

Thank you for the invitation to this hearing. My name is Steve Kerns and I am the immediate past president of the Iowa Pork Producers Association and I currently serve as Chairman of the IPPA Public Policy committee. I am a pork producer from Clearfield, Iowa.

As you know, pork producers are generally not the largest recipient of many of the farm bill provisions. However, we have policy implications which may be addressed, and therefore will follow farm bill discussions closely on behalf of our members.

Issues which should not wait for a farm bill discussion:

Currently, the mandatory price reporting system for livestock has lapsed and negotiations are ongoing between the Senate and House over new language. The Iowa Pork Producers Association is on record favoring the Senate version over the House. I thank the Senate and especially Senators Harkin and Grassley for their work on this issue and urge the Congress to adopt the Senate version as soon as possible. This issue is too important to wait for the next farm bill consideration.

A cornerstone of a free market system is market information. According to the GAO report on the MPR program some change is needed. The report highlighted some transparency problems which can be corrected by Congress. As pork producers, we cannot compete effectively in the marketplace without timely and accurate market information.

What livestock producers need is more transparency of the marketing process. We don't need to know the price each producer received for their livestock, but we do need to know how the prices we settle or negotiate are compared to the rest of the market.

General Farm Bill Considerations for Pork Producers:

Due to the political climate, Members of Congress, not just those from farm states, will be critical in passing a comprehensive bill which could affect the competitiveness of the U.S. pork industry. American agriculture is among the most competitive industries in the world, but it cannot and should not be expected to compete alone against foreign governments and other groups.

Trade Promotion Authority (TPA):

Regardless of the discussions or timing of a new farm bill, Congress should extend TPA for the President. It is very important to Agriculture trade that future administrations have the ability to negotiate the finer details of trade agreements.

Competitive Issues and the Farm Bill:

Packers and Stockyards Administration; One area of competition issues which needs attention is revised Packers and Stockyards laws. The OIG report on GIPSA noted that change is needed within the agency. Senate Bill 2307 (Harkin, Enzi, Thomas, Grassley) is a good start at this process. This bill would authorize USDA to establish an Office of Special Counsel whose sole responsibility will be to investigate and prosecute violations on competition matters.

Currently, the Deputy Administrator at GIPSA oversees the Packers and Stockyards program and has the responsibility of enforcing the Packers and Stockyards Act. GIPSA personnel responsible for investigating violations of the Packers and Stockyards Act would be transferred to The Office of Special Counsel. The Special Counsel would be appointed by the President and confirmed by the Senate. This position will also serve as a liaison between the Department of Justice and Federal Trade Commission. Based on the OIG report, S. 2307 adds important improvements to the process.

Furthermore, Congress should clarify what needs to be proved concerning unfair actions by processors without additional burdens of having to prove adverse affects on regional competition. For example, recent court decisions (London vs. Fieldale Farms) have ruled that in order for producers to succeed in cases involving unfair actions they must prove how it adversely affects competition for their region. These rulings will complicate USDA's ability to enforce the Packers and Stockyards Act.

Packer feeding and contracting in agriculture is becoming more common place. In Iowa, the Attorney General has been negotiating with individual processors to resolve legal challenges to Iowa's packer feeding laws. Many of the agreements between the state and individual firms discuss contracting issues. Congress could also review agricultural contracting practices such as providing that unfair or deceptive practices by a person which affects the marketing, receiving, purchasing, sale or contracting of agricultural commodities would be prohibited. Another provision important to producers is the state in which legal challenges are resolved, also known as venue. It makes sense to most producers that the state in which the production takes place should be the state where legal disputes are resolved. This is important for both production and marketing contracting situations.

The Iowa Attorney General has also recommended language which would allow the producer at least 3 days to authorize, renew or cancel the contract. He has also advocated mediation rather than arbitration so that the parties involved can try to resolve issues by discussions and negotiations. Finally, the Attorney General has required language which prevents discrimination against producers for belonging to an organization or cooperative. Most firms involved have agreed to this language as part of the agreement with the state of Iowa.

Other Considerations - Revenue Assurance, Whole Farm Coverage:

Iowa is one of the pilot states for whole farm coverage, including livestock. In most cases, livestock revenue assurance together with crop insurance can reduce the premiums compared to insuring enterprises separately. It has worked relatively well but the usage rate could be increased.

However, if the program is rolled out nationally we urge caution in not overly subsidizing the premium structure. This is important because the pork industry is much more mobile than farm ground (ie. crop insurance) and new production can be created easily if prices are protected through highly subsidized insurance premiums.

Specific Consideration - Commodity Programs:

Federal renewable fuels targets should result in putting more grain into ethanol production and this could impact the price of corn and/or feed costs. We are hearing more and more from pork

producers concerned about the price and availability of grain for livestock feed.

The expansion of bioenergy programs and the federal renewable fuel mandate for federal purchases of bio-based fuel products could impact the price of feed. Furthermore, reaching a mandate in a drought stricken year or with low crop yields could result in significant feed shortages in some conditions. Therefore, pork producers should continue to advocate safety values in the national policy which allows for suspension of mandated programs when feedstock supplies are low.

Finally, ethanol production results in a significant supply of distiller's grain by-products (DDGs) which are available to the livestock industry as feedstuffs. However, further research needs to be conducted to evaluate the nutritional value and consistency of these by-products in order to develop feeding recommendations for livestock.

Special Consideration - Conservation Title:

Under the Conservation title, there are several actions we advocate for on behalf of pork producers. First, Congress should modify the EQIP program to be more usable for pork producers. Second, unless done beforehand, Congress should clarify that animal manure was never intended to be a hazardous material.

Third, the 2002 Farm Bill included a new Conservation Security Program (CSP) which was intended to be a comprehensive program to encourage whole farm planning by rewarding farmers who proactively conserve environmental resources throughout their farm operation. This program is a step in the right direction and needs further consideration.

Lastly, while the various conservation programs have greatly assisted farms with reducing soil erosion, not much is known about a concentrated and coordinated effort to target and solve water quality issues within an entire watershed. We should begin to evaluate a watershed approach to agricultural water quality impacts. Several federal agencies and their programs could be targeted to specific watersheds, with the cooperation of the area farmers and other landowners.

We can envision combining the strengths of programs like the grassland reserve program (GRP), conservation reserve program (CRP), conservation security program (CSP), environmental quality incentives program (EQIP) and the wetlands reserve enhancement program (WREP) into one watershed focused solely on water quality. While these combined programs cannot be expected solve all pollution events, coordinating and concentrating these programs could have a big impact within a watershed.

Furthermore, it would be a new cooperative approach with potentially more success than the traditional "incentive and penalty" programs.

Thank you for considering our thoughts.

