy should provide a meaningful measure of price protection, be targeted toward family farmers and ranchers, and ensure competition in the marketplace.

A popular urban myth is that farmers are essentially being taken care of by the federal government and are getting rich from government payments. This is not true. According to the USDA, average farm income for 2005 was more than \$76,000. What wasn't considered was that 80 percent of that total was off-farm income, leaving just around \$12,000 to account for actual farm income. We can do better. Farm policy should ensure that producers earn income equivalent to families in other sectors of our national economy.

In the current farm bill, the counter-cyclical safety net approach works and should be continued. A counter-cyclical mechanism is important to reducing program costs when commodity prices are high. Loan rates and Loan Deficiency Payments (LDPs) are essential to producers. Historically low commodity prices have forced producers to rely heavily on LDPs to supplement their income. According to the Center for Agricultural Policy and Trade Studies

at North Dakota State University, the impact of the Loan Program is much larger than other parts of the farm program; about \$9/acre for a small farm and \$16/acre for a medium-sized farm. Almost as important is some sort of indexing of loan rates or payment rates to account for increasing costs of production, especially in times of high-energy costs. For example, indexed costs of 20 percent would be indexed at a higher loan rate.

In the past, loan rates were based on an average cost of past market prices. We believe this formula is out of date due to vastly higher production costs because of escalating energy prices and loan rates should be figured at a higher rate. In order to do this, we call for the loan rates to be based on cost of production in order to enhance net farm income and provide a safety net.

Farmers Union believes the conservation programs of this current farm bill should not only be continued, but also expanded. Conservation programs should be good for the environment, reward stewardship, discourage speculative development of fragile land resources, strengthen family farming and enhance rural communities. Expansion of conservation programs should include:

Fully funding the Conservation Security Program, one of the most innovative attempts at rewarding producers for conservation practices on working lands.

Continuing CRP only on the most environmentally sensitive lands, and offering shorter-term CRP contracts for specific conservation needs. (The enrollment of whole farm CRP should be prohibited however, due to the detrimental effects on rural communities.)

Encouraging conservation practices that reduce greenhouse gas emissions (e.g. carbon sequestration) through conservation tillage, wetland restoration/creation and grassland management.

Trade

Free trade and fair trade are incongruent terms in today's world. Farmers Union believes that the expansion of trade, especially agricultural trade, can only be achieved by first stabilizing current trading conditions and by long-term planning and commitments toward expanding the world's economy. Our current trade agenda does nothing to level the playing field or provide opportunities for farmers to make a profit from the marketplace. Trade negotiations must include labor standards, environmental standards and currency manipulation.

Free trade establishes a "race to the bottom." Fair trade ensures an adequate, high quality, safe and affordable food supply. We call for a thorough analysis of current agricultural trade agreements to determine their success at meeting their stated goals before any new bilateral or regional trade agreements are negotiated or approved. The measure of the success of a trade agreement has to be its benefit to agriculture and producers' net income.

Country of Origin Labeling (COOL)

COOL was to be enacted by 2004, but it has yet to be implemented. I am proud of the products that I produce on my farm and want consumers to be able to know where the products they buy

in the grocery store come from.

We have seen the positive effects of country-of-origin labeling for diverse products, ranging from apparel to seafood. There has been much ado about the high costs of implementing this program, which have not materialized. For example, at my local grocery store, shoppers can buy seafood with the COOL label. Consumers are still buying seafood, retailers are still selling, and fishermen are still catching seafood. The process continued smoothly when COOL went into effect for seafood and consumers were given a choice.

Despite this evidence, packer and processors with deep pockets still have a larger influence on Congress even in light of surveys that show both consumers and farmers want it implemented. According to a 2004 National COOL Poll, 82 percent of consumers think food should be labeled with country-of-origin information, and 81 percent would be willing to pay a few cents more for food products grown and/or raised in the U.S.

Energy - Fuels from the Farm

Energy is vital to securing our nation's needs for food and fiber. Montana Farmers Union supports a balanced, comprehensive energy policy that seeks energy independence for the United States, protects our nation's environment and recognizes the special needs of America's agricultural sector.

Montana - and America - have been long known and respected for its contributions to the production of food and fiber. Now an emerging opportunity exists for crop, livestock and grass producers to become major producers of another essential commodity - energy.

I believe that the current fossil fuel based energy model is no longer sustainable. Our nation - and our state - is looking for new energy solutions.

Just a cursory look at current events around the globe emphasizes that our fossil fuel-based economy is subject to increasingly precarious geopolitical forces in the Middle East and elsewhere. We support and are working toward a new sustainable economy that will rely increasingly on renewable sources of energy such as wind, solar, biomass, anaerobic digesters, and especially ethanol and biodiesel based fuel programs, such as the Renewable Fuels Standard that has been promoted for years.

As I look around and visit with my neighbors and have seen what is happening in other parts of the country, it is clear that farmers and ranchers can be at the forefront of this revolution. American - and Montana - agriculture is well positioned to significantly expand its role in the development and implementation of new energy solutions. We can utilize the commodities we grow in innovative new ways to produce power, transportation fuels, and a new generation of biobased products and chemicals.

Energy, economic development, national security and environmental quality are inextricably linked. Home-grown energy solutions offer tremendous potential for farmers and ranchers to capture more income; for rural communities to prosper; and for the nation to lessen its

dependence on foreign oil.

In order to reduce our dependence on fossil fuels, development of renewable sources of energy must be a priority. This should include economic technical assistance for family farmers wanting to transition into an increased application of alternative forms of energy.

Farm Policy Vision

The measure of success of any farm bill has to be the level of net income for producers. Farm policy should not be developed for multinational corporations, processors, exporters, integrated livestock producers and firms who profit from low commodity prices. We expect higher loan rates, better targeting and oversight of farm program payments to family farms, defined as a unit using land and other capital investments operated by one family who provides stewardship and management, takes economic risk, and provides the majority of the supervision and work on the farm or ranch. A vertically integrated or multinational grain and food conglomerate is not a family farm.

The family farm is the keystone of a free, progressive, democratic national society, as well as a strong America. Farm policy needs to recognize and build on the strength of our nation's agriculture, not jeopardize it through globalization and trade agreements that put our producers at an economic disadvantage.

My goal today is to highlight the economic interest of independent family farmers and ranchers. Every politician, voter, taxpayer, environmentalist, and consumer needs to realize independent family farmers are by far the best stewards of the land and animals. The independent, localized family farm structure has a proven track record of success in America. Straying from this proven structure jeopardizes the United States' national strategic security, homeland security, the environment, rural economic development, food safety and food quality and now energy independence. Federal agricultural policy, with a strong conservation and energy component, that prioritizes the interests of independent family farmers and ranchers, is not vital just to the people on the land, but to our country. It is my hope that the committee will keep this in mind as it works to prepare future farm policy.

I wish to thank the committee for this opportunity to testify.