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CONSERVATION ON WORKING LANDS FOR THE NEW FEDERAL FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

JULY 31, 2001

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CONSERVATION ON WORKING LANDS FOR THE NEW FEDERAL FARM BILL

TUESDAY, JULY 31, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9:28 a.m., in room SR–328A, Russell Senate Office Building, Hon. Blanche L. Lincoln presiding.

Present or submitting a statement: Senators Lincoln, Conrad, Dayton, Wellstone, Thomas, Hutchinson, and Crapo.

STATEMENT OF HON. BLANCHE L. LINCOLN, A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN [presiding]. The Committee on Agriculture is called to order.

Good morning, and thanks to all of you, colleagues, witnesses, and the public here to join us for this hearing this morning.

I first want to give Chairman Harkin's regrets. He is terribly sorry that he was unable to be here this morning. As many of you all know, this is a very important issue to the chairman, but he is tied up on the floor with some other important matters on behalf of agriculture, and we are glad that he is there.

For several weeks now, the committee has been holding a series of hearings to gather testimony from a wide range of voices all focused on how best to design a farm bill. These hearings have examined the various elements, both the good and the bad, of Freedom to Farm, to help us figure out how we can design a new and better farm policy.

Just last Thursday, the House Agriculture Committee marked up its version of the Farm bill. We have a lot of ground here in the Senate to cover to catch up with the House, but I know that if we set our minds to it, we can achieve it.

Chairman Harkin called this hearing to explore the benefits of good conservation practices in agriculture, specifically on working lands or lands already in production. Unfortunately, as I mentioned, he is tied up on the floor as the Senate now debates the market loss assistance package, and he has asked me to chair this hearing in his absence; and I am very proud to sit in as chair of this hearing on his behalf.

Over these past several weeks of hearings, Chairman Harkin has made it very clear that he believes the next Farm bill should contain a strong conservation title. As chairperson of the Subcommit-

tee on Forestry, Conservation, and Rural Revitalization, I share this belief.

The preservation of soil and clean water is a key component of any long-term plan for agriculture. As the daughter of a seventh-generation Arkansas farm family in East Arkansas, I know how important good farming practices and the enhancement of natural resources are to a farm's success. I also know how important the success of farming is to the vitality of our small towns and rural areas.

While the business of farming is to produce the food that we eat and the clothing that we wear, the soul of farming is in the relationship between the farmer and the land. This business of farming helps to strengthen our rural economy, and the farmer's relationship to the land helps to strengthen our rural society.

This is one reason why farmers take so much pride in the work that they do feeding this Nation and the rest of the world. They feel a special bond to their work, a bond that goes beyond a simple vocation.

It is also why they work so hard to take care of the land, for as we all know, farmers are the original conservationists. I come from that first-hand, having watched my father for years, as well as my grandfather, and understanding not only their love of the occupation that they had but, more importantly, their love of the land.

If you do not work hard to preserve the land that you farm, it cannot continue to produce a plentiful harvest year after year—any farmer will tell you that—nor can it endure to be handed down to your sons and daughters, which is also at the forefront of these incredible people's minds.

As we convene today to explore the role of conservation policy in the context of the new Farm bill, it is important that we keep in mind both the business of farming and the relationship of the farmer to the land. A fragile bond connects the two. We have limited resources, and we must choose between an array of policy priorities.

That Chairman Harkin must miss this hearing to manage the debate on yet another emergency market loss assistance package illustrates just how important it is that we choose wisely in these debates.

I thank the witnesses for joining us today to share with us their views on how to improve conservation policy as we move forward on this new farm bill. Their expertise on the many issues in conservation is very much appreciated and, as I mentioned, is extremely important for us in the debate that we find in front of us.

Before I introduce the panel, I want to welcome the gentleman from Arkansas and ask if he has a few comments.

STATEMENT OF HON. TIM HUTCHINSON, A U.S. SENATOR FROM ARKANSAS

Senator HUTCHINSON. Madam Chairman, my colleague from Arkansas, I have a very few comments, but I want to thank you for chairing the hearing today. It is a very important hearing, and I know that Chairman Harkin is involved in some very, very important business in ensuring that this farm bill moves forward which we sent out of committee last week.

I want to express my own sense of urgency about seeing all action completed on that bill before we leave for the August recess. You alluded to this last week in the committee markup, that we have been hearing since January about the need for Congress to act and act expeditiously. We have not acted expeditiously. We have not moved this forward as we should have, and it has caused uncertainty and instability, and I regret that. Well, it would be compounding our errors to fail to move this bill forward prior to the August recess. I do not want to go back and face them, and I am sure Madam Chairman does not, either.

This hearing is very important, as we look at the new Farm bill and what role conservation is going to play in that new Farm bill and in particular how the conservation efforts and production are going to be related. I look forward to this as a learning experience.

I especially want to express my welcome to Mr. George Dunklin, Jr., from DeWitt, AR, who is one of our leading citizens and leading agricultural leaders and a good friend of all of us in Arkansas. We appreciate his expertise and his willingness to share that today.

Thank you, Madam Chairman.

Senator LINCOLN. Thank you.

Senator Thomas, would you like to offer any comments before I introduce the witnesses?

STATEMENT OF HON. CRAIG THOMAS, A U.S. SENATOR FROM WYOMING

Senator THOMAS. Good morning.

Senator LINCOLN. Good morning.

Senator THOMAS. Of course, I always have to take advantage of that.

Thank you very much for holding the hearing, and I thank all the witnesses for being here.

Certainly this business of the conservation segment of our farm bill has become one of the more important things, partly because it is very important that we do something with conservation and with the lands, and partly because it is a different, unique way of supporting agriculture in addition to or apart from, frankly, program crops.

Being from Wyoming where the program crops are less important, I guess—or, not less important, but the dominance is livestock and so on—so of course, it makes a great deal of difference; we are fairly limited in our participation in the farm programs.

I do not know exactly how this will work. Certainly, I am interested in hearing your ideas. The funding of the EQIP program is important. That is one that has been very useful and continues to be. We are talking more and more about protecting wildlife and protecting wetlands, doing some things that will keep open space and the technical assistance that goes with all those things.

It is a new area and one that we certainly need to explore. Our conservation district program in Wyoming has been very important. We are dealing with clean water and non-point source water problems, of course, and many of the agricultural people need some assistance if they are going to comply with those things. Hopefully, the regulations can be made a little more useful and workable beforehand, but nevertheless that is there.

This is kind of a breakthrough, a little bit of a change in the way we handle agriculture, so we are doing something to support agriculture more generally, frankly, without tying it to production so that we are not working against ourselves in terms of overproducing and yet paying for production in this change of ways of doing things.

Thank you, Madam Chairman. I look forward to the testimony.

Senator LINCOLN. Thank you.

Senator Crapo has joined us. He has also been quite up front and very, very involved in the conservation issue, and I appreciate all of his hard work.

Senator do you have any opening comments?

Senator CRAPO. I have no opening statement, Madam Chairman. Thank you.

Senator LINCOLN. I will now introduce the panel. First, we have Mr. Lee Klein, who will testify on behalf of both the National Corn Growers and the American Soybean Association.

Mr. GEORGE DUNKLIN JR. Is from our great State of Arkansas, a native of that great Delta town, DeWitt, AR. I have to also comment that Mr. Dunklin comes from a farm family as I do, having known his father and the great work that his father has done, and seeing George follow in his footsteps is a great thing. He will be testifying on behalf of the U.S. Rice Federation.

Mr. Gary Mast is here on behalf of the National Association of Conservation Districts.

Mr. Dave Serfling will be introduced by our good friend from Minnesota, Senator Wellstone, who will be joining us shortly. We are delighted to have you with us, Mr. Serfling.

Last but not least, Dr. Mark Shaffer is here on behalf of Defenders of Wildlife.

We thank the panel very much for your willingness to be here and share the expertise that you all have with our committee. We hope that it will be an ongoing relationship and something we can call on you on as we continue to move forward on the Farm bill. We look forward to your testimony, and we will start with Mr. Klein.

STATEMENT OF LEE KLEIN, NATIONAL CORN GROWERS ASSOCIATION AND AMERICAN SOYBEAN ASSOCIATION, WASHINGTON, DC

Mr. KLEIN. Thank you, Madam Chairman, for the opportunity to testify here today about conservation.

I serve as president of the National Corn Growers Association, and I also serve as a member of the board of directors of the Lower Elkhorn Natural Resources District. I farm near Battle Creek in northeast Nebraska, where my wife and I raise corn, seed corn, soybeans, rye, alfalfa, and hay, and have a cow/calf operation.

This testimony is also presented on behalf of the American Soybean Association.

The National Corn Growers Association's members have a commitment to our community to ensure that we have clean water and health, viable soil to ensure the land is productive for many years to come. We take responsibility for our farming activities and must

do so with a keen eye toward conservation, productivity, and marketing.

We support voluntary, incentive-based conservation programs that the past Farm bill have created. We believe that flexibility in programs is essential for their widespread adoption, given local variances in conservation and water quality priorities, production practices, climate, soil type, and many other factors.

Several members of the committee have introduced legislation to address the expansion of voluntary, incentive-based conservation programs. We look forward to working on elements of each of each of these bills in a comprehensive farm bill package. The National Corn Growers believes that the conservation title of the next Farm bill should focus on conservation practices of land in production rather than conservation programs that take land out of production. Given scarce Federal dollars, we prioritize those programs that provide financial assistance for conservation practices on land in production.

National Corn Growers is interested in a new conservation program that assists growers in maintaining or undertaking new conservation practices in their farming operations. It is important that these programs be implemented on ground that is in production and will not become a set-aside program.

As we look at broader Clean Water Act issues and regulations such as confined animal feeding operations, total maximum daily loads, and hypoxia in the Gulf of Mexico, we know that corn growers play an important role in maintaining a healthy environment. Agricultural producers face increasingly regulatory burdens whether it is local, State or Federal requirements on the management of their land. We support programs that will work with our members in utilizing conservation practices and work to maintain a healthy environment.

Specifically, National Corn Growers has been focusing on legislation that would provide environmental incentive payments for growers currently utilizing conservation practices on their ground or will undertake new practices that provide conservation benefits.

The Conservation Security Act, a conservation incentive payment program, reaches these goals. National Corn Growers believes that the Conservation Security Act, working with commodity programs and the past Farm bill conservation programs, allows for a new focus on conservation. The Conservation Security Act is unique in its approach because it recognizes an important part of conservation practice adoption across the farming community, which is that growers need financial and technical assistance in the management of their operations, based on conservation principles.

This is not always as easy or as obvious as creating and managing a filter strip along the waterway that runs through your land; rather, it is the intensive management practices, or altering tillage practices, that can become as much or more important in reaching our conservation goals.

These management practices also add to the costs and risks of the farming operations. These are the areas that need to be the focus of the next farm will where policymakers work with growers to find conservation practices that fit in with their management and stewardship of the land.

The Environmental Quality Incentive Program, or EQIP, has great goals of targeting scarce resources at the most significant soil and water quality needs in each State. However, the targeting of funds has been excessive, creating a very narrow program.

National Corn Growers supports changes that would broaden the participation in EQIP and increase funding for both livestock and crop sectors in the program. EQIP implementation should ultimately be altered to change the length of the contract, the ability to receive payments in the first year of the contract, and eliminate the size restrictions on animal operations.

Each of these conservation measures provides an integral part of the overall conservation environment and water quality objectives. Federal programs provide financial resources and technical assistance to facilitate the adoption and management of conservation practices. Federal, State, and local cost-share and incentive programs are essential for the greater benefit provided by these practices. Our members are engaged in farming as a livelihood and must maintain the ability to raise productive crops on their land and market their crops to maximize profitability.

National Corn Growers recognizes the regulatory activity is increasing regarding livestock operations and manure management and application. Regulatory actions in this area will have significant impacts on both our customers and the U.S. corn industry. The U.S. livestock industry is the No. 1 consumer of domestic corn. Just as we are concerned that the corn production could shift to foreign countries, we are also concerned about livestock production shifts to foreign countries. Both areas must be given the tools and resources to comply with new regulations if we are to remain competitive in the global marketplace.

National Corn Growers closely monitors the speed at which new land comes into production in South America. As set-aside and acreage-idling programs in the United States increase, such as increasing the acreage in CRP, the rate at which land in South American is cultivated increases. The United States cannot maintain a competitive advantage if U.S. regulatory activity forces up production costs, if the U.S. transportation infrastructure cannot deliver our goods to domestic and foreign markets in a cost-effective manner, and if the United States drives our customers further from the point of domestic corn production.

All these elements must be considered when analyzing the impacts of domestic environmental regulatory activity.

As the committee continues its work on the Farm bill, we urge you to take all of these elements into consideration. National Corn Growers members strive to be good stewards of the land and must do so in a manner in which they maintain their productivity and competitiveness in global markets.

We see the pressures of environmental regulatory activity having significant impacts on our domestic customers, the livestock industry, and potential impacts on row crop production. Conservation programs must acknowledge these factors and work with producers to undertake conservation practices on land in production while allowing for the flexibility for differing regional areas of production.

I thank you for the opportunity to testify.

Senator LINCOLN. Thank you, Mr. Klein. You made it before the light came on; that was excellent.

[The prepared statement of Mr. Klein can be found in the appendix on page 30.]

Senator LINCOLN. Before we continue with the panel, I would ask if there are any other Senators who would like to make opening statements; if not, we can continue.

Senator Wellstone, I know that you will want to introduce one of our witnesses. Would you like to do it now?

Senator WELLSTONE. I would be pleased to do it with Senator Dayton; thank you.

Senator LINCOLN. Great.

Senator WELLSTONE. As my colleagues know, I could say a lot—do I have about an hour to introduce Dave Serfling——

Senator LINCOLN. Don't worry; we will turn the lights on.

Senator WELLSTONE. Dave is from Preston, Minnesota, and we have known each other for a while. I have been to many Land Stewardship Project gatherings, especially in Saint Dominick's Church in Northfield, Minnesota. His testimony will go to the heart of what this question is about with conservation. He is a smart, clear thinker, and smart, clear farmer who has a very diversified operation which is very respectful of the environment, holds down input costs, and is really an example of some of what is happening in agriculture in southeast Minnesota especially. We see a lot of focus there on land stewardship, and Dave represents the very best of it.

Thanks, Dave. It is just great that you are here and much appreciated.

Mark?

Senator DAYTON. Madam Chair, I would just second what Senator Wellstone said. When Chairman Harkin was in Iowa last fall, we had some meetings, and it was clear that the Land Stewardship Project was already deeply involved with the chairman in developing the legislation which he has now introduced, which I am proud to be a cosponsor of.

It is very appropriate that you and your organization are represented on the panel today, Dave, and I look forward to hearing your remarks.

Thank you.

Senator LINCOLN. Thank you, Senator Dayton.

We will proceed now with Mr. Dunklin.

STATEMENT OF GEORGE DUNKLIN, JR., USA RICE FEDERATION, DEWITT, ARKANSAS

Mr. DUNKLIN. Thank you, Madam Chairman and committee members.

My name is George Dunklin, Jr., and I am a rice farmer near DeWitt, Arkansas. I live near DeWitt. I do not actually live in DeWitt. I live on the farm with my wife and my three daughters, Megan, Hillary, and Lauren. We live on a working farm where we practice conservation every day.

Madam Chairman, as you well know, in the rice industry, we require a lot of water. We conserve every drop of water on that farm,

literally. The systems that we designed on our farm are such that we can do that, and it is very important that we do that.

We also flood our fields every winter for the migratory waterfowl that fly in, the ducks, the geese, and what-have-you. We had, until a big wind storm at Easter, a nesting pair of bald eagles. Over the last nine years on our farm, which the Arkansas State Game and Fish Department have documented, about nine eaglets have been born. We take a lot of pride. Our children love growing up there. My wife loves living there. We practice what we preach.

The U.S. Rice Producers' Group has asked me to come today to testify in front of this committee. The U.S. Rice Producers' Group is a charter member of the U.S. Rice Federation. I serve on the Conservation Committee; I also serve on the Conservation Committee for Ducks Unlimited and also for the last nine years have been chair of my local FSA office back home.

We have turned in our testimony, and today I would really just like to go through the highlights of it instead of just reading it to you.

What we would like to talk about today is this balancing act of the conservation payments, whether they go for working land or non-working land—sort of what Mr. Klein was talking about.

First, I would like to address the state of the rice farm economy. We are not immune to low prices. Like other industries, since water is one of our main components; fertilizer, nitrogen, is another main component of our operation. Energy prices have certainly hit us hard as they have hit everybody else.

Without a doubt, the emergency payments that you all have made over the last few years without question have made a difference in keeping several of my friends in business. My banker friends are able to continue loaning money. We appreciate what you have done in the past, and we appreciate the work that you are doing this year for this year's funding, which apparently is going on as we speak, and what is going on for next year. Without those payments, simply, a lot of us would not be there.

Attached to my testimony are several examples of what we as rice farmers do for what we call best management practices. Our committee went to six different State to get examples of what we are doing right now in the rice industry. They address improving soil, water, air quality, and improving wildlife habitat.

What I want to talk about, though, specifically, is this balancing act between the working and the non-working land. We also want to comment on some of the other proposals that we have seen.

We do support all the existing conservation programs—the CRP at the current level; the WRP program; the WHIP program; the EQIP program; and the technical assistance that NRCS has given us and what we hope they will give us more of.

We do not support the payment limitations on these conservation program benefits. I just do not think we can get the work done if we are limited in the amount of money. It is just not going to get off the ground. There is so much work to be done.

Also, these conservation payments should not be a substitute for existing or future farm safety net programs. We want them to be voluntary-based, incentive-driven payments. We want them to be science-based programs, and they need to be measured as such.

They need to enhance the rural economy and maintain private property rights. They need to be designed to be WTO-consistent and meet those "green box" measures that we have heard so much about. I am not quite sure I understand all the green and amber boxes, but I understand green boxes.

Something else that is important is the administration of these on the local level. As I said, I have served for the last nine years as chair of our FSA county committee. We would like to see these come through the FSA office, the NRCS, where local farmers and local producers are very much involved. They simply know what works and what does not work in a local way.

Again, in short, we believe that careful balance between the farm safety net programs and the conservation program payments that are going to go to retire the land need to be considered, Madam Chairman.

Again, we really appreciate your leadership, Senator Harkin's leadership, and this committee's leadership in coming up with the conservation title for the next Farm bill, that will help producers to increase conservation and environmental benefits in America.

I for one, personally, am very excited about any new farm bill that talks about and rewards land stewardship because frankly, in the rice industry, we have been practicing land stewardship since day one.

I will be happy to answer any questions, and I thank you for the opportunity to testify.

Senator LINCOLN. Thank you, Mr. Dunklin.

[The prepared statement of Mr. Dunklin can be found in the appendix on page 35.]

Senator LINCOLN. Mr. Gary Mast, representing the National Association of Conservation Districts.

Welcome.

STATEMENT OF GARY MAST, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS, WASHINGTON, DC

Mr. MAST. What a pleasure to be here, Madam Chairman, members of the committee. We appreciate being heard.

I am a sixth-generation farmer, and my 13-year-old daughter claims that she is going to be the seventh-generation farmer. We milk about 600 dairy cows, so I understand the AFO/CAFO rules and all the challenges that those are bringing to us and appreciate the wisdom of Senator Thomas in realizing that we cannot just make all the rules in Washington, DC and expect it to happen out on the local level. There needs to be some give and take and local input.

I might also say that I have a son, too, and how many of you can say that your son is playing in the State baseball tournament at 10 years old? He is going to be doing that on Saturday, so I am pretty proud of that and of a very good wife who is an attorney and keeps me straight.

I have been interested in conservation pretty much all my life. My father put in wildlife areas and practiced conservation; we do no-till; we grow the crops or the cows. I have been on the local Soil and Water District board. I served on the State FSA committee. I

know the ins and outs of how these programs work and how they work locally.

I am also here representing all the conservation districts across the country. I am their vice president. We have been out there, quietly doing the job, getting the technical assistance out there along with our partners, NRCS, with the help of FSA. A lot of people do not know about conservation districts, but they are an extremely important force, especially up there in Wyoming; they do a wonderful job up there.

As far as districts, I would explain it like this. If I am flying across the country, if I am over private lands and you push me out of the airplane, I will probably land in a soil and water conservation district. We are out there, covering this country.

In the interest of time, I would ask that my written statement be inserted into the record. In my oral remarks, I want to focus on three points—the challenge we face; what is needed for further gains in conservation; and our preliminary assessment of the House conservation title.

Our challenge—over the past several decades, we have made some good progress in protecting our resource base. Progress is leveling off, and we still have a long way to go. In the recent farm bills, we have created numerous new programs. The programs have been pretty complicated, to say the least, and not real well-coordinated, oversubscribed, underfunded, and serve only a small percent of land managers. It is where we fall the shortest. We talk about EQIP; it is not available to too many land owners out there.

Too much energy is now focused on implementing programs rather than helping land managers solve conservation problems. Programs solve a lot of problems out there, but each community has different, specific, small problems, many of which have to be solved in a local level, so a Federal program probably will not help solve those.

What is needed? We have spent two years in our own group putting our farm bill recommendations together. We had 1,700 district people respond to that, so we feel like we have had a pretty good core response, and we think we know what they need and want. We heard the same message over and over again—current programs are important, but their reach is limited. We need a new incentive program that reaches all producers and all lands.

