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FARM BILL ISSUES

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

OCTOBER 27, 2001

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FARM BILL ISSUES

SATURDAY, OCTOBER 27, 2001

U.S. SENATE,
SUBCOMMITTEE ON FORESTRY, CONSERVATION, AND RURAL REVITALIZATION, OF THE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Washington, DC.

The subcommittee met, pursuant to Notice, at 9:22 a.m., in City Council Chambers, Boise City Hall, 150 North Capitol Boulevard, Boise, Idaho, Hon. Mike Crapo, [Chairman of the Subcommittee], presiding.

Present: Senator Crapo.

STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM IDAHO

Senator CRAPO. This hearing will come to order. This is a hearing of the Senate Agriculture Subcommittee on Forestry, Conservation, and Rural Revitalization. It's a formal hearing of the U.S. Senate Agriculture Committee being held today in Boise City Hall at the City Council Chambers. This is Saturday, October 27th.

We are glad to welcome with us today from Idaho from the House of Representatives, Idaho's First District Representative, Representative Butch Otter.

Mr. OTTER. Good morning.

Senator CRAPO. Good to have you with us.

Ladies and gentlemen, we're sorry for our late start. We were going to be under the gun time-wise anyway, but now we are even more so under the gun. Let me just lay out a few of the rules of the hearing and so forth we would like to follow, and then we'll get immediately into the testimony.

As you may be aware, this is the first formal hearing of the Farm bill that the Agriculture Committee has held since the attacks on September 11th, and I think that there are two significant things that have happened that have made this hearing extremely timely. The first is that the terrorist attacks have literally changed the entire paradigm within which we are operating within the country, which is impacting virtually every aspect of our lives in the country; and our food and fiber policies, our domestic farm policies, our food stamp policies, and the like, are all very significantly impacted by the new circumstances that we face.

Second, this hearing is also the first hearing that has been held since the House bill was evaluated by the White House and the White House indicated it did not support the approach the House took in its Farm Bill. This is the first opportunity since then and

since Senator Lugar and others have been able to put out their proposals, and it's become evident that the administration and the Senate are probably going to be looking at some type of revision or other approach, although who knows just how much and if that will take place.

This is the first time really for people to kind of comment on the dynamic that has developed since those things took place, and so we here in Idaho I think are very fortunate that just by the circumstances of the timing of this hearing that was authorized by the Chairman of the Committee, we have the first formal opportunity to weigh in with the Senate Committee on the development of the policy of the nation.

I want to apologize that time today doesn't permit a more comprehensive hearing. We have I think nine titles in the Farm bill and we're only going to be covering formally a couple of them today, although all the witnesses can certainly discuss any aspect of the bill they would like to discuss.

I want to state that we do encourage written statements. The record is going to be held open for 10 days following the hearing, and any written statements can be sent to my office at 111 Russell Senate Office,well, maybe that wouldn't be a good address to send it to.

[Laughter.]

Senator CRAPO. If you send it there, it's probably not going to get delivered. You better send it to my Boise office and I don't have the immediate address for that, but I can get that to you and it's easily available right here in the phone book. Those should be in within 10 days of the hearing if you have written statements to submit.

I want to give an apology for the Governor of the state of Idaho, Governor Kempthorne. His schedule would not allow him to attend in person, but he is submitting testimony for the record.

I also want to specifically point out there are a lot of people who are submitting testimony, but Joe Anderson in particular who's a canola grower from Potlatch has provided testimony, and his insight into the needs of Idaho's oilseed industry are going to be very helpful to us.

As we craft the Farm Bill, I think it's very important for us to remember that it's about much more than just farming. It's about our national domestic food and fiber policy, and consumers are the ultimate beneficiaries of this legislation. I think there were a lot of unmet obligations that we intended to achieve with the FAIR Act with the 1996 Bill, things like tax relief and tax reform, and free and fair trade, and regulatory reform, and the like, which we still need to work on. Despite the criticism of Federal farm policy, Idaho is fortunate to have very friendly and devoted and effective USDA employees and those from the FSA and the NRCS, as well as our rural development officials.

I'd like to also, finally, just to express appreciation for those who have traveled a long way to get here and taken their time out on a Saturday to help us develop this policy.

In conclusion, I want to just say that one of the most common questions we're being asked right now is whether we will be able to finish the Farm bill this year. I don't know what your perspective in the House is, Butch, you may want to address that, but if

the Senate is able to conclude its business by mid November, which is right now a target date that everyone is working on, I think it's going to be difficult for us to achieve the complete finalization of a farm bill in the Senate if a new approach is being worked out and then have that vetted with the House and have something come out of confidence. On the other hand, if there is a decided order for leadership that that has to happen, then of course we could stay in as long as it takes to get it done. Right now, the answer to that question is a bit up in the air, but I think, to be candid, we have our work cut out for us to achieve that objective. I think it would be good to be able to get a farm bill done this year, but I'm trying to be honest with you about what I see as the political dynamic that we're facing in the Nation right now.

With that, let me turn to Representative Otter for any comment.

STATEMENT OF HON. C.L. "BUTCH" OTTER, A REPRESENTATIVE IN CONGRESS FROM IDAHO

Mr. OTTER. Well, thank you very much, Mr. Chairman. I appreciate being a part of this hearing. Even though I don't serve on the Agriculture Committee of the House, there are a few things and I have a full statement that I would like to submit, without objection, for the record. I do want to associate myself with the Senator's remarks about not only the climate that has considerably changed in Washington, D.C.

When I raised my hand and took the oath of office on January 3rd of this year, I was one of 45 new freshmen of 29 Republicans and 16 Democrats, and we were the freshmen in the House, we were the freshmen class of the 107th Congress; but as of the events of September 11th, we now have 435 freshmen in the House, and the reason for that is because nobody has ever—in fact, I don't even think Strom Thurmond has faced this, this environment that we have today.

Let me say that the work of the House, the people's House, has continued to go on, and Mike Simpson has done a Hercules job. As you know, he does serve on the House Agriculture Committee and they did pass the House Resolution No. 2646, which is the Farm Security Act, providing for $73 and a half billion over the next 10 years, trying, if you will, to cover all the bases. That is the, I would say, the nucleus of the bill that is now being considered at least as part of the Senate's consideration.

I've always believed that we've got the best farmers in Idaho, and my experience certainly around the world as representing the state but also representing one of the larger agribusiness companies in the state, I found it pretty easy to sell groceries around the world because of our ability not only to produce the best on the farm, but also to add the shelf life to preserve portability with our ability to produce our crops in this state.

That is going to be my emphasis. We've got the Trade Bill that's coming up, 3005, H.R. 3005 for a trade promotion, and I really believe that's the answer that is to get us into the markets around the world, and that's going to be the place where I'm going to spend most of my time, trying to get us back into the negotiating rooms where we're actually negotiating the contracts and the trade agreements.

Trade agreements in the last I can't remember how many years right now, there's been 128 of them and the United States has been part of two of them because we have not been in at that table, and I think giving the President, especially this president, this administration, the opportunity to sit at that table and to provide for the environment in which we're going to conduct fair trade is terribly important, so I'm going to work very hard to make sure that 3005 does pass and we do get our seat at the table, so that we can sell the groceries that we can produce here in this state.

[The prepared statement of Congressman Otter can be found in the appendix on page 70.]

Thank you very much again, Mr. Chairman, for letting me be part of this hearing.

Senator CRAPO. Well, thank you for making the effort to get here. I should have said at the outset as well that Senator Larry Craig and Representative Mike Simpson wanted to be here, but as you know, we all have very busy schedules, and they had prior commitments that they simply were unable to change in order to be here. They are, nevertheless, very much, every bit as much, interested in all of the development of these policies as Butch and I are, and will be very closely following the input that is received here today.

Let me just make a couple of other comments about how we'd like to run the hearing and then we'll get right on with it.

I believe all the witnesses have been told that you're allocated 5 minutes for your verbal testimony. My experience is that there are some people who can say everything they want to say in 5 minutes, but there's not very many. I'm willing to bet that most of you are going to get to the end of your 5 minutes before you're to the end of what you want to say, and because of that, we have to ask you to try to pay attention to the time. Your written testimony is going to be read. I've already read all of it that has been submitted and it will be thoroughly evaluated, so don't think that your oral testimony is the only shot you have on this. Arlen up here is going to show you some little cards.

Does that little thing ding at the end of the 5-minutes?

Mr. LANCASTER. Yes.

Senator CRAPO. When you hear the little bell, try to finish your thought.

Then also understand that one of the reasons that we want to try to keep you to your 5 minutes is that we are going to try to get in some dialog with you from up here, so that will give us the time to do that. You will have the opportunity as we ask questions to continue to make statements or points that you may not have had the opportunity to do in your formal presentation. I am going to be pretty tough on the clock, and if any of you tend to go over, I may rap the gavel and remind you that you need to just finish that thought and wrap up.

With that, our first panel is Pat Takasugi, the director of the Idaho State Department of Agriculture; Gary Ball, a potato grower here in Idaho; Clinton Pline—they've got this down here as a minor crop producer. I always smile when I see that "minor crop," because they are major crops in my opinion, but I know what it means; and Brad Little, who's a wool grower. They have "sheep

producer." I don't know if you go by "sheep producer" or "wool grower."

Mr. LITTLE. It's up to you.

Senator CRAPO. Or Senator.

Mr. OTTER. Senator.

Senator CRAPO. But, gentlemen, let's go in that order, and, Pat, why don't you start.

Mr. TAKASUGI. Thank you.

STATEMENT OF PAT TAKASUGI, DIRECTOR, IDAHO STATE DEPARTMENT OF AGRICULTURE

Mr. TAKASUGI. Senator Crapo, Representative Otter, thanks for the opportunity today to present testimony and address the Farm bill issues. I believe I'm the example to be set on the 5-minute curfew, and I'll be watching Arlen methodically.

In my testimony today, I'd like to quickly cover three areas: And, one, the National Association of State Departments of Agriculture Farm Bill Proposals; two, the need for innovative programs to fit the changing agriculture markets; and the need to safeguard our national food supply, especially in light of the incidents of September 11th.

In my capacity as Director, I represent Idaho at NASDA. I believe our Farm Bill, the recommendations that are decidedly out-of-the-box type of thinking, go a long ways to address the new markets that we face today.

You have copies of the executive summary in my testimony in the written form, but let me point out a few key components:

There includes a 90 percent Cost of Production Insurance Program that helps farmers make more decisions on the farm and assures them of having a true safety net.

The Countercyclical Commodity Program that offers support during the lean times and addresses those times when farmers need it the most.

We also propose an Agricultural Stewardship Block Grant that puts tools for conservation in the hands of people on the ground and addresses regional diversified needs at the State level.

Trade and marketing programs we propose that levels the international playing field, something that we really don't have today.

We also seek to assure food safety for all of America's security.

An agriculture flexibility and partnership plan termed Ag-Flex to improve on the efficiencies of the Federal resources.

Yet the Farm bill alone will not sustain American agriculture. Tax policy reform would go a long way in giving farmers tools to better compete and to manage their own fiscal matters. Specifically, I recommend an expanded agricultural savings account that would also serve as a medical savings account and educational savings account and a retirement account.

We also propose increased annual capital expensing; and investment tax credits for research, promotion of U.S. products, conservation, and other programs needed in agriculture today.

Finally, and I say this not only as a farmer, but also as a consumer, that we must establish a national food policy that secures a safe food supply, encourages and funds environmental and con-

servation efforts, and promotes a sustainable, homegrown American food supply.

In summary, we must have a new Farm Bill, new not only in letter, but also in concept, and agricultural policies that assist in promoting a fair and meaningful sustainability and viability of our American agriculture.

Again, thank you for this opportunity.

Senator CRAPO. Well, I don't even think you went 5 minutes, Pat, but that's OK.

Mr. TAKASUGI. You know that was new.

Senator CRAPO. Gary.

STATEMENT OF GARY BALL, PAST PRESIDENT, NATIONAL POTATO COUNCIL

Mr. BALL. Thank you. My name is Gary Ball, and I'm a potato grower from Rexburg, Idaho, and I'm the past president of the National Potato Council, and I'd like to mention that I also serve as a representative to the National Potato Council at the North American Plant Protection Organization, and also I serve on the Agricultural Technical Advisory Committee. I mention this because of an item in my testimony that I want to give later on. And, Representative Otter, I appreciate your comments on trade, because trade is vital to the potato industry.

First of all, I'd like to say that for potato growers, probably the single most important provision in the Farm bill pertains to the Flex Acres Program. The 1996 Farm bill gives producers of program crops limited flexibility with regard to plantings on flex or contract acres, but expressly prohibits the planting of any fruit or vegetable crop. Potatoes were specifically mentioned as a crop that could not be planted on flex acres. The National Potato Council was instrumental in getting this language inserted in the 1996 Farm Bill, and strongly supports its inclusion in the new Farm Bill.

We are pleased that this language was included in the House-passed Farm Bill. Economic studies show that for every 1-percent increase in acreage planted in potatoes, income is reduced by 7 percent. Any scheme which directly or indirectly results in subsidizing additional potato production is strongly opposed by the National Potato Council.

The proposal by Senator Lugar appears to call for a phaseout of contract payments followed by full planting flexibility, and for a safety net, reliance on crop insurance policies. We have not studied the details of the Lugar proposal and without taking a position on the bill as a whole, we would be concerned over the availability of any revenue protection policies that also allow full planting flexibility. As you know, with the support of the National Potato Council, language was put in the Crop Insurance Reform Bill prohibiting the development of any revenue protection policies for potatoes. If a program crop grower could purchase a revenue protection policy with no restrictions and then be able to plant potatoes, we would still be faced with subsidized overproduction.

The Market Access Program is a cost-sharing partnership between the Federal Government and private industry to promote U.S. farm exports. MAP has been particularly successful in helping high-value products like potatoes gain greater access and recogni-

tion in foreign markets. The MAP program is legal under the GATT, and the National Potato Council therefore strongly endorses the House-passed Farm Bill's annual authorization level for the MAP of $200 million.

The National Potato Council also supports various food aid programs that are reauthorized in the House bill.

The National Potato Council worked with the United Fresh Fruit and Vegetable Association which submitted a group of testimony to the House and the Senate, and these include emergency authority to combat invasive pests and diseases, surplus commodity purchases, technical assistance for specialty crops, environmental quality incentive programs, and country of origin labeling.

With regard to the country of origin amendment, the National Potato Council strongly supports language in S. 280 that applies to fresh produce, and urges this language be included in the Senate Farm Bill. The Consumer Right to Know Act of 2001, S. 280, would mandate point-of-purchase labeling for fruits, vegetables, and other fresh perishables. Food service establishments would be exempt. The bill grants USDA authority to coordinate enforcement with each state.

In closing, one other item that I mentioned before is the Technical Assistance for Specialty Crops, and H.R. 2646 creates a fund of over $30 million to address nontariff trade barriers and related technical obstructions that hinder foreign market development and international market expansion efforts of U.S. specialty crop producers. The purpose of that is to provide direct assistance through public and private sector products to facilitate increased exports of U.S. specialty crops within the global marketplace. With the NAFTA coming to terms in January 1 of 2003 with Mexico, we're already seeing the vital sanitary issues raised strongly; and with the meeting we just held in Canada 2 weeks ago with the North American Plant Protection Organization, it was really brought to the forefront that we are severely underfunded to deal with these problems as they arise, and if we're going to expand the foreign markets for our specialty crops, we're going to have to have funding in this area that we can deal with those vital sanitary issues as they come up.

