

Mr. Chairman and Members of the Committee, thank you for the opportunity to present the perspective of members of the Iowa Cattlemen's Association and many Iowa cattle producers on the upcoming 2007 Farm Bill. My name is Bill Scheitler, and I am a cattle producer from LeMars, Iowa. I am currently president of the Iowa Cattlemen's Association, which is the third largest state association by membership with more than 10,000 members.

We appreciate this chance to discuss our hopes and concerns for the 2007 Farm Bill. As cattle producers, we are part of a huge and vital industry within Iowa and the nation. First, a few numbers to consider about the U.S. and Iowa beef industry. The U.S. industry is comprised of more than 800,000 cattle producers in all 50 states, and we have more than 95 million head of cattle in this country. Cash receipts from cattle and calves in 2005 are more than \$48 billion dollars. Those sales account for nearly 40 percent of all livestock sales and nearly half of all U.S. farm receipts.

Iowa has more than 1 million beef cows and in excess of a million cattle on feed. Iowa has 90,000 farms, nearly 34,000 farms with cattle, including more than 23,000 beef cow herds. The state has more than 10,000 feedlots - the most in the nation. Iowa has the eighth largest cattle inventory in the United States, the tenth largest beef cow herd, and the fifth largest inventory of cattle on feed as of January 1, 2005.

These cattle numbers represent a major economic activity in the Iowa economy. Cattle marketings in Iowa were estimated at \$2.13 billion in 2004, which represents 20 percent of all agricultural marketings and 37 percent of livestock and poultry marketings. This sizable volume within the beef producing sector also translates into an estimated 36,600 jobs, including the meat processing sector. The total economic impact of the cattle sector in Iowa, from inputs to processing, is estimated at \$5.32 billion annually.

As the nation's largest segment of agriculture, the cattle industry is focused on continuing to work toward agricultural policy that:

- a) minimizes direct federal involvement;
- b) achieves a reduction in federal spending;
- c) preserves the right of individual choice in the management of land, water, and other resources;
- d) provides an opportunity to compete in foreign markets;
- e) and does not favor one producer or commodity over another.

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

In Iowa, the Farm Bill is critically important. We are wearing cattlemen's hats today, not corn growers or soybean producers. We want to address issues that affect the cattle industry.

Trade

Both domestically and internationally, we believe trade is the single most important issue affecting our cattle industry today. Trade, or lack of it, has the potential to impact the long-term health of the beef industry. Iowa cattlemen have been and continue to be strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our product. We support government programs such as the Market Access Program and the Foreign Market Development Program which helps expand opportunities for U.S. beef, and we urge sustained funding for these long-term market development efforts.

We also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef. We appreciate the Committee's help in working to reopen foreign markets that were closed to U.S. beef after the discovery of BSE on December 23, 2003, in a Canadian cow in Washington state. As you are aware, we continue to fight to get our product into several countries and have seen recent setbacks in places such as Korea and Japan, which historically have been two of our three largest trading partners. The ICA supports sanctions against Japan, due to unreasonable hindrance of our U.S. beef exports. We ask that you continue to support the effort to ensure that sound science is followed to remove these artificial trade barriers. To grow our business, we must look beyond U.S. borders to find 96 percent of the world's consumers. We encourage the Committee's continued strong and vigilant oversight of the enforcement of any trade pact to which American agriculture is a party.

Conservation and the Environment

Federal agriculture policy on conservation and environmental issues are two areas that we can work on together to truly ensure the future of the cattle business in the United States. Some of the cattle industry's biggest challenges and threats come from the loss of natural resources and burdensome environmental regulations. Cattle producers are partners in conservation with many different agencies. Our livelihood comes from the land, so careful land stewardship not only makes good environmental sense, it is fundamental for our industry to remain strong. Our industry is threatened every day by urban encroachment, natural disasters, and misinterpretation and misapplication of environmental laws. We strive to operate as environmentally responsibly as possible, and it is here where we can see a partnership with the government and private property owners.

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

be afforded equal access to cost share dollars under programs such as EQIP. We appreciate EQIP availability for both feedlot and pasture renovations and improvements.

Secondly, many producers would like to enroll in various USDA conservation programs such as CSP and CRP to reach environmental goals. However, to enroll in these programs requires the producer to stop productive economic activity on the land enrolled. We believe economic activity and conservation can go hand in hand. As such, we support the addition of provisions in the next Farm Bill that will allow increases in managed grazing on land enrolled in CRP. We believe that programs should be implemented that allow an annual managed grazing program, rather than only once in three years. If time needs to be set aside for bird nesting, we respect that time, and support dates already in place based on the current 3-year program. This will have tangible benefits on environmental quality. For example, managed grazing can help improve lands threatened by invasive plant species for both livestock and wildlife. It has been tested and proven that managed annual grazing would enhance forage cover, which furthers our efforts to maintain and improve water quality.

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

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

Activism

In addition to dealing with the misapplication of environmental regulations, our industry is also becoming more at risk from attacks by environmental and animal activist and terrorist groups. Activist groups such as PETA and the Humane Society of the U.S. (HSUS), along with extremist groups such as the Animal Liberation Front and Earth Liberation Front, use extreme measures to try and force their views of vegetarianism and extreme environmentalism on others. Every person has a right to their own views, but to force their views on others using scare tactics, arson, and terrorism is unacceptable. It's not just the extremists, however, that threaten animal agriculture. All we have to do is look at the issue of processing horses for human consumption. All it took was a few celebrities, horse racing groups, and misinformed politicians to pass a law that banned the use of USDA funds to inspect horse processing facilities. The processing of horses is a regulated and viable management option that helps take

care of unwanted or unmanageable horses. It would be preferable if there were plenty of people willing to pay for these animals and take care of them, but there are not. Instead, a group of activists have pushed their emotional views on others, and in return are running the risk of allowing more horses to starve or be mistreated, as well as putting companies out of business. This win gives activist and extremist groups a foothold to come after other species. It's no secret that groups, such as PETA, want to put the U.S. cattle industry out of business. It may seem far-fetched, but in today's society, the rural voice is quickly being lost. The Farm Bill should not be a platform for these activist groups.