Conservation districts are very support of the bill that Senator Harkin has put forth and feel that proposed programs fill a lot of the critical gaps that we are missing. As a way to further strengthen the proposed program, we would like to see greater integration with ongoing State and local government efforts. I guess that is where we feel it may fall a little short; we would like a little more local input.

We would also like to see the States have the ability to take care of a lot of their own planning, rather than from on high telling us all what to do.

As important as these financial assistance and land retirement programs are, producers have even a greater need for technical assistance. We all know the work load that is coming down, and there has to be technical assistance.

It is imperative that adequate resources be made available to provide the technical assistance that producers have told us they need. We have done surveys, and we should have 37,000 full-time-equivalents out there; currently, we have 15,000.

As far as the House conservation title, we have not had a lot of time to check it out. We are pleased to see the increased funds. It has a good beginning, but we are concerned about the underestimated technical assistance that it is going to take to administer that program. I guess if anything, that is really what we are concerned about.

We would also like to say that NRCS should be the entity that knows about conservation, and they should be not necessarily writing the checks but administering what the new Farm bill would be over on the House side. That is the way we see it.

We feel very strongly that conservation programs should be managed by USDA's conservation agency. They have the knowledge, the technology, the experience, and the link with government. They have the science. Farmers need a place to go that has the science.

I realize that I am running out of time. I would like to thank you very much for the opportunity to be here. We believe that the incentive-based approach to the conservation bill will reach more producers and land in this country, provide more flexibility and local control, provide significant public benefits in the form of better soil, cleaner water, greater profits, and a brighter future.

Thank you very much.

Senator LINCOLN. Thank you, Mr. Mast, and you will have plenty of opportunity to express yourself more during the questions. I must add that I have 5-year-old twin boys, and we have not made it to the State baseball tournament yet, but I guarantee you we will be there one day.

Mr. MAST. It is coming.

Senator LINCOLN. Absolutely.

[The prepared statement of Mr. Mast can be found in the appendix on page 40.]

Senator LINCOLN. Mr. Serfling, welcome.

STATEMENT OF DAVE SERFLING, LAND STEWARDSHIP PROJECT, PRESTON, MINNESOTA

Mr. SERFLING. Thank you, especially to Senator Wellstone and Senator Dayton for their very kind comments. My wife does not even talk that well about me. I really appreciate your comments.

My name is Dave Serfling. I am here today representing the Land Stewardship Project, which is a member of the Sustainable Agriculture Working Group and a member of the National Campaign for Sustainable Agriculture.

I would like to start by sincerely thanking you for all the support that the Government has given my farm over the last five years. Through the emergency payments, the AMTA program, LDP, EQIP, SHOP, and SARE programs, I have been able to average a little over $20,000 in Government subsidies on my 350-acre farm over the last five years, and I really do appreciate it. It has really helped my farm and my family.

We have beef, pigs, and sheep enterprises on our farm. We really try to market all of our crops through the livestock. We have a 6-

year crop rotation of 2 years of corn, 1 year of oats with an underseeding, and 3 years of meadow which is either grazed rotationally or hayed. We farm on gently rolling hills; about 85 percent of my farm is considered highly erodible. It is good land, but it needs protection.

Farmers in my area have become very adept at "farming" the Government program. Looking at the present program, the easiest way for them to expand their crop subsidies is by expanding their acres. Even during this time of terribly low market prices, we see rising rental rates and increasing land values, which makes it even tougher for young farmers to get started farming. Farmers are not responding to the marketplace, they are responding to the Government subsidies.

A neighbor of mine who increased his crop acres significantly said, "At least we know the Government is going to help the crop farmers."

In our rolling hill,s the corn and soybean rotation has increased dramatically. In the last two years, we have seen the worst soil erosion on our land that I have ever seen. Even the most conservation-minded conventional farmers using no-till and strip-till tillage have had severe erosion damage on their farms.

This last April 5th, we had an inch and a half of rain in less than an hour during our snowmelt. We still had a lot of frost on the ground, and the water could not soak in. I had damage on every one of my cornfields. The only fields where I did not have damage were my pastures and my hayland. The water just ran off the tight sod.

I am a big believer in forages. They protect my land, they build my soil, and they spread out my labor throughout the year; but it is very hard for them to compete economically with program row crops.

I am asking you today to consider a new type of farm program, one that provides stewardship incentives on the land. Currently, we are giving 85 percent of our conservation dollars to land retirement programs. I challenge you to envision a future where we spent two-thirds of our conservation dollars on working lands. I believe that we can produce similar benefits as CRP gives us on our working land and gives economic benefits to our rural communities and our farmers.

I am a great believer in farmer ingenuity. If you tell us what environmental results you want on that working land and give us the financial incentive to achieve them, the farmers will find a way to deliver. That is why I am asking you today to support the Conservation Security Act.

The Conservation Security Act has three levels. The first level, any farmer can participate in by using conservation tillage, nutrient management, integrated pest management. The second level, the farmer has to be willing to incorporate a more complex crop rotation system than the traditional corn/soybean rotation. The third level is where I really hope the farmer's creativity can come into play. This is where the farmer can sit down with the NRCS staff person and use such techniques as whole-farm planting to really individualize the conservation plan on his farm and really use some farmer innovation.

One example in our area of southeast Minnesota—we have actually documented an improvement in fish habitat and water quality by using controlled grazing on stream banks. This controlled grazing actually narrows the stream channel and deepens it. The end result is better fish habitat and cleaner water.

The Land Stewardship Project is going to release a report this fall on the multiple benefits of agriculture. This is going to come out with some hard numbers on some of these benefits that agriculture can produce on their lands, ranging from reduced soil erosion to improved wildlife habitat to increasing social capital.

The Conservation Security Act is a major change in farm policy. It rewards farmers for the conservation they do on their farms. It is not a land retirement program. It is not going to affect the market or jeopardize trade agreements. It will give farmers an incentive to do conservation on their lands.

The CSA addresses all kinds of agriculture and moves us away from supporting only the program crop acres. The CSA will sell to your urban colleagues, and we need their support to pass this farm bill. I ask that you fund the CSA at substantial levels so that every farmer who wants to participate can.

Please do not tell farmers how to farm; just tell us what results you want out there on the working land, and we American farmers will not let you down.

Thank you.

Senator LINCOLN. Thank you, Mr. Serfling.

[The prepared statement of Mr. Serfling can be found in the appendix on page 52.]

Senator LINCOLN. Last but not least, Dr. Mark Shaffer from Defenders of Wildlife. Welcome.

STATEMENT OF MARK SHAFFER, DEFENDERS OF WILDLIFE, WASHINGTON, DC

Mr. SHAFFER. Thank you, Madam Chairman and members of the committee, for the chance to be here today.

My name is Mark Shaffer, and I am Senior Vice President for Programs at Defenders of Wildlife.

Defenders is a national membership conservation organization with about 476,000 members and supporters, and as you might guess from our name, we are focused on wildlife conservation, the maintenance of all wild plant and animal species in their natural environments.

As you are well aware, agricultural land and agricultural policy are terribly important to maintaining our national wildlife heritage. Let me give you just a few statistics to frame the issue.

Currently, the U.S. Fish and Wildlife Service lists more than 1,200 native species of plants and animals as threatened or endangered. The State network of Natural Heritage programs—and every State government has a heritage program—lists another 5,000 or more species as imperiled or vulnerable, species that could eventually end up on the endangered species list. Eighty-five percent of all these species are in some kind of trouble because of the loss, alteration, or degradation of habitat, and agriculture is the leading cause of that habitat loss, affecting 38 percent of currently listed species.

Despite that fact, 60 percent of the known populations of threatened, endangered, and imperiled species occur on private land, and the vast majority of private land is in agriculture. Our chance to save many declining, rare, threatened and endangered species is going to depend on private landowners. We believe that voluntary, incentive-based programs to encourage landowners, particularly agricultural producers, livestock producers, and foresters, to integrate habitat conservation into their operations is a critically important need in maintaining our wildlife heritage.

Producers face a number of choices in conducting their business, but two are of particular importance to the future of our wildlife heritage. One is where on their lands to produce, and the other is how to produce on those lands they put into production. Both, we think, are equally important to maintaining our wildlife heritage.

Defenders of Wildlife strongly supports the existing conservation title programs—Conservation Reservation Program, the Wetlands Reserve Program, the Wildlife Habitat Incentive Program, EQIP, the Farmland Protection Program, and the others.

We do think that some changes are probably necessary and desirable in those programs as you move forward with reauthorization. We have submitted detailed comments with our written testimony about that.

We think the major limitations of these programs are that there is not enough money in them, and they need to be expanded to a broader range of agricultural and livestock producers.

We also recognize the existing conservation title programs are really geared primarily to helping producers answer that first question—which of my land should I put into production?

CRP is really designed to encourage farmers to take highly erodible lands out of production. The Wetlands Reserve Program is really aimed at helping farmers take valuable wetlands out of production or restore them where they have been put into production.

We think it is time to complement those very good set-aside programs with increased programs that help producers with the second question, which is how do I produce on the lands put into production. We applaud Senator Harkin and his cosponsors for introducing the Conservation Security Act, because we think this could be a valuable addition to the Farm bill that would help provide new programs that help producers answer that second question—how do I produce—in a way that will maintain environmental quality and our wildlife heritage.

Why do we think that that is so important? Maybe conservationists have a reputation of focusing on the set-aside issue. We do think set-asides are terribly important. It is part of the formula. Helping producers with their management practices is incredibly important, too, and let me give you a few statistics just to bear that out.

Most agricultural land remains in production and will. No matter how successful the set-aside programs are, we are not going to retire all the habitat we need to maintain our wildlife heritage.

Also, if you look at some species, aquatic organisms in particular are affected by what goes on on the broader landscape; and if you look carefully at aquatic taxi, you find out that our native fish species, our native amphibian species, and some of our aquatic insects

are endangered at a much higher rate than our native birds and mammals and reptiles. Obviously, agricultural practices that affect water quality and water quantity have a lot to do with that. Since we are going to have most of our agricultural lands in production, how they are managed is going to be terribly important to our aquatic wildlife.

We recognize that having increases in the existing conservation title programs and having a meaningful Conservation Security Act will not be cheap. It would probably take $5 billion to put the existing conservation title programs to best effect. We have not seen a scoring yet on the Conservation Security Act, but I would guess that it would take $4 to $5 billion in that program to really fulfill the kinds of objectives that have been laid out for that program.

The total together would be $9 to $10 billion, which is perhaps 40 to 50 percent of what is being talked about as agricultural support under this next farm bill. An investment in our environment that benefits the producers is going to end up benefiting us all and would be a wise investment.

Thank you very much.

[The prepared statement of Mr. Shaffer can be found in the appendix on page 57.]

Senator LINCOLN. Thank you, Dr. Schaffer, and thanks to all of you for being here and adding your expertise to the debate that we have before us.

Almost every one of you has mentioned the issue of funding. Unfortunately, it would be great if the sky where the limit for us up here, but it is not, so our job is truly to, with your guidance as well as your input, figure out how we can in the most wise way spend the dollars that we have in a way that can be most beneficial to you in the conservation that we want to achieve. The Farm bill gives us that opportunity.

I will begin with just a couple of questions and then move to my colleagues, who I am sure will have some as well.

One issue that comes up most often—and each of you brought it up—as we talk about conservation policy is how to balance the reward for those who have already been engaging in good conservation practices against the incentives for those whom we are trying to encourage to begin good conservation practices. We have talked about, obviously, set-aside lands versus those lands in production.

Some people worry that we devote too much of our conservation funds to offering incentives for new conservation practices, and we slight those that have already been engaging in good practices.

Just to give you all the opportunity to be a little bit more specific or to vet any more of your concerns that you may have, I would like to ask everyone on the panel your belief, basically, or how you approach the paying producers to maintain good conservation practices; is that a good investment? Some of you cite the need for supporting not only practices already being implemented but also additional practices. If you would like to be a little bit more specific on some of the practices that you have in mind and what types of additional practices you might support—anybody?

Mr. Klein?

Mr. KLEIN. I will start. One thing we like about the chairman's bill is that it is tied to the producer and not tied to the land; it does not come into land value.

Different that we have seen on the local—we do not have conservation districts in Nebraska, we have natural resource districts, and the one that I am on is all or part of 15 counties; it is a watershed. We work with producers to have split applications of nitrogen, different types of tillage to keep as much residue and stop the runoff. Residue management is a big thing. Buffer strips are a huge issue in our State and are very popular around the country now.

Those are some of the small things that have added up to a lot. One of your questions was not taking away incentives for people who are already practicing good things. It would be a terrible mistake to take it away from them and just give it to those people who have not been doing it. We need to treat them all equally.

Senator LINCOLN. Mr. Dunklin?

Mr. DUNKLIN. What we do on our farm and what we have been practicing for the last 10 or 12 years is a zero-grade system, meaning that we zero-grade our fields, we have water control structures, and we virtually eliminate any soil erosion whatsoever. The water that is going out of our rice fields is virtually cleaner than what is coming into it. That is something that some of these moneys could be going to to really incentivize the farmers and the landowners to do that more. Also, total water recovery systems, so we are not nearly as dependent on the groundwater—which is a major debate in our State.

As an example of what is going on right now, Madam Chairman, in the Grand Prairie water irrigation—you sent down $22 million last year—I have been amazed at the amount of participation that that has generated from the landowners' side. Just that incentive has really caught fire. If you drive across the Grand Prairie now, you see reservoirs and water recovery systems going in everywhere, just because the financial incentive was in place there to do that.

Like I mentioned, water control structures, reservoirs to be able—we get approximately 55 inches of rain in Arkansas, and a lot of that water goes right down the bayou into the Gulf of Mexico—we need incentives to be able to capture a lot of that water.

These are just some of the systems that these moneys could go toward. EQIP is one program that is already in place, but it is just not adequately funded. We have to bid against our neighbor for it; the payment cap knocks most of us out of that program. I have never taken one dollar into our operation from EQIP because it is just not worth it.

Senator LINCOLN. Thank you. I am going to followup on that later on with one more question, Mr. Dunklin.

Mr. Mast?

Mr. MAST. The list could go on and on and on. Part of the list should be comprised of the local people and their local needs.

As far as rewarding those who are doing a bad job, I do not know—maybe I ought to go back and plow up my whole farm to get ready for this so I can be rewarded.

Senator LINCOLN. We do not want to encourage you to do a bad job.

Mr. MAST. No. I am making light, but I am trying to make a point that it is very important that we reward those folks who have been doing a good job and put a system together that does that.

Senator LINCOLN. Mr. Serfling?

Mr. SERFLING. I would like to second those comments. The EQIP program is a good program to help fix the problems out there, and right now, it is on a competitive basis, and it is a good program.

I guess I would like to see a little bit more discussion about the percentage cost-share. It has been traditionally 75 percent, forever, and yet you could stretch those dollars a little further if you would play with that a little bit and drop it to 50 percent, and the farmers could have a little more ownership and a little more input on the solutions to their problems; and then, maybe go up to 90 percent for beginning farmers and limited-resource farmers.

The Conservation Security Act is a new thing, and it is rewarding people for the environmental benefits. Right now, we are rewarding farmers to produce commodities that the marketplace does not want, so we need to change that mind-set.

Senator LINCOLN. You mentioned in your testimony that you thought two-thirds of the conservation dollars should go to the working land as opposed to the set-aside.

Mr. SERFLING. Yes. I am a firm believer that we can produce the same or very similar benefits or the environmental results on CRP on our working lands if we adopt some innovative farming practices that we have out there.

Senator LINCOLN. Thank you.

Dr. Shaffer?

Mr. SHAFFER. Yes, Madam Chairman, with respect to your question on how we treat people who have been doing good conservation versus others, there is another part to that which is also the universe of producers that the traditional programs have been geared toward and have been able to reach.

We would very much like to see the existing conservation titles more accessible to a broader range of agricultural producers—fruit and vegetable growers, ranchers. There are some proposals afoot for a grasslands reserve program which would be targeted toward ranchers and somewhat equivalent to CRP, which we think is a good idea.

I guess that would be our main recommendation is to try to reach as many agricultural producers with these programs as possible.

Senator LINCOLN. Of course, as my grandfather used to say, "All it takes is money."

Just to followup, many of you have mentioned EQIP, and one of the most difficult issues that we are grappling with is how to restructure the Environmental Quality Incentive Program. Last week during our hearing on animal agriculture, our panelists expressed some very mixed views, some suggesting that we allow the livestock producers to be eligible for sizable funds to construct manure storage facilities; others felt that very large payments might be counterproductive.

In terms of increasing funding for EQIP, does anybody disagree with that? As I said, all it takes is money. I cannot imagine someone wanting to cut some of those programs.

Mr. SERFLING. You do have to be careful. There are so many economies of size in agriculture today, and we do not want to speed up the trendlines or anything. One of the other things that the large operations are doing is dumping some of their costs on society, whether it is through Government subsidies for manure storage structures, or whether it is odor that crosses the property lines, and the neighbors have to live with it. There is a thing they call "externalities" now, and there is cost avoidance on these large structures. We just need to make sure that they pay their fair share of the costs that they are incurring for society.

Senator LINCOLN. Mr. Dunklin?

Mr. DUNKLIN. You talk about money and there being plenty of it—obviously, there is not. It comes back to yes, we would love to have all of these things, but we cannot forget the balance that I talked about in my testimony—the farm safety net to the production. If we do not have the farmers there, who is going to deliver these programs?

I know that that is the balancing act that you all are trying to work with, and it is something that we are very concerned with as well.

Senator LINCOLN. I appreciate that, and it is a very important part of what we are all here to talk about.

Mr. Klein, did you have one more comment?

Mr. KLEIN. We did say that we wanted to remove the size limitation on EQIP, because now, on animal feeding operations, the large operations are not eligible at all. Serving on a board where we are the ones who end up saying who gets the funds, it is very competitive, and we would obviously like to see more funding for it. The larger operations are not getting any of the funds today, and we think they need them just as badly.

Senator LINCOLN. Thank you.

Thank you, gentlemen.

I want to make sure that I go by the Committee rules. We normally recognize members by their order of appearance.

Senator Hutchinson, please, from Arkansas.

Senator HUTCHINSON. Thank you, Senator Lincoln and Madam Chairman, and let me point out that I have been told this is the first time in the history of the Agriculture Committee, which began in 1825, that a woman has chaired a hearing of the Senate Agriculture Committee.

Senator LINCOLN. Well, I feel very old.

[Applause.]

Senator LINCOLN. I must say my father would be proud.

Senator HUTCHINSON. We are, too, and it is another first, so congratulations.

Mr. Dunklin, in your testimony, you mentioned that the U.S. Rice Producers' Group proposes a number of principles which are very, very helpful, but you mention in your testimony as well and as part of these principles that "In order to strike a better balance between conservation dollars devoted to retiring land versus working land, we do not support increasing the Conservation Reserve Program from its current level to 36.4 million acres."

One of the suggestions has been that for existing programs like CRP, new money that might be added to those existing programs

be targeted toward land that is in production. If it were so targeted, do you feel that that objection to additional funding for existing conservation programs would still be there?

Mr. DUNKLIN. You are talking about the objection to——

Senator HUTCHINSON. To increasing the acreage from 36.4 million acres if additional funding and additional acreage were targeting land that was in production.

Mr. DUNKLIN. You are talking about retiring land from production to the CRP—am I following you?

Senator HUTCHINSON. Well, my understanding, at least, is that in Senator Crapo's legislation—and I will let him talk about it; he knows it far better than I do—while he would increase the acreage from the 36.4 million, new acreage would be for conservation programs that he would really refine existing conservation programs to ensure that they are addressing land in production as opposed to taking it out and setting it aside.

If it were so modified, would that address your concern about——

Mr. DUNKLIN. You are talking about buffer strips, I assume.

Senator HUTCHINSON. Exactly.

Mr. DUNKLIN. A targeted type, no; we certainly would agree there are definitely some places where that would fit. We are talking about mainly widespread, taking out good production land that is viable—not marginal land, but we are talking about good production land—and just retiring it because there is a Government program, like Mr. Serfling referred to "farming" the program. That is what concerns us.

Senator HUTCHINSON. OK. In your testimony, you used the word "balance" a number of times, and that is our great challenge. Most of us like the kinds of things that the chairman has proposed in his proposal. The concern will be how do we balance the funding and whether that is going to erode our ability to fund adequately price support programs or whatever it might look like in the new Farm bill—whether it is an AMTA payment or whether it is something else.

My understanding is that the cost of the chairman's bill will be over $40 billion over a 10-year period. We are spending $73.5 billion over 10 years. I would like a sense of the support there is for existing support programs, whether they are modified or not, but that price support, and for the existing conservation programs, and how much concern there is that should there be a new program created, the risk that there may be in eroding the funding for the existing programs we have, both conservation and price support.

Mr. DUNKLIN. I guess that gets back to the total amount of dollars and how we work that. I hate to keep using the word "balance," but it keeps getting back to striking that balance between the farm safety net, which keeps our producers there, and the amount of money that has to go there, and these new initiatives that you are talking about that we have to fund on top of the current conservation programs which I testified that we agree to and concur that they are very important.

I guess it is where those funds are going and how much they are going to be and how much is being taken away from the current farm safety net that is going to take money from that to fund these. That is what concerns us.

Senator HUTCHINSON. That is what I wanted to get on the record. If this were all additional funding for a supplemental program dealing with the conservation and land in production, we would all be for that if we were able to do that. If it is a threat to the funding for existing programs, how much concern is there? Maybe I will let everybody address that.

Mr. Mast?

Mr. MAST. I would say that we have some awfully good tools in the toolkit right now. I would hate to see those go by the wayside.