Thank you for your time, and appreciate the opportunity to testify today.

Senator CRAPO. Thank you very much, Gary. Appreciate that.

Clinton.

STATEMENT OF CLINTON C. PLINE, MINOR CROP PRODUCER

Mr. PLINE. Yes, Mr. Chairman, Senator Crapo, before I get started, I faxed over my testimony to Arlen last night. I happened to notice that I left out one of my four points, so the copy you have now is the updated version.

Senator CRAPO. Well, you're lucky we have 10 days.

Mr. PLINE. Everything you have up to that point has not changed, as I said, it's just that.

Senator CRAPO. All right. Thank you.

Mr. PLINE. You're welcome.

Mr. Chairman, Representative Otter, I appreciate you bringing this hearing process out to the people here in Idaho. My biography,

which is written out for you there in testimony, basically is that I was raised on a farm that I still farm today. We've been there over 41 years.

You mention specialty crops. I raise quite a few of those. Primarily, concern would be hybrid carrot seed, hybrid onion seed, hybrid sweet corn seed, alfalfa seed, sugar beets, wheat, alfalfa, hay, we run a small dairy operation and small beef. Sometimes in the morning if I wake up confused, that's why: Too much going on.

The four items I want to talk about just very briefly is, one, the separation and classification of specialty minor crops, seed crops included, from the traditional crops addressed in the past Farm Bills.

The second one is support in the field of plant and animal genetics.

Third item would be Senate support for the funding for a 10-year USDA Farm Protection Plan, FPP, already approved by the House of Representatives.

Then if I have a little time, talk about conservation measures in turn for subsidy.

Whereas, both of you are fairly familiar with agriculture in Idaho, I don't need to get into too much discussion of what I have written here as how minor crops, and in particular where I raise seed crops—it's a whole different ball game from major crops. The analogy I like to draw particularly with seed crop is that I have to take that plant to a different stage of maturity, and it's often like how we find ourselves in our own health field where we get the more maintenance it takes.

In the field of plant genetics, what I do with these seed crops, what I have produced, that seed, is genetics and that is tomorrow, and everything that we can do to propagate these new ideas into concepts puts us in a position of producing better-quality, healthier, and safer food for the entire nation and parts of the world.

In Farmland Protection Programs, and I want to read this part into the record with my testimony, I am including a letter from Richard Sims, State Conservationist for the State of Idaho NRCS addressed to Mr. Lynn Tominaga. Mr. Tominaga is Chairman of the Idaho Food Producers, which in a nutshell is an organization or organizations that represent different aspects of agriculture. Over the last several months, I have served as chairman of a committee looking into programs to help counties in our state deal with the rapid growth and urban sprawl that has been taken over in our prime ag land areas. As you are probably aware, this is a nationwide problem, and we intend to do what we can to resolve it.

Earlier this October, Mr. Sims' letter apprised us of a proposal that is within the Farm bill coming from the House side that will provide funding under proper circumstances to create a Farmland Protection Program for states on the either state or even county level. I believe that we can put those resources to work. The tumbling economy we're seeing now is going to make it very difficult to implement on the state side, but it is recognized pretty much throughout the entire government bodies, be they local or national, that this urban sprawl thing is a major problem and we need to begin to work on it.

In closing, on the conservation subsidies, the farm that I have grown up on over the course of my 41 years has seen lot of

changes, and a lot of those have come about through conservation plans that we have participated in. Originally, I didn't think too much of those kind of programs, but over time I've seen what those programs have done for us, and they have been a benefit to either ourselves as our farming operation, the general public, and the environment, and I encourage Congress to, as a means of making farm programs more palatable for the general public, finding ways to tie those incentives for conservation I believe is a good proposition.

Thank you.

Senator CRAPO. Thank you very much, Mr. Pline.

Brad.

STATEMENT OF BRAD LITTLE, SHEEP PRODUCER

Mr. LITTLE. Thank you, Mr. Chairman, Congressman Otter.

These are very trying times for both the U.S. and the Idaho sheep industry. Myself, personally, after 110 years our family being in the sheep industry, I'm no longer a sheep producer. I've elected to sell out.

In June, the market for sheep and lambs in Idaho was about 90 cents, which was about break even. Today, the price is somewhere between 35 and 50 cents, if you can sell your lambs. I've got a lot of my lambs in Denver and I can't get them sold. They won't even kill them and they're too fat and they're just basically—I don't know if they're worth the freight. Yet in that same period of time, retail prices appear to be unchanged.

What's happened? Well, one thing was the September 11th disaster. The lamb industry, as small as we are in the United States, we're very dependent upon the white-tablecloth industry, and with the loss of the tourism industry and the travel industry, the consumption of high-quality lamb has gone way down.

The other thing which has been something that started in 1996 was an enormous surge in imports. In June alone, imports were up 36 percent.

Wool, one of our other commodities, ironically the commodity that my grandfather started producing 110 years ago, is now an expense. It's not worth even the cost of shearing.

The other thing that's happening in the sheep industry with the 25 percent reduction we've had since 1996 in numbers is we're losing our infrastructure. Lamb processing companies, wool processing companies, we've lost 80 percent of our ability in the United States to process wool. I blame this precipitous fall on two things, neither one of them the Ag Committee has jurisdiction over, unfortunately, but I'm going talk about them anyway with your patience. One of them is the most important one to me, is exchange rate, and the other one is foreign subsidies and quotas.

1996, 10 percent of our consumption was imported lamb. Now it's somewhere between 34 and 40 percent if we can get our hands on it. In that same period of time, lamb and sheep numbers are down 25 percent.

Foreign protectionism. In the European Union, the European countries write a check for $2 billion a year to their sheep producers over there in price supports and subsidies. They have permanent quotas, so other lambs produced elsewhere in the world has

to come to America because it can't go to Europe, and that exacerbates our problem.

The most important thing is the exchange rate issue. In 1980, the Australian dollar was $1.18. We didn't have any problems competing.

1982 to 1996, it was 70 to 80 cents. We were at a disadvantage, but we could compete.

Today, the Australian dollar is 50 cents, the New Zealand dollar is 40 cents. They have a two-to-one advantage over us. You can read their press. Those guys are making record profits. The farmers are making record profits, the exporters are making record profits, the processors are making record profits, and we're starving to death here in America.

That problem exists for my other constituents in my other job: The timber industry that we've lost out of Central Idaho, the grain farmers.

I think that if you could carry this message back to the House and Senate Banking Committee, that's where the action is, that's where we've got to do it.

Why do we have this imbalance? There's two big beneficiaries of the strong dollar: One of them is the consumers that buy cheap imported food, electronic goods, and oil; and the other one is investors. The overnight Fed funds rate in Japan this week is one one-thousandth of 1 percent. If my bank loans your bank a million dollars for a year, you pay me $100. That's all it is. All that money is coming here, strengthening our dollar, and ruining the market for agricultural goods.

That's all there is, Mr. Chairman, and Congressman Otter. If we don't address those two issues, we're dead in this country.

Thank you.

Senator CRAPO. Thank you very much. We're going to give ourselves a 5-minute clock too, but then we might take rounds if we want to keep going. Let me start out, and first of all, I'll start with you, Pat.

I note that you have been working on a cost-of-production insurance proposal. We've talked about that in the past and as you're probably aware, Senator Lugar has recently put out a whole farm insurance proposal to utilize in connection with phasing out our commodity programs.

Could you just compare for me, if you know, any of the details of Senator Lugar's proposal? Could you tell me the difference between what you're talking about and what he's talking about?

Mr. TAKASUGI. I think Senator Crapo, I believe his may be more in line with one of the pilots they have out there, the adjusted growth revenue, which is a whole farm policy. Understand that the cost of production is probably just one tool under the risk management tools available, and that what we're presenting is an option that provides that safety net. What he's providing I believe goes beyond safety net, and when you delve into revenue insurance, I think you run the risk of doing exactly what Gary Ball talked about in encouraging people to raise higher-revenue crops and then get compensated and then flood the market.

I believe that cost of production at 90 percent where there is no advantage to raise a high-cost crop, you run the risk of losing 10

percent; and with our formula, if you're a new grower of a different crop, you run a higher risk in premium, and it discourages that very thing. That's probably the biggest thing.

Senator CRAPO. You moved right into the question that I was going to have, because it seemed to me like, as you have said, that if we are doing a whole farm insurance approach, if we were to move to that approach, that there would be a strong incentive for people to make the higher cost production crops.

Explain to me a little bit the reasoning why you believe the cost of insurance production approach would not generate that tendency.

Mr. TAKASUGI. Senator, for the same reasons: The premiums will go up. If you're a new potato producer, never raised potatoes before—we use actual production history in compiling the premium, and if you don't have actual production history, then we default to a different formula and your premium will be higher.

And, two, you can establish the 5-year record. That won't change.

It discourages people from jumping from, say, wheat into a higher-priced commodity like potatoes because of that very issue. We are very cognizant of that, and that's why cost of production provides a safety net from falling out the bottom and losing everything, but it doesn't encourage people to take advantage of the program, which we found out in other parts of the country. Some farmers tend to farm the programs instead of farm the crops.

Senator CRAPO. Before I move on to Gary, I want to kind of ask you some of the same questions from your perspective—but before I do that, Pat, what is your thought about the portion of Senator Lugar's proposal which phases out the commodity programs? I realize you're saying that the replacement he has is not something that you think is the best idea, but if a good replacement were achievable, do you think that the idea of moving to a different approach like he is suggesting is a good idea or a bad idea?

Mr. TAKASUGI. Senator Crapo, I think, I believe, we're quickly running out of the rope that we have to enjoy unquestioned subsidies of agriculture products, and that's why in our proposal, the stewardship initiative and the block grant concept which I believe consumers can relate to in clean air, clean water, endangered species preservation, are a lot more sellable than to look at defending outright grants or subsidies. The proposal that we put forth is one that I believe is defensible, and affords producers an offset to their regulatory costs and compliance issues.

Senator CRAPO. And, Gary, I want to move to you before I run out of time with my first 5 minutes here. I recognize and appreciate the concern you've raised about flex acres, and if we move ahead with a perspective like the House does, I'm confident that the Senate will continue that language, protecting it.

The question I have is do you agree with Pat's perception of the two different insurance approaches and the cost of production insurance would be the better approach to take if an insurance approach is taken?

Mr. BALL. I would have to say that I really don't believe we agree. The 90 percent is a form of a subsidy, because you put a floor under it and a guy is going to guarantee he's at least going to get 90 percent back. I appreciate the position the Department

of Agriculture has to try to cover a farm that has molded it due to crops, various crops, but we still think each crop should stands on its own.

The crop insurance has done a pretty good job with that so far and we have to work our way through those, and that's why we do not oppose insurance for potatoes. I mean, you have your multiperil, I think you have a loss from hail or insurance or even quality and yield, those things are all available, but it's the revenue protection side which is just market distorted, and we oppose very strongly and we find that that really doesn't work probably in any of your perishable commodities.

Senator CRAPO. OK. Thank you. I just heard my time run out, so Representative Otter.

Mr. OTTER. Well, thank you once again, Mr. Chairman.

Pat, in your earlier testimony and also in your written testimony that I've had a chance to at least review a little bit, you spoke to the conservation issue. In the House-passed bill, I think we dedicated $16 billion to the conservation side of the Farm bill out of the 73 billion; I think it was 16 billion that we put into that. Is that going to be enough?

Mr. TAKASUGI. Representative Otter, unfortunately, we assessed that the last two years we've been working on this proposal, and the closest figure we could come to the cost of compliance for producers would require, as we propose, an $8 billion annual appropriation. No, what was appropriated in the House version we feel is not enough. The requirements that we have to comply with today and in the future with TMDLs and ESA issues has grown and will continue to grow and be an extreme burden on our producers, and we felt that that figure was more realistic in trying to offset the costs of production.

Mr. OTTER. Reason I ask that question, because there was a huge effort in the House to amend the conservation side of that and to add a lot more money back into the conservation. However, that money would have been lost forever in terms of agriculture pursuits, because that would have gone for government acquisition for wetlands use, and also marginal lands to be reviewed and returned back into habitat use. so that farm ground, quote/unquote, would have been lost forever, not only to the pursuit of the agriculture industry, but more importantly, as far as I was concerned, to the detriment of the local level of government, the counties and cities who actually need those tax bases for their continued revenue stream.

We will be hearing, I'm quite confident, from certain elements that we passed up a chance to add to the conservation, and probably add up to $8 billion a year instead of what it came out to was a little less than $2 billion a year, but I just want to remind everybody here that that's where it would have gone, and that was a dangerous thing as far as I was concerned. Fortunately, we defeated the amendment.

Mr. TAKASUGI. Representative Otter, we agree with you. We didn't agree, as an organization, to support that effort. Our proposal is a block grant to the states to be determined and dispensed at the state level according to the needs of the commodity organizations, so we would not, especially in Idaho, tie up that money in purchasing and laying aside land. We would be looking at com-

pensating for conservation issues much like the dairymen had in the last 5 years, the beef cattle are going to be doing in the next five, and row crops soon to be. That was what we were looking at. We agree with you totally.

Mr. OTTER. Thank you.

Gary and Clinton, my question goes to the kinds of crops that you were talking about and their relativity to House Resolution 3005, which is going to be the Trade Bill. One of the largest artificial trade barriers that I've seen around the world is the invention of the GMO, the genetically modified organism, and I can't think of anything in my short 59 years and the time that I spent farming and the time that I've spent in trade where we haven't improved. 1935, the average yield on potato crops in the state of Idaho was 6,500 weight to the acre. Now, certainly with nutrients and things like that and farm practices, we've been able to increase on that considerably, but the largest increase came when we genetically modified the plant itself.

One of the attacks that we're going to have—one of the approaches, I should say, that we're going to have to take on the Farm bill and on farm trade, farm commodity trade, is going to be to answer this question on genetically modified organisms. Every time something comes up, and as you know, it recently did with corn, we have this tremendous question as to the health side of the food. We have the same question with the production side of the seed commodity, and Idaho produces, I know when I was involved it used to produce about 75 to 85 percent of our total seed for vegetable crops in the United States. I was a big onion seed producer, and, you know, I could go out and count those umbels and know just about where my crop was going to come down. It's a 2-year crop, as you correctly spoke to.

I think one of the things that we're going to——

Is that my time up?

Mr. LANCASTER. You're up.

Senator CRAPO. You didn't let him answer the question.

[Laughter.]

Mr. OTTER. Let me just ask you the question: How are we going to answer——

The Senate clock is much shorter than the House.

How are we going to answer the question on genetically modified, because that's going to be the key for us.

Senator CRAPO. We only give House members half the time.

Mr. BALL. If I may, there was a little fanfare, a study released from the EU something like twoweeks ago, and it was a 15-year, $64-million study on biotechnology, and in essence, what it said was the findings were that genetically modified foods were probably safer than natural. We were glad to see that. I think——

Mr. OTTER. What's that report?

Excuse me, Mr. Chairman.

What's that report?

Mr. BALL. I forget the name. It came out of Brussels. I can get you a copy that I got out of the Post Register if you would like, I'd fax that to you.

Mr. OTTER. I would ask, without objection, that that report be made part of the official record.

Senator CRAPO. Without objection, please do.

Mr. OTTER. Thank you.

Mr. BALL. I'll fax it to your office, Senator Crapo.

Senator CRAPO. Good.