Energy

Research is also needed to identify and develop alternative methods of producing energy. Renewable energy will become an increasingly important part of our country's energy supply and there are many ways that cattle producers can contribute and benefit. In Iowa, the construction of ethanol plants has resulted in a win-win situation for both the renewable energy industry and cattle producers. Co-products from the plants provide an economical and easily accessible feed source for cow herds and cattle feedlots. In turn, the ethanol plants have a nearby, established market for co-products.

Currently, ethanol production is about 4.6 billion gallons. Analysts predict that ethanol production could reach 8 billion gallons by 2008. Every bushel of corn makes 2.7 gallons of ethanol and 18 pounds of high-protein distillers grains. As the ethanol industry develops in Iowa and the upper Midwest, exceptional opportunities exist to expand the cattle business and greatly improve economic production efficiencies.

The Iowa cattle industry is poised at the brink of major expansion. The growing ethanol industry will help to expand livestock farming, which in turn revitalizes and grows our rural communities.

We believe the Farm Bill can help to provide research funding for integrated production systems and innovative business models to manage risk and attract new capital. Energy policy that provides research funding and supports renewable fuels such as ethanol will help young people enter agriculture and improve local economies.

Animal ID

In trying to deal with, and mitigate the effects of, animal health emergencies on our business and trade, we believe in participating in a privately held animal identification system. That system now exists and is under the administration of the U.S. Animal Identification Organization or USAIO. Formed in January 2006, the USAIO is administering an animal movement database that has the ability to work with animal identification service providers across the country to collect animal movement data and serve as a single point of contact in the

event of an animal health emergency.

The Iowa Cattlemen's Association has provided an electronic identification (EID) program for Midwestern producers the past 8 years. The ICA's EID system has a proven track record with more than 200,000 head of cattle recorded. Iowa's program was one of the first in the United States to provide an individual EID-based system for data collection at all levels of production including purebred and commercial cow-calf herds, feedlots and harvest facilities. The ICA's EID program was developed to allow producers to collect data for production practices from "birth to box." This information included birth records, various weights at different stages of production, change in ownership and carcass data. Additionally, the ICA program was the first in the country to include EID as part of the state's brand law as a legal form of identification. From our start, we have partnered with AgInfoLink, one of the national leading companies in traceability solutions and together with them we have been able to service more than 500 producers through the ICA system.

At the national level, the U.S. Animal Identification Organization system will provide will provide real time access to USDA and its state veterinarians, and will allow trace-back of any diseased animal to start immediately and be completed in less than 48 hours. Confidentiality of the information is paramount and is one of the greatest concerns for producers. This privately held database will keep the information much more safe than a public, or USDA system would. The USAIO is currently recruiting partners and building the amount of data they have in their system. It will be self-funded and will not rely on any federal funding.

One concern we have about the National Animal Identification System is that it is not moving as the pace it should be. Currently, the NAIS in this country is just reading water. We want it to progress faster. The NAIS program may need some impetus to encourage more participation. We need to have a system in place and operating well.

Research

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

Here in Iowa, we encourage continued funding of the USDA National Animal Disease Laboratory, USDA National Animal Disease Center, and the Iowa State University College of Veterinary Medicine. We value their research and what these entities do to sustain our industry.

Taxes

Reducing the tax burden on cattle producers has always been a top priority for our industry. We continue to support permanent repeal of the Death Tax. Cattle producers pay their fair share of taxes, and resent the fact that many are being penalized for wanting to pass their operations on to future generations. Our priority is to keep families in agriculture, and this tax works against that goal. Cattle producers operate in an asset rich, but cash poor, business environment. They must spend money that would otherwise be reinvested in their businesses to hire the resources necessary to protect their assets and pass their operations on to their children. We support passage of estate and gift tax legislation which will eliminate or significantly reduce the burden of estate and gift taxes on family farms, ranches and small businesses. We also oppose any proposal to repeal the stepped-up basis provisions not tied to repeal of the estate tax.

We also support keeping the Capital Gains Tax at a lower rate, repeal of the Alternative Minimum tax, and full 100 percent deductibility of health insurance premiums for the self-employed.

Marketing Issues

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

We support reauthorization of Livestock Mandatory Price Reporting and encourage the Chairman of the Senate Ag Committee to work with Senators Harkin and Grassley to find a compromise. It is important to cattle producers that this law be reauthorized now, and not wait until it is placed in the Farm Bill. This program is too important for producers to have to wait for it to become law again in the 2007 Farm Bill, which may take months to be passed by Congress.

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

progressive channels. The market provides many opportunities and cattlemen should be allowed to access all of them.

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

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

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

Conclusion

In conclusion, Iowa cattle producers simply want the opportunity to operate our businesses to provide a high quality product for the American consumer. We want to provide for our families, preserve our way of life, and offer opportunities to young people to enter animal agriculture. We are coming to you in an effort to work together to find ways to use the extremely limited funds available in the best way possible to conserve our resources, build our industry, and provide for individual opportunities. We ask only that federal agriculture policy help build and improve the business climate for cattle producers. We look forward to working with you on the 2007 Farm Bill.