As far as myself personally, just so you get a little understanding of what is going on out there on the farm, I rent probably 20 different farms, and lot of these farms have come up in the last 3 or 4 years. They were not part of the farm program. I am getting zero dollars of Government help from those. I farm a lot of acres, but I do not get a lot from the Government. In my particular case, if I am doing conservation practices now on those farms, I would assume that I would get some more help. I am just telling you this as one scenario.

Going back to one other question, if CRP happened to be increased, if we could target that toward riparian areas and buffer zones, we could really get bang for the buck.

Senator HUTCHINSON. Good. Thanks.

Dr. Shaffer?

Mr. SHAFFER. I guess the way I would look at it, Senator, is that I agree with the gentleman who just said we have some proven tools in the toolbox; they are working. We need to hang onto those.

As far as the question of balance, we have to look at the whole spectrum of agricultural payments and what they are going for and not just look at whether CSA is a threat to the conservation title or vice versa.

There is the issue of what the Congress plans to spend and then, what we end up spending through the emergency supplementals and so on. I do not have the precise figure, so correct me if I am wrong, but that last year, we probably spent close to $30 billion total on the various programs, and that was far in excess of what was planned at the time.

If we are looking out over 10 years, and we are saying we are planning to spend $79 billion with the current programs, some of which may not be doing an effective job at curtailing the underlying problem of overproduction relative to market, then we have to ask how are we going to spend these moneys in a way that does support the farmer, particularly the family farmer, and give him some predictability, and not end up feeding into an overproduction cycle that hurts the farmer, hurts the market, and frankly, hurts the environment.

Mr. MAST. I have a question to you folks——

Senator HUTCHINSON. Address that to Madam Chairman, please.

[Laughter.]

Mr. MAST. Madam Chairman, is the $74.5 billion over and above what our baseline funding is right now?

Senator LINCOLN. Yes.

Senator HUTCHINSON. Yes, it is.

Mr. MAST. This would be new dollars.

Senator HUTCHINSON. Thank you, Madam Chairman.

Senator LINCOLN. Senator Wellstone?

Senator WELLSTONE. Thanks, Madam Chairman.

One thing that occurs to me on this whole question of balance—and I will pick up, on what Dr. Shaffer was saying—is that I am not so sure that this is a zero-sum game; that if in fact we move forward on conservation credits, we therefore move away from CRP and other conservation programs. Quite to the contrary, we can do both.

Now, maybe you want to make sure that CRP is truly for erodible land; maybe you want to make sure that farmers cannot take out whole counties, which then do in a lot of businesses in the area. There are ways of targeting, and there are ways of making it work better, and I do not believe that we are in an absolute zero-sum game, one versus the other. As Dr. Shaffer was mentioning, I do a lot of work with Pheasants Forever and Ducks Unlimited, and both programs are very important from the point of view of wildlife. I am not ready to say that moving forward with a focus on those farmers who have the land in production and are doing better by way of incentives is somehow going to subtract from some of the good work that is being done with existing conservation programs. In terms of economic resources, I do not think it is automatically a tradeoff, and I certainly think, conceptually and policywise, it is not, just for the record.

Mr. Serfling--and others can respond as well—you said that if in fact we had some changes in our farming systems, is the way you put it, there would be multiple benefits in rural communities. You have listed some of them, and one of them was social capital. I would like for you to develop that point a little further.

Mr. SERFLING. I am a proponent of small family farms, as you probably gleaned from my testimony. Basically, if we can put a family farm on every 360 acres, and it is middle class and feeds that family, compared to one family farmer on 2,000 acres with a bunch of employees—and we do not pay people very well in agriculture—there is a tremendous amount of economic benefit, but there is also a tremendous amount of social benefit to the community that it supports.

Our country is built on a strong middle class, and our small rural communities are built on a strong middle class, and we are losing that middle class in agriculture. We are getting a very small upper crust and a very large contingent of small wage earners in our communities.

There are types of agriculture where we can diversify and make good livings on smaller tracts of land, and then we will have some increases in social capital. One of the studies coming out this fall is going to try to put some hard numbers and measure that, because we do have places in the country where that type of farming is still prevalent, and we can measure the social capital that comes to it.

Senator WELLSTONE. Dave, isn't there a classic study that was done years ago that looked at the relationship between the number of family farmers who actually live in the community—in other words, somebody is going to farm the land, and somebody is going to own the animals; the question is how many family farmers live there in the area. There was a classic study of that kind of commu-

nity versus the community where most of the decisionmaking is by absentee investors. You are right on the mark.

Madam Chair, as my final point, I would like to see the very strong focus on conservation and land stewardship that we will have in the bill linked to an emphasis on family farm structure of agriculture—that is to say, the people who make the capital investment decisions are the people who live on the land; they are the entrepreneurs. For my own part—and I was kidding Pat Roberts the other day—I would also like to see that linked—although I am not sure that our committee has all the jurisdiction over this question—we can deal with some of packers and stockyards—I would also like to see more competition in the food industry. I would like to see us put a little more free enterprise back into this system so that our independent producers can get a fair shake, which is also critically important.

Thank you.

Senator LINCOLN. Thank you, Senator.

Just for the benefit of the witnesses, this committee has been a very bipartisan committee in the past. One of our biggest challenges is the differences in our demographics, and obviously, a large farm in Minnesota might be very different from a large farm in Arkansas. That is one of the other challenges we have here on this committee is to recognize that there are many differences in the farming operations that we have across this country.

Senator WELLSTONE. True enough, although that is why I put my emphasis on the actual pattern of investment and decisionmaking.

Senator LINCOLN. I will also apologize to my colleague. I am not sure if I am following the actual pattern in the committee; I know that in Finance, where Senator Thomas and I serve, we go by the order of appearance, so I would like to recognize Senator Thomas now.

Senator THOMAS. I get the last word. Thank you, Madam Chairman.

Many of the things that I am concerned about—and you have talked about some—but you are here on a specific mission, and so are we, but when we get to it, we are talking in a broader sense about agriculture. We are talking in the broader sense about a farm bill that is not just conservation; it is lots of things.

It seems to me that our challenge is to take a look at where we want agriculture to be in 10 years, 15 years. You have to take those things into account, and one thing that seems pretty obvious is that in the past, farm bills have been basically oriented toward program crops—basically, you raise so many crops, and if the price is not good, you get paid for it, or a loan program. Now that is changing. We are looking now, and there is lots of interest in broadening this. We are talking about apples and cranberries and everything else being in the farm program. It is going to be different than it has been in the past. We are also facing a whole different market situation in the world.

I guess I would simply challenge you to say where do we go with the total farm program; do we in fact move toward having more support for a broader base in agriculture as opposed to rice and corn and those specific program crops?

Mr. Dunklin, you are indicating that you would like to have both, and I do not know whether you can go that way. Is that what you want? Can you see in the future where you still encourage people to raise more and more of the crop, whether it is marketable or not, by having support programs, or do you go to spreading it a little more broadly so the basic support for agriculture is there, but without encouraging increased production? I do not know the answer.

Mr. DUNKLIN. I personally like the second measure you mentioned. One thing I have liked about Freedom to Farm is the fact that we have had the freedom to plant for the market instead of being told or being required to plant so much percent of your base in rice—even if you were going to lose the money, even if it was not profitable, you still had to plant to protect the base.

The second alternative is one that I like. I like Senator Wellstone's comments about entrepreneurship in agriculture. That is something that we do not hear about very often.

Senator THOMAS. He is talking about processors, I believe.

Mr. DUNKLIN. OK, but I want to put that to producers. I know that in our own operation, we do not farm by the book. We have kind of written our own book as we have gone along. We have done it in a way that with no-tillage, we have reduced our equipment needs, our labor needs. We have taken a lot of our risk by the systems that we have put in, our zero grade systems, which are all environmental and conservation-minded. We have not been rewarded for those directly at all, but we have been rewarded through the farm safety net features that were there. We have done quite well with those in the nineties by putting these systems in. We have reduced our energy consumption, our water consumption, our repair bills, our risks that we have to weather.

The ideal system would be one that had the safety net, that would eliminate the caps. Caps have been very troublesome in our operation in rice and cotton, which Madam Chairman Lincoln is very familiar with, which is different from Minnesota and these other parts, because it does require that we do other things that do not really make a lot of sense, and we spend a lot of work trying to figure out how to do it, how to "farm" the program, instead of just farming and being good businessmen.

In the conservation systems, we are basically doing a lot of these best management practices without any incentive.

Senator THOMAS. Why do you want to do that, then? Why don't we just leave those alone?

Mr. DUNKLIN. Well, we would like to be rewarded for them. If we are going to be competitive——

Senator THOMAS. We cannot reward you for everything you do.

Mr. DUNKLIN. No, sir. I realize that.

Senator THOMAS. We can reward you by guaranteeing you a price so that you can produce more and at the same time reward you for other things.

I come from a State where livestock is the issue. How about those folks? Don't they deserve something as well? How are we going to keep the small rancher in place? He does not get a guaranteed price. He does not do those things.

What I am challenging you is to think about how you want agriculture to be over time, and what should be in this farm bill to move it.

Mr. DUNKLIN. Yes, sir. Over time, it needs to be market-driven, without any question.

Senator THOMAS. I agree.

Mr. DUNKLIN. Madam Chairman well knows the problems that we have had with Iraq, with Iran, and with Cuba, with these markets being closed where our biggest rice markets are. We have no control over that. If we did, we would open them all up.

Senator THOMAS. Yes, we have some big problems with——

Mr. DUNKLIN. Yes, sir—but keep us viable until we get those markets open.

Senator THOMAS. Let me ask if anyone else has a comment.

Mr. SERFLING. If I could say, your ranchers produce a lot more than just cattle. They are taking care of their land. They are producing a landscape—a beautiful landscape when you drive through Wyoming—and they are not getting paid a dime for that.

The Conservation Security Act addresses all parts of the country and encourages diversity and recognizes some of those nonmarket benefits that your ranches are producing. That is why it is a big change, and it is not going to come easily; I am afraid you are going to have to fight for it, and we are going to try to help you as much we can.

Senator THOMAS. There is pretty good support for it. It is going to be basically at some point a question of how involved you want the Federal Government to be in this industry, how much money is it going to take to do this, and over time, do we want to continue to grow the Government's role in agriculture, or don't we? I do not know. That is the question.

Yes, sir?

Mr. SHAFFER. If I could make a comment in reply, Senator Thomas, you asked where do we want agriculture to be in 4 years. I would submit that there are probably four characteristics that we would like it to have over the next 10 years.

We would like to see it be diverse, we would like to see it be sustainable, we would like to see it be responsive to the market, and we would like to see it be globally competitive.

We think that a larger investment in the conservation programs to a broader range of producers is the way to ensure that those four attributes are there in 10 years. As long as the supports or rewards are predominantly geared to a handful of crops that represent an important segment of the agricultural industry, but only a segment, how are we going to give people the freedom to really make decisions about what they want to produce if they know that the only safety net is for a certain group of things?

That is why we stress an emphasis on conservation, because that is an important thing that farmers, ranchers, and foresters—we have not talked much about forestry here today—can really affect to benefit all of us.

Mr. MAST. That stewardship rewards will certainly get money into the farm economy, but also is much more saleable to the public. If they feel like they are getting something for the dollars they are putting in, rather than just a handout, that is probably the di-

rection in which we need to go if we need help in producing our food.

Senator THOMAS. Some people may have to pay a little more for what they eat, too.

Mr. MAST. That would certainly help.

Mr. KLEIN. I would like to see that crystal ball that tells us where agriculture will be in 10 years. Someone mentioned that they thought the optimum farm size would be 350 or so acres. The amount of labor that it takes anymore to raise a crop has gone down significantly. When I look back 30 years, 20 years, and 10 years ago, it is amazing how little time it takes to raise 1,000 acres of corn compared to what we used to do.

For the future, we have got to develop new uses for agricultural products. We have got to get the agricultural producer closer to the grocery store shelf and closer to the consumer. That has got to be the answer. New uses like ethanol—ethanol has been a tremendous example, and—Senator Wellstone is not here—Minnesota has had the farmer-owned cooperatives and has been at the leading edge on that; it has been a success story that I hope continues. Research has to be done into what we can do with our products. The foreign markets are important, and we need a better transportation system in this country to get our products out.

As far as livestock, we are in the calving season right now, and I can assure you it is a good time to be done.

Senator THOMAS. One thing that is happening in Wyoming in livestock is that they are trying to get a lamb coop. There is such a difference between the price that the producer gets and the retail price.

My final point is that we really need to take a look. We are writing a new farm bill which will hopefully put a new direction in agriculture—or at least, that is the opportunity that we have—the input that you have given us is very good, and I appreciate it.

Senator LINCOLN. Thank you, Senator. I have just figured something out. Every morning when I pull into the garage in the Dirksen Building, I see a great bumper sticker that says: "Eat More Lamb—10,000 Coyotes Can't be Wrong." Is that yours?

Senator THOMAS. That is what it says. I do not mean to pull the wool over your eyes, of course.

[Laughter.]

Senator LINCOLN. I would like to wrap this up and give the panelists an opportunity to make any further points they would like to, but I just have to get in a few last comments of my own.

We are the producers of the safest, most abundant and most affordable food supply in the world, and we do it in the most environmentally sound way of any other country on the globe. For all the faults and certainly the things that we want to correct and we want to improve on, I hope we can recognize that we have done a pretty good job so far.

There are definitely differences that we want to point out from the Agriculture Committee's standpoint, and that is why each of the States have two representatives here in the U.S. Senate; and we try very hard to point those out.

Mr. Dunklin brought up issues in terms of trade, which are critical. Senator Thomas and I deal with those on the Finance Committee.

I am sorry that Senator Conrad is not here, because he usually has a great chart to share with everybody, and one things that sticks in my mind is the fact that well over 80 percent of the export subsidies in the world are consumed by the EU. The fact is many of our farmers are not competing with other farmers globally; they are competing with other governments. That is why I go back to one of the other things that has been brought up in many of your testimonies, and that is a good balance—a balance of our being able to compete in terms of production and being able to compete in a global marketplace, balancing that with what it is that we ultimately want to achieve, and that is good conservation measures, a sound economy, and a sound environment.

We have that duty here, and we are going to be calling on many of you all to be able to do that. Mr. Klein mentioned Brazil in his earlier testimony. I can remember talking to some of our farmers in Arkansas who finally realized, unbelievably, that they were competing with Brazil after we had seen some major infrastructure investments down there for transportation to get their products to the global marketplace, not to mention some of the technology that we have already shared.

We have been very generous as a country to the world economy, and it is very important for us in addressing this in the Farm bill that is up and coming, that we recognize this, and that we do create a good balance between the safety net that we can provide these great farmers and producers who are providing that safe and abundant and affordable food supply.

I also hope that we will not miss the opportunity to address the issues of biomass, the diversity that is out there, the ability for us to look at those issues, but also look at them on a local level. In ethanol for us, there are many opportunities in terms of rice hull and rice straw in production of ethanol that give us not only an opportunity locally to do something with our biomass, but also to encourage a greater use of ethanol. Because of difficulties putting it in the pipeline, obviously, if we can create more local interest in what we are doing in biomass, we are going to move the efforts at using ethanol in a much quicker fashion.

There is a lot that we can do. Just one last thing—Mr. Dunklin brought up the issue of payment limits and his opposition to that. Again, we do have pretty capital-intensive crops in our area. Some of those are a little bit different from that others may do. Last but not least, it will not work unless we have the input and involvement of local landowners. Many of you have touched on that. If you have any comments on how we can better design, any thoughts about how our Federal conservation programs should be designed to facilitate what is done at the local level in concert with the State conservation efforts, certainly we would appreciate hearing from you if you have seen something that you think is very noteworthy, or if you have ideas about how we could better integrate with the State and the local issues.

Are there any comments on that?

Mr. Shaffer?

Mr. SHAFFER. Madam Chairman, last year and this summer as well, Defenders and some partner organizations brought together groups of producers in the State of Oregon to discuss this. Now, it is a little Oregon-specific, but nonetheless we have reports from those workshops that tried to identify what is working, what is not working so well, what could be changed—and these are obviously primarily with regard to the conservation title—and we would be happy to share those with you and the committee.

Senator LINCOLN. That would be excellent. Actually, there have been several other situations in some States where they have had those local meetings to better work out what is going to be the most efficient way of implementing what it is we want to do in order to achieve the results.

Are there any other comments from our panelists?

[No response.]

Senator LINCOLN. We appreciate very much your time and, more importantly, your interest and enthusiasm on this issue. It is going to be a critical part of what we do in the upcoming Farm bill along with many other issues that are going to be involved.

I will remind you that, as my grandfather used to say when he would take me to the Dairy Queen when I was little, "The sky is the limit, but you can only spend a nickel." We wish the sky were the limit here, but it is not; we are going to have to make some delicate balances, and we will be calling on your frequently to help us make the right decisions.

Thank you very much.

The Committee on Agriculture stands adjourned.

[Whereupon, at 10:52 a.m., the committee was adjourned.]

APPENDIX

JULY 31, 2001

National Corn Growers Association
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Testimony of

Lee Klein

President

National Corn Growers Association

Before the

United States Senate

Agriculture Committee

July 31, 2001

Thank you, Mr. Chairman, for the opportunity to testify here today about conservation. My name is Lee Klein and I serve as President of the National Corn Growers Association (NCGA), representing more than 31,000 direct members and the 300,000 corn farmers throughout the nation who make check-off payments each year. I farm near Battle Creek in northeast Nebraska. My wife and I raise corn, soybeans, rye, alfalfa and hay and we manage a cow/calf operation. I also serve as a member of the Board of Directors with the Lower Elkhorn Natural Resources District.

This testimony is also presented on behalf of the American Soybean Association.

NCGA members have a commitment to our community to ensure that we have clean water and healthy, viable soil to ensure the land is productive for many years to come. We take responsibility for our farming activities and must do so with a keen eye towards conservation, productivity and marketing.

NCGA supports voluntary, incentive-based conservation programs that the past farm bills have created. We believe that flexibility in programs is essential for their widespread adoption, given local variances in conservation and water quality priorities, production practices, climate, soil type and many other factors. These programs have demonstrated agriculture's commitment to working collaboratively with the United States Department of Agriculture and other organizations and a commitment to water quality, air quality, habitat protection, and a healthy environment. We believe that these voluntary programs have been successful in producing environmental benefits. For several years NCGA has worked with other groups to promote conservation practices by: partnering with the National Conservation Buffer Council to enroll 2 million miles of buffer and filter strips by 2002; developing the Fishable Waters Act with fishing and conservation groups through the fishable waters coalition; collaborating as a part of the Conservation Technology Information Center to adopt Core 4 Conservation; and working through a large number of state corn grower association water quality initiatives and grower involvement in local watershed groups.

Several Members of the Committee have introduced legislation to address the expansion of voluntary, incentive-based conservation programs. We look forward to continued work on elements of each of these bills in the comprehensive farm bill package. NCGA believes that the Conservation Title of the next farm bill should focus more on conservation practices of land in production, rather than conservation programs that take land out of production. Given scarce federal dollars, we prioritize those programs that provide financial assistance for adopting or maintaining conservation practices on land that is in production.

NCGA is interested in new conservation programs that assist growers in maintaining and/or undertaking new conservation practices in their farming operations. It is important that these programs be implemented on ground that is in production and will not become a set-aside program. As we look at broader Clean Water Act issues and regulations, such as Confined Animal Feeding Operations, Total Maximum Daily Loads and Hypoxia in the Gulf of Mexico, we know that corn growers play an important role in maintaining a healthy environment. Agricultural producers face increasing regulatory burdens whether it is local, state or federal requirements on the management of their land. We support programs that will work with our members in utilizing conservation practices and work to maintain a healthy environment. Specifically, NCGA has been focusing on legislation that would provide environmental incentive payments for growers that are currently utilizing conservation practices on their ground or will undertake new practices that provide conservation benefits. The Conservation Security Act, a conservation incentive payment program, reaches these goals. NCGA believes that the Conservation Security Act, working with commodity programs and the past farm bill conservation programs, such as CRP, WRP, EQIP and Farmland protection, allow for a new focus on conservation.

The Conservation Security Act is unique in its approach because it recognizes an important part of conservation practice adoption across the farming community - which is, that growers need financial and technical assistance in management of their operations based on conservation principles. This is not always as easy or as obvious as creating and managing a filter strip along the waterway that runs through your land. Rather, it is the intensive management practices or altering tillage practices that can become as much or more important in reaching our conservation goals, and which add to the costs and risks of the farming operation. These are the areas that need to be the focus of the next farm bill, where policymakers work with growers to find conservation practices that fit in with their management and stewardship of the land. There are many growers who are currently undertaking this effort, and they should be rewarded, not neglected, or penalized for their innovation. Again, any type program must maintain flexibility for local implementation to maximize participation.

Regarding existing programs, those areas with the most environmental benefits should be the focus of any current programmatic changes, such as the Conservation Reserve Program and the National Conservation Buffer Initiative. Programs that take land out of production -- set-asides -- should focus on the most environmentally sensitive areas and not take whole farms out of production. This is why NCGA supported the Wetlands Pilot Project last year, which uses local flexibility to meet the environmental concerns facing a specific area of the country. Small wetland areas that join CRP land should be eligible for inclusion in the CRP - it just makes sense to protect this land. And yet, due to stringent interpretations of the program, these lands were not eligible for enrollment. With regard to the CRP acreage cap, NCGA supports maintaining the CRP at 36.4

million acres with any small increase for the most environmentally sensitive areas included in the continuous signup (buffer strips, wetland pilot project).