Mr. BALL. Along with that, I see a softening on the biotech approach, more and more need for it. The National Potato Council and I think agriculture in general support biotechnology that is done on the basis of sound science; that we do adequate studies by our Federal agencies to preserve the integrity of the food, that it is safe; and I think that we finally will break through this barrier and we will use biotechnologies as we should do, and the ground swell seems to be moving somewhat in that direction.

Senator CRAPO. Do you want Clinton to respond to that?

Mr. OTTER. Clinton, would you respond to that too from the seed side?

Mr. PLINE. From the seed side, Mr. Chairman, Representative Otter——

I was going to ask earlier, What was your question? You ran out of time.

I believe really it boils down to a public relations situation. One is we need to convince the public that we have been cross-pollinating plants for years, and that is a genetic modification.

We had a tour early last month for legislators of the state of Idaho, and I told some of them, if your mother is Swedish and your father is Italian, you're genetically modified.

The frustrating part too is that particularly to watch some of the news reports on the technology and the genetic management of medicines today and things and how beneficial they are, and the people just pick that right up, they think that's great. We start talking about food, they're afraid of it. Again, it's an education process.

As Mr. Ball mentioned, I see a softening as well, and I think the time will come along. As you will see in my testimony, I pretty simply state we need the support of the government to help us make sure there are safe products that come out and to help promote them, help assure the public that here's what we're doing and it works, and here's why it's safe.

Senator CRAPO. Thank you.

Mr. OTTER. I yield back the balance of my time.

Senator CRAPO. Thank you.

[Laughter.]

Senator CRAPO. Obviously, before I go on to some of my additional questions, I want to say that the GMO is something that the government has to take a strong stand on in our trade negotiations, and I believe our trade negotiators as well as the Department of Commerce are prepared to do that, which is kind of relevant to another question I want to get to in a minute; but before I get there, Clinton, you talked at the end of your testimony about the importance of trying to get away from this perspective of farming for subsidies and maybe utilizing conservation programs more effectively to achieve some of the same objectives of getting resources to the farmers, but also doing so in a way that is a win-win for the environment and for the public.

As you may know, I've introduced for those very reasons, I've introduced a conservation title to the Ag Bill which I'm working very aggressively on.

Senator Harkin has introduced, I don't know if he's actually introduced it yet, but he's working on another conservation title approach called the Conservation Security Act.

My approach basically takes existing conservation programs like the CRP and EQIP and WRP and the many others—the grasslands program that Senator Craig has been working on—and reforms and strengthens them and gives a new revitalization to them.

Senator Harkin's, as you may be aware, thinking-outside-the-box new approach which says that we want to—essentially if I could describe it, and I probably won't describe it as well as he would—be flexible and allow conservation resources to go to producers, agricultural producers, for positive conservation improvements in their area, and it's much more specific to what's worked out in the area where the farmer is operating.

Do you have an opinion on where we should head with regard to the approach we take with regard to conservation dollars in this Farm Bill?

Mr. PLINE. Yes. It depends on, of course, what part of the country you're in. I have a color photograph in here of a map of the United States and it shows kind of a pictorial water graph of where all the water is used in this country, and it's the volume of water used per capita, and I'll get that to you later. In our valley here where we use—or I should say Southern Idaho—where we use irrigation the way we do, there's a lot of ground to be made up in water conservation. You know, we have a lot of rolling hills and whatnot that can be irrigated, so there's soil conservation measures.

There's going to need to be a lot of work put into air pollution. North Idaho is experiencing the wrath of the general public over that, and I have a great deal of sympathy for them. We don't see it as much here from agriculture, but as we have more people live in this valley and we create more pollution, we are all the cause of that.

I appreciate hearing you say that—which is what I was thinking, that the technology, particularly in the last 10 years, have made a lot of things achievable as far as conservation goals are economically feasible, and a mannerism of just coupling that technology and programs that are out there with subsidies, that's—you're on the right track.

Senator CRAPO. Thank you.

Brad, you know, you indicated that the two issues you raised weren't the jurisdiction of this Committee, although I do sit on the Senate Banking Committee so I'm very aware of and concerned about your first and major issue, namely, the exchange rate. What I would like to ask you about that is, simply, how do we solve it? I know you said that the way to solve it is in the arena of international financing and so forth, and we do have international authority in the Banking Committee as well over a lot of economic policy, but as you know, getting a handle on dealing with the exchange rate problems is not only and clearly one of the most important things we must do, but one of the most difficult things, be-

cause every solution that we might come up with runs into very strong opposition right here in this country from the consumer-oriented interests or from the security- and investment-oriented interests, and so I just wanted to give you an opportunity to expand on that a little bit, tell me what we should do.

Mr. LITTLE. Well there's actually four—and I'm a farmer, not an international banker, but there's four things that can be done and have been done before, and that's fixed exchange rates, monetary unions to where currencies are blocked together, and if you're going to pursue the North American Free Trade Agreement, that would be an obvious one would be to fix those three exchanges so there's some consistency in it. You know, when you get the big imbalance that we have now, it just devastates an industry like we have in the sheep industry where we compete with New Zealand and Australia with this huge imbalance, it just wipes us out.

Countercyclical adjustment, which I understand are a violation of the World Trade Organization, but that's part of the negotiation that Congressman Otter talked about, and temporary market intervention to crop up.

Everybody in their wildest dream thought that at September 11th, the value of the dollar would collapse, but what happened is all the other currencies and the variation didn't change. Those are the things, like I say. The 20, 30, $40 billion in the farm program doesn't make a hill of beans difference to the sheep industry.

I know there's a deal on there for the wool thing. If we can't take care of the exchange rate, and it's just—you know, the Statesman issue on rural agriculture just broke my heart. They just said Rural America is dead. Well, the reason Rural America is dead, in my mind, is because of this exchange rate issue. Until we address that, frankly I don't think the rest of it is going to make a lot of difference.

Senator CRAPO. Well, frankly, as you know, for the last three years, I—and frankly through Don Dixon of my office primarily—have been holding county meetings and other farm meetings around the state of Idaho, and it is clear to me that you're right. I think there would be virtually unanimous agreement that the exchange rate problem is central to the issues that we are dealing with in agriculture right now. There are some other big ones too, but the exchange rate is right there at the top. It's also right there at the top of being the most difficult one to get the political momentum to solve. I appreciate that.

Let me move on quickly to another issue, and the second issue you raised was subsidies and import quotas that are being provided by the governments who are basically, in my opinion, engaging in predatory trade conduct and the United States has to respond to that. We are working very pressingly. We recognize in Washington that another one of those extremely high, critically important issues is our international trade posture and what we're dealing with there, and I believe that we are at a point where, frankly, with the last administration we were getting there quite well with Charlene Barschesky and the trade negotiators, and in this administration we have pretty strong commitments from not only the trade representative's office but also from the Department of Commerce to stop using agriculture as a trading ship and to start get-

ting much better policies toward getting parity on the subsidies and tariffs and other related issues.

I have, to this point, not yet supported giving the President trade promotion authority, or fast track authority as we used to call it, for the very reason not that I don't support the idea and see the importance of giving the President that authority, but because I had not yet been confident that giving the President that authority—well, that the President, through his trade negotiators, would negotiate adequately for agriculture and for other critical issues in America. My point being that I'm not against trade negotiations, I'm not against trade agreements; what I'm against is bad trade negotiations and bad trade agreements that don't protect us adequately. I have told both administrations that at the point where I am convinced that they understand that well enough and they are willing to negotiate as tough as they need to negotiate and not concede issues, that I'm ready to then consider giving trade promotion authority.

The question I have for you—and actually when we get time, I'd like to ask everyone on every panel today this question—is it time to give trade promotion authority to the President, or do we still need to have a little bit of proof as to whether the administration is going to negotiate tough enough? What are your thoughts, Brad.

Mr. LITTLE. Well, Mr. Chairman, I think bad trade authority is when you lose and the other guy wins, and so if you win, then it's all good trading. That's what trading is, is trading, so somebody wins and somebody loses.

You know, don't get me wrong. I'm all for, like Congressman Otter—world trade is the absolute, quintessential—we have to have it. I mean, we wouldn't have our sons and daughters in Afghanistan if Afghanistan was a big trading partner with the rest of the world. Trade is essential. Somehow—and it's just tough. It's just sit down across the table. It's like me selling Congressman Otter potatoes: You just sit around and slug it out until you come up with a deal.

That trade authority, you know, and particularly we minor crop people are very concerned about it because we look at New Zealand and Australia, there's 250 million sheep and goats in China, and there's four million sheep in the United States. Who's going to win? Who's going to win and lose at that point in time?

The alternative of not having trade is worse, so I'll give you a real good answer like, I don't know.

Senator CRAPO. My time is up and I don't want to take another round because we are running busy, but can I—if you don't mind, Butch, let me just ask for a one-sentence answer from the rest of you. Do you think we should support trade authority and trade promotion authority now? Clinton.

Mr. PLINE. Well, kind of depends on who your president is.

You mentioned agriculture being used as the bargaining chip. The more elements you put in as element chips, I think the better blend you're going to get. You're not going to see the catastrophic effect it has on the ag industry.

Senator CRAPO. Thank you. Gary.

Mr. BALL. Senator, I agree with your statement 100 percent and the National Potato Council has been that way. We think trade

agreements are good, however, you may not like the rest of my statement. You've got to, in my opinion, make some serious changes in the tradeoffs, because if you go in there tomorrow and say, I want to do something, and the first thing they'll say to you, What do you want to tradeoff in order to get what you want? You feel like slapping the guy upside the head and say, No, you're the United States, we're the United States, we've already traded off everything we got; you go to work for us and not the other country. Every time you sit down with those people, you feel like, first of all, they're working against you and for the other country, and in essence, they are. We need to really get that philosophy all the way down to the bottom through the Trade Department.

Senator CRAPO. Thank you. Pat.

Mr. TAKASUGI. Well, I'd like to agree with Brad. It's a difficult question.

What I could throw out is if we don't get the trade promotional authority, the countries are going through Canada and Mexico to ship into us anyway. They're going around the horn.

I think we need to look at possibly granting money to the states so that they can develop a domestic marketing program, because we I think need to differentiate between Idaho-produced and foreign-produced. If we can maintain our domestic market—I would advocate we're losing our domestic market, and we need to maintain and regain our foothold in our own market. We are the biggest market. In that line, I would say TPA is probably a nonissue because they're going to come in anyway, but I would say we need to look at supporting our domestic marketing programs.

Senator CRAPO. Thank you.

Butch, do you have another round?

Mr. OTTER. Yes.

Brad, it breaks my heart that you're going out of that business, it really does. I know that it's probably what little romance there is left in the agriculture business, it's in that business, and so I feel for you and I'm sorry to hear that, I truly am, because we've had, between my ground and your ability to graze, I've had an awful lot of wildfire that I prevented, an awful lot of noxious weeds I've had removed as a result of your grazing my ground. I question or I wonder now if we do remove four million sheep in the United States and we no longer graze some of the public ground, some of the Forest Service ground, how are we going to control the $1.6 billion noxious weed backlog program that we already have just on public ground if we don't do it with your industry?

Mr. LITTLE. Well, the sheep are still there. There's a tougher guy than me that ended up with it, so he might be tougher to trade with than I was.

Mr. OTTER. My point goes back to your point that there's half a billion in China and there's four million in the United States, and to the extent that those dropped even more. We have the tendency to think of sheep as just producing meat and wool when they do a lot more, and they do a lot more good for us and especially on areas like public land. I just wanted to make that statement.

One of the problems that we've got in setting fixed rates and in setting the exchange rate is the World Bank, which we subsidize, and it seems to be we're subsidizing ourself—and I served on the

Agricultural Advisory Committee for the World Bank for two years, and we could not get them obviously to listen to our side, nor could we get the foodstuffs, the food security for the United States—was an advisory committee—I also served in—to get them to understand that we were actually subsidizing all these foreign producers.

When we hand out the billions to the people of food stamps, the people that need it, they go into that grocery store and they buy an item off that grocery store. It doesn't say Produced in the United States of America, so we end up subsidizing an awful lot of these crops from other countries. In Albertson's 67,000 square feet, 44,000 items, to the extent that some of those are foreign produced and foreign commodities, our dollars through the Food Stamp Program are actually subsidizing these foreign produces, which is—and I don't know how you sort that out, I really don't.

It seems to me that the World Bank is part of the problem, but yet the World Bank does an awful lot of good. It's kind of like AID. AID is—it causes a lot of problems in being able to sell our commodities around the world by going over and subsidizing, if you will, through capitalization, farmers in other parts of the world to compete against our farmers.

If we were, what would it look like? Who should control this on the exchange rate? I tell you right now, the Banking Committee can't control it. I think they would like to, but they can't control that, because if—unless you take all your money back and all your support away from the World Bank.

Mr. LITTLE. Well, Mr. Chairman, there are things that the Treasury Department can do to narrow up that gap, that exchange rate. They have done, you know—well, look what Japan is doing every day to try and keep the value of their dollar, their yen, low, and it would be worse, but then you go through that washout, and you go through that washout and things will equalize.

As far as trade promotion authority if the commodities are close, we're going to be able to compete market-wise, so if we get the exchange rates close, then—and get those big discrepancies out of there, then they'll buy our product because it's the best product and reasonably priced. Right now, they're not buying our product because it's so high-priced. That's the problem.

The problem with the exchange rate is there's so much debt in the United States, we've got to have that foreign money to come in and augment our debt. One thing about it, you can't wipe out that debt. It's a big problem.

That's why I left the sheep industry: I don't see any solution to it. Because I can compete on the cattle deal on the world market, I can compete on the dairy, I can't compete on the grain deal but the USDA helps me out there, but the sheep deal, the discrepancy is so wide I don't see—that's why I left is—and the fact that we're a minor crop and I know we're going to get out traded.

Mr. OTTER. Pat, and the whole panel, I'm going to get back on trade here with my remaining time because I think it's terribly important. Pat, I want to remind you of a trip that we took to Argentina and Chile and Brazil. When we hit Argentina, we had a problem getting Idaho cherries into Chile.

Senator CRAPO. There's your time.

Mr. OTTER. One of it was because—and we sat at that table and said, Now listen, why won't you adopt for Idaho cherries the brown sugar test on the—what was it, the fly or the worm or the larva that was inside the cherry and they have a brown sugar test, and we sat right there and got the deal done because we had the authority. You were there, I was there, and we had the cherry guy there.

One of the things that I've been trying to promote in House Resolution 3005 is that when our USTR people do sit there at the table—and I've talked to Ann Veneman about this and I talked to Huntsman about it in the USTR Office—is that I want a commodity person at the table when they're negotiating these agreements, because quite frankly—and I've got a lot of faith in Veneman and Huntsman, but the people they put on are trade specialists, they're not agricultural specialists, and that really concerns me that we've got somebody that sits there that eats potatoes and think they know everything about potatoes and are willing to go back on the basis of that knowledge.

If I came to a day and I could fashion a USTR final package, it would be that they never negotiate a agreement without a commodity person. Maybe it's the executive director of your national association, but we've got to have our voice at the table so that we know what all of the nuances and considerations and passions that go into these agreements.

I guess that was more of a statement.

Senator CRAPO. I'll agree with you. Well, because of time, we're going to conclude with this panel. We have other questions—at least I do; I would suspect that Butch does, and if you all don't mind, we might submit some questions to you in writing to ask if you would just supplement the record with them at some point. We'd like to thank you all for coming. Your input today and in the past and I know we will receive in the future has been and will continue to be very helpful to this committee.

Thank you very much.

Senator CRAPO. Our second panel is Perry Meuleman, sugar beet grower—and come on up as I call your name; Evan Hayes, wheat grower; Clark Kauffman, a barley grower; and Jim Evans, a pea and lentil grower.

Before we begin this panel, I mentioned earlier that Senator Craig and Representative Simpson could not be here. I've just been notified that they do have some of their staff here. Ken Burgess and Mike Matthews are here for Senator Larry Craig, and Charlie Barnes is here for Representative Mike Simpson, so we appreciate them being here with us.

Perry, why don't you begin.

STATEMENT OF PERRY MEULEMAN, PRESIDENT, IDAHO SUGARBEET GROWERS ASSOCIATION

Mr. MEULEMAN. Thank you, Senator Crapo.

My name is Perry Meuleman. I'm a third-generation Idaho farmer in Nampa. I operate our family farm that was homesteaded in 1904. I farm 560 acres of irrigated land on which I grow sugar beets, alfalfa, and small grains. I presently serve as president of

the Idaho Sugarbeet Growers, and treasurer of the American Sugarbeet Growers Associations.

Today, I'm representing over 775 farm families who raise over 175,000 acres of sugar beets in Idaho. In addition to their land and specialized equipment, our growers have a direct investment in our cooperatively owned sugar processing company. Senator, I know that you are very aware of the issues facing this Idaho sugar beet industry and have been working hard to help resolve our problems. Want to publicly thank you and your staff for all the support and hard work you have done for us.

In preface to my comments on the proposal of the sugar policy of the new Farm Bill, I'd like to re-emphasize three basic points:

First, the U.S. sugar industry is efficient and globally competitive. Beet sugar produced in the U.S. is the second lowest cost among sugar producers worldwide.

Second, the world sugar market is a dump market. The price of sugar on the world market does not reflect its cost of production. Sugar policy in the U.S. has been a proper response to the predatory trade practices of other nations.

Third, lower sugar prices are not passed on to consumers. Over and over, this fact has borne out. Low prices for farmers mean higher profits for big commercial users of sugar and not lower prices for consumers.

American sugar producers, including Idaho sugar beet growers, are in a crisis. We face economic, domestic policy, and trade policy crises that profoundly threaten our existence. Producer prices for sugar began falling in 1997 and 1998, and plummeted in 1999 and 2000. Last year, for the first time in nearly two decades, sugar producers forfeited a sitting quantity of sugar to the government. The government is no longer able to limit sugar imports sufficiently to support prices and avoid sugar loan forfeitures. Barring resolution of the import problems with Mexico, no domestic policy solution for the U.S. sugar will work.

The policy that we recommend has four basic elements:

One, continuation of a nonrecourse loan program with wheat and sugar cane loan rates increased.

Two, retention of the Secretary's authority to limit imports under the tariff rate quota system consistent with WTO and NAFTA import requirements.

Operation of the program at little or preferably no cost to the government.

Four, an inventory management mechanism administered by the government to balance domestic sugar markets with domestic demand and import requirements, and provide stable market prices at a level sufficient to avoid sugar loan forfeitures.

The Farm Security Act approved by the House on October the 5th includes most of the sugar provisions that we would like to see in any Farm Bill. We are generally pleased with its structure and only add a few changes to fine-tune it and bring it into greater alignment with the industry recommendations. They are:

A, do not renew the one-cent forfeiture penalty.

B, renew the grower bankruptcy provisions similar to those contained in the 1985 Farm Bill.

C, revise the minimum grower payment for sugar beets so that it shall not exceed the rate of payment provided under contracts negotiated by the sugar beet growers with processors.

D, clarify the methodology to be used by the Secretary to divide the beet allocations to individual companies and the transferability of all allocations.

Increase the loan rate.

We have also been asked to respond to Senator Lugar's farm bill proposal. We strongly oppose this proposal for the following reasons:

One, the bill does not recognize the need to maintain a viable sugar processing industry. Without a processor, growers are out of business.

The bill is antifarmer cooperative. By driving wholesale prices substantially lower, more money from the market will have to be kept by the cooperative to cover costs to survive, leaving virtually no returns to the grower.

The banking industry would avoid investment in our industry because of substantial higher risk and lower return.

Prices for sugar—prices for sugar farmers have been at 20-year lows for three of the last five years, and growers received no direct government payment or assistance for those losses during that time. Using the last five years of average gross farm revenue to calculate the producers' annual voucher value would set government income transfers at levels that will not sustain producers.

Five, the proposal unilaterally disarms U.S. producers against unfair foreign trade practices.

The proposal would eliminate leverage that can be used to force other countries to reform or eliminate their unfair trade practices that distort the world market.

In conclusion, thank you very much for convening this timely hearing and providing opportunity to present testimony.

Senator CRAPO. Thank you very much, Perry.

Evan.

STATEMENT OF EVAN HAYES, WHEAT GROWER, ON BEHALF OF DUANE GRANT, PRESIDENT, IDAHO GRAIN PRODUCERS ASSOCIATION

Mr. HAYES. I'm Evan Hayes. I'm a barley producer from Soda Springs, Idaho. I'm reading the testimony for President Duane Grant, president of the Idaho Grain Producers Association. Duane would like to apologize for not being here: He had a death in the family and he's at the funeral today.

Thank you for organizing this hearing and for the opportunity to provide our comments on what Idaho's wheat and barley growers would like to see included in the next Farm Bill.

The Idaho Grain Producers Association maintains a membership organization in each of the 24 largest grain-producing counties in Idaho. IGPA is the only grass-roots voluntary membership organization in Idaho whose sole purpose is to develop policy and represent the needs of the Idaho wheat and barley farmers. IGPA is active both in the National Association of Wheat Growers and the National Barley Growers Association.

Senator we've been busy doing our homework for the past three years, holding meeting after meeting with members, hammering out agreement on what is required for Idaho wheat and barley producers to survive and prosper under the new Farm Bill. The position and views I express here today are the fruit of this long debate. IGPA, along with NAWG and with the National Barley Growers Association, have presented the same information at official hearings in both the U.S. Senate and the U.S. House of Representatives.

Under the farm policy part of it, I would begin by saying we must elevate the discussion and importance of this new Farm bill to be included as part of the nation's renewed focus on security. The ability of our farmers to produce safe, abundant food for the U.S. and our trading partners is of paramount importance to the security and state stability of our citizens and our global friends. Full care and precaution should be taken in writing the new Farm bill so that we do not jeopardize the ability of our nation's farmers to supply our food.

Senator Crapo, we will use our limited time to present comments on just three aspects of the Farm Bill, the first being the commodity title. "A" under that is the decoupled fixed payments.

IGPA believes that decoupled fixed payments for traditional farm program crops must continue as part of the next Farm Bill. These decoupled payments are treated favorably under WTO rules, and more importantly, provide a much-needed measure of financial stability to producers. IGPA has endorsed the fixed payment schedule suggested by the NAWG's farm bill proposal. For wheat growers, this fixed payment would be set at 64 cents a bushel, and for barley at 27 cents a bushel.

Under B, wheat loan rate, the commodity-specific marketing loan program has served producers well under the 1996 Farm Bill, enabling producers to obtain much-needed liquidity during the marketing season; however, the caps placed for budgetary reasons on loan rates under the 1996 Farm bill are too low, in many cases not covering cash expenditures for producers. In order to provide greater liquidity to producers during the marketing season, IGPA supports an increase in the wheat loan rate floor to $2.85 a bushel.

Under the barley loan rate, barley producers in Idaho and the U.S. have been especially disadvantaged under the 1996 Farm bill because our barley loan rate has been tied to corn. This artificial lowering of the value of barley has resulted in a shift by producers away from planting the crop. IGPA, the Idaho Barley Commission, and the National Barley Growers all support a loan rate for barley that is calculated by using the same formula as for other crops. The rate should be 85 percent of the Olympic average barley price for the previous five years, with a floor of $2.04 a bushel. Without this change, U.S. barley production will continue to decline.

Countercyclical support system. The IGPA, NAWG, and National Barley all support the development of a countercyclical support system to provide stability to producers in times of serious depressed prices. We propose using $4.25 a bushel as a support level for wheat, and 72 cents for barley.

Under planning flexibility, IGPA, NAWG, and National Barley continue to support the planning flexibility that is included in the 1996 Farm Bill.

Under the conservation side of it, IGPA opposes Farm bill proposals that convert traditional program support payments into conservation payments as proposed by the Senate. IGPA policy supports conservation programs like the program you have proposed, which is very close to the proposal in the House bill.

Senator Crapo, Congressman Otter, we certainly appreciate the opportunity that we've had today to come and visit with you. You have our full testimony in the written testimony. The only thing I would like to add to make special emphasis to, if it is at all possible for us to complete this Farm bill in this year, it would certainly be advantageous to the agricultural industry of Idaho.

Thank you.

Senator CRAPO. Thank you very much, and we understand that too. Clark.

STATEMENT OF CLARK KAUFFMAN, CHAIRMAN, IDAHO BARLEY COMMISSION

Mr. KAUFFMAN. Senator Crapo, Representative Otter, it's a pleasure to be here today and provide this Idaho Barley perspective on the new farm Federal legislation.

My name is Clark Kauffman. I farm in Twin Falls County. I grow barley, hay, alfalfa seed, beans, sugar beets, and sweet corn. I also currently serve as chairman of the Idaho Barley Commission, an organization that represents nearly 5,000 barley producers in research, market development, grower education, and policy formulation. We are also members of the National Barley Growers Association.

US barley harvested acres have plummeted 18 percent this year to under five million acres, the lowest in 50 years. I guess our message today is simple: U.S. barley is fast becoming an endangered crop. With acreage steadily declining in the past 15 years from 13 million acres to less than five million today, this is largely the result of inequitable Federal farm supports that favor competing crops in our traditional northern growing regions, and today we'd like to invite you to help us restore equity to the Federal Barley Farm Program, specifically in the Marketing Assistance Loan Program.

Modification of the Marketing Loan Program is the top priority of the National Barley Growers Association for very good and transparent reasons. Without these adjustments, Federal farm programs will continue to provide economic incentives to shift barley acreage into wheat in the Western United States, and into corn and soybeans and other oilseed crops in the Northern Plains.

The National Barley Growers Association has proposed a simple solution, as Evan said. The barley rate should be decoupled from corn. Instead, it should be based on 85 percent of the most recent 5-year Olympic average of USDA's all-barley price. We believe this is the simplest and fairest way to put barley on the same footing as other grain crops, and will go a long way in removing the current planting disincentives that are crippling the U.S. barley production.

I guess the main point I want to state today is that it is both inappropriate and unfair to continue to base the barley marketing loan rate on barley's feed value in relationship to corn. The reason for this is because barley is a food crop as well as a feed crop. In fact, more than half of the U.S. barley crop is expected to move into malt and food channels, and this higher value is totally ignored by the barley loan rate formula that we have now. Recognizing the true market value of barley, however, should not be an excuse to create a separate rate for malting and feed barley. Such a two-tiered rate system would be totally unworkable and is not required of any other program crop.

National Barley Growers Association urges a marketing loan floor be established at $2.04 a bushel, and urges the committee to adjust that rate upward appropriately if other rates are rebalanced in the new Farm Bill.

Unfortunately, the House-passed Farm Security Act of 2001 didn't take these necessary adjustments—didn't make these necessary adjustments—in the barley loan rate, and, in fact, we think they took a step in the wrong direction by establishing a separate loan rate for feed barley and malting barley. We urge the Senate Ag Committee to take immediate steps to modify the barley loan rate provision.

Finally, we urge the Senate Ag Committee to establish a new Marketing Loan Assistance Program for peas and lentils also.

On trade promotion tools, we strongly support the provisions in the House bill to boost the funding authorization for both the Market Access Program and the Foreign Market Development Program. We'd like to encourage the committee to go one step further though and make sure that the funds that are authorized for the Export Enhancement Program but which remain unused during the course of the Federal fiscal year be redirected to other useful export programs. These could include the MAP and the FMD programs, as well as specific tools such as the Quality Samples Program. We'd like to urge you to include specific language directing the Secretary to transfer unused EEP funds midway through the Federal fiscal year to other appropriate Green-box type export programs that will help move U.S. grains and oilseeds into world markets, including all grains and oilseed crops and their products. We would welcome the opportunity to work with you on specific language that would enable us to work—put these funds to work for U.S. grain farmers, handlers, and exporters in this great country.

In summary, the barley producers support the continuation of the Market Loan Assistance Program but at a more equitable rate for barley and decoupled from corn, the continuation of fixed decoupled payments, and the development of a countercyclical program similar to the House-passed bill.

I want to thank you for the opportunity to bring this testimony to you today.

Senator CRAPO. Thank you very much, Clark. Good timing.

Jim.

STATEMENT OF JIM EVANS, CHAIRMAN, USA DRY PEA & LENTIL COUNCIL

Mr. EVANS. Thank you, Senator Crapo and Representative Otter, for the opportunity——

Senator CRAPO. Pull that microphone a little bit closer.

Mr. EVANS. Excuse me. I want to thank you for the opportunity to speak today, both Senator Crapo and Representative Otter.

My name is Jim Evans. I'm a fourth-generation dryland farmer from Genesee, Idaho. I produce wheat, barley, dry peas, lentils, and chickpeas on my farm. I am the chairman of the USA Dry Pea and Lentil Council Grower Division, and it is an honor for me to present this statement on behalf of the nation's dry pea, lentil, and chickpea industry.

My statement today is the reflection of the Council's desire to be included as a full and equal program crop in the 2002 Farm Bill. Dried peas, lentils, and chickpeas—pulse crops—should be treated equitably and included for eligibility in the continuation of the Marketing Loan Program and production flexibility contracts, as well as any new countercyclical or conservation-based programs.

Dry peas and lentils are facing historically low prices. Since 1996, dry pea prices have dropped 49 percent, lentil prices 42 percent, and chickpeas 25 percent. This dramatic price decline has forced farmers to shift acreages into program crops that have a safety net, such as wheat and oilseeds. Production of dried peas, lentils, and chickpeas will continue to decline if these crops are not included in the 2002 Farm Bill.

Planting flexibility. One of the positive outcomes of the 1996 FAIR Act was increased planting flexibility. The Council fought hard to include dry peas and lentils as an eligible crop under the 1996 Farm Bill. We asked to be included as an eligible crop because we believed that farmers needed to have planting flexibility to respond to market signals and maintain a good crop rotation. Our crops are subject to the same price volatility as program crops, but without the safety net to assist us when times are rough.

Acreage shift. We estimate that our industry pumps over $100 million into the rural economy of the Pacific Northwest. The dry pea and lentil and chickpea industry competes with spring wheat, spring barley, and spring canola for acreage. The table below shows that our industry is losing the fight for acreage in the Pacific Northwest. Since the 1996 Farm Bill, acreage has shifted to spring wheat and canola, and the Pacific Northwest has increased the loan deficiency payments by over $3 million. Prices are low for all of these commodities. The difference is our industry does not have a safety net in periods of low prices. The importance of establishing a safety net for our crops is critical to the short- and long-term health of the entire dry pea and lentil and chickpea infrastructure.

Operating loans for pulses. Agriculture loan officers across the state are encouraging farmers to cover their risk by planting program crops. Many growers are reporting that bankers are refusing to loan money to plant dry peas or lentils because it does not have a Marketing Loan/LDP Program.