The Environmental Quality Incentives Program (EQIP) had great goals of targeting scarce resources at the most significant water quality needs in each state, however, the targeting of funds has been excessive, creating a very narrow program. NCGA supports changes that would broaden the participation in EQIP and increase funding for both livestock and crop sectors of the program. EQIP implementation should also be altered to change the length of the contract, the ability to receive payments in the first year of the contract, and eliminate the size restrictions of the animal operations.

Another way to look at the adoption and implementation of conservation practices is through programs like Core 4 Conservation. The goals of Core 4 Conservation -- Better Soil, Cleaner Water, Greater Profits and a Brighter Future -- are based in common sense. Promoting these goals demonstrates our recognition of the inextricable link between profitability and environmental protection in modern agriculture. Improving our nation's soil and water resources - the raw materials of agriculture - enables producers to realize short-term benefits as well as long-term sustainability of their operations. Practices that may be used in a Core 4 Conservation system include conservation tillage, crop nutrient management, pest management (Integrated Pest Management), conservation buffers, water management (including irrigation, conservation and tile drainage) and other site-specific practices. Working with local advisors, producers select appropriate conservation practices and design a site-specific system that minimizes soil erosion, enhances water infiltration and retention, filters pollution from runoff and more efficiently manages inputs to increase profits.

Each of these programs mentioned provide an integral part of the overall conservation and environment/water quality objects. Federal programs provide financial resources and technical assistance to facilitate the adoption and management of conservation practices. Federal, state and local cost-share programs are essential for the greater benefit provided by these practices. Our members are engaged in farming as a livelihood and must maintain the ability to raise productive crops on their land and market their crops to maximize profitability. Corn growers depend heavily on foreign and domestic markets for utilization of their crops.

NCGA recognizes that regulatory activity is increasing regarding livestock operations and manure management and application. Regulatory actions in this area will have significant impacts on both our customers and the U.S. Corn Industry. The U.S. livestock industry is the number one consumer of domestic corn. Just as we are concerned that the corn production could shift to foreign countries, we are also concerned about livestock production shifts to foreign

countries. Both areas must be given the tools and resources to comply with new regulations if we are to remain competitive in a global market place.

Recognizing that there are still significant gains to be made in water quality, we believe that our goals of clean water, productive land and a viable domestic market are attainable. NCGA believes that USDA is the primary federal government resource to assist growers across the country in attaining these goals. Whether it is through the technical assistance provided to growers for compliance with a myriad of government programs or the technical assistance for voluntarily adopting a conservation practice, USDA has the structure with local delivery units, to provide the assistance necessary for growers to continue their commitment to the land. Funding for technical assistance must be adequate for proper administration of these programs and to allow us to meet our conservation goals.

In assisting producers with the adoption of conservation practices, NCGA supports an increased role of third party vendors. There are many individuals and organizations that have the qualifications to provide this assistance and USDA should recognize their work in assisting producers with the programmatic requirements of new and existing farm bill conservation programs.

NCGA closely monitors the amount and speed at which new land comes into production in South America, specifically in Argentina and Brazil. As set aside and acreage idling programs in the United States increase, the rate at which land in South America is cultivated increases. The United States cannot maintain a competitive advantage if the U.S. regulatory activity forces up production costs, if the U.S. transportation infrastructure cannot deliver our goods to domestic and foreign markets in a cost-effective manner and if the United States drives our customers further from the point of domestic corn production. All of these elements must be considered when analyzing the impacts of domestic environmental regulatory activity.

As the Committee continues its work on the Farm Bill, we urge you to take all of these elements into consideration. NCGA members strive to be good stewards of the land, but must do so in a manner in which they maintain competitiveness in global markets. Primarily, this is our opposition to conservation programs that idle acreage across the United States. We also see the pressures of environmental regulatory activity having significant impacts on our domestic customers, the livestock industry and potential impacts on row crop production. Conservation programs must acknowledge these factors and work with producers to undertake conservation practices on land in production while allowing for the flexibility for differing regional areas of production.

Testimony of the U.S. Rice Producers' Group
By
George Dunklin, Jr.
Before
Committee on Agriculture, Nutrition and Forestry Committee
United States Senate
Tuesday, July 31, 2001

Introduction

Mr. Chairman and members of the Subcommittee, my name is George Dunklin, Jr. I am a rice farmer from DeWitt, Arkansas. I am also a conservation expert and the soil, water and wildlife habitat conservation practices that I employ in my farming operation have been the subject of numerous journal articles.

I am pleased to appear before the Subcommittee today on behalf of the U.S. Rice Producers' Group, a charter member of the USA Rice Federation. I serve on the Conservation Committee of the U.S. Rice Producers' Group. USA Rice represents all segments of the U.S. rice industry through its charter members - the U.S. Rice Producers' Group, Rice Millers' Association and USA Rice Council. Through USA Rice, producers, millers and allied industries work together to address common challenges, advocate collective interests, and create opportunities to strengthen the long-term economic viability of the industry. The U.S. Rice Producers' Group Conservation Committee is comprised of rice producers and conservation technical experts from all six rice-producing states. The Rice Millers' Association also endorses this testimony.

Economic Situation

Mr. Chairman, before I turn to the conservation issues at hand, I would like to address the state of the farm economy in the United States today. We recognize that you and the members of your committee are fully aware of the critical economic situation faced by U.S. agriculture today. I would like to thank the Committee for your support for the recent budget resolution, increasing the agriculture budget baseline and providing sufficient budgetary resources to provide additional economic assistance for crop years 2001 and 2002 and beyond, if necessary. I also thank you for authorizing the supplemental AMTA payments for the current crop year.

U.S. agriculture in general, and rice producers in particular, are facing continued low prices and declining income. Prices for energy-related products, including fuel, natural gas and fertilizer, have increased substantially, placing rice producers in a further cost-price squeeze. This is occurring while aggregate rice exports remain stagnant and farmers face growing costs due to increased environmental and pesticide use regulations.

Negative cash flow projections have caused bankers to reduce or even refuse credit for spring rice planting. This hesitancy on the part of lenders is not unfounded. Our economic analyses indicate that rice is the only major commodity for which net market returns after variable costs for the 2001 crop will be negative, if government payments are excluded.

In short, if Congress had not provided rice producers with further immediate assistance, consideration of any long-term farm policy would have been in all likelihood unnecessary

for many rice farmers who would be forced out of business before the new farm policy can take effect.

Conservation

Mr. Chairman, rice producers play an important role in conservation and stewardship of working lands. For example, winter and growing season-flooded rice fields provide important habitats for migratory waterfowl, shore birds and other wetland dependent species. Rice growers currently provide about 775,000 acres of enhanced waterfowl, shore bird and wildlife habitat at their own expense. That area is equal to twenty five percent of the total area planted to rice in the United States. Attached to my testimony are further examples of best management practices that address improving soil, water and air quality as well as improving wildlife habitat.

Mr. Chairman, the U.S. Rice Producer's Group has proposed the following conservation policy guidelines that rice producer representatives from each of the six rice-producing states have endorsed:

(1) Support for existing programs including the Conservation Reserve Program, Wetlands Reserve Program, Wildlife Habitat Incentive Program, Environmental Quality Incentive Program, conservation technical assistance, etc. and maintaining existing funding for these programs. However, new conservation funding should be targeted towards land that is in production or considered in production.

(2) Support for funding and maintenance costs not only for practices already being implemented that enhance the environment, but also additional practices that may be encouraged through higher payments.

(3) There should be no payment limitations on conservation program payments.

(4) Compensation for conservation practices will in no way be a substitute for existing or future farm safety net programs including production flexibility contract payments, marketing loan gain/loan deficiency payments, counter cyclical program payments, or any other farm income support payment program.

(5) All conservation payment programs will be voluntary and incentive-driven.

(6) Any measure of the environmental benefit of conservation practices compensated for under a conservation program will be science-based.

(7) Conservation programs should clearly enhance the rural economy and maintain property rights.

(8) Conservation programs should be WTO consistent and should be designed and implemented to be defined as "Green Box" measures.

(9) Conservation programs should be administered primarily at the local level, with primary administrative oversight exercised by the Farm Service Agency, with technical support from the National Resource Conservation Service and State Advisory Committees. Any new conservation program advisory committees should be comprised primarily of agricultural producers.

Mr. Chairman, we believe that these principles are equitable and well reasoned and should form the building blocks for the conservation title of the new farm bill.

The new farm bill should encourage producers to establish and maintain wildlife habitat by offering incentive payments to farmers who voluntarily implement certain approved practices. These environmental/conservation payments should be in addition to, and not as a substitute for, other income support provided under the new legislation.

Payments should be made available not only to producers who begin to invest in such habitat protection, but also to those who have already implemented important wildlife habitat protection initiatives.

Rice producers support maintaining existing funding for our existing conservation programs, including the Conservation Reserve Program, Wetlands Reserve Program, Wildlife Habitat Incentive Program, Environmental Quality Incentive Program, and conservation technical assistance. However, we believe that new conservation funding should be targeted towards land that is in production or considered in production. In addition we support funding and maintenance costs not only for practices already being implemented that enhance the environment, but also additional practices that may be encouraged through higher payments.

We believe that all conservation payment programs need to be voluntary and incentive-driven. These payments should be based on science-based best management practices that can demonstrate environmental benefits.

In order to strike a better balance between conservation dollars devoted to retiring land vs. working land we do not support increasing the Conservation Reserve Program from its current level of 36.4 million acres. We would instead prefer that such increased conservation funding be targeted to production-based, incentive-driven payments to producers, rather than to increased land-idling payments.

Mr. Chairman, we believe that a careful balance must be struck between expenditures for payments to farmers under the farm income safety net and expenditures for conservation payments made under various existing and potential conservation programs. We urge you and members of the committee to recognize that both paths of federal support for farmers serve critical needs for the United States: the farm income safety net ensures a plentiful, low cost supply of food and fiber for not only the United States but food security for the rest of the world as well. Conservation programs can also provide for important societal benefits in the form of clean water, clean air, soil and forest conservation, improved wildlife habitat and species preservation.

Again, Mr. Chairman, we sincerely appreciate your leadership in drafting a conservation title of the next farm bill that helps producers to increase the conservation and environmental benefits in America. We look forward to working with you and members of the committee as you develop forward-looking conservation proposals in the new farm bill. I would be pleased to answer any questions.

Thank you.

Attachment I:
Summary of Rice Production Conservation Measures

Type of Practices	Environmental Benefits
Water Management Practices	
Efficiency Measures	
Return Flows/Tailwater Recovery Systems	Water, Energy, Fish, Wildlife
Drill Seeding/Reduced "Pre-Seeding" Use	Water, Energy
Zero-Grade Systems/Laser Leveling	Water, Energy, Soil
New Varieties (Reduced Water Demand)	Water, Energy
Underground Piping	Water, Energy, Soil
Permanent Outside Containment Structures	Water, Energy, Soil
Conservation Holding Periods	Water, Energy, Fish, Wildlife
Water Control Structures	Water, Energy
Aquifer Recharge/Replenishment	Water, Energy, Land
Concrete-Lined Ditches	Water, Energy, Soil
Quality Protection	
Return Flows/Tailwater Recovery Systems	Water, Energy, Fish, Wildlife
Pesticide Use Reduction	Water, Air, Fish, Wildlife
Pesticides Ground Applications (vs. Aerial)	Water, Energy, Fish, Wildlife, Air
Conditionally Restricted Applications	Fish, Wildlife, Air
Filter Strips	Water, Soil, Fish, Wildlife
Pesticide Management Holding Periods	Water, Energy, Fish, Wildlife
Supply	
Aquifer Recharge/Replenishment	Water, Energy, Land
Reservoirs	Water, Energy, Fish, Wildlife
Delivery Systems Improvements	Water, Energy
Return Flows/Tailwater Recovery Systems	Water, Energy, Fish, Wildlife
Monitoring	
Pesticide Loading	Fish, Wildlife, Water, Air
Pest Trapping	Fish, Wildlife, Water, Air
Flow Evaluation	Water, Energy, Fish, Wildlife
Soil Management Practices	
Erosion Minimization Measures	
Non-Tillage Practices	Soil, Energy, Air, Wildlife
Flooding (Growing Season and Winter)	Soil, Air, Wildlife
Straw Incorporation into Soil	Soil, Air, Wildlife
Revegetation of Sloughs, Ditches, Borders	Soil, Wildlife
Nutrient Management Measures	
Straw Incorporation into Soil	Soil, Air, Wildlife
Winter Flooding	Soil, Air, Wildlife
Burning	Soil

Type of Practices	Environmental Benefits
Air Quality Management Practices	
Residue Disposal/Use Measures	
Straw Incorporation into Soil (vs. Burning)	Soil, Air, Wildlife
Cutting and Baling (vs. Burning)	Soil, Air, Natural Resource, Energy
Smoke Emissions Monitoring	Air
Burning Plans (Smarter Burning Decisions)	Air
Smarter Burning Techniques	Air
Particulate Emissions (Diesel Exhaust and Soil) Measures	
Non-Tillage Practices	Soil, Energy, Air, Wildlife
Cleaner-Burning Farm Equipment	Air, Energy
Zero-Emission Equipment (Electrification)	Air, Energy
Emissions Monitoring	Air
Smarter Burning Techniques	Air
Chemical Pollution Prevention/Reduction Measures	
Chemical Use Reduction Techniques	Water, Air, Fish, Wildlife
Rotational Fallowing Program	Water, Air, Wildlife
Waterfowl and other Fauna Habitat Management Practices	
Habitat Creation Measures	
Flooding (Growing Season and Winter)	Soil, Air, Wildlife
Warming Checks Designed for Wildlife	Wildlife
Wetland Habitat Preservation/Creation	Wildlife, Soil, Land
Upland Habitat Preservation/Creation	Wildlife, Soil, Land
Straw Incorporation into Soil	Soil, Air, Wildlife
Burning	Soil
Special-Status Species Management Actions	Fish, Wildlife
Species Protection Measures	
Pesticide Holding Periods	Water, Energy, Fish, Wildlife
Fish Screens	Fish, Wildlife
Habitat Protection Plans	Fish, Wildlife
Other Resource Benefits (Offsetting Natural Resource Consumption)	
Straw Utilization Resulting in Natural Resource Conservation	
Building Materials Reducing Timber Cuts	Natural Resources, Energy, Land
Bio-Fuels Reducing Fossil Fuel Use	Natural Resources, Energy
Erosion Control Products	Land, Natural Resources, Energy
Compost	Land, Natural Resources, Energy
Paper Products Reducing Wood Pulp Use	Natural Resources, Energy, Land
Cattle Feed	Natural Resources, Energy, Land

Statement of Gary Mast, First Vice President

National Association of Conservation Districts

relative to the

Conservation Title of the Farm Bill

Presented to the

United States Senate

Committee on Agriculture, Nutrition and Forestry

July 31, 2001

I. Background

Mr. Chairman and members of the subcommittee, I am Gary Mast and I am a sixth-generation self-employed farmer. Along with my brother and two other partners, I operate a dairy farm and custom crop harvest business near Millersburg, Ohio. I have served on the board of the Holmes County Soil and Water Conservation District for more than 20 years and have served as president of the Ohio Federation of Soil and Water Conservation Districts. I have also served on the Board of Directors and am now First Vice President of the National Association of Conservation Districts. I appreciate your invitation to share conservation districts' proposals for the conservation title of the next farm bill and offer a preliminary assessment of the House Agriculture Committee's proposal for conservation in the legislation.

The National Association of Conservation Districts – NACD – is the nonprofit organization that represents the nation's 3,000 conservation districts and 17,000 men and women – district officials – who serve on their governing boards. Conservation districts are local units of government established under state law to carry out natural resource management programs at the local level. Currently, conservation districts work with NRCS and others to provide technical and other assistance to more than two-and-one-half million cooperating landowners and operators to help them manage and protect their land and water resources. Conservation districts encompass virtually all of the private lands in the United States.

I am here today to represent the views of those 17,000 conservation district officials. But more than that, as locally elected or appointed public officials, collectively we represent the American public; all of the constituents in the districts we serve. As we talk today about USDA's conservation programs and the next Farm Bill, I urge you to keep in mind that we are the people who work at the very point where the programs you authorize are delivered to the customers.

Mr. Chair and Members of the Committee, the nation's 3,000 conservation districts are pleased with the leadership that you have all provided for conservation in the next Farm Bill. We also appreciate Mr. Harkin's vision in outlining a new approach to working lands conservation embodied in his Conservation Security Act (CSA). The concept behind the CSA is one that conservation districts have supported for many years, and I will address that issue later in my remarks. We also believe that the concepts outlined in proposals developed by Mr. Lugar, Mr. Crapo and others complement the CSA very well.

We recognize the difficult task the Committee faces in crafting the next Farm Bill. From research, to trade issues, to risk management and income support, no other committee in the Congress has a more difficult task than yours in arriving at equitable responses to the many challenges facing modern American agriculture.

While we recognize the many competing needs in the agriculture sector, we also know that conservation plays a vital role in ensuring the future health and vitality of the nation's private working lands. Since its enactment more than 15 years ago, the conservation title has evolved into a strong commitment from policymakers and the agricultural community to wisely manage and use the nation's natural resources. The next Farm Bill, which the Committee is currently developing, presents an opportunity to re-energize that commitment and build on the foundation first laid in 1985.

Mr. Chairman, I will focus my remarks today on a new vision conservation districts have for private lands conservation in America. We also have a number of recommendations for adjusting and maintaining the conservation programs currently authorized by statute, which I will discuss in Section III of my statement. And, as you requested, in Section IV, I will share our preliminary assessment of the proposal adopted by the House Agriculture Committee last week.

II. A New Vision for Conservation

The private working lands that comprise America's farms, forests and ranches represent 70 percent of our nation's land – nearly 1.5 billion acres. That working land provides us not only with food and fiber for our own use, but with an array of exportable goods as well. It provides an economic engine and a tax base for rural communities and nearby cities.

But private lands also provide us with many intangible benefits. For example:

- Nearly 90 percent of the rain and snow that recharges our water supply falls on private land.
- About half of the nation's endangered species rely on private land for at least 80 percent of their habitat.
- Private lands are the vital bridges among public refuges, the links that prevent wildlife communities from becoming isolated from each other, threatening biodiversity.
- Many of our open space and scenic vistas are on private lands.
- Private lands are important in sequestering carbon and producing bioenergy products.

In setting the tone for the next Farm Bill, Congress has a new opportunity to elevate the importance of private lands conservation by creating incentives to better manage and protect those lands. We believe that expanded, voluntary, locally led and incentives-based initiatives will be the solution to helping America achieve its environmental goals.

Two years ago, we at NACD established a task force to examine how the Farm Bill conservation programs are working so far and look at what is needed to elevate and expand conservation in this country beyond what we're now doing. This task force included a former chief of the Natural Resources Conservation Service, the president of a major land-grant university and farmers, ranchers, district officials and district employees, representatives from state conservation agencies and from private industry.

Our task force began its work by developing a set of guiding principles, both simple and straightforward, to help crystallize our vision of what is needed to strengthen private lands conservation in America. We believe these principles should be the foundation upon which to refine and expand our federal, state, local and private conservation efforts. These principles are:

- Maintain a voluntary, incentive-driven approach to help private landowners and managers protect their soil, water, wildlife and related resources.
- Increase local leadership and involvement in carrying out programs, setting priorities, developing policies and advocating natural resource conservation and management.
- Utilize science-based technology in making conservation decisions, including those for accountability and baseline establishment.
- Provide land managers with the technical assistance they need to achieve conservation objectives.
- Emphasize the value of cost-effective conservation practices that, for all Americans, enhance quality of life, restore air and watershed health, and contribute to safe and affordable food and fiber.

In formulating our recommendations, the task force reached out to every conservation district in the nation for input on how our conservation programs are working now and what the workload needs are. We asked for suggestions for improving current programs and for new ideas to advance the nation's agenda for conservation. More than 1,700 conservation districts offered suggestions, ranging from modifications to the Environmental Quality Incentives Program (EQIP) to the need for our conservation agenda to reach all communities and watersheds, not just a few targeted areas or producers.

We also contacted a wide cross-section of organizations with an interest in conservation to get their suggestions and comments. Fifty organizations responded, many with key suggestions and ideas on how we can work together to strengthen America's conservation agenda. Several of the organizations we have worked with have testified or will testify before this committee. We were encouraged to find that more than a few entertained thoughts similar to ours and we have incorporated many of their ideas into our recommendations. Our working paper, which is posted on NACD's web site, (www.nacdnet.org) invites input from anyone who is interested.

The people we surveyed as well as those we talked to at conferences and meetings, in private conversations, through postal mail and email all shared a common commitment to the cause of natural resources conservation on private lands. They also shared a common message, and the more we listened, the more similar the message sounded.

The State of the Land

Since the Farm Bill conservation title was enacted in 1985, we've made a lot of progress in reducing soil erosion and increasing productivity. Many of the gains we've made have been the result of conservation compliance, the adoption of conservation tillage, and farmer and rancher participation in the Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP), Wildlife Habitat Incentives Program (WHIP) and EQIP. Since 1996, however, the gains have slowed.

Data from the Conservation Technology Information Center (CTIC) show that in 2000, about 37 percent of the cropland in the U.S. used some form of conservation tillage. Although this is a substantial increase from the early 1980s when it first became popular, the rate of growth in this practice has slowed in recent years. To achieve CTIC's national goal of having 60 percent of all crop acres under some form of conservation tillage by 2005, we must increase its adoption substantially over the next four years.