Recommendations. The U.S. Dry Pea and Lentil Council supports the inclusion of a Nonrecourse Marketing Assisted Loan Program for dried peas and also chickpeas in the next Farm Bill. The mar-

keting loan for these legumes should be equivalent to the other crops in the program. Based on current loan rates, we support Senate Bill 977, co-sponsored by Senator Craig, Senator Crapo, and other senators across the northern tier.

Loan deficiency payment. Establishment of the Market Loan/Loan Deficiency Payment will allow growers to respond to market conditions while taking into consideration a sustainable crop rotation. Without a Pulse Marketing Loan/LDP Program, acres will continue to shift out of legumes because it does not provide a safety net in periods of low prices. The Council estimates the cost of an LDP Program to be about eight and a half million dollars.

AMTA payments. The USA Dry Pea and Lentil Council supports being included and treated equally with other program commodities in a continuation or reformulation of AMTA-type payments in the next Farm Bill. The Council recommends that the next Farm bill include guaranteed payment for dried peas and lentils and chickpeas equal to the value of these commodities compared to other commodities receiving an AMTA payment. We support the 1999 AMTA payment as a baseline.

Countercyclical programs. The Council supports the concept of a countercyclical program. If Congress decides to pursue this form of payments, the Council recommends that dried pea and lentils, chickpea farmers, be included and treated equitably with other crops in this program. If we use the House Countercyclical Program as a model, we recommend that target prices be set at the following rates: Wheat, target price of $4.04 a bushel, on the average of 1996 to 2000 marketing years.

Conservation Title. Pulse crops provide an excellent rotation crop for wheat, barley, and minor oilseeds. The plants fix nitrogen in the soil and help with weed management, and break disease cycles in cereal grains like scab and foot rot. Field burning has become a major issue in the Pacific Northwest, and with the continuation of planting more cereal crops, field burning is increasing in the Pacific Northwest.

In conclusion, I'd like to say that we support the National Wheat Growers Association to improve wheat and barley loans. Our organization joins with them in support of a floor rate of 2.85 per bushel and a loan rate for barley based on $2.04 a bushel.

In closing, I want to say we need to get peas and lentils and chickpeas included in the 2002 Farm bill to give us a good rotation and good farming practices.

Thank you for your time.

Senator CRAPO. Thank you very much, Jim.

We'll start the questions this time with Representative Otter.

Mr. OTTER. Thank you very much, Mr. Chairman.

I want to thank the panel for being here this morning. It has been an educational process for me, especially in the dry pea and lentil and chickpea industry. Although I'm familiar with it, I've never produced those crops or never dealt with them directly. I do have a couple of questions, and if anybody on the panel feels like they want to put some input to this——

Perry, you said your No. 3, or "C," I guess I should say, was that the support payments not exceed the sugar beet price negotiated between the growers' association and the processor. Explain to me

what you meant by that. Do we have—maybe I should ask, do we have a situation where the government support payments have gone over what the negotiated price was?

Mr. MEULEMAN. Yes, on what the processors borrow the money through the CCC at a certain rate, and if you set a limit over what they can borrow, then they have to go elsewhere. It just puts the added burden on the financial part end of it, and we just feel like that's an added burden that we can't have right now.

Mr. OTTER. I see.

Clark, in the barley, do you have that same problem in the barley?

Mr. KAUFFMAN. I don't think so.

Mr. OTTER. In other words, if we satisfied Perry's problem—if there is a way to satisfy that—if we satisfied it, do we cause a problem then for the barley folks?

Mr. KAUFFMAN. I'm not sure I understand Perry's problem.

Mr. OTTER. Well maybe I don't either.

Mr. MEULEMAN. Well, maybe I don't. Typically——

Mr. OTTER. Now we're really in trouble: Nobody understands it.

Mr. MEULEMAN. Well, when they borrow the money to CC to start with, you can only borrow money on crystalline sugar.

Mr. OTTER. I see.

Mr. MEULEMAN. You've got to have that in storage. At the start of the season when the payments come due and, you know, October, November, that you haven't got the sugar, the syrup, processed in crystalline sugar to put enough of that under loan, so if they—when the payments come out, if you have to pay more than what you've got to be able to have in your storage tanks, it presents a problem. That's why we kind of would like to have it be able to borrow on syrup.

Mr. OTTER. Your price then is set on a partially processed commodity.

Mr. MEULEMAN. Yes.

Mr. OTTER. Your price would not be.

Mr. KAUFFMAN. That wouldn't affect us, no.

Mr. OTTER. All right. Now I think I understand the problem.

Let me ask you a question on malt barley versus feed barley. Is there a difference—tell me what it costs to grow an acre of malt barley.

Mr. KAUFFMAN. I could tell you that——

Mr. OTTER. Let me tell you why I'm asking this question.

Mr. KAUFFMAN. Yes.

Mr. OTTER. If we're talking about two different kinds of barley and we're setting the price different on two different, is that a reflection of the cost of production, or is that just a reflection of the market forces?

Mr. KAUFFMAN. That's a reflection of the market forces. The thing you've got to remember, that the unfairness of the two-tiered system is I grow malt barley, but if my barley is rejected, it's feed barley. You've got one commodity, the same input costs, just a different end value, market value, because it's going for a different use. The two-tiered system is a bad idea.

Mr. OTTER. OK. I understand that now.

Jim, what would your proposal for dried peas and lentils and chickpeas look like? Would it look like the other commodity programs?

Mr. EVANS. Pretty much what we've gone over. We've went with models on the countercyclical program to—off the House models. We haven't come up with our own specific proposals because we're not in a program with anything yet, so it's kind of hard to come up with our own specific ideas.

Mr. OTTER. What would your floor price be on those three commodities?

Mr. EVANS. Basically on the loan rates, we're looking at $5.83 a hundred for dried peas, and 11 cents a hundred for No. 3 lentils, and 15 cents for large Kabuli chickpeas, and smaller Desi types would be seven cents.

Mr. OTTER. OK. Thank you.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you very much.

Let me start out by saying, Perry, with regard to your testimony on the sugar program, as you know, we've been in one context or another battling over the sugar program on a yearly basis for, well, at least the last nine years since I've been in Congress and probably enter 20 years before that, and I assure you that we are working very hard to make certain that the U.S. sugar policy remains strong and stable in whatever the Senate does do, and appreciate the very helpful suggestions that you've made in terms of how it can be improved; and that any actions that we take in the Senate should be aware that we, one—I know you are aware, but we're working closely with the U.S. Trade Representative and Department of Commerce to make sure that they adequately protect us in the predatory things that we're seeing come out of Canada and Mexico right now. I appreciate the very excellent testimony you provide, and I just want to tell you that it's been heard in the Senate and we're advocating that.

Mr. MEULEMAN. One added on there that the Craig-Breaux Bill I think is essential——

Senator CRAPO. Yes, I agree with you.

Mr. MEULEMAN [continuing]. To stop circumvention of the sugar.

Senator CRAPO. Yes. That's the molasses.

Mr. MEULEMAN. Yes, the molasses. I feel like we don't have the legislation, but somebody will figure out how to go around it.

Senator CRAPO. Right. I just want to ask a couple of questions with my remaining time to anybody on the panel who would like to respond.

The dynamic we face right now is that the administration has rejected the general approach of the House bill by saying that they think our existing commodity programs distort markets too much and don't give the needed help to the right places in the agriculture community, and they have some other objections as well. In the Senate there are those, as you know—Senator Lugar, for example—who share that perspective and who has, himself, put out a proposal which phases out the commodity programs.

I'd just like to know what the perspective is for those of you on the panel with regard to that entire issue. Should we try to stick with—do you think that our best objective here should be to try to

stick with the existing programs and maybe try to refine a little better, get the dollars where they need to be in a little better way; or should we try to start thinking outside the box to see if there is a better approach to getting the resources where they need to get? Anybody have an opinion there? Evan.

Mr. HAYES. Oh, I certainly would support the program passed by the House, the three-legged-stool approach of fixed payment to loan rate and countercyclical. This year, I could give you a personal experience.

I did take revenue assurance insurance on my farm. Dry year, you know, I thought that was going to be a necessary item. We had an unusually good crop for the weather that we had; however, just before harvest, we had a hailstorm, and none of my farms north of Soda Springs was spared without having hail. I thought probably out of my pocket, probably about $40,000 out of that crop came out of my pocket to a loss; however, the insurance coverage that I had did not pay a dime, because of the fact that the crop was a fairly good crop. It was above—still above my average yield.

Now, under thinking outside the box, are these coverages covering the real crop that we have, or are they simply trying to cover the bases? I understand with the problems that we have with the people molding the rules to fit themselves it's difficult to do, but from the producer perspective, you know, we need to be insured for what we produce. In other words, going back to the three-legged approach, the AMFA ends up in our pocket and we keep it. The countercyclical is a downside coverage. The loan gives liquidity. That's why we support the NAWG proposal, or the three-legged approach, so completely.

Senator CRAPO. Thank you. Anybody disagree with that or have a different perspective on the panel?

I do want to just say to both Clark and Jim that your testimony as well—and, Evan, we've been working very closely with the NAWG proposal and I understand that very well. I do agree and I assume Representative Otter doesn't have any beef with it either, the problem, the issue, of including barley and including the other crops that we need to include to make sure that we aren't essentially driving production from one area to another and not achieving the objectives that we want to achieve in our farm policy.

Let me just ask each of you the question I asked the other panel with regard to trade promotion authority. I won't go through the whole routine——

I guess I got my question started before the time ran out, so I can toss it out there.

Mr. OTTER. You're the Chairman.

Senator CRAPO. Yes, that's correct. I've got the gavel. Right.

Is it time to give the administration trade promotion authority, or should some of us who have those concerns about whether the negotiators for the United States are truly going to do the job well enough that we can relinquish Congressional oversight, were those concerns valid? I'm interested in your perspectives on that, if any of you have any.

Mr. MEULEMAN. Well, I think at this point in time, I can't see that we can give him the trade authority on the reason on our past

trade agreements. I think before we go in certain perimeters that we've got to clean up the mess we've already got.

Senator CRAPO. Well, the sugar program is certainly evidence of that.

Mr. MEULEMAN. Yes. The other thing I think very strongly of, I think we, as American farmers, have been shortchanged from our negotiators, and I think some of the negotiators really don't understand what we, as farmers, need, and as well we can see now. At this point, I think we've got to clean up the matter before we start on a new one.

Senator CRAPO. Thank you. Any other answers and perspectives? Yes, go ahead, Clark, and then Jim and then Evan, if you want to continue, you can.

Mr. KAUFFMAN. I don't disagree with Perry, other than the fact that I think trade promotion authority should be granted. I like what Congressman Otter said: Put a commodity person at the table negotiating these. I don't think if we don't have trade policy authority, it's going to be hard for the United States to exert its leadership in these policies. We need to remember that it's just authority to negotiate trade, it's not the final agreement. That always comes back to the economy. As long as we have some guarantees with the commodity person at the table to represent ag's interest, I think we should go ahead and grant the authority.

Senator CRAPO. OK, Jim.

Mr. EVANS. Our organization supports the TBA authority, but the present administration came out at the summer's recess and said that farmers are better off than they were a year ago. That's not, in my particular business, it's not true.

The way that the administration's come out with their ag policies that we haven't seen, how could we endorse something that we have no idea what their ideas are? Yesterday, President Bush came out with his press conference that he should have TBA because the previous presidents had it. There was no reasoning beyond that to—I want to see more before I buy into it.

Senator CRAPO. I understand. Evan, if you have anything else to add?

Mr. HAYES. I was just going to say I certainly second what your feelings are on it that we can support it—didn't say that we did, but we can support it—as we watch the administration and we see the direction that we want to go with it, and I think we just have to be a little cautious about this one, a free hand.

Senator CRAPO. Thank you.

Did you want another round?

Mr. OTTER. I've just got a couple things, very short, Mr. Chairman.

Let me make it very clear in—and I was not successful as far as the House, I have not been successful, and I am hoping that perhaps I can get me a champion in the Senate to include that. It's not unprecedented, because Mike Crapo and several others in the Senate on the loan, on the moneys that we gave to the World Bank to provide for moneys to go to Korea, we set a very important precedent there on our relationship and on that agreement, and none of that money could be used to bail out the high-tech chip industry in Korea. I've been told right now by the USTR that it's

going to take about six and a half billion dollars in new money in the chip industry in Korea in order to get Hynix back up and running. The only place they can—I don't know of an investor that would invest in a company—or, in an industry that's already lost $5 billion, is $11 billion in debt, and needs another six and a half billion dollars in order to just get up and running. The only place they can get that money happens to be the stopgap that Mike Crapo—or, that Senator Crapo and his colleagues in the Senate put in in that case. That's frankly where I got my idea of putting a negotiation at the table. A trade agreement is a treaty and it's a treaty that outlines the rules by which we're going to engage in Congress, and that's why it has to come back to the House—or, back to the Congress.

It should not be unusual when we negotiate a treaty at the end of embattlement we have the right kind of people sitting at that table, saying we're going to take care of nuclear waste here and bioterrorism here, and all of the nuances that go into the final package, the final agreement to bring peace, and I think that's—we ought to—we ought to duplicate that when we have a trade agreement.

My trade agreement, Perry—and you're the only one I've got to work on here. I'm kidding.

Mr. MEULEMAN. I wanted to clarify one point here: I stated I couldn't approve it now until some of these conditions were met. I didn't state I never would.

Mr. OTTER. Yes. Senator Craig's bill is fashioning a reasonable approach to some of those problems that we've had in the past. Quite frankly, I have to tell you that had I been a Congressman in the 1990's, I would not have given that administration—because as Evan knows at least in serving on the House and chairman of the Commodity Commission for the state of Idaho in trade and following NAFTA, GATT, and Canadian free trade and all the rest of our efforts to engage in commerce from around the world and all the problems we had, we could never get the administration to budge on it. They wanted a cheap food policy in the United States but they didn't want to pay for it. They got the cheap food policy, and you all paid for it and are continuing to pay for it.

I just want to make that point that on trade, I think it's important that we know what the rules are, but that the people who know the disciplines that's needed know that all of the other nuances that approach these things, are setting at the table as well and say that won't work, so that when they do bring it back to Congress—because we've got a lot of people in Congress that's never engaged in international trade, unfortunately, and they would probably be willing to accept most of those packages carte blanche. We need to set that in now, and I'm hoping that when the Senate gets with it after we pass it—and I believe we will and I believe it will be next week, but I don't believe it will have the Otter Amendment attached to it because I think we've got a closed rule coming.

With that, I just wanted to make it clear where I was coming from and why I was trying to establish that as a precedent, and that I was actually using our high-tech agreement in the loan mon-

eys that we provided to Korea as a predicate to the final trade agreement.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you. Let me just say I see this trade promotion authority as one of the most difficult decisions that we have to make, and probably in the short term if we can get it to the floor of the Senate as well for all the reasons it's hard for every one of the panelists to answer my question, because there are really good reasons that we need to give the President trade promotion authority. But, in the end, if the President comes back to us with another agreement like we've seen in the past, we will rue the day that we ever put that on the floor of the Senate or the House because even though we do get to vote on it, the reality is at that point it's pretty much a done deal. You know, we can't change it and we pretty much can't stop it. I have been waiting for the time and trying to create the time when we could have the confidence in the United States Trade Negotiators and the Department of—Department of Commerce that we could feel like we could give them that kind of authority. I want them to have that kind of authority and I want to vote for it, and I may vote for it, but I really struggle.