Reports such as NRCS's *National Resources Inventory*, EPA's latest *305(b) Report to Congress*, the Fish and Wildlife Service's (FWS) *Status and Trends of Wetlands in the Coterminous United States 1986 to 1997* also tell us that progress has leveled off and that we still have a long way to go in meeting the nation's conservation goals.

A snapshot tells us that:

- According to EPA, more than 300,000 miles of rivers and streams and nearly 8 million acres of lakes are impaired with sediment, nutrients and microorganisms.
- America's private landowners have planted more than one million miles of buffer strips to protect the nation's rivers and streams. Meeting the ambitious goal of two million miles of buffers will hinge upon expanding voluntary conservation incentive programs.
- Wetlands losses have fallen by 80 percent since 1986, due largely to the Farm Bill's wetlands conservation provision and Wetlands Reserve Program. But, sometime this year, the program will reach its acreage limit.
- Runoff from concentrated animal feeding operations is becoming an increasing concern. An estimated 272,000 animal feeding operations need technical assistance to develop sound environmental operating plans over the next 10 years.
- As much as 60 percent of the nation's rangeland and 46 percent of permanent pasture are deteriorating.
- Roughly 2,200 aging flood control dams around the nation need to be rehabilitated or decommissioned at an estimated cost as high as $540 million.
- Every year since 1992, an average of 2.2 million acres of farmland have been lost to development.
- Although wind and water erosion was reduced by more than 30 percent on private rural lands, we are still losing an estimated 1.9 billion tons of topsoil to erosion on cropland every year.

Using existing programs and their own resources, owners of America's working lands have made significant strides in safeguarding the quality of our water, soil and air. But there's still a long way to go.

The State of Our Programs and Conservation Delivery System

The number of programs addressing private lands conservation has grown considerably over the past 20 years. That may sound like good news, but the fact is, rather than devoting more resources to more programs, we have sliced a shrinking pie into smaller pieces. This proliferation of programs has resulted in efforts that are not well coordinated and sometimes even operating at cross-purposes. Further, each of these programs comes with its own set of priorities, rules and limitations.

While the federal funding devoted to private lands conservation has been going down – in real dollars, the amount is about half of what it was in the mid-1930s – state and local governments have dramatically increased their investments in conservation. Their contributions to private lands conservation have gone from virtually nothing 70 years ago to nearly a billion-and-a-half dollars today, with conservation districts fielding the same level of field staff as NRCS. But, the situation is mixed. In some regions of the country there is a true increase in funding and staffing; in others state and local level funding has leveled off or is in decline.

States have also created additional programs to address nonpoint source pollution, runoff from animal feeding operations, wildlife habitat and other resource issues. In fact, some 38 states have developed cost-share programs with about $500 million dollars, more than matching the federal effort.

While these state and local initiatives have helped, they have added to the already complex array of programs and are themselves not well coordinated with federal conservation efforts. Many producers

today find themselves struggling with multiple sets of rules and requirements, filling out application after application – sometimes for naught.

A major shortcoming of all these programs is their limited reach and lack of adequate funding. Many producers who are targeted by these programs find themselves turned away because of lack of resources for NRCS to provide the assistance they need. Through fiscal year 2000, for example, of the 299,213 producers who applied for assistance through WRP, EQIP, WHIP and the Farmland Protection Program, 208,083 – 70 percent – were turned away. There is a critical need to reach out to more producers and to get conservation on much more of the landscape.

To sum it all up, the state of our financial assistance programs today is that they are too complicated, not well coordinated, oversubscribed, under funded and serve only a small percentage of our working lands.

Technical Assistance

In addition to all of the above-mentioned financial assistance program needs, conservation districts work closely with NRCS to provide landowners with the technical help farmers and ranchers need to plan and apply complex conservation treatments in addition to implementing these Farm Bill programs.

It is important to keep in mind that Conservation Technical Assistance is also a program. It was intended as a program in and of itself the purpose of which was to help the nation's farmers and ranchers and other landowners address their resource conservation needs by providing technical support at the local level, including non-Highly Erodible Lands that are nonetheless eroding at unacceptable levels.

Consider the following workload information.

Two years ago, NACD and several of its partners collected extensive data on the challenges facing private lands conservation through its National Field Workload Analysis (WLA). The purpose of that analysis was to examine the staff years of technical support needed at the field level to carry out 29 core work elements each year. Most of these core work elements encompass Farm Bill program objectives.

The national data collected through the WLA painted a stunning portrait of the private lands workload needs across the countryside. To effectively address the total resource needs on America's private lands would require 359,734 staff years of technical assistance from all sources. If stretched over a 10-year period, this would equate to 35,974 staff years per year, at a cost of nearly $2.4 billion per year for technical assistance alone. We are just now completing a 2001 WLA and early indications are that the need has not gone down but has increased by 15 percent.

Clearly, increased investments in technical assistance will be necessary to get the conservation job done in this country. It is critical that Congress establish stable sources of funding for the Farm Bill programs and the technical assistance needed to implement them without detracting from NRCS's basic technical assistance mission.

The Path Forward – A New Incentives Program

Based on the work of our task force, the results of the Workload Analysis Survey and other studies, what we heard from our partners and, most importantly, what we heard from producers and district officials, America's conservation districts believe the federal government needs to embrace a new approach to conservation on private working lands. Rather than creating program after program, each designed to focus on one element of the resource base, we need to adopt an approach that concentrates on the entire landscape and the needs of producers. The focal point of this new way of doing business should be the

producer's conservation plan, each one tailored to meet the specific needs of each individual operation. The bottom line for our new approach to conservation is: Conservation plans should drive programs, not the reverse.

Producers don't need the added headaches of having to choose from a limited set of program options in a vacuum. A better way would be to help them determine what is needed for their operations and then let local decision-makers recommend what program or programs are best suited to their conservation plan.

We believe this approach would provide much greater flexibility in decision-making at the local level. Such a shift would allow us to focus on getting conservation on the ground, not on "implementing programs." It also would allow us to better coordinate the existing tools in our conservation tool chest.

From virtually everyone we talked to, the message was loud and clear that a new incentives program is also needed to encourage producers to implement conservation practices. Practices that not only benefit their operations, but also produce important public benefits such as better soil, cleaner water, cleaner air and more fish and wildlife habitat. A new incentives program, fully funded and available to all producers, is needed to encourage conservation on more of the landscape. We envision rewarding at various levels producers who apply and maintain conservation practices, depending upon the extent and complexity of the conservation systems they install and/or maintain. The concept is very straightforward: The more conservation a producer puts on the land, the higher the incentive payment the producer receives.

While conservation districts' concept of a new incentives program is very similar to the Chairman's Conservation Security Act, we propose an additional option for implementing this new approach. Rather than carrying out the new program exclusively through the traditional federal approach, we think states that have the capacity and the interest should be given a greater role in implementing it themselves, in cooperation with NRCS. As I mentioned earlier, many states have strengthened their program capacity significantly in the past several decades and many now have the ability to be the driving force behind the implementation of this new federal-state-local-private paradigm.

We believe the benefits of a new incentives program and a greater state and local role in its implementation would be tremendous. It would be cost-effective and provide needed coordination among current and future conservation initiatives. It also would leverage even more state, local and private sector investment in private lands conservation.

This new paradigm also would bring more control back to the local level where decisions could be made by those who know what is needed and what works best. However, we recognize that there still would be a need for federal oversight and review.

By calling for this new agenda, we're not suggesting that we throw out existing programs; we need those to complement what we're proposing. In fact, we strongly support better funding and broader application of the existing USDA conservation programs to help producers get the conservation on the land they need to qualify for the new incentives and to meet the requirements of new and growing environmental regulations.

In shifting the focus of our delivery system, we strongly support enhancing and elevating the priority of USDA's natural resources and environment mission. We believe that the Natural Resources Conservation Service must be maintained as a stand-alone agency and with the primary responsibility for carrying out USDA's non-Forestry Service environment and natural resources programs. The agency's role in providing leadership and guidance for national programs, as well as maintaining a national system of technical standards and guidelines, should be strengthened.

NRCS and conservation districts also work closely with the Farm Service Agency at the field level in carrying out several of Farm Bill's conservation programs. We believe this relationship is solid and that the three organizations generally work well together in implementing conservation programs. Historically, FSA has been the principal financial support agency of the department, as well as the leader in administering contracts. We believe this relationship is solid and should be maintained intact.

And where do the traditional commodity programs fit in this mix? We are by no means suggesting that our new approach supplant all traditional farm support programs. Although changes may be needed in that arena, too, producers need these programs to compete in world markets. We believe that incentives for producers to provide conservation and environmental benefits from private working lands would complement those programs and could become an important component in future farm policy. In the context of today's chaotic agricultural economy and globalization of trade, it makes sense for conservation to be part of agriculture's economic, as well as environmental agenda.

Projected Benefits

By reaching far more producers, by providing for more local control and by delivering conservation assistance effectively and efficiently, we believe our new model would provide much greater benefits across the landscape than current, top-down and highly targeted programs.

The investment required for this vision will be significant – we estimate a fully functioning incentives program alone could cost up to $8 billion annually. But we need to keep in mind that preventing resource problems now is far less costly than solving them later. We also need to keep in mind the return we'll get on that investment:

- better soil;
- cleaner water;
- greater profits; and
- a brighter future.

Even beyond these, we believe that better managing and enhancing our private working lands will result in more abundant wildlife, higher quality woodlands and wetlands, clearer air, safe and affordable food and fiber and an enhanced quality of life for all Americans.

III. Recommended Changes to Existing USDA Conservation Programs

1. Environmental Quality Incentives Program

EQIP authorizing legislation establishes a single, voluntary program to provide flexible technical, financial and educational assistance to farmers and ranchers to address threats to soil, water and related natural resources on agricultural lands, including grazing lands and forestland. Although authorized for funding at $200 million annually, Congress limited funding at $174 million in fiscal years 1998 through 2000.

Requests from producers for assistance through EQIP have been overwhelming – far exceeding the amount of funds available and further stressing the already overburdened NRCS-conservation district delivery system. With additional funding, EQIP has the potential to garner tremendous environmental benefits. It also provides an opportunity to reach out to socially disadvantaged producers who traditionally have not participated in USDA's conservation programs. To further enhance the program's outreach, water quality – including irrigation water management and groundwater protection – soil

conservation and wildlife habitat benefits, conservation districts recommend extending EQIP's authorization and increasing program funding to at least $1 billion annually. Twenty percent of this amount should be designated to fund technical assistance to support program implementation.

Over its five-year operating period, several adjustments have been made to respond to producer concerns about how the program is being implemented. In 1999, responding to a survey from NACD, more than 1,500 conservation districts identified revisions, both administrative and statutory, needed to make EQIP function more effectively and efficiently. Legislative changes needed to EQIP include the following:

- Increase funding authorization to $1 billion annually.
- Remove prohibition on expenditures being made in the same fiscal year as a contract's execution.
- Provide for an annual practices component and contracts of less than five years in duration.
- Remove the 10-year limitation on EQIP contracts.

2. Conservation Reserve Program

The CRP provides cost-share assistance and rental payments to farmers to retire highly erodible and environmentally sensitive cropland for 10- to 15-year contract periods. In addition to dramatically reducing soil erosion on cropland by nearly 695 million tons per year, it provides myriad other benefits including stemming agricultural runoff and providing critically needed wildlife habitat. To maximize CRP's environmental benefits, conservation districts recommend, along with some program improvements, extending its authorization and increasing the acreage cap to 45 million acres.

Conservation districts support the following policy changes on CRP:

- CRP should continue to use the enrollment process whereby land is bid into the program with a productivity-adjusted rental rate thus reflecting the true cost of the land.
- CRP should be balanced so that benefits, whether economic or environmental, occur over the full landscape of American farmland
- CRP should be used to help prevent urban sprawl by extending contracts to 30 years or perpetual easements.
- CRP enrollment should continue targeting through the Environmental Benefits Index (EBI) with those lands achieving a high benefit also achieving the highest rental payment.
- The EBI should be a product of the State Technical Committee and not designed as a "one size fits all" program criteria at the national level. States should retain the flexibility that will allow them to choose the criteria that give them a high EBI. For instance, if soil productivity and soil erosion are major concerns, the EBI should be structured to account for a mix of on-site as well as off-site soil erosion benefits.
- The CRP should be geared toward retaining long term retention of benefits once investments by the producer and the public are made. These enrolled lands should be retained in the pool of eligible lands and producers should be offered other incentives such as easements to retain them in the program. Easements should be paid for on the value of the land based on free market factors and not on the EBI or soil productivity index.
- The CRP should continue as a targeted approach as provided for in CREP if the state so chooses and provides a matching component to the targeting of federal funds. The original intent of setting aside 40 – 45 million acres of highly erodible farmland in a CRP should be retained.

- The goal of having 12.5 percent of the CRP acreage planted in trees should be increased with added incentives for the producer. Targeting those acres should be done at the local and state levels. Contract extensions of 10 years should automatically be offered to those who elect to plant trees rather than grass cover so producers can gain the economic benefit of planting trees at the end of 20 years.
- Haying, grazing and timber harvest on CRP lands should be prohibited unless those activities conform to a district-approved plan that will maintain buffers, benefit wildlife, improve cover quality and reduce erosion. Conservation districts urge Congress to accept recommended language proposed by USDA to amend CRP to allow high intensity, short-term livestock grazing as an authorized maintenance and management practice on CRP contract lands with the authority given to state FSA Committees and NRCS State Conservationists to set the timing and criteria of this practice.
- The contract provisions for CRP should not provide for an early out during the contract period since it was a mutually acceptable contract period at the time of signing. Early out provisions would further disrupt national plans to remove highly erodible, fragile or otherwise environmentally sensitive lands from production.
- Conservation districts are opposed to any land-use practice that will change the contract between the producer and the federal government or the agreed rental rate as originally established at the beginning of the contract.

3. Wildlife Habitat Incentives Program

WHIP is designed to help landowners improve wildlife habitat on private lands. The program was authorized to use $50 million in CRP funds to help producers enhance wildlife habitat. WHIP provides cost sharing to landowners for developing habitat for upland wildlife, wetland wildlife, endangered species, fisheries and other wildlife. It also provides for consulting with state technical committees to set priorities for cost-share measures and habitat development projects. WHIP has also proven to be extremely popular and exhausted its funding authorization in two years. Conservation districts recommend extending its authorization and funding the program at $50 million annually.

4. Wetlands Reserve Program

The WRP provides assistance to farmers to restore cropped wetlands through easements and cost-share payments. In addition to its environmental and wildlife habitat benefits, this voluntary wetland protection program has been extremely popular among farmers and ranchers. Originally capped at 975,000 acres and nearing that cap, the fiscal year 2001 agriculture appropriations bill authorized enrolling an additional 100,000 acres in the program. Conservation districts recommend extending WRP's authorization and allowing enrollment of an additional 250,000 acres annually.

5. Farmland Protection Program

FPP is a voluntary program that authorizes USDA to join with state or local governments to purchase conservation easements on important farmland threatened by conversion to other uses. It is increasingly clear that preserving farmland preserves quality of life for all citizens, including urban and urbanizing areas. It also helps guide and direct urban sprawl, thereby having inherent and popular value for everyone. Conservation districts recommend extending the Farmland Protection Program's authorization and increasing its funding to $65 million annually.

6. Conservation of Private Grazing Lands Program

Congress enacted the Conservation of Private Grazing Lands Program (CPGL) provision to provide technical, educational, and related assistance to landowners and operators on the nation's 642 million acres of private grazing lands. Funding was authorized at $20 million in 1996, increasing to $60 million by the third year. To help reverse the deteriorating trends on roughly 60 percent of US rangeland and about 46 percent of permanent pasture, conservation districts recommend maintaining the funding authorization for CPGL at $60 million annually.

7. Resource Conservation and Development Program

The Resource Conservation and Development (RC&D) Program, a unique program within USDA that empowers rural people and their urban neighbors to help themselves, was extended through 2002 by the 1996 Farm Bill. The program assists local people by providing tools and technical support to stabilize and grow their own communities while protecting and developing natural resources. Conservation districts recommend providing the RC&D Program with a permanent authorization and increasing the number of authorized RC&D areas to 450.

8. Small Watersheds Infrastructure

Many of the more than 10,000 existing structures built through NRCS's Small Watersheds Program over the past fifty years are nearing the ends of their life spans, no longer meet current dam safety standards and need to be upgraded, repaired or decommissioned. Approximately 5,000 of the installed floodwater retarding structures are 30 years old. More than 70 percent of the watershed structures built through the program were constructed before the National Environmental Policy Act of 1970 and thus were not subject to its requirements.

NRCS estimates that approximately 2,200 small watershed structures are in immediate need of rehabilitation and that more than 650 of these dams pose potential threats to public health and safety. Unless these issues are addressed, the magnitude of the problems will only increase as the infrastructure continues to age.

The next Farm Bill offers a critical opportunity to begin addressing the nation's watershed infrastructure needs by sharing in the funding of needed rehabilitation work on watersheds structures that pose serious threats to public health and safety. We strongly encourage your inclusion of funding for Small Watershed Infrastructure Restoration at $15 million annually for the next 10 years.

9. Compliance and Other Provisions

In addition to the above financial assistance programs of the Farm Bill, the Highly Erodible Land and Wetlands Conservation provisions (conservation compliance, sodbuster and swampbuster) of the Farm Bill have been instrumental in reducing erosion on cropland, pasture and rangeland, and in significantly slowing the conversion of wetlands to agricultural uses. Although enforcement of the compliance provisions has been lax in some areas fine-tuning of these provisions is needed and conservation districts recommend retaining them. We also recommend that the compliance provisions for both erosion on cropland and for swampbuster be extended to all USDA farm program benefits received, including crop insurance.

10. General Provisions

In addition to the above, conservation districts endorses coordinated resource management planning (CRMP) and the "En Libra" concept, both of which are used to address and mediate complex natural resource issues at the local level on both public and private lands. These processes also support local, producer-developed conservation plans, implemented with technical assistance provided through conservation districts to coordinate the conservation activities on a given operating unit and with protections for confidentiality.

Since the Farm Bill conservation programs are targeted primarily toward lands with a cropping history, the conservation districts support establishing a grassland conservation easements program to protect noncropped native lands. Since such a program would likely operate similar to the current CRP, it would be appropriate to include in the Farm Bill and implement through conservation districts and NRCS.

Conservation districts support strengthening conservation research and development and extension activities through the Farm Bill, as well as establishing goals for the nation's soil quality. Such initiatives should include the potential role of agriculture in bio-fuels, carbon sequestration and mitigating global climate change. It also encourages and supports the development of new technologies such as precision agriculture and biotechnology that can enhance both productivity and environmental quality.

All of the Farm Bill conservation programs should include "safe harbor provisions" to help producers deal with endangered species and invasive species situations. All programs also should provide tools and funding to help small and limited resource producers address natural resource issues.

IV. Reaction to H.R. 2646

Last week, the House Agriculture Committee adopted its proposal for reauthorizing the Farm Bill, H.R. 2646, The Agricultural Act of 2001.

First, we commend that House Agriculture Committee for recognizing the importance of conservation in the Farm Bill and for providing significant increases in funding for current and new conservation programs. We were particularly pleased to see the proposals to extend authorizations for the EQIP, CRP, WRP, WHIP and FPP. Significantly increasing funding for EQIP and the creation of several new conservation programs further strengthen the federal commitment to helping producers conserve and protect natural resources.

Despite these positive and important conservation enhancements, we are deeply concerned with the likely impact that other provisions would have on our ability to help farmers, ranchers and other land managers address high-priority conservation and environmental protection objectives.

The proposal to cap the amount of Commodity Credit Corporation (CCC) funds that can be used to provide technical assistance to land managers will directly compromise the effectiveness of the bill's financial assistance programs. Further, we believe it will result in the loss of technical assistance to the vast majority of producers who do not participate in the CCC-funded Farm Bill conservation programs.

Specifically, the proposal to use no more than $100 million annually for technical assistance for the Farm Bill programs falls far short of what will actually be needed to implement the programs. Unlike the way in which the Farm Bill programs operate currently, none of the funds from CRP, WRP, EQIP, or the new Grasslands Easements accounts can be used for technical assistance – under the proposed bill, all program funds will be utilized for financial assistance. To make up for the shortfall this would cause, the most

likely scenario would result in diverting a major share of NRCS's conservation technical assistance program funds to service these CCC programs. Producers who can't or don't participate in these financial assistance programs would likely not receive technical assistance to address equally important non-Farm Bill conservation needs.

We also believe it would be a grievous mistake to make the organizational and institutional changes proposed in the House Bill, including the shifting of conservation programs to the agency responsible for agricultural financial assistance programs in USDA.

The net effects of the funding shortfall and delivery re-structuring would seriously undermine, and even jeopardize, our current federal-state-local conservation delivery system.

We urge you to study the House proposal carefully and consider its consequences.

In closing Mr. Chairman and Members of the Committee, let me again thank you for inviting us to share our vision for conservation in the next Farm Bill. It's a grand opportunity for those of us in the conservation and agricultural communities to demonstrate our commitment to protecting and improving America's precious natural resources.

Attachment – Biographical Sketch of Gary Mast

Gary Mast of Millersburg, Ohio, is now NACD's first vice president. At the time of his election he was NACD's second vice president.