I do have to tell you I was in Seattle with the last effort to jump start the WTO negotiations, and you all know the kind of riots and everything that took place there. Following Seattle, there was a tremendous amount of criticism of what went on there, saying that it was a failure, and in some ways I think it was. Frankly, I think that the administration came out and tried to insert some issues into the negotiating process that caused a tremendous amount of difficulty worldwide and so forth.

I felt there was one very dramatic element of success in Seattle that was totally overlooked, and that was for the first time, in my experience, the United States walked away from the table without caving in. The reason, notwithstanding the riots and notwithstanding everything else, the reason we did not have a so-called success, meaning that we didn't come away from Seattle with a deal—was because Europe and Japan and—the European Union and Japan—walked away surprised that they hadn't been able to get from the United States what they had gotten every time in the past, and that was concessions on agriculture that would give them the kind of incredibly imbalanced trade negotiation postures that we're now dealing with in the United States. I was starting to feel that we were getting to the point where the administration is setting a track record and maybe we could trust these guys to stay tough.

Now we've got a new administration and we just haven't had enough of a new track record with the new people for me to feel totally confident. On the other hand, I'm more confident in general in this administration. I'm just kind of thinking out loud with you about where I'm coming from and that's why I'm asking this question, and I won't go into it in as much detail in the future, but I'm going to ask the other panelists today their perspective on it, because hopefully at some point we're going to get a chance to vote on it in the Senate.

Anyway, I don't have any other questions. Do you have any other questions?

Mr. OTTER. Get this machine.

Senator CRAPO. President Bush doesn't allow cell phones in his meetings.

[Laughter.]

Senator CRAPO. I can't do that because I've got staff here with cell phones and there are people all over here trying to conduct business, which is what we do.

Anyway, I thank this panel, and I appreciate very much the attention and the advice that you have given this issue, and we will seriously consider it.

Thank you.

Senator CRAPO. Our third panel is only going to be two people, and that is Dennis Vander Stelt who is with the dairy industry, and Eric Davis with the cattle industry. I suspect that this panel will probably take us up to around noon, maybe before that. We have planned a break at noon, and we actually have to do that for a short period of time, like maybe a half hour, so for the fourth panel I—just so you can get a feeling on timing, we might be able to get at least the testimony of the fourth panel in before noon, it just depends on how fast things go, and then do the questioning at around 12:30 or so. Or we may just start the fourth panel right at 12:30, but I don't think that we will be able to finish the fourth panel before we have that break at noon that we are going to have to take.

We're going to take a very short break here while our court reporter changes paper.

[Recess.]

Senator CRAPO. OK. Dennis, would you like to begin?

STATEMENT OF DENNIS VANDER STELT, UNITED DAIRYMEN OF IDAHO

Mr. VANDER STELT. Yes, thank you. Thank you, Senator Crapo, Representative Otter, members of the Idaho delegation for holding this hearing and inviting me here today.

My name is Dennis Vander Stelt, and my brother and I own and operate a dairy farm in Kuna, Idaho. My testimony today is on behalf of the United Dairymen of Idaho. That's a joint board of the Idaho Dairy Products Commission and the Idaho Dairymen's Association.

Dairy has now become the largest agricultural enterprise in Idaho, and we have also been the fastest-growing dairy state in the country. First, I'd like to say that my testimony today reflects a need for government involvement in the dairy market to assure long-term stability for producers, processors, retailers, and consumers alike. We are in a cash-intensive business producing a highly perishable product. An adequate dairy producer safety net implemented fairly, and on a countercyclical basis, is critical for the survival of our dairy families.

The key element of a dairy producer's safety is the Dairy Price Support Program. United Dairymen of Idaho supports a long-term extension of the Dairy Price Support Program at 9.90 a hundred weight for the duration of the next Farm Bill. Experience has taught us that the 9.90 support price is the right level to provide an effective countercyclical safety net without the danger of stimu-

lating overproduction. No other proposal for a dairy producer's safety net that we have seen to date offers both of these advantages.

If I could refer you to the charts on Appendix A, maybe you can better understand the problem we face as producers.

Due to better management, genetics, et cetera, production per cow has risen 21 percent over 10 years.

The next chart shows a total production increase of 14 percent over those same years, which is approximately what consumption of dairy products has increased.

In order to balance the supply that can grow faster than demand, Appendix B shows that it has required a reduction in milk cows, which, in turn, reduce dairy producer numbers.

The bottom line is that we will either have to increase sales of dairy products faster, or continue to reduce cow numbers and dairy farmers.

With this market dynamic, Idaho is still growing at a brisk pace. The last Farm bill required a major overhaul of the Federal milk marketing order system, and that work was only completed last year. With the Class IV powder correction made by Secretary Veneman this past June, we feel that this program is good for Idaho.

I need to make a correction. There was a lawsuit under the Federal milk marketing order yet that was still pertaining to that. USDA came out either yesterday or day before yesterday with a recommended final rule. Our dispute was over the butter formula in the Class III cheese, and USDA's correction to that will probably increase producer pay prices on cheese in Idaho by about 25 cents per hundred weight in the future. We are very happy with that.

OK, a critical factor in helping make the Dairy Price Support Program work, however, is recognizing that U.S. dairy producers are being disadvantaged by low-cost, often-subsidized, imported products in the form of milk protein concentrate. These imports increase the amount of product the Commodity Credit Corporation must purchase by displacing domestically produced nonfat dry milk powder. United Dairymen of Idaho encourages the committee to support Senate Bill 847, which would establish tariff rates and quotas for imported MPC. This legislation is very generous in the amount of product that could come into the country with no tariff, because nonfat powder cannot substitute in every application.

The legislation is also consistent with our commitments under international trade agreements. MPC is simply a product, but for all intents and purposes did not exist when those trade agreements were negotiated. Enacting tariff rate quotas for products that were not anticipated in trade negotiations is entirely fair, and fairness to U.S. dairy producers is what S. 847 is all about.

Industry experience shows that—a 600-percent increase in imported MPC over the past six years. Even worse, however, is that MPC came into this country at its highest rate in the year 2000. U.S. producers saw the lowest milk prices in two decades. Undoubtedly, those unrestricted imports contributed to lower milk prices here, kept them lower for a longer period of time, and resulted in increased purchases of nonfat powder by the CCC. To solve this situation where producers and taxpayers both lose, simply agree to play fair with us and pass Senate Bill 847.

United Dairymen of Idaho also want to go on record in strong support of continuing the Dairy Export Incentive Program, Beef Program, and increase in Market Access Program funding to help us do a better job of increasing consumption.

In the animal health area, we would appreciate your full support of the Johne's Program. Also, the EQIP Program.

Is my time up?

Mr. LANCASTER. Yes, sir.

Mr. VANDER STELT. If you have any questions, I'd like to help you out.

Senator CRAPO. Thank you very much, Dennis.

Eric.

STATEMENT OF ERIC DAVIS, PAST PRESIDENT, IDAHO CATTLE ASSOCIATION, CURRENT VICE PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION

Mr. DAVIS. Thank you, Senator Crapo, Representative Otter. Appreciate the opportunity to be here today. I'm kind of wearing two hats today.

My name is Eric Davis, and I'm a rancher in a family operation, cow-calf feedlot farming operation down in Bruneau, but today I'm representing both the Idaho Cattle Association and the National Cattlemen's Beef Association in my testimony here. I had the opportunity earlier in the year to testify before the Committee on behalf of NCBA, so my introductory remarks will be, I hope, very brief. Arlen might have to flag me down once I get going.

I again appreciate the opportunity to be here. I'm not as organized as I should be today, and so forgive me as I bounce around a little bit.

In terms of the beef cattle industry in this country, I think our position has been well known and hasn't changed a lot over the years regarding the commodity program part of the Farm Bill, the various Farm Bills as they have come along. We believe firmly that they should be as market-oriented as possible. Understand that there have been problems in the past between commodities. I guess our bottom line has been and remains today we feel that the last Farm bill was an improvement over the one prior to it in terms of removing some of those inequities, but again, our bottom line will be that we don't do anything in the commodity part of the programs or the commodity title that balances one segment of industry's books against another. We don't want to be hurt by the program, nor do we want other commodity producers to be hurt by placing unfair advantages or disadvantages, one against the other.

With that said, we are keenly interested in and supportive of the conservation title of this Farm bill as it was passed in the House, and your efforts in the Senate, Senator Crapo, we greatly appreciate. We do think—and that's detailed in the written testimony.

We strongly support doubling of the ag research funds to the 2.4 billion per year over the next five years, with a lot of that—well, $350 million for an update of the Ames research center for diagnostics and surveillance and whatnot. I think some of the world situations that we've seen in the past year or last 10 years that we've been preparing for indicate that we need to stay up to speed in those areas.

We see a need for an overhaul of the EQIP Program so that it works more efficiently at helping people implement those regulatory—helping us respond to regulatory programs that we are seeing come down the road more every day.

Also, especially dear to our ICA is we agree in the Livestock Assistance Program that the administration of those disaster programs need to make or look at a major overhaul to get those decisions more closer to the local level.

With that, before I get flagged out, Mr. Chairman, I'd be happy to respond to questions, and sincerely appreciate being here today.

Senator CRAPO. Thank you very much, Eric.

Let me start out first with you, Dennis. You know, one of the questions that we continuously deal with under the EQIP Program is there are those in Washington who feel that the funds are going to the corporate farm, so to speak, or that the small operators are not getting the adequate mention under it. And, you know, we are aware that—my understanding is that in Idaho, that the size of the herds in the dairy industry is much larger than some of the limit levels that are being discussed in Washington. Could you discuss with me a little bit about what the—I don't know if you know averages, but what the size of the operations in Idaho are that we are dealing with?

Mr. VANDER STELT. Right now, the average dairy size is about 389 cows per dairy. Approximately. One of the problems that we have with EQIP and most of these programs is, as you say, they are geared toward the smaller producer. Consequently, there's caps in the EQIP fund.

For instance, in my situation, we were milking about 700 cows and looking at totally redoing our whole waste management system under the Clean Water Act. I was looking at a project in excess of $150,000. To justify that type of an expense, I expanded to 1,200 cows to make sense out of it. Where it's capped and because of our larger size dairies, yes, we need—if you're going to help, the caps for sure need to be either eliminated or increased.

Senator CRAPO. Your position would be to eliminate the caps?

Mr. VANDER STELT. Yes.

Senator CRAPO. Best solution will be to eliminate the caps, and that way you can help all of the operators here in Idaho. I assume what you're saying is that you think the caps don't really achieve the objective that they're seeking in the first place.

Mr. VANDER STELT. No, for most dairymen in Idaho with this cap, they wouldn't even bother to mess with it. They would do their own entirely.

Senator CRAPO. All right. Do you have any suggestions at all—if not, then just waive the question or whatever—but do you have any suggestions at all as to a better way for us to price the Class III milk that we're currently using?

Mr. VANDER STELT. No. I am president of Western States Dairy Producers Trade Association, which is the seven western states. We hired an attorney to present testimony at the hearing in Virginia on Class III form pricing, spent a lot of time on this issue. The truth of the matter is what we have under Federal milk marketing orders where we have a deliberative process as in this process, we have an attorney, you have a judge presiding, and testimony is

given under—and it is testimony that you swear an oath to tell the truth. It's a very deliberative process. That's really important that if you want to determine what your milk is worth based off of cheese, you need a process like that that's honest, it has a lot of integrity, and it's transparent.

I do believe we had some problems with as regards Idaho under Federal milk marketing reform on the Class III issue. For the most part, they have been resolved because of that deliberative process, and I think at this point Idaho is looking very good and that's why we started to recommend that.

Senator CRAPO. Thank you.

Eric, let me ask you a question about the country of origin labeling issue. How does it work under the proposal that you're supporting in terms of identifying beef that is American beef, basically? I mean, isn't there a question as to how you determine what qualifies and what doesn't qualify?

Mr. DAVIS. Yes, Mr. Chairman, there is, and that's a conundrum that the industry is in and there is not widespread consensus within the industry. I'll be the first to admit that.

Senator CRAPO. Well I'm glad to know that, because I'm sitting here trying to figure it out myself and I'm not feeling so bad now, but go ahead.

Mr. DAVIS. I would say that there is consensus from the consumer right to know standpoint to label our product as US-produced. There is consensus that that's not a bad deal.

I—where the hang-up in the industry is—and my two-hat approach here today is going to get me in trouble right now, because the two organizations I'm sitting here for have somewhat different polices—comes down to the definition of what is U.S. beef, and from the National Cattlemen's perspective, that definition is different between a voluntary program and a mandatory program. From the Idaho Cattlemen perspective, their definition is 90 days or more in the U.S. would qualify as U.S. produced.

That is acceptable to other parts of the industry on a mandatory basis, but on the voluntary program that we also have a policy in support of, under strictly a voluntary system for fresh muscle cuts and including all other meat products, not just beef, then we had, well, that, and I think it's going to hold consensus on born, raised, and processed.

Senator CRAPO. Born, raised, and processed in the United States.

Mr. DAVIS. On a voluntary basis.

Senator CRAPO. All right.

Mr. DAVIS. The identification part of that, how to track that through, frankly, I think that's why—and I'm speaking as an individual now that's watched that and been involved in it, not a policy position from either one of the groups I'm representing—but the ramifications of what we may do here in a mandatory program, I don't believe the industry is ready for it, personally. I don't think we've thought it through far enough in terms of whether we go beyond fresh muscle cuts and include ground beef. Our latest experience with the mandatory program that we ask for on mandatory price reporting, if we don't think this through very carefully before we go mandatory, I'm afraid we might not get where we're trying to get. I personally would rather see us take the voluntary ap-

proach at this point, let us work some of these bugs out, before we jump into a mandatory system.

Senator CRAPO. All right. I have another couple of questions, but my time is up and I'll go to Representative Otter.

Mr. OTTER. Dennis, when I was growing up, we milked about 84 head of cows, nothing like, obviously, the operations are today. I think our yield was probably around 52 pounds and about three-eight butterfat, because we mixed Jerseys and Guernseys in with Holsteins. The Holsteins gave us the volume.

Mr. VANDER STELT. Right.

Mr. OTTER. The Jerseys and Guernseys gave us the butterfat.

What is the per-cow—I didn't do the math; I should have done the math myself—what is the per-cow production today?

Mr. VANDER STELT. In nationwide, it's about 18,000-pound average, and in Idaho, it's about 20,000-pound average.

Mr. OTTER. What would that be, 100—little over 100 pounds a day?

Mr. VANDER STELT. No, it wouldn't be that high. The national average would be on 18,000 pounds of milk probably 60 pounds of production per day. Idaho's average would be closer around 68, 67.

Mr. OTTER. I'm glad I didn't try to do the math. I was really off.

What's the butterfat content?

Mr. VANDER STELT. Oh, I generate around three-five, three-six, but we run all Holsteins.

However, we are seeing because of Federal milk marketing order reform and they no longer pay you for your nitrogen—you know, like a urea-based nitrogen, not a protein nitrogen, there we go, they have tests done, they discount not protein nitrogen—Jerseys are coming back big time, because Holsteins do run a little higher.

Mr. OTTER. The reason I go to that question, because I also noticed that there are probably not very many 84-head dairies left.

Mr. VANDER STELT. Not a lot, no.

Mr. OTTER. Dennis, the last time we had tried to reduce the herd, what we did was called the poor producers and then we butchered them and gave them to Eric's industry, more or less a little competition. In an effort to settle one problem, we created disaster in the beef industry.

How would you propose that we would do it this time, because if you mentioned a dairy—maybe you didn't mention the term "dairy buyout," but "reduction in herd size." How would you propose that that be done without something similar to the disaster that we had last time?