Mast is a sixth-generation self-employed farmer who operates a dairy farm and custom crop harvest business with his brother, Jon, and two other partners. His conservation activities stretch back more than 20 years, and include service on the local Holmes County Soil and Water Conservation District, state and national boards. He chaired the Technical Advisory Committee on Pollution Abatement in Ohio, leading directly to creation of the current state statutes dealing with nonpoint source pollution.

"For me, teamwork is essential in achieving conservation goals," says Mast. "Forming partnerships among agencies and associations is an important way to get things done. As leaders of this partnership, we must listen to our grassroots, the districts, and serve their needs."

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STATEMENT OF DAVE SERFLING
LAND STEWARDSHIP PROJECT

TO THE U.S. SENATE COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY

JULY 31, 2001 HEARING ON
CONSERVATION ON WORKING LANDS

Good morning. My name is Dave Serfling and I want to thank the Committee for the opportunity to speak with you today. I am testifying on behalf of the Land Stewardship Project, a Minnesota-based, non-profit farm organization committed to fostering a renewed ethic and practice of stewardship toward farmland and promoting a sustainable system of agriculture. LSP is a member of the Sustainable Agriculture Coalition and the National Campaign for Sustainable Agriculture.

I appreciate this opportunity to share my perspectives with you. I would like to sincerely thank you for your generous support of my farm in southeast Minnesota over the past five years. Through the help of the AMTA, LDP, SHOP, EQIP and SARE programs, we have been able to average a little over $20,000 in government subsidies over the last five years on our 350 acre farm. It has really helped.

Our farm has beef, swine, and sheep enterprises. We try really hard to market all our crop production through the livestock. We have a six-year crop rotation of CCOMMM (corn, corn, oats, meadow, meadow, meadow) with the meadow either being hayed or grazed rotationally. Our farm is gently rolling, but is 85 percent classified as HEL (highly erodible land). It is good land but needs to be protected.

My area of southeast Minnesota is still populated by many family farmers similar to me. They too have benefited and survived in large part because of your generosity. Farmers have become adept at "farming" the government program to maximize their subsidies. The present strategy has become maximize yield, maximize LDP, and sell at higher prices that may come. This is the so-called "Redeem and Dream" strategy: redeem at high LDPs and dream about higher prices. Even though many marketing consultants caution farmers about the risk of this strategy, most farmers have found this strategy to be the most profitable, especially this year.

But many farmers have looked at the latest government subsidies and have decided that the easiest way to increase their government payments is to increase their acres. A neighbor of mine, who used to run a farrow-to-finish hog operation, has turned to contract hog production and increased crop acres because he said, "at least we know the government will help the crop farmer." Decisions like that have caused escalating rental rates and increasing land values even during this time of terribly low market prices. This has even made it tougher for young farmers to get started farming.

The popular corn and soybean rotation has made big inroads on our rolling hills as our farms are consolidated and enlarged. As a result, we have had the worst soil erosion that I have ever seen occur during the last two years. Even our most conservation-minded farmers using no-till and strip-till techniques have suffered severe erosion. Farmers are not responding to the market, they are responding to government subsidies. And taxpayers are paying twice: once when they support commodity payments and again when they pay for the environmental cleanup needed because of overly intensive row-crop production.

I am asking you today to consider a new program to give farmers an incentive other than producing surpluses of program crops. We need it for our farms and our farmers. This last

April 5th we got an inch and a half of rain in less than one hour during our snowmelt. We had a lot of frost in the ground yet so it couldn't soak in. As I walked our farm after the rain I saw severe soil erosion on every cornfield. Even cornstalks that hadn't been touched except for a gleaning by our beef cows were ripped out by their roots and carried away. Draws that drained as little as three acres looked like river channels. The only fields on my farm that did not have any damage were the hayfields and pastures. The tight sod just let the water run over it. I'm a big believer in forages. They protect the land, spread out our labor, build soil, and fix nitrogen. But it is terribly hard for them to compete with program row crops economically.

We need stewardship incentives that help promote conservation on our working lands. We have spent 85 percent of our conservation dollars on land retirement and only 15 percent on working land. We need to achieve a better balance in our conservation spending. Resource-based land retirement programs have their place, but are expensive on a per-acre basis and need to be tightly targeted to achieve maximum environmental gain. But there is an even bigger role for support for working, productive farmland. I would challenge you to envision a future in which two-thirds of our conservation funding is for working land---we can produce similar benefits as CRP and help provide economic return for main street and for farmers. I urge you to adopt this two-thirds/one-third split as your goal in the next farm bill.

I am a big believer in farm ingenuity. In recent years we've seen tremendous growth in grass dairying, organic production, and direct marketing. You have over one million creative farmer minds out there in the country. If you tell them the environmental results that you want and give them financial incentive to achieve them, they will find a way to deliver.

This brings me to asking you for your support of the Conservation Security Act. Enactment of CSA would be a great start on getting strong conservation on our working lands. It consists of three levels of conservation. The farmer has the choice of which level to participate in.

The first level every farmer can achieve by using conservation tillage, nutrient management, integrated pest management, and other core conservation practices. The second level encourages farmers to incorporate a more complex crop rotation than for instance in my area, corn-soybeans. A forage or small grain crop must be included and if you are grazing you must have a planned rotational system. Installation of buffer practices is also included in the second level. This second level responds to the need for some shifts in land use to reach resource conservation goals.

The third level is where I hope the farmer's creativity really will come into play. This is where he can use such techniques as whole farm, total resource planning to work with local NRCS staff to individualize the conservation benefits on his or her farm through innovative practices. For example, in my area we have actually documented a benefit to streams by controlled grazing of stream banks. This was a farmer innovation that produced a narrower but deeper channel and provided better fish habitat and cleaner water.

A new Multiple Benefits of Agriculture Project study being released shortly by the Land Stewardship Project has hard numbers showing that innovative changes in farming systems would produce many "multiple benefits" in our rural areas—everything from reduced erosion and less chemical contamination to lower levels of greenhouse gases. I have attached a brief summary of project results to date to the back of my testimony.

The Conservation Security Act is a fundamental shift in farm policy. It isn't a land retirement program. It does reward farmers for solid conservation, wildlife habitat, and water protection. It does not affect the market or jeopardize trade agreements. Under CSA farmers would produce their products for the market, and receive a price for those products from the market. But the difference is this policy will provide incentives for farmers to produce other, non-market benefits. The CSA addresses all kinds of agriculture in all regions of the country, and it supports diversification and public benefits while moving the government away from supporting only program crop production. This will sell to your urban and suburban constituents and to your colleagues from regions with few program crop acres -- and we need their support to pass this farm bill.

CSA in my view needs to achieve a funding base that is substantial so that all farmers and ranchers who want to participate and develop solid conservation plans can in fact participate, and not be turned away due to lack of funding. CSA funding needs to be comparable to AMTA funding levels in the farm bill just ending.

I would also like to pass on a few comments about the Environmental Quality Incentives Program (EQIP). We still need programs like EQIP to help farmers fix problems. Farmers can use EQIP funds to address specific obstacles creatively and effectively, and then be able to participate in the Conservation Security Program at the appropriate level. I oppose EQIP's limited dollars going to very large confined animal feeding operations. The largest operations must satisfy Clean Water Act requirements—it is a cost of doing business, and has been for 25 years. The taxpayer should not subsidize them with EQIP funds and the program should not be used to encourage further concentration. In addition, we should consider going to a 50 percent cost-share with EQIP funds. This will stretch the funds and give the farmer more ownership and input on his or her solutions.

I also urge you to extend conservation compliance into the new farm bill and to apply it to all federal subsidy programs, including crop insurance. I also urge you to remove loopholes in conservation compliance and make sure it gets enforced. We need a level playing field when it comes to compliance. Everyone should have to do at least a minimum amount of soil protection to even qualify for these programs. The new farm bill should also ensure that grasslands cannot be broken out and then qualify for program subsidies, increasing overproduction at the expense of the taxpayer and the environment.

Please don't tell the farmers how to farm. Just tell us what results you want to see on working land, give us meaningful financial incentives, and we American farmers will not let you down. Thank you.

Land Stewardship Project

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2200 Fourth Street
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103 West Nichols
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Minnesota 56265
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The Multiple Benefits of Agriculture

Bemidji State University + University of Minnesota + Minnesota State University, Mankato
Minnesota Department of Natural Resources + Minnesota Department of Agriculture
Institute for Agriculture and Trade Policy + Land Stewardship Project

The success of U.S. agricultural policy, technological choices and the input and marketing infrastructure in influencing farmer decisions is clear. We have maintained low food prices and achieved increasing yields of corn, soybeans and cotton in the United States for decades. However, there is a growing recognition among farmers, politicians, environmentalists and the public that we could produce food and fiber while achieving a higher level of other results such as environmental and social benefits for rural communities. These other benefits are not directly rewarded by the market and are therefore under-produced on our private lands.

The results of the ***Multiple Benefits of Agriculture Project*** can lend insight into how some changes could be structured. The Multiple Benefits of Agriculture Project defines and compares the kinds and levels of environmental, social and non-market economic benefits in two Minnesota watersheds through the analysis of scenarios describing current agricultural land-use and the adoption of integrated farming systems in those watersheds. These quantitative and qualitative public (or non-market) benefits include improved water quality, enhanced soil quality, wildlife habitat, reduced use of toxic chemicals, greenhouse gas reductions and social capital formation. The project depended on community participation to develop the scenarios and help assess the levels of benefits that could result from changes in farming systems. Local focus groups, extensive interviews, and a state-wide random survey were conducted to help us understand farming practices in the area, preferences for future land use and social systems, and the willingness to pay for improvements in environmental outcomes from farms.

Key findings from the report include:

- Changing farming systems can result in dramatic improvements in environmental outcomes.

- Instituting best management practices (100 foot buffers, conservation tillage, recommended nutrient application rates) can decrease nitrogen and sediment delivery to the mouth of streams by 18 to 40 percent. Increased rotations (replacing a two-year rotation of corn and soybeans to a five-year rotation including alfalfa hay and other field crops), restoration of wetlands, and increased management intensive rotational grazing can further reduce sediment, phosphorus, and nitrogen losses, up to 85 percent from the baseline.

- Changes in policy will be required to support farmers who produce these non-market environmental and social benefits and provide incentives for others to change their farming practices and systems.

- Minnesotans are willing to pay over $200 per household per year, or $360 million state-wide per year for improved environmental benefits from farms.

- Farm profits under scenarios with increased diversity can increase and may improve local economies.

For more information, see http://www.landstewardshipproject.org/mba/mba.html. A published report will be available in September 2001.

TESTIMONY OF DEFENDERS OF WILDLIFE
PRESENTED BY DR. MARK SHAFFER
BEFORE THE UNITED STATES SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

JULY 31, 2001

REGARDING
RESOURCE CONSERVATION ON WORKING AGRICULTURAL LANDS

Thank you, Mr. Chairman for the opportunity to be here today and provide our perspectives, as wildlife conservationists, on the importance of environmental stewardship on working agricultural lands. Mr. Chairman and Members of the Committee, my name is Mark Shaffer, and I am Senior Vice President for Programs at Defenders of Wildlife. Defenders of Wildlife is a national, not-for-profit conservation organization with more than 476,000 members and supporters dedicated to the protection of all our native wild animals and plants in their natural communities.

Mr. Chairman, the U.S. Fish and Wildlife Service lists over 1200 native species as either threatened or endangered in the United States. The network of state Natural Heritage programs lists another 5,000 species as imperiled. Eighty-five percent of these species are of conservation concern, at least in part, because of the loss, alteration, or degradation of their habitats. Agriculture is the single leading cause of that habitat loss, affecting 38% of listed species. This should come as no surprise, given that roughly 50% of our nation's land base is in some form of private crop or livestock. By the same token, roughly 60% of the populations of threatened and endangered and imperiled species are found on private lands, most of which are in agricultural production. Thus, any efforts to fully conserve our native wildlife will require programs that can help farmers and ranchers to provide sound resource stewardship on their lands. But resource stewardship on agricultural lands is the product of two types of decisions farmers and ranchers must make: first, deciding which lands to utilize, and second, deciding what management practices to apply to those lands that remain in production. Both types of decisions are important for maintaining our native plant and animal wildlife heritage. Both types of decisions can also affect the sustainability of farms and the farm economy.

The Conservation Title of the Farm Bill has increasingly provided the means to reach out to agricultural producers operating small and medium sized enterprises and to assist them in restoring and maintaining important environmental values on their lands. Programs such as CRP, WRP, EQIP, CREP, and WHIP have for the most part worked well, although some improvements are in order. We have submitted with this testimony a short paper that provides our recommendations for the next Conservation Title. However, the main limitation of the existing programs are that the voluntary farmer demand to participate has not been met by the funding available to date. Mr. Chairman, you and your committee have the chance to address that lingering need in this reauthorization cycle.

Defenders is a strong proponent of natural resource conservation on private agricultural lands and supports the goals of current conservation programs. Primarily since 1980, USDA conservation programs have made substantial contributions to reducing soil erosion, improving water quality, and benefitting wildlife populations. For example, through the end of FY 2000, more than 80,000 contracts had been implemented through EQIP, providing resource conservation measures on more than 34 million acres of agricultural lands in production. Nearly 935,000 acres have been enrolled in the WRP, most of them in 30-year or permanent easements. CRP and conservation compliance have made significant contributions to reducing soil erosion by nearly 40%. The WHIP program has funded about 8,400 projects on more than 1.4 million acres, including projects that have targeted imperiled species and their habitats such as the Atlantic Salmon and the Karner Blue Butterfly. All of these accomplishments are significant and are to be commended.

Despite the many accomplishments of these conservation efforts, there are challenges that need to be addressed in the Conservation Title of the next Farm Bill. One major limitation has been that producers who practice sound resource stewardship on a day-to-day basis are mostly ineligible to participate in current programs. Conservation programs are designed to assist producers who have, by past practices, contributed to environmental costs that the public must bare, and not to support those who have employed conservation practices over the long-term. Another problem is that increasing producer demand to participate has not been matched by an adequate level of funding, technical assistance, and agro-environmental research. Furthermore, meaningful conservation compliance must be restored and strengthened if gains in natural resource conservation and environmental quality are going to be maintained.

Beyond these needed improvements in the Conservation title, there is an additional need for more programs aimed at assisting the integration of conservation practices on working agricultural lands. Currently, most of the funding for existing Farm Bill conservation programs goes to permanent or short-term land retirement, the so-called set-aside programs. These land retirement programs are necessary and have demonstrated substantial environmental and economic benefits. They are aimed at encouraging farmers to make the right decision about which lands to crop or graze. CRP aims to encourage farmers not to cultivate highly erodible lands. WRP aims to encourage farmers not to drain and cultivate wetlands. These are good programs that implement wise conservation policy.

But the fact is, most agricultural land has, and will continue to remain in agricultural production. Recently, however, fewer resources have been allocated to programs to encourage producers to practice environmentally sound management on working agricultural lands. Producer's management choices have profound consequences for our nation's wildlife, especially as they affect aquatic organisms through water quality in our streams, rivers, and coastal waters. For example, according to a Nature Conservancy report, aquatic organisms show among the highest levels of jeopardy of any of our native wildlife groups. A much larger percentage of our native fish, amphibians and other aquatic organisms are threatened, endangered or imperiled than of our birds, mammals, or reptiles. The Dead Zone in the Gulf of Mexico is a non-trivial consequence of our agricultural production methods. Agricultural practices are a leading cause of this problem, principally through the run-off of fertilizers, pesticides, and sediment.

Defenders believes there is an urgent need, not just to improve, strengthen and expand the existing programs in the Conservation Title, but to establish major new initiatives aimed at encouraging environmentally sound agricultural management practices on the working lands that will continue to comprise the bulk of our farms and ranches. In particular, Mr. Chairman, we have been impressed by the vision and intent of the Conservation Security Act that you and your co-sponsors introduced earlier this session. We see the CSA as a complement to existing programs that has the potential to fill the geographical gaps in resource conservation efforts created by current program requirements. The CSA would reward producers who voluntarily practice, on a day-to-day basis, minimum levels of resource stewardship, but who are not eligible for existing programs. We have previously submitted comments on that legislation, and in general we support the concept of adding such a package of stewardship incentives to the next Farm bill as a much needed complement to what will hopefully be a bigger and stronger Conservation Title.

Mr. Chairman, Defenders recognizes that expanding the existing Conservation Title and adding a new stewardship program such as the CSA will require a significant investment. However, it is clear to us that both approaches are necessary if we hope to maintain our nations' wildlife heritage and many other environmental values on which we all depend. We recognize that there is a need to provide periodic, and reasonable levels of support to small and medium-sized agricultural producers to counter unique and adverse physical and economic circumstances that affect their livelihoods and their ability to remain on the land. That being said, we encourage you and this committee to look for additional resources in those programs that hinder the operation of the market, that do not benefit the core strength of American agriculture–the family farmer, and that, by their nature fuel the continued over-production of agricultural commodities that benefit a few at a great cost to the many.

In summary, we believe that expanding the existing Conservation Title to a broader array of agricultural interests such as ranchers and fruit and vegetable producers, increasing funding for existing programs to meet current levels of producer demand, and adding a major new stewardship program such as the CSA, will serve both America's family farmers and America's environment, to the benefit of us all. We believe that these objectives can be accomplished through cooperative and constructive efforts by the agricultural, conservation, environmental and sportsman communities, all of whom recognize the importance of resource stewardship.

Thank you for this opportunity to address the committee today. I would be pleased to respond to any questions you or the other members of the committee may have.

Issues and Recommendations for the 2002 Farm Bill

Prepared by Defenders of Wildlife, Washington, D.C.

Presented to the Senate Committee on Agriculture, ...
July 31, 2001
Regarding Resource Conservation on Working Agricultural Landscapes

Introduction

This paper presents issues and suggests recommendations for improving the effectiveness and efficiency of United States Department of Agriculture (USDA) voluntary natural resource conservation programs. Although the resource emphasis pertains to the protection and conservation of native wildlife habitat on private agricultural lands, many of the issues and recommendations are equally applicable to soil and water resources. The term "private agricultural land" refers to lands that are under intensive production (e.g., continuous row cropping), under some type of extensive production system (e.g., rangeland livestock), and lands that are owned by agricultural producers but remain biologically intact relative to pre-European settlement conditions.

This paper addresses the scope, structure and administration of USDA resource conservation and enhancement programs. Recommendations related to the *scope* of wildlife habitat conservation programs comprise a three-part strategy. The first part targets protection of remnant native habitats on agricultural lands. The second part supports targeted restoration and management of essential native habitats. The third part supports implementing beneficial native wildlife habitat management practices on those lands that remain in agricultural production. *Structural* recommendations stress flexibility in producer choice of conservation management practices and incentives, and increasing financial support for research, development, and technical assistance programs. *Administrative* recommendations include developing alternative conservation institutions and streamlining existing resource conservation programs.

Although not specifically addressed in this paper, the issue of consistency between the Title III conservation objectives of the 1996 Farm Bill and the objectives of other Titles (for example, commodity and risk management programs) is important in determining how effective resource conservation incentives can be. In some circumstances, other farm legislation may provide disincentives for producers to practice resource conservation. For example, although an increase in the subsidy on federal crop insurance can decrease a producer's financial risk, it could also act as an inducement to put unused marginal lands into production, thereby impairing its value as habitat for at-risk native animal and plant species (Adams et al. 1999; Wu 1999). To increase consistency, income support payments should be explicitly linked to the adoption of conservation practices and strategies (cross-compliance), including a prohibition against the exploitation of ecologically vulnerable lands (rare habitats, native grasslands, highly erodible soils, wetlands, riparian buffers,

etc.).

Cross-compliance is correlated with the objectives of the proposed Conservation Security Act (CSA)[1]. The CSA allows for "green payments" to producers in exchange for improving the environmental and ecological performance of their agricultural operations. Under the CSA, income support payments would be based on a contract and linked to the adoption and maintenance of resource conservation practices. Green payments can be classified as providing producer income support for improving "multi-functional" environmental or ecological services. Policy interest in the multi-functional role of U.S. agriculture has increased recently because, as market transition payments for farmers are phased out, and as other countries adopt the concept of "multi-functionality," agricultural producers could receive income assistance to protect, restore and manage native wildlife habitat.

Importance of Private Agricultural Landscapes for Wildlife Habitat and Biodiversity Conservation

The U.S. Fish and Wildlife Service (FWS) and the National Marine Fisheries Service (NMFS) currently lists 1228 (FWS 2000) species native to the United States as threatened or endangered under the provisions of the ESA (16 U.S.C. Sec. 1531). The Nature Conservancy (TNC) and its partners in the state-based Natural Heritage Network currently list 6967 native species as either critically imperiled, imperiled, or vulnerable (this includes over 98% of those species currently listed as threatened or endangered, Master et al. 2000). This is approximately one in three of our native species of vertebrates, flowering plants, and selected invertebrates. In addition, TNC and its Natural Heritage partners are working to complete a taxonomy of natural community types that, when finished, is expected to total 7,000-9,000 plant associations (Bryer et al. 2000). Of those described to date (4,500), more than 50% are classed as critically imperiled, imperiled, or vulnerable (Bryer et al. 2000).

Eighty-five percent of the species listed as threatened or endangered by the federal government are in that condition, at least in part, because of the loss or degradation of the habitats they need to survive (Wilcove et al. 2000). Although the federal government owns and/or manages more than 29% of the nation's land area, 40% of threatened and endangered species are not known to occur anywhere on federal lands (Groves et al. 2000). At the population level, federal lands support only about 33% of known populations of threatened and endangered species, roughly in accord with the proportion of land in federal ownership (Groves, et al. 2000). Thus, 67% of the known populations of threatened and endangered species occur either in aquatic habitats, or on non-federal lands.