Mr. VANDER STELT. Actually, Representative Otter, what I was saying is that the herd continues to decrease on a national basis under Federal milk marketing orders.

When we did the buyout, there was approximately 11 million dairy cows. Currently, there are 9,085,000. There has been just about 20 percent reduction in dairy cows.

Mr. OTTER. What was the per-capita production, per-cow production, when we had the dairy buyout?

Mr. VANDER STELT. Probably around 15,000 or 50 pounds a cow a day, 15,000-pound average.

Mr. OTTER. The rest of it then is importation?

Mr. VANDER STELT. Yes, we used to be, as you know, under dairy under Section 22 where 2 percent of our market was open to imports. It was raised to 5 percent. I know from the mid nineties, we've gone from about 2.8 million pounds milk equivalent imported under that; now we're up to five point—well, projections for this year are somewhere around 5.3, 5.4 million pounds, but sitting amount of increased milk. If you do the numbers on an 18,000-pound herd—or, cow—you're looking probably at 100—that displaced 120-, 130,000 cows a year.

Mr. OTTER. I see.

Eric, what are we killing a day, 130,000 head?

Mr. DAVIS. No way I've been doing that well, but we should be.

Mr. OTTER. Have we got a lot of overweight cattle?

Mr. DAVIS. We've got a front-end supply problem, yes.

Mr. OTTER. I did do the math quick and dirty on your 90 days. It seems to me that if you had a 90-day animal and you locked them up at a light weight, let's say at six—a feeder, you locked them up at 600 pounds and you've got three and a half pounds of dag meat—which is not unusual, right—you need 107 days. Your suggestion then, that they would be coming in actually off cow-calf operations in foreign countries, they'd be coming in as light, light feeders. Right?

Mr. DAVIS. In order to meet the requirement to be labeled as U.S.-produced, yes.

Mr. OTTER. Is that a reasonable standard? I mean, what are the cow-calf operators thinking about it? You're a cow-calf.

Mr. DAVIS. I'm one of those too, but that's Idaho's position. There are those who don't think that's strong enough. We hear it all the time from different parts of the country and there's a certain amount of regionalization, and a lot of it goes back to trade and their perception of whether it's free and fair basically on the Canadian border. A lot of the people think it should be defined as "born and raised," but again, the consensus in the industry, and NCA has policies supporting both mandatory or voluntary, ICA supports the definition of "90 days or more."

Mr. OTTER. I have not been a supporter of the old country of origin standard, but because I can also see the problems that that would cause in the retail business. It would really cause a lot of not only in the retail business, but in the fast-food industry.

Mr. DAVIS. Food service.

Mr. OTTER. A lot of other industries. We try to solve one problem in one place, we create all these other problems other places because we're getting away from the market.

But, I have supported an idea of country of origin in that the USDA not be allowed to stamp any carcass that comes in with the USDA stamp. I think a lot of people get very confused when they go to the grocery store and even though this carcass may have come from Argentina——

I began my question ahead of the——

Senator CRAPO. You've got it.

Mr. OTTER [continuing]. Wouldn't—if we did not allow the USDA to use the USDA stamp on not only beef, but on any of the imported red meats, wouldn't that then not be giving the wrong impression to anybody shopping at the grocery store when they see

the USDA seal on that portion of the carcass that is now for sale in the meat counter?

When I see the USDA seal, I just make an assumption. That assumption is that it's United States-produced beef. If we didn't allow USDA to use that seal on just any other meat, wouldn't that at least satisfy a lot of the country of origin problems?

Mr. DAVIS. It would to some degree, Congressman, but first off, let me make the distinction between the inspection seal and the grade seal, because it has to be inspected but it doesn't have to pack a USDA grade, and I think that's the issue you're getting to.

We have policy in both organizations that strongly supports the repeal of the use of the USDA grade on imported carcasses. We have a policy that would support not using the grade on cattle imported for immediate slaughter. We understand that that may raise—what's the term—"national treatment issues" under WTO, and actually have asked for Office of General Counsel—is that right—opinion on the legality of not using the grade for cattle imported for immediate slaughter because of the way that the grading law is written. It says that grading will be done at the plant of kill and first chill. We think it's a given that you can't use it on imported carcasses, but we're——

Mr. OTTER. That's not the practice.

Mr. DAVIS. That is the major part of what's coming into this country.

Mr. OTTER. Let me just, in conclusion, that's not the practice; that may be our understanding of what goes on, but that's not the practice, is it?

Mr. DAVIS. Today.

Mr. OTTER. Yes.

Mr. DAVIS. We have petitioned USDA to stop that, but there is a certain amount of that happening.

Mr. OTTER. Thank you, Mr. Chairman.

Senator CRAPO. Thank you.

Let me go back just quickly, Eric, to the question I was asking you: You had indicated you personally—I don't know if you were speaking for either the NCBA or the Idaho Cattlemen—but that you personally had some concern about whether we were ready for a mandatory country of origin labeling requirement. Is that something that is the position of either of the organizations you're representing here? In other words, are you—I'm hearing from you——

Mr. DAVIS. I'm crossing myself I think.

Senator CRAPO. Did I get you in trouble?

Mr. DAVIS. No, I'll get myself in trouble.

NCBA has a policy supporting mandatory and also has a policy supporting voluntary. ICA's policy supports I believe it's voluntary with the 90 day. It may be mandatory, I'm sorry. I'm blank right now. The hang-up is the definition of what is U.S. produced.

Senator CRAPO. What you're saying is you don't——

Mr. DAVIS. What I said personally, I meant personally, not either organization. Personally, the lack of consensus in the industry on the definition and what I fear to be a rush to judgment for maybe the wrong reasons, I'm fearful—I don't believe we're ready to implement a mandatory system.

Senator CRAPO. All right. Let me switch gears a little bit and for both of you go back into the areas that we've been talking about with some of the other panels. First, trade promotion authority. Like I promised, I won't give my speech again, but do either of you have an opinion on whether we should grant the President trade promotion authority at this time?

Mr. VANDER STELT. I would not—as far as the dairy industry is concerned, we believe in fair trade. However, as my father always says, Don't follow the rhetoric, follow the money. Who's the wealthiest man in this country? Mr. Wal-Mart. Why? They import over 70 percent of their stuff. The money today is outsourcing and importing cheap goods for the consumer. The consumer does well, the stockholder does well.

Under that environment, trying to trade or sell with the strong dollar which satisfies that stockholder, that consumer, is not really very viable. Instead of talking free trade, we should be talking protection.

Now, I don't like protection; I hate that word. I'd love to free trade. Until the United States comes to a determination are we going to be a consumer country or a producing country, that determination and that economic policy has to be done to make trade work. Until you come to a conclusion what our country is going to be about, is it going to be consuming or producing, that would depend on whether you're going to be protecting as trade as far as ag is concerned, or go back to the Nixon years with planning where we were pushing agricultural products.

We want free trade and we don't want to go to protectionism, but as Mr. Little expressed earlier, with our strong dollar against New Zealand and Australia, can we really come up with a better deal? We've already lost from 2 percent to 5 percent, plus we've got the MPC issue which brings in another couple percent. We're losing ground.

Everybody in the world wants the American consumer. He's the wealthiest person in the world. He's got the most money. If I was producing anyplace else in the world, I'd want a piece of that American consumer, and that's what we're fighting.

Senator CRAPO. Eric.

Mr. DAVIS. Thank you, Mr. Chairman. Again, I have a two-billed cap on this particular question.

Idaho Cattle Association's position is very similar to yours. Until some of the problems we see that confront the industry today are taken care of, they oppose—the terminology is "fast track" but today it's "TPA" I guess, but in the policy, they oppose the fast track until some of the last or the former mistakes have been fixed.

NCBA strongly supports granting the President trade promotion authority, and the arguments I think are valid on everything that's been said here today.

I guess my question back to you, if I can answer a question with a question, as I understand what I've heard today, you don't have a lot of faith that Congress would stop what agriculture may perceive as a bad deal if the President negotiated that or his people did under fast track or TPA. That concerns me.

Senator CRAPO. I'll answer that question, and the answer is, you are correct. I don't have a lot of confidence that Congress would be

able to stop a bad deal for agriculture. The reason I say that is the experience we had with NAFTA where we clearly identified some really bad pieces of the deal and the pressure to move NAFTA forward at the point when the deal was struck was overwhelming, and I believe that the same would be true with regard to any other agreement that the President might negotiate. There are a lot of other pieces of the American industry than just agriculture. Agriculture is going to be the central focal point of this round of negotiations, but that is because a lot of us have drawn a line in the sand and said, You're not going to do another deal like last time.

Mr. DAVIS. We appreciate that, but can we do another deal at all if we don't move away from being stuck with what we've got?

Senator CRAPO. That's the conundrum that we're dealing with, because there are really strong arguments on the side of giving the President the authority to do this, and there's a lot of good reasons that we better get involved, you know, because other nations are going to be doing it and all the reasons that I won't go back into. On the other hand, somehow we have to be sure that this administration, as well as the past administration, are prepared to stand tough. You know, in Seattle, the European Union and Japan and some of the other nations were flabbergasted that for the first time, they were not able to walk out of the trade negotiation round and basically have what I call this, you know, the U.S. agreeing—what they wanted was for them to have their tariffs and subsidies which average something like over ten times what ours are stay in place, and have us leave ours at a place low and have us agree to pro rata reductions so our average of 5 percent would go down to 4.5 percent and their average of 50 percent would go down to 45 percent. When our trade negotiators said, No, we're working for parity, the deal fell apart. Well, as long as we can be confident that our negotiators are no longer going to basically agree to this, then I'm fine with trade negotiation authority.

Mr. DAVIS. You get no argument out of me on that either; however, the best way to get there is where we need to go.

Senator CRAPO. Right. On the other side is we can't just sit here and not negotiate it, so it's a really, really difficult question.

To give you a little more positive confidence there, as I said at the outset, I am getting to where I am getting the confidence in our negotiators. I was getting there with Charlene Barschesky under President Clinton, and I think that Ambassador Zoellick has shown to this point that he gets it. I'd like to see him in action a little bit more before I'm sure, but at least from what he's saying and some of the other things like that, he's showing that he gets it. Maybe we're at a point where we can do it.

Mr. OTTER. Just a couple things, Mr. Chairman.

Dennis, when I was still here as Lieutenant Governor, I know we went through about three years where we really worked on the high nitrates and the pollution problem, quote/unquote, that we had with the larger the dairies, the bigger the problem got, the more concentrated obviously the problem was. Is there anything in this Farm bill that's going to help solve that problem?

Mr. VANDER STELT. I think probably some of the dairies will use some of the funding to increase their waste management systems; however, in Idaho, we have, as far as I know and being president

of the Western States Group, we do a lot of comparing on environmental issues. The joint MOU we have with EPA, DEQ, Department of Ag, we pretty much have put ourselves on a zero runoff standard anymore. I know I was just at a conference with the Texas Association of Dairymen and their problems in Texas, Waco Lake, and they could not even fathom how we had a zero runoff standard in Idaho, and they said, That's not possible. We do. As far as Idaho solving our discharge, our nitric problems, we've probably been the leader in the country in a proactive way.

Mr. OTTER. Thank you.

Eric, one other question, and of course this has to do with the trading and where we're going with it. Would you feel more comfortable if we did have our trade folks sitting at the table; that you, representing the National Cattlemen's Beef Association, were also sitting at the table and could listen to the questions, could listen to some of the solutions and the resolves that they were arriving at? Would you feel a little more comfortable with that?

Mr. DAVIS. You bet. I would feel more comfortable with somebody besides myself, but——

[Laughter.]

Mr. DAVIS [continuing]. But, yes, I think that's a grand idea, and if that's part of what it takes to put that pressure on the administration, I think that's a step in the right direction.

Mr. OTTER. Well, I would agree with Senator Crapo that there's not much we can do when it comes back, because the push is just so great and we don't want all the work and everything to go to waste, so there's 51 percent good and 49 percent bad and away we go. All they need is 217 or 218 in the House and it's gone, and they need 51 in the Senate and it's gone. We can condition the people that sit at that table, and I think that is our best source of input from a Congressional point of view that this is going to be a treaty, and we can say who goes to discuss the treaty and I think if we condition the whole concept of trade on who is going to be doing the negotiating, and I've got a high level of comfort. Quite frankly, Eric, I disagree with you: I'd like to have you at that table.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you. You know, you mentioned John Huntsman. I should tell you, he does have roots in Idaho, as one of the other members of that team. I think his father is from Blackfoot, I believe.

Mr. OTTER. Blackfoot.

Senator CRAPO. There are some people on that team that have some common sense developing in there, and I really do believe that we're getting a team together that we can start to have more confidence in, it's just that I want to see something first. I'd like them to play the first game so we can see if they're really as good as they look.

I just have one other question that I'd like to go into and it gets back to again a question that I've talked about with some of the other panels, and that is the new dynamic that we're facing right now in Washington with regard to the fact that the administration has opposed the House bill and is suggesting a whole new look at commodity programs and safety nets and so forth, raises the question of is that perception something that is supported out here. In

that context, I also throw into my question Senator Lugar's bill if you know it very well or have a position on it. If either of you have an opinion, I just appreciate you sharing it.

Do you believe that we should push for the House bill or something along the same model as the House bill, or should we look at something like the Lugar Bill or some other approach to our farm policy?

Mr. VANDER STELT. Last week when Senator Lugar's draft version of his bill come out, I received a call from Carol DeMar from Senator Lugar's office. A conference call was set up with I believe Texas, Idaho, California, and New Mexico were involved in that conference call with Carol. We went over it as far as the dairy industry is concerned.

Some of the things that it presses for is an 80-percent, 5-year average of guaranteed income level. We can already do those things and many people do through forward contracting either directly through plants or we work futures. We already have those mechanisms.

They have a cap system here once again, and because of our larger-size dairies, we never get much benefit out of a capping system.

There was some other issues we discussed in there.

She took a poll at the end of that conference call, and it was unanimous that we would probably not support that; that we would prefer the Federal milk marketing system, which we really believe was written to product producers.

Senator CRAPO. All right. Eric, do you have a thought on that?

Mr. DAVIS. I don't. I have not seen Senator Lugar's proposal; I've heard bits and pieces.

The beef industry was not unhappy with the House version of the bill in general, I think that's safe to say.

At this point in time—and NCBA has signed on to the letter saying it's OK to put it off till 2002, and that's going to be the Senate's call. I think at this point in time, both from the State and National organizational standpoints, it's more—timing is probably not as important as knowing where we're starting in the Senate—whether it's the House bill, whether it's Mr. Harkin's, whether it's Mr. Lugar's, whether there's something else out there—and nobody have time to have a good delivery and process, and not just jump into things that we haven't already talked about I guess.

Senator CRAPO. Well let me just take that as a question and give you this perspective on where we are in the Senate: There are a number of senators who support the House version or something along the House version; there are a number of senators who don't and support the administration's perspective that we need to start creating a new approach to farm policy, Senator Lugar being one of those, and there are some who support his bill; and as you indicated, Senator Harkin is also working on some other approaches. It is right now very hard to tell if there is a majority position in the Senate on the Ag Committee, and it's also very hard to tell whether that would translate into a majority position on the Senate floor. Things are very much in the developmental stage in the Senate right now. In fact, I think we were closer to being able to bring something together six or eight weeks ago than we are now

in terms of knowing what the mood of the Senate Ag Committee is.

Do you have any other questions?