The majority of non-federal lands that are habitat to threatened and endangered species are in private ownership and allocated to crop, forestry and/or livestock production. In 1992, land in agricultural production accounted for almost 50% of all land in the contiguous 48 states, and comprised 435

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[1]The Conservation Security Act was introduced in the United States Senate and the House of Representatives in October, 2000, as an Amendment to the 1985 Food Security Act.

million acres of crop land, 410.8 million acres of pasture and range land, 74 million acres of forest and woodland, and 55 million acres idled by various land retirement programs (Bureau of Census 1994). Of the 663 plant and animal species inhabiting the contiguous 48 states that were listed in 1995 as threatened or endangered, 272 (41%) were listed exclusively due to agricultural development, 115 (17%) because of fertilizer and/or pesticide use on agricultural lands, and 171 (26%) due to grazing (Lewandrowski and Ingram 1999).

Given the potential improvements that can occur on private agricultural lands to protect and enhance native wildlife habitat, future USDA policy should encourage agricultural production choices that are more compatible with habitat conservation. The Federal Agricultural Improvement and Reform (FAIR) Act of 1996 contained several conservation programs that made a significant step in this direction. However, none of these programs were designed with an explicit focus on at-risk species or natural community types. Nevertheless, by increasing the economic incentives to enroll valuable habitats into the Conservation Reserve Program (CRP), the Conservation Reserve Enhancement Program (CREP), the Wetlands Reserve Program (WRP), and the Environmental Quality Incentive Program (EQIP), and by introducing the first agricultural conservation program designed solely to protect and restore wildlife habitat (the Wildlife Habitat Incentive Program-WHIP), the FAIR Act positioned USDA to play a leading role in protecting native wildlife resources and habitat systems on privately owned lands. This paper suggests how this potential leading role could be solidified and made more effective.

Major Issues Related to the USDA Natural Resource Conservation Program

The issues related to the effectiveness and efficiency of USDA natural resource conservation programs can be summarized into six major categories: (1) the lack of targeted, comprehensive wildlife habitat conservation programs for areas of biological concern on private lands; (2) the fragmented and inflexible nature of existing resource conservation programs; (3) the complicated and expensive processes producers face to identify and access conservation programs that suit their conditions and needs; (4) insufficient funding to meet resource conservation demand; (5) producer uncertainty with respect to program rules associated with eligibility and allowable management practices; and (6) the absence of defined conservation goals and processes to monitor program and project environmental outcomes. These issues are briefly described below.

Lack of Comprehensive, Targeted Habitat Conservation Programs

There is a lack of a targeted, comprehensive conservation strategy for native at-risk wildlife habitat and biodiversity that exist on private agricultural lands. A targeted, comprehensive approach refers to permanently protecting and/or restoring essential habitats on lands in private agricultural ownership. With the exception of the permanent easement option under the WRP, current USDA wildlife habitat conservation programs are temporary in nature.

An important mechanism designed to target the conservation of natural resources, including wildlife habitat, on working agricultural landscapes, is based on maximizing economic efficiency. For

wildlife habitat, this means maximizing the amount of physical habitat within a project area (in acres) per dollar of estimated cost. This ratio measure of efficiency is called the Environmental Benefits Index (EBI). The EBI is used to competitively rank projects submitted by producers in order to allocate federal assistance. Producers can increase their EBI score (and hence eligibility for federal funding) by maximizing the benefit side (the numerator) or by minimizing the cost side (the denominator). Although producers score higher on the environmental benefit side if they submit a project that includes the restoration or conservation of habitat for threatened and endangered species, minimizing estimated project costs is a more common strategy for achieving a higher EBI ranking.

Fragmented Conservation Programs

There are eight major USDA natural resource conservation programs that entail payments to agricultural producers for environmental purposes[2]. These eight programs are fragmented not only by their environmental and ecological purpose, but also by the administrative agency responsible for their implementation (the NRCS manages five programs and the Farm Services Agency manages the other three). This situation has led to increased program complexity and cost.

The fragmented nature of resource conservation programs has also contributed to a lack of flexibility in producer choice(s) of conservation management practices and incentive mechanisms. Resource conservation management practices are first developed at the national level for each program and are based upon results from experimental and applied research. State and local technical committees can then adapt these practices to local conditions, but the practice itself remains unchanged. Thus, selected management practices may still be inappropriate for state and/or local environmental, ecological, and economic conditions, even if they are modified. There can be low program participation rates where practices are ill-suited, resulting in lower technical effectiveness and higher program implementation costs. Furthermore, there is no timely process for altering conservation management practices to adjust to dynamic technical and economic constraints.

With the exception of the WRP and the CRP, USDA resource conservation programs are designed with one type of economic incentive mechanism to attract producers. CRP utilizes 10-15 year land rental agreements and, if necessary, cost-sharing of recommended management practices to improve and maintain wildlife habitat, decrease soil erosion, and/or protect water quality. WRP offers two types of conservation easement programs to set-aside wetlands (permanent and 30-year) or a cost-sharing program to implement management practices for ecosystem benefits. Comparatively, EQIP and WHIP use cost-share agreements. The Farmland Protection Program (FPP) employs easements as incentives. Individual program incentive mechanisms are not substitutable across conservation programs or ecosystems. For example, permanent easements available under WRP cannot be applied to upland native wildlife habitats to protect at-risk plant or animal species. The lack of flexibility to apply different incentive structures across resource protection programs has discouraged participation amongst some producers whose physical or economic circumstances to do not match

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[2] Additional USDA resource conservation programs concentrate on providing only technical assistance or funding large-scale watershed improvements (flood plain management).

the incentives offered.

In general, the Conservation Title of the farm bill has grown so complex and unwieldy that it is becoming counterproductive to a coherent natural resource conservation and protection strategy in agricultural areas. From the producer's perspective, the numerous, and sometimes redundant, resource conservation programs are complex and difficult to understand because each has multiple information, eligibility, and technical assistance requirements. This complexity is reinforced by a split in the agencies that administer and provide technical assistance for conservation programs, and by the fact that some programs are accessible to producers only if they have a cropping history for specific commodities.

The fragmentation and complexity of conservation programs have contributed to increased administrative and implementation costs. For producers, the transaction's costs of gathering information about programs and meeting eligibility criteria have become increasingly burdensome. Administrative costs associated with supporting several types of conservation efforts are higher compared to a more streamlined approach that could consolidate federal conservation programs into one overall resource conservation agency.

Insufficient Funding for Conservation Technical Assistance and Research

Nominal funding levels for resource conservation technical assistance and research have remained practically unchanged over the last few years, despite a USDA mandate to implement more conservation programs over a broader geographical area. In real terms, federal funding for technical assistance to deliver conservation programs, and for the research and development of new conservation technologies, has actually declined over the last ten years. This situation has resulted in the inability of reduced staffs to provide effective and efficient service to the growing numbers of producers waiting to participate in conservation programs. Furthermore, applied research is lagging behind increased regulatory requirements that mandate producers to improve the environmental and ecological performance of their operations.

Lack of Conservation Goals and Monitoring/Evaluation Programs

USDA natural resource conservation programs have lacked a clear definition of environmental or ecological outcomes or goals to be attained at the program or project level. Program performance is currently measured by the number of participants or acres enrolled, and not by the biological or chemical benefits achieved. Without a clear definition of the desired environmental and ecological outcomes, it is difficult for both program administrators and producers to find the most technically efficient and cost-effective means of accomplishing desired goals.

With the exception of the impacts of CRP on bird populations, there has been no comprehensive system for monitoring and evaluating the impacts of resource conservation practices on native plant and animal species, nor the economic incentives employed to attain resource conservation goals. The lack of monitoring data makes it difficult to address dynamic environmental and ecological

problems, and to identify more appropriate management practices and incentive mechanisms. Monitoring is required to determine the status of species and ecosystem, the reasons for any declines, the biological impacts of adopted technologies and management practices, and the effectiveness of the economic incentives employed to achieve resource restoration and conservation goals.

Recommendations for the USDA Natural Resource Conservation Program

The recommendations presented here are specific to protecting remaining intact native wildlife habitats under agricultural ownership, restoring native habitats altered by agricultural operations, and improving wildlife habitat, water quality and soil erosion on lands that remain in agricultural production. The latter approach recognizes that there are agricultural land uses that are compatible with the conservation of native wildlife habitat, achieving water quality standards, and maintaining low rates of soil erosion.

The first part of a conservation strategy is to permanently protect remaining intact native habitats under private agricultural ownership in the form of some type of set-aside. The second part is to restore and then protect native habitats that have been significantly altered by past land uses. The third part is to remedy the adverse impacts on wildlife and their native habitat from past or current agricultural production practices, and to encourage a more sustainable use of wildlife, water, and soil resources on agricultural lands that remain in production. These three types of interventions are complementary and implicitly require that a tool box or menu of conservation management practices and economic incentives be available to producers.

State Habitat Conservation Strategies

Targeting essential habitats for protection and restoration efforts requires that these habitats first be identified. A state habitat conservation strategy can be implemented to identify essential native habitats that should be permanently protected and/or restored, including those habitats under agricultural ownership. Such planning efforts have already been completed in Florida (Cox et al. 1994) and Oregon (Defenders of Wildlife 1998). Federal funding for additional state-based habitat plans is authorized through Title VIII of the 2001 Interior Appropriations Act and Title IX of the 2001 Commerce, Justice, State Appropriations Act. To date, about 20 states have expressed interest in developing such plans. USDA's experience with conservation programs indicates that there are potentially significant cost savings in designing programs to protect or enhance natural resources on agricultural lands if those programs target lands with the highest potential. The ability to target valuable habitat areas for protection requires that conservation programs be flexible enough to account for different species, habitats, and activities in different parts of the country (Lewandrowski and Ingram 1999).

To a limited degree, the WHIP program has already initiated a state habitat planning process. At the beginning of the WHIP, each state was asked to prepare a state summary of general wildlife habitat conditions and to set priority areas for funding. The NRCS State Biologist, in consultation with the State Technical Committee and other entities, prioritized state habitat conservation needs by

designating priority regions, habitats, or species (Burke 1999). In some states, threatened and endangered species and their habitats were prioritized for program assistance[3].

The states of Oregon and Florida have identified specific land areas, including those in agricultural production or ownership, necessary to maintain all their species of native vertebrates and flowering plants, and their natural community types. The Florida Game and Freshwater Fish Commission published a comprehensive habitat conservation plan for the state (Cox et al. 1994). The Commission documented that some 4.82 million acres, much of it in agricultural production, of privately-owned lands--13% of the state's land area--would need to be kept in their current natural or semi-natural condition to achieve comprehensive conservation of the state's at-risk native species of vertebrates and flowering plants, as well as its natural community types.

A similar planning exercise in Oregon identified 25% of the state's land area as important for habitat conservation (Defenders of Wildlife 1998). This land area includes the existing network of public and private (mostly TNC) lands dedicated to conservation (wilderness areas, parks, refuges, etc.) and 42 new "Conservation Opportunity Areas." The new areas were selected by evaluating the overall distribution and status of vegetation types, species at risk, aquatic diversity and other factors. As in Florida, the project found that selected private lands will be essential to achieving comprehensive conservation goals. More than 31% of the lands in Oregon's Conservation Opportunity Areas are in private ownership, and again, much of this private land is in agricultural ownership.

Comprehensive Wildlife Habitat Conservation

Permanent Protection and Restoration of Natural Habitats

Natural habitat protection is defined as leaving key lands in their current natural or near-natural condition where these support occurrences of at-risk elements of biodiversity (federal threatened and endangered species, and critically imperiled, imperiled, and vulnerable species and natural community types as identified by TNC and the network of state Natural Heritage Programs. This approach would involve comprehensive protection and/or restoration of plant communities as well as occurrence of at risk species, not just individual species, and could be implemented by expanding the purpose and scope of the current WHIP.

To implement this targeted approach, agricultural landowners could first adopt a farm or ranch-level habitat protection and/or restoration plan that is consistent with a statewide habitat conservation strategy. The farm level plan could be developed with the assistance of federal or state wildlife biologists, or certified private wildlife biologists. Native wildlife habitat restoration and stewardship strategies would be approved by state wildlife biologists. Landowners would have the opportunity to design, test, and implement appropriate management practices and technologies to fit their specific

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[3]States that have indicated that their primary goal is improving conditions for threatened and endangered species include Arizona, Colorado, Kentucky, Maine, Maryland, Montana, New Jersey, Nevada, and New Mexico (Burke 1999).

physical environment. The farm-level plan would define desired environmental and ecological outcomes and include a monitoring program to determine whether those outcomes had been achieved.

Permanent protection and restoration of essential native habitats would be incentive-driven, thereby increasing the likelihood that biodiversity and species of concern would become an asset to the agricultural land owner and producer. All producers who own property that has been designated as important native habitat for either protection and/or restoration by a state wildlife habitat conservation plan would be eligible to participate in the program and receive funding. Two major types of economic incentives to permanently protect and/or restore wildlife habitat, include (1) measures that encourage land set-asides (rentals, easements), and (2) resource conservation agreements[4] to maintain the biological integrity of protected and restored lands. Under contractual resource conservation agreements, agricultural land owners would receive assistance for restoring and maintaining the ecological integrity of protected areas. Native wildlife habitat and biodiversity would in essence constitute an "alternative crop" whereby agricultural landowners would receive support from the public for restoring, protecting and managing their land for biodiversity purposes.

Incentives for a protection and/or restoration program would be similar to what is now being implemented under the WRP, whereby participants could opt for maintaining a permanent habitat conservation easement and contract to furnish habitat restoration and maintenance activities. Conservation easement payments for those lands supporting occurrences of at-risk elements of biodiversity, as identified in a state habitat conservation strategy, would be set in accord with local land easement values or rental rates for unimproved agricultural or forest land. Assistance under a resource conservation agreement for restoration and maintenance practices would be based on a cost-share schedule.

In addition to concentrating on lands with essential native wildlife habitat, targeting criteria could include prioritizing lands where (1) conservation investments result in multiple benefits [e.g., simultaneous improvements in native wildlife habitat, water quality, flood plain functions, non-impact recreation, and decreased soil erosion, etc.]; (2) lands with the highest marginal benefit per investment in terms of resource protection; and (3) for water quality conservation efforts, the number of contiguous land owners submitting joint applications for resource protection, conservation, or restoration [coordination of individual projects is especially important for improved water quality].

Habitat Conservation on Agricultural Lands in Production

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[4]The idea of a contractual agreement for environmental and ecological services has been proposed in two contexts. A proposed contractual arrangement to supply environmental services was first proposed by the Florida Stewardship Foundation in the form of a "Resource Conservation Agreement (see http://fl-panther.com/RCA_open.htm)." Contractual arrangements are also stipulated in the proposed Conservation Security Act.

Another dimension of a comprehensive strategy is to promote native habitat restoration and conservation on agricultural lands that remain in production. Habitat conservation in these areas is currently being implemented through WHIP, and to a limited extent, EQIP. Conserving and improving wildlife habitat is also an authorized activity under the proposed Conservation Security Act. Within each program, there is a need to target projects and incentives to priority habitats, as identified in the state planning exercises described above. There is some evidence of the beneficial, but limited, impact of WHIP projects on these habitats. In 1999, 10 percent of the total area enrolled in the WHIP (about 72,000 acres) was aimed at the habitats of species listed as threatened and endangered (NRCS 2000).

Efforts directed toward improving habitat on lands in agricultural production are justified because not all agricultural landowners will want to permanently protect habitats by selling land, placing land in conservation easements, or temporarily retiring land through rental agreements for ecological benefit (e.g., CRP). Furthermore, some agricultural land use activities are compatible with the protection and conservation of native wildlife habitat.

Policies and programs to make agricultural production more compatible with native wildlife habitat conservation need to be flexible to take advantage of the wide array of physical, environmental, and managerial factors that affect the impacts of production practices on species and habitats. Recognizing the complexities that nature can impose on wildlife protection efforts, biologists have developed some general recommendations to protect and enhance wildlife populations and habitats on working agricultural lands. These recommendations include: (1) allowing conservation programs the flexibility to address local and regional wildlife habitat priorities; (2) reducing farm chemical use; (3) promoting larger contiguous tracts of habitat over smaller isolated tracts; (4) reducing field disturbances; and (5) encouraging conservation tillage (Leawandroski and Ingram 1999). Habitat and species management activities on working agricultural landscapes could also include control of exotic species, and the return of ecosystem processes, such as fire, that are essential to maintaining or restoring occurrences of at-risk species.

Currently, the WHIP program offers a 75% cost share for implementing approved best management practices to conserve habitat on agricultural lands in production. The CSA would reimburse landowners 100% of the costs associated with restoration and conservation efforts that are implemented under a conservation security contract.

Developing Integrated and Flexible Resource Conservation Programs

The previous section described how the current system of several small, narrowly focused conservation programs is cumbersome and expensive for many producers to access and manage. Consolidation of all existing resource conservation programs into one overall natural resource protection and conservation effort would contribute to decreasing the complexity and costs of the current system, and would likely increase producer participation. Although there will continue to be a need for technical and administrative assistance in planning and implementing conservation programs, both functions could be profitably united under one overall USDA resource protection and

conservation program.

A single USDA conservation program could be more effectively coordinated with the natural resource protection programs of other agencies (i.e., FWS, the Environmental Protection Agency [EPA]) to allow for "one-stop shopping." This streamlined system would facilitate producer information acquisition for conservation programs and selection of incentives, and reduce producer transactions costs. Streamlining would not prevent individual federal and state agencies from monitoring compliance with resource-related standards and regulations.

Federal government assistance to protect and conserve natural resources could be provided in the form of grants to states (using federal guidelines). States would decide how to allocate grants amongst priority resource conservation areas, including the development of a comprehensive wildlife habitat conservation strategy. State eligibility for grants would be contingent on the capacity to effectively implement the habitat conservation strategy and allocating adequate resources to monitor program results. Resource conservation programs could be delivered through cooperative agreements between federal and state agencies, local government, and private nonprofit or for-profit organizations.

With respect to conservation management practices, agricultural producers should have the flexibility to design, test, and implement (with the assistance of qualified government technical agencies, third party nonprofit groups, and/or certified private consultants) new agro-environmental technologies and management practices that are appropriate to local environmental and economic conditions. Producers should be allowed to modify existing management practices in order to meet resource conservation goals.

Many of the areas identified in additional state habitat conservation strategies will consist of agricultural lands in private ownership. Because these lands will be used in varying degrees of intensity, there is need for a variety of incentives to promote essential habitat protection and restoration either permanently, or as part of agricultural lands that remain in production. A flexible approach to incentives recognizes that the social and economic factors which influence decisions with respect to habitat conservation are not the same for all producers, or in all parts of the country. What will motivate a small woodlot owner in the Southeast to conserve long-leaf pine forest will not necessarily motivate a Midwestern farmer to conserve native grassland habitat. Not all qualifying landowners will elect to use any of the incentives listed below, nor would any single landowner qualify for all the incentives mechanisms to choose from; some are mutually exclusive. Rather, an array of incentives is intended to provide a level of flexibility within which many individuals may find a combination of features that suit the physical and economic conditions of their operation.

Increased flexibility in the application and administration of economic incentives can be achieved by allowing project regions or individual producers to apply for the incentive measure that best fits their physical and economic situation. The major types of incentives a producer could choose from would include term or perpetual conservation easements, land rental payments, full-cost reimbursement (green payment) for resource management practices, or cost-sharing of management

practices. Although not offered through USDA programs, local, state, or federal tax incentives could complement existing federal incentive options. Secondary incentives would include research and educational opportunities, marketing assistance (e.g., eco-certification and product labeling, preferential government purchasing), and/or stewardship rewards.

Increased Funding for Conservation Technical Assistance, Research and Education

The technical and administrative capacity of federal conservation agencies to plan, administer and effectively monitor natural resource (including native wildlife habitat) protection and conservation projects need to be increased. Conservation-related public institutions such as the NRCS and Cooperative Extension Services require additional funding to design, market and implement conservation programs and new agro-environmental conservation management practices. The Land Grant Universities and the USDA Agricultural Research Service also require increased financial support for research and development of production practices that, to the extent possible, simultaneously meet profit and production goals and reduce adverse environmental impacts on native wildlife habitat, water, air, and soil resources. Increased financial resources must also be made available to support natural resource conservation education.

Measuring and Determining Outcomes of Natural Resource Conservation Programs

Whether set by administrative agencies or by mutual agreement by interested parties, natural resource management programs and projects should specify clear environmental outcomes to be achieved. For example, a wildlife habitat project goal may be to increase habitat for an at-risk species by "x" percent over a specific time period. For water quality, specific goals should be consistent with existing national standards or objectives. Outcome measurement should not only address the technical effectiveness of recommended management practices, but also the cost-effectiveness of incentive instruments selected by producers.

Determining if desired environmental outcomes have been accomplished is justified in order to respond to the inherent uncertainty in dynamic ecological conditions, to maximize technical effectiveness, and to minimize the costs of conservation actions. However, agreement on the need to determine environmental outcomes does not make this difficult task any easier or less expensive to implement. USDA is currently investigating and measuring various environmental "outcome" indicators that could serve as the basis for evaluating resource conservation efforts for technical effectiveness. Also, new analysis will soon be implemented that uses data from the NRCS Natural Resources Inventory to determine the impacts of agricultural land use on wildlife habitat composition and configuration (Brady and Flather 1995). Both of these efforts should be fully supported over the long term and resources for developing and testing other evaluation methods should be increased.