Mr. OTTER. I would only say about that, Mr. Chairman, that it's been my impression thus far that if we wait until next year, if the Senate waits until next year, you're going to see an entirely different texture vote come out of the House. Budget restraints as a result of the last six weeks are going to be huge in terms and there's no way that I could possibly conceive that a 2002 Agriculture Bill is going to be near as generous, even close to as generous, and is going to hurt in a lot of areas, including conservation that we were just talking about and some of the other problems.

Senator CRAPO. I think that's a very significant concern that a lot of us share.

Mr. DAVIS. We too.

Mr. VANDER STELT. We also.

Senator CRAPO. All right. We would like to thank this panel very much. We appreciate it.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. VANDER STELT. Thank you also, Mr. Chairman.

Senator CRAPO. We have one more panel; however, as I indicated earlier, we must break at noon for about 30 minutes, so I apologize to our last panel. We're going to have to have a break now for about 30 minutes. Hopefully that will give you a chance to run out and get a bite to eat or something. I'm going to try as close to 12:30 as we can to crank it back up, and we encourage everybody to come back. We're going to be focusing on conservation elements and issues in this last panel.

At this point, we'll be recessed until 12:30.

[Luncheon recess.]AFTERNOON SESSION

Senator CRAPO. The hearing will come to order. We appreciate everyone's patience, and we will now move to our fourth panel, which is Kevin—is it Kuster——

Mr. KOESTER. Koster.

Senator CRAPO. I've never been quite sure if I've got it pronounced right. I thought it was "Kuster."

Mr. KOESTER. Kevin Koester with the Idaho Association of Soil and Water Conservation.

Senator CRAPO. Tim Hopkins who's here from Idaho Falls, but he's here representing the Idaho Chapter of The Nature Conservancy.

Mr. HOPKINS. Yes, Senator. Thank you.

Senator CRAPO. Douglas Hubbard who is with Ducks Unlimited from Boise.

We appreciate all of you being here with us. Before we turn it over to you, I'll remind everybody we want to try to get you to keep your oral testimony to 5 minutes so we could have a lot of give and take, and if the little beeper goes off, just try to finish your thought and we will proceed.

What I want to say just as a kickoff for this panel is quite often when people in the country hear us say we're working on the "Farm Bill," they think we're talking about commodity programs for farmers; and definitely that is a part of the Farm Bill. The Farm bill really has a number of titles that are very critical and

reach much more broadly than that, and frankly I believe that the Farm bill is probably the most significant pro-environmental piece of legislation that Congress works on on a regular basis. It also has sitting other elements such as the credit title, the conservation title I just mentioned, the rural development aspects, market promotion, research, the food and nutrition issues which we talked about a little bit about this morning with some of the food stamp folks who were here concerned with the food stamp program, and energy matters. This is a bill that has a very broad range of concern. The focus we have right now on this panel which will be on the conservation title, again, I say is one of the most sitting things that we do in this country with regard to environmental improvement and conservation, and so we welcome all of you to the panel.

Let's just start out with—we don't have you sitting in the order that I said it, but we'll go in the order I said it, and that will be Kevin and then Tim and then Douglas.

STATEMENT OF KEVIN KOESTER, DIRECTOR, IDAHO ASSOCIATION OF SOIL AND CONSERVATION DISTRICTS, DIVISION FIVE

Mr. KOESTER. Thank you, Senator, Congressman Otter, and staff members. It is my pleasure to be here to talk a little bit about conservation, especially in Idaho.

My name is Kevin Koester, and I am currently serving as the director of the Idaho Association of Soil and Conservation Districts from Division Five, which is in Southeastern Idaho. I also serve on the board of directors of the National Association of Conservation Districts, and as a member of that board, I'm currently in my second term as Pacific Region chairman, which is an area of nine western states and territories. In the past, I have served as IASCD director for eight years, and just last week led to another 2-year term. In those eight years, I have served two years as vice president, and the last two years as Idaho's director to NACD. With and because of this experience, I would like to direct my comments to the conservation title of the Senate Farm Bill.

With the great diversity of Idaho ag products and land uses, I would not presume to speak to all of their needs and wishes. The one thread that ties all of them together is conservation and its many forms. These include, and by no means are limited to, land treatment in the North, to better water management in seed-growing regions, to better management in the row crop areas, to livestock waste and nutrient management throughout the state. The one constant is conservation.

Over the last several years, ag, in general, has taken many and varied hits, from poor or stagnant prices to weather-related disasters, to numerous increases in our cost of protection. As if that weren't enough, the public and government, both Federal and State, are making requests, and in some cases demands, for clean water, clean and better-smelling air, clean water, with the added burden of protecting species that may or may not be endangered. Unfortunately, in most cases, the choice was to write laws and regulations without providing the necessary funds or technical support to help land users and ag producers to comply with their issues. A few examples would be TMDLs and ESA.

While the previous Farm bill did provide some Federal funding for conservation, many of those programs were a good place to start, but now we have an opportunity to improve on them and take them forward. EQIP was a good starting place, but like many new programs, it needs some improvement.

NRCS can continue in making these improvements and apply them in a practical way. Senator Crapo's suggestions go a long ways to addressing all those needs, and we would like to see them go farther.

When EQIP was first promoted in 1996, we all hoped it would be the answer, but experience has shown the program was good but underfunded. For example, Idaho's needs alone amount to six and a half million dollars a year, current requests exceeding funding by a three-to-one ratio.

One of the examples of how EQIP can and should work in Idaho happened in Idaho. Many small dairies would have not been able to implement their dairy waste and nutrient management plan without EQIP assistance, which could potentially have cost $8.4 million in revenue because of State laws. Because of the focus from NRCS to use those EQIP dollars to enable those dairies to stay in business, they had to focus their entire 3-month effort on EQIP funding and were unable to do other projects in the state. If CTA, or Conservation Technical Assistance, is not available, then the process stops or at the very least slows down.

One way to address this problem is to provide full funding for technical assistance for all conservation programs. Third-party vendors that had the ability to contract with outside sources could help to speed this process along. Of course, we would like to recommend that local soil conservation districts serve as that third-party vendor. No one has the network of information and the history of cooperation that we do.

We would also recommend that NRCS, our Federal partner, have technical oversight for those vendors. After all, we work with them every day.

We would all like to eliminate priority areas, but the reality is without adequate funding, we cannot. EQIP could be compared to a part-time employee: Very skilled, good worker. If we could just support him or her, where could we go?

One of the issues that we talked about in our NACD Farm bill Task Force is conservation initiatives. An example of this would be develop producers, convert to no-till or direct seed. It's a very expensive conversion, but it can have a sitting effect on air and water quality.

As far as conservation goes, we believe the following basic principles need to be addressed in the 2002 Farm bill to effectively and efficiently address our nation's conservation concerns for the next five- to 10-year period:

We need a flexible, locally led, incentive-based program;

A well-funded technical assistance program that will reach our land users regardless of program or nonprogram participation;

Provide adequate funding;

Allow for programs to use for technical assistance in the event that CCC technical account funds are not adequate to fully support the financial assistance program;

Funding a farm safety net;

Broad-based incentive programs.

Let us all remember that the American consumer needs to be reminded: Food does not come from Albertson's, and the only way we can keep a plentiful supply that is safe and inexpensive and readily available is with a strong agriculture.

I thank you.

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

Senator CRAPO. Thank you very much, Kevin.

Tim. Why don't you pull that microphone over too.

Mr. HOPKINS. May I have a water?

Mr. KOESTER. Everybody wants my water.

Mr. HOPKINS. It's a very valuable commodity.

Senator CRAPO. I'll tell you, water is going to become an increasingly scarce commodity worldwide, I think.

STATEMENT OF TIM HOPKINS, CHAIRMAN, IDAHO CHAPTER OF THE NATURE CONSERVANCY; ACCOMPANIED BY JEFF EISENBERG, WORLD SENIOR POLICY ADVISOR, THE NATURE CONSERVANCY

Mr. HOPKINS. Thank you, Senator, and thank you, Congressman Otter, for the opportunity to be here and to present testimony on behalf of The Nature Conservancy to your committee.

The Nature Conservancy strongly believes that conservation should play an important role in agriculture policy. Conservation programs under the Farm bill are an important component of the future for Rural America, programs that promote healthy rural economies while conserving the natural resources they rely on.

With me today is Jeff Eisenberg, who is senior policy advisor of The Nature Conservancy throughout the world. He will help me when it comes time for your questions to make sure we're responding adequately to what you may be interested in.

The Nature Conservancy of Idaho has been a part of Idaho for over 25 years and, as Idaho's largest conservation organization, has more than 6,500 members in this state. In cooperation with landowners in communities throughout Idaho, The Nature Conservancy has helped preserve some of the state's most beautiful and biologically rich places: Kootenai Valley, for example, in Northern Idaho; Henry's Fork in your own Eastern Idaho, Senator Crapo; and the Owyhee Canyonlands in Southwestern Idaho that I know Congressman Otter is close to.

Our conservation work is grounded in sound science, built on strong partnerships, and committed to tangible results. The Nature Conservancy's 50 years of experience in private land conservation has taught us that habitat protection in a strong farming and ranching economy can go hand in hand. One of the chief threats to wildlife facing Idaho and the Nation is the fragmentation of habitat resulting from subdivision of existing farms and ranches for nonagricultural uses. Maintaining working farms and ranches helps protect existing wildlife migration corridors, winter range, and other crucial habitat features. Moreover, we find that habitat enhancement efforts, whether through private initiatives or public programs such as the Wetland Reserve Program, are far more ef-

fective on large, intact landscapes than areas where lands are held by a multitude of owners in a variety of uses. Our conservation work will find lasting success only where there is strong support in the local community.

In the Farm Bills that you are considering, The Nature Conservancy is seeking authorization and funding for three programs: The Wetland Reserve Program, proposed Grassland Reserve Program, and the Conservation Reserve and Conservation Reserve Enhancement Programs. These programs and activities benefit agriculture and the environment, and deserve the thoughtful support of the committee in formulating long-term agricultural policy for the next Farm Bill.

Because of its many important benefits, The Nature Conservancy considers the Wetland Reserve Program to be the most important conservation program authorized by the Ag Committee, and the case for expanding the program is strong. At one time, there were more than 220 million acres of wetlands in this country. This number has now been reduced to 110 million acres on private land and approximately 20 million acres on public land. To date, the Wetland Reserve Program has restored one million of these acres, and demand for participation in the program far outstrips the availability of funding. In Idaho, for example, 1,200 acres of emergent marsh and forested wetland were restored in this past year. Pending Idaho landowner requests for enrollment in that program are now valued at more than $5 million.

In Idaho, as elsewhere, wetland protection and restoration can play a crucial role in achieving water quality goals by filtering out sediment and nutrients. For example, the Idaho Chapter has worked with the Northside Canal Company to establish wetlands to treated agricultural return flows before they reach the Middle Snake near Twin Falls.

We have also used wetland reserve to restore wetlands for water quality and fishery enhancement in the Henry's Fork area in Eastern Idaho.

Producers embrace the WRP for a number of reasons. Some producers simply love the land; they have worked all their lives on their land and want to reserve its natural character. Some producers decide to retire flood-prone or marginal lands and use WRP money to purchase more productive land. Others use the money to make additional capital investments in their operations or to contribute to their retirement. Many producers generate additional income through the program by renting WRP land to hunting groups. Regardless of their motive, farmers have found ways to integrate wetlands restoration into their farming businesses, a true win-win outcome for both agriculture and conservation.

Senator CRAPO. Time always runs out before you do, but take another.

Mr. HOPKINS. Senator Crapo, we both share the laws of profession. I know of the importance of those red lights in our Supreme Court and I respect them in this branch of government as well, a limitation that is imposed for good reasons.

Let me conclude by saying simply that we likewise endorse the Grassland Reserve Program that was, we are proud in Idaho to say, introduced by Senator Craig and co-sponsored by Senator

Crapo, and we believe its elements are essential to the future of conservation in the state of Idaho, for that matter throughout America, and particularly throughout the West where that program is uniquely important.

Then in addition, the Conservation Reserve Program that is a well-known tool for conservation purposes within the agricultural framework, and again, we endorse its continuation and its expansion, and recommend 45 million acres for enrollment in that program.

In conclusion, let me thank Senator Crapo and Representative Otter for your attention and for the opportunity to present this testimony to you today, and Mr. Eisenberg and I will be prepared to address your questions when ready.

Senator CRAPO. Thank you.

Douglas.

STATEMENT OF DOUGLAS HUBBARD, IDAHO DUCKS UNLIMITED

Mr. HUBBARD. Senator Crapo, Representative Otter, I appreciate the opportunity to speak here today. I would like to, on behalf of Ducks Unlimited, give a special thank you to Senator Crapo and his staff for holding this important hearing on the 2002 Farm Bill, and for their splendid help and cooperation in bringing this bill closer to a reality.

As a farmland owner, I know firsthand the importance of a comprehensive farm bill even though my land does not qualify for any voluntary program such as CRP, WRP, GRP.

America has now lost half of its original wetlands and continues to lose the most productive vegetated wetlands at a rate of more than 100,000 acres per year. Since the loss of jurisdiction by the Corps of Engineers over the draining and filling of prairie potholes and other wetlands, I fear this loss may even be greater in the future. Not only must we keep pace with these losses, but we must reverse the total of 170 years of loss of wetlands and upland habitat. The goals of CRP, WRP, GRP, and WHIP can do this. CRP and WRP are very popular programs for farmers, as you well know, farmers and ranchers, and the demand to enroll far exceeds the amount of acreage to be enrolled.

While CRP and WRP are conserving millions of acres of critical wildlife habitat, we must not forget the economic safety net for thousands of small family farmers. With commodity prices falling to historic levels, the payments associated with CRP, WRP, and hopefully GRP help farmers to pay farm mortgages and living expenses. These payments are a dependable source of income during times of drought and poor crop production, and, conversely, during periods of good production and low market prices.

Since most of the acreage enrolled especially in CRP and WRP are at high risk for erosion, flooding, and poor crop production, these programs provide farmers, ranchers, and taxpayers a more cost-effective and sustainable option for use of that land.

American agriculture is a victim of technology. It can produce far more from the land and marketplace—than the marketplace can support. American agriculture needs this 2002 Farm bill to provide good living from the land, and satisfy the checks and balances

found in nature and in economics. We must remember that soil and water are not renewable resources.

I believe it's beneficial to note that the economy and ecology have the same Greek root word—oikos—which means "house." We assume then a wise decision like the 2002 Farm bill would be beneficial for the economy and for the house which we Americans reside. All Americans benefit from these programs, and we should be proud of their successes. The value received by society is greater than the cost to the taxpayer.

I thank you very much for your time.

Senator CRAPO. Thank you very much.

Before I turn to Representative Otter, I need to correct an oversight here. I have not made note to the audience that we have with us Idaho Representative Doug Jones, who is the chairman of the House Ag Committee. Thank you for being here with us.

Representative Otter is going to go first. He's got a meeting that he needs to get to, so I told him that he could go first. Then I'll get you all to myself after he leaves.

Mr. OTTER. Thank you very much, Mr. Chairman. I appreciate the testimony from this panel, as I have enjoyed and appreciate the testimony from all the previous panels, but let me start my questioning period with a different aspect pretty unique to me and I'm sure pretty unique to the hearing process, and I'd like to start off my portion of this with an apology. I made this apology to Tim in his capacity as the chairman of The Nature's Conservancy, and I've also made it to Ducks Unlimited on a national basis.

Forgive me, as a