Summary of Recommendations

USDA natural resource conservation programs have played an important role over the last three decades in enhancing wildlife habitat, limiting soil erosion and improving water quality. However, much remains to be done. The potential is there for USDA conservation programs to become more effective and efficient in the protection and conservation of our nation's natural resources on private lands, including unique and at-risk species and their habitats. To meet this potential, the effectiveness and efficiency of USDA conservation programs could be enhanced by implementing the following recommendations:

(1) With respect to native wildlife habitat, expand WHIP to include the protection and/or restoration of targeted priority habitats on private agricultural lands that are identified through state-based habitat conservation plans (developed pursuant to Title VIII of the 2001 Interior Appropriations Act and Title IX of the 2001 Commerce, Justice, State Appropriations Act). Thus, habitat conservation would constitute a strategy whereby current efforts on private agricultural lands in production would be complemented by a targeted restoration and protection program. Increased funding should be authorized for current habitat conservation programs (WHIP, EQIP) that are aimed at lands that remain in production. Part of this funding should be targeted to priority habitats, as identified in state plans. In addition, the Conservation Security Act should be authorized and fully funded.

(2) Conservation compliance should be a factor in determining producer eligibility for public income support payments that are based on the maintenance of environmental and ecological quality.

(3) Agricultural producers should be offered an enhanced menu of management practices and economic incentives to choose from in their efforts to protect, restore, and manage for improved natural resource quality. Producers could receive incentives for research, development, and testing of new conservation management practices. Conservation programs that assist private agricultural landowners to improve and maintain environmental and ecological resources could be based on contractual resource conservation agreements for both set-aside lands and on working agricultural lands.

(4) For all natural resources, existing and future conservation programs should be consolidated into one overall administrative and technical resource conservation agency. Cooperation with other federal and state environmental and conservation agencies should be promoted in order to develop one-stop shopping for producers to collect program information, determine eligibility criteria and to access program financial and technical assistance. Program administration and financing should be decentralized to state conservation agencies, with federal oversight.

(5) Federal funding for conservation technical and administrative assistance, agricultural research, and extension should be substantially increased to assist private agricultural landowners to meet mandated environmental and ecological standards.

(6) Environmental and ecological outcomes to be achieved at the program and project level should be clearly specified. Increased financial and technical support should be provided to resource conservation agencies and project participants for monitoring the impacts of management practices

and the effectiveness of economic incentives for achieving conservation objectives.

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DOCUMENTS SUBMITTED FOR THE RECORD

JULY 31, 2001

COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
U. S. SENATE
Written Statement of Remarks by

Robert L. Eddleman, President Elect
Soil and Water Conservation Society
July 31, 2001

Mr. Chairman, Senator Lugar and distinguished members of the committee, it is indeed a pleasure to come before you to talk about the important issue of conservation in the next farm bill. Next week, I will begin a term as President of the Soil and Water Conservation Society (SWCS). I am also fortunate to serve as a Supervisor of the Marion County Soil and Water Conservation District and on the Council of the Hoosier Heartland Resource and Conservation and Development Area in Indiana. My commitment to care of the land and other natural resources began when local USDA technicians helped my father develop a conservation plan for our erosion scarred Southern Indiana farm and continued in 4-H club and FFA work. It has continued through a career in soil and water conservation and my current efforts in retirement. My knowledge of the farm and producing food began during the recovery period following the Dust Bowl of the 1930s. I remember the large gullies and acres and acres of land laid to waste by soil erosion. I have experienced sitting in the seat of a 1940s farm tractor as it sled into a gully as I tried to shape it into a grassed waterway. I have witnessed the miraculous recovery of those same acres as a result of the cooperation and effort made by government, educational institutions, farm organizations, conservation groups and Soil and Water Conservation Districts.

You will recall that Mr. Craig Cox, Executive Vice President of the Society, met with you on March 1 and June 28, 2001 and discussed the *Seeking Common Ground For Conservation* project being carried out by SWCS to help stakeholders and policymakers shape the conservation provisions for the 2002 farm bill. I do not intend to repeat his testimony today but will build on a few of the key recommendations to come out of the effort. During that testimony Mr. Cox stressed that the goal of the next farm bill should be to add balance to conservation policy that relies too heavily on programs that take land out of production and a farm policy that relies too heavily on supporting the income of a minority of farmers who produce a handful of subsidized commodities.

Since his testimony, the Society has completed the *Seeking Common Ground Report – An Agricultural Conservation Policy Report.* You have received copies of the Report for detailed study. The report contains 22 recommendations. These recommendations are based on the results of five regional workshops attended by a similar number of agricultural, fish and wildlife and water resources organizations. Participants were asked to develop specific recommendations for reform of conservation and farm policy that would help get conservation on the ground. The final recommendations are the Society's, based on the input from the workshops and deliberations from a policy advisory group. The recommendations represent our best

judgment of the policy reforms that hold the most promise for addressing the hopes and concerns raised in the workshops.

Conservation entered farm policy in the 1930s during a time of crisis – economic and ecologic. The role of conservation then was largely to serve agriculture by developing and managing soil and water resources as a means of enhancing agricultural production and rural development. The resulting victory over widespread waste and degradation of our land and water resources is among our most significant accomplishments of modern conservation. That victory is now largely overlooked, forgotten and not even known by many. The challenge for agriculture and conservation has changed but is still large. Environmental performance is becoming a key determinant of the commercial viability of agriculture. Producers operating animal feeding operations or irrigating cropland or pasture are facing fundamental questions about the environmental sustainability of their operations.

Agriculture cannot escape the consequences of its environmental effects anymore than agriculture could escape the effect of land degradation in the 1930s. That is not because agriculture is bad, but because it is big and complex. Existing conservation programs and policy can meet this new challenge just as the challenge of the 1930s was met. But they must be updated and dramatically strengthened. Participants at our workshops agreed, almost unanimously, that expanding the reach of existing USDA conservation programs was the first priority to overcome the conservation assistance gap and should be the minimum expected from legislative action in the next farm bill. A combination of increased funding and programmatic reforms were recommended to achieve this objective with increased funding being the most important factor by far.

I'd like to focus my remarks on our first goal – focusing assistance on working land - and what that means for conservation policy in the next farm bill.

Technical Services

Shifting the focus to working land means technical services – research, education, technical assistance – has to become a much more important component of our conservation programming. Conservation on working land is much more complex than simply taking land out of production. The Conservation Reserve Program, for example, entails only 26 conservation practices nationwide. While in my state alone, Indiana, there are over 200 individual conservation and management practices that need to be integrated into conservation systems that keep land and farms in production but in a more environmentally sound way.

We recommend that funding for USDA's existing agricultural conservation programs be doubled to $5 billion annually, with most of that money going to technical services and financial assistance to working land – double funding for technical services, triple funding for financial assistance on working land, increase funding for land retirement and restoration by 30 percent.

Weakness in this nation's technical services infrastructure is the single greatest impediment to meeting the conservation needs of landowners and the public's desire for environmental quality. Conservation at its heart is ecological and economic knowledge applied to the design and management of farm and ranch systems. Ultimately, farmers and ranchers do conservation – public programs do not. Timely, accurate and appropriate advice and information from technically trained advisors in the public and/or private sector is the key to successful conservation. Without it, financial aid is likely to be wasted or, worse, misdirected. In many cases good technical advice alone is all that is needed to help producers implement conservation systems that promote economic as well as environmental returns. Substantial progress could be made, even with no financial aid, if the right information and knowledge were available to producer, along with some assurance that technical support would be there when they need it.

Dealing with the cost of conservation only makes sense after the producer understands what needs to be done and how the conservation system will work in tandem with his or her production system and goals.

Our report recommends that since technical assistance is at the heart of working land conservation, that at a minimum, the new farm bill fix the section 11 cap on technical assistance and mandate that every conservation financial assistance program pay its way for technical assistance. That currently is not the case. In my home two county work team area, two technicians are dealing with nearly 350 grassed waterway and filter strip projects on a daily basis and are of necessity ignoring many other conservation concerns of producers. The same situation occurs across the nation.

We think this issue is so critical that we recommend Congress ask the Secretary to prepare a comprehensive plan that outlines an investment plan for Congress and the nation to ensure farmers and ranchers have direct access to the technical assistance they need from all appropriate sources. Too often, we think of technical assistances as simply a cost of delivering financial assistance – that is wrong. We need to think of and invest in technical services as **the fundamental conservation program** in its own right. I recall the local technicians coming to our farm and helping my father understand the background to the erosion scars on our land and how soil conservation practices and basic plant management techniques could heal those scars and make the land productive and profitable. The opportunity to do that in today's environment of rushing to install financial assistance programs prevents that from happening and the result is more costly and less effective conservation and environmental benefits.

I am sorry to say that the bill passed last week in the House Committee takes us in the wrong direction. If passed, that bill would reduce farmer and ranchers access to the science-based assistance they need, rather that expand it. And it would cut into critical science and technology infrastructure on which all conservation programs depend. Although we applaud the increased funding of conservation programs, particularly the increase in EQIP, the bill contains several provisions that reduce the benefits taxpayers and agriculture should reap from the increased spending. The two most troubling provisions include –

1. Moving EQIP and other conservation programs under the control of FSA. We think this in poor conservation policy. Conservation programs should be in the hands of the scientists, technicians and policy makers with the background and experience to base conservation policy and programs on sound science. Such a provision opens wounds that in most parts of the country are healing since the last farm bill. Arguing over turf just distracts us from our real job of getting conservation on the ground. It doesn't serve farmers or taxpayers well.

2. Cutting the CCC funding that can be used to provide technical assistance to implement CCC funded conservation programs takes us in exactly the opposite direction we recommend in our report. The funding caps in the house committee bill cut technical assistance funds significantly from current levels. As I said in my remarks, technical assistance is not just the cost of delivering the financial assistance to the farmer; it is the essence and heart of conservation. Technical assistance should be the horse that delivers the financial assistance cart.

A sound conservation title requires more money and better policy. The house bill provides more money but not better policy. I encourage you to correct this.

Financial Assistance to Working Land

There are three basic compartments in the conservation tool box: (1) technical services – research, education and technical assistance - that we have talked about; (2) financial assistance on working land – integrating conservation into the food and fiber production system used by farmers and ranchers; (3) financial assistance for land retirement and restoration – shifting the primary focus on working land from food and fiber production to habitat restoration or protection of critical natural resources. Today, the toolbox is unbalanced. In 2000, land retirement and restoration accounted for 85 cents of every financial assistance dollar spent by USDA and most of that assistance went to crop producers in the Great Plains. Most of the new investment in conservation should be used to reach those producers who want to keep working the land, rather that retire it.

We also need to at least triple current funding that helps farmers integrate conservation practices into the production systems they use to grow our food and fiber. We need at least $1 billion dollars for programs like EQIP that help farmers produce a better environment at the same time they produce our food and fiber. But in addition to money, we need the authority to focus those dollars on the critical problems and most promising opportunities that will produce the most return to taxpayers who are footing the bill.

In my state, water quality is the most pressing concern, both for producers and taxpayers. This is the case in most parts of the country. We have the opportunity in the next farm bill to create the biggest, most effective, agricultural water quality program in

the U.S. Programs like EQIP, if properly structured and complemented with the right technical assistance could prevent the need for taking regulatory action to address the legitimate concerns taxpayers have about the quality of their drinking water, the safety of their beaches, and the health of their streams, rivers, and lakes.

We think it would be a serious mistake to miss this opportunity.

Reform of conservation programs is our first priority, but most of the money going to working land goes through traditional farm programs themselves, not conservation programs. Unfortunately, those traditional programs don't do as much for conservation as they could or should. We think its time to add a new tool to farm programs—a tool that merges economic support with conservation—that rewards farmers for good stewardship rather than for producing a particular commodity.

We recommend investing 3 billion dollars in a new farm and ranch based stewardship program that would pay farmers for their services as land, water, and wildlife managers. Unlike our conservation programs, this program would reward producers simply because they want to make a commitment to stewardship. It would, in a sense, level the playing field for good stewards by rewarding producers who are already doing a good job and want to do better, not just those that are facing a critical conservation problem or challenge.

Flexibility

Conservation is a national interest, but like health care and education, it depends on local leadership. State and local taxpayers, in several states invest more resources in conservation than USDA does. State and local leaders, whether they work in the private sector or in federal state, or local government agencies need greater authority over the way USDA programs operate in their states.

Because working land conservation is so much more complex and site specific than land retirement, flexibility in delivering assistance and implementing programs is essential. Each farm and ranch is different and needs tailored, high-quality assistance. We need to make sure we build into our conservation programs the flexibility to adjust their provisions to meet the needs of states and local communities. We recommend you consider building on the innovations in CREP to allow the secretary to enter into agreements with states to provide more flexibility under all conservation programs. Such state agreements could pull together all of our conservation programs and allow us to work with them as we do tools in a toolbox.

We need to make the needs of the land and the needs of the landowner the focus of conservation. Meeting those needs is what conservation planning and conservation technical assistance are all about. We recommend that producers conservation plans, not the rules and regulations for multiple programs, should be the driving force behind conservation. Making the plan the focus of conservation would simplify matter for producers and administrators, and would ensure a better return to taxpayers.

Specific recommendations we make concerning flexibility include:

Expand the state agreement approach used in CREP and WHIP to cover all USDA conservation financial assistance programs. Provide states that complete an approved comprehensive state conservation plan greater flexibility and more money to tailor USDA programs to their plans. Fund implementation of state plans in part by pooling a portion of the funds appropriated each year for all USDA conservation financial assistance programs into a Conservation Partnership Fund administered by USDA.

Strengthen and reform state technical committees and expand their authority to recommend modifications to rules, funding allocations and priorities for all USDA conservation programs.

Emphasize conservation-driven farm or ranch planning rather that program-driven planning, and make farmers and ranchers who complete an approved comprehensive farm or ranch plan automatically eligible for financial assistance simultaneously under multiple USDA conservation programs for appropriate practices in their plan.

Encourage states to develop and implement a "one-plan" approach to conservation on farms and ranches-make the one-plan an optional element of the comprehensive state conservation plan and make additional technical and financial assistance available from the USDA Conservation Partner Fund to states using the one-plan approach.

In closing, I'd like to complement you Mr. Chairman for your Conservation Security Act. We think the CSA is the most interesting proposal for reform of farm programs we have seen to date. I'd also like to thank Senator Lugar for his thoughtful work on the conservation title of the farm bill that we understand will be introduced as a bill soon. We have also reviewed the proposals introduced by Senator's Crapo, Thomas, Lincoln and Hutchison. It appears to us that this Committee has proposals in front of you that could be fashioned in to a farm bill that achieves the balance in farm and conservation policy that we think is so important. Take together, Mr. Chairman, the Conservation Security Act and Senator Lugar's working land legislation would address most of the recommendations for funding and reforms advocated by the Soil and Water Conservation Society. There are elements of all the other proposals in front of you that would add significantly to the farm bill that you will formulate.

We are very encouraged by the seriousness with which you are considering conservation and farm program reform. It is our fervent hope that the Senate Agriculture Committee will come together -- as it has in the past -- to fashion a coherent and credible conservation title. We are depending on your collective leadership.

I thank you Mr. Chairman, Senator Lugar and members of the Committee for inviting SWCS to testify today ant this important hearing. The farm bill will be the single most important conservation and environmental legislation before Congress in the next year. SWCS is anxious to help you in any way as you take on the task of protecting and enhancing America's working land.

United States Senate

WASHINGTON, D.C. 20510

July 31, 2001

Dear Colleague:

On March 27, 2001, we introduced the "Long Term Care and Retirement Security Act of 2001." This bill couples an above the line tax deduction for individuals who purchase long term care insurance with a tax credit for individuals who are currently taking care of a loved one's long term care needs.

This bipartisan initiative will provide relief to both current seniors and the selfless care givers who take responsibility for the long-term comfort of their loved ones. Just as importantly, our legislation will also make it easier for families to plan ahead and construct a safety net for life's uncertainties.

We have attached a letter of support from insurance and care giver associations including AARP, the American Council of Life Insurers and the Health Insurance Association of America. We are grateful for these groups ongoing support for this legislation.

The "Long Term Care and Retirement Security Act of 2001" gives us the opportunity to help the growing number of Americans who are overwhelmed by caring for their disabled relatives, while encouraging many of those now caring for their parents to begin preparing for their own long-term care needs.

We look forward to passing this piece of legislation, which can both help to alleviate suffering today and prevent it from occurring tomorrow. We hope you will join us in the charge to pass this bill into law this year.

To cosponsor this legislation or for additional information, please do not hesitate to call Melanie Nathanson (4-6545) or Hope Hegstrom (4-8990) of our staffs.

Sincerely,

Chuck Grassley

July 19, 2001

The Honorable Charles Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Bob Graham
United States Senate
524 Hart Senate Office Building
Washington, DC 20510

Dear Senators Grassley and Graham:

The undersigned organizations are writing to express our strong support for bicameral bipartisan legislation that will provide some help to millions of Americans who need long-term care services. The "Long-Term Care and Retirement Security Act of 2001," introduced by Representatives Nancy Johnson and Karen Thurman (H.R. 831) and by Senators Charles Grassley and Bob Graham (S.627), provides a $3,000 tax credit to individuals with long-term care needs or their caregivers, and an above-the line federal income tax deduction for the premiums individuals pay to purchase long-term care insurance. The long-term care policies subject to the deduction are covered by broad consumer protections. The bills also would permit long-term care insurance policies to be offered under employer-sponsored cafeteria plans and flexible spending accounts.

Together, these initiatives will provide help to millions of Americans who need long-term care services now and in the future. We urge Congress to pass this long-term care package this year. We hope that our joint support will encourage members of Congress from both political parties to reach across the aisle and to work together with the Administration to help Americans meet their growing long-term care needs.

Unless Congress begins now to take steps to address long-term care, an aging "boomer" generation will overwhelm our nation's patchwork long-term care system and leave millions of Americans unprepared for the heavy financial and emotional burden of long-term care. In 2020, one of six Americans will be age 65 or older – 20 million more seniors than today. By 2040, individuals 85 and older (the group most likely to require long-term care) will more than triple to over 12 million.

Today, roughly 40 percent of long-term care in this country is paid for by individuals needing care, their families, the insurance they purchase, or through other private sources. The average annual cost of a one-year nursing home stay is $55,000. Helping people pay for these services directly and helping them purchase quality insurance products should be part of our nation's answer to this long-term care need.

Tax Credit for Long-Term Care Services

The main providers of long-term care in our country are family members – typically wives and daughters. To help individuals or their family members pay for long-term care services, this legislation provides for a $3,000 tax credit for people with long-term care needs or their caregivers.

Many older people who need long-term care today are maintaining some of their independence by relying on family members for assistance. A $3,000 tax credit would certainly not be enough to purchase all the long-term care services that a severely disabled person needs, but it would make a difference to many. While a tax credit would not reach many modest income individuals in need of long-term care (almost half of Americans age 65 or older do not file tax returns because their incomes are too low), it would be welcome relief for many family caregivers. Caregivers often lose wages and benefits, sometimes even jobs, to care for their loved ones. In short, these caregivers – most often women – may give up their own future income security to provide long-term care today for a mother or mother-in-law.

Tax Deductibility for Long-Term Care Insurance Premiums

At the same time that we provide a tax credit to help people pay for long-term care services, we also need to do more to encourage people to prepare for their own future long-term care needs. Stronger tax incentives for the purchase of private long-tem care insurance coverage – coupled with strong consumer protection standards – would help individuals and families protect themselves against the financial risk of long-term care, give consumers much greater choice, and help ease the burden on public long-term care programs.

While the tax clarifications enacted as part of the Health Insurance Portability and Accountability Act of 1966 (HIPAA) are a good first step, they are not enough. Due to the limitations imposed on the medical itemized deduction, HIPAA's tax benefits help primarily those workers whose employers contribute toward a long-term care insurance policy on their behalf (only 2 percent of the current long-term care insurance market).

However, the vast majority of Americans who have long-term care insurance purchase individual policies. These people may deduct long-term care insurance premiums only if they itemize deductions and only if their medical expenses exceed 7.5 percent of adjusted gross income. Only 4.5 percent of all tax returns report medical expenses as itemized deductions.

To go beyond HIPAA, the legislation provides an above-the-line tax deduction for long-term care insurance premiums. The deduction also should be available, to the extent feasible, for the portion of employer-provided coverage paid by employees, and that long-term care insurance should be treated as a qualified benefit under cafeteria plans and flexible spending accounts. The legislation updates the HIPAA consumer protection standards to reflect most of the National Association of Insurance Commissioners' (NAIC) model act and regulations on long-term care as amended in September 2000.

Clearly, we cannot solve the entire long-term care crisis facing America's families this year. While our organizations may not agree on a common agenda to do that, the organizations listed below do agree on the steps incorporated in this legislation. We encourage the Congress and the Administration to take the opportunity to enact the Long-Term Care and Retirement Security Act this year.

Sincerely,

American Agri-Women
American Association of Retired Persons
American Council of Life Insurers
Assisted Living Federation of America
General Federation of Women's Clubs
Health Insurance Association of America
National Academy of Elder Law Attorneys
National Association of Insurance & Financial Advisors
National Association of Nutrition and Aging Services Programs
National Committee to Preserve Social Security and Medicare
National Council on the Aging
National Family Caregivers Association
National Hispanic Council on the Aging
National Silver Haired Congress
United Seniors Health Council
Women's Institute for a Secure Retirement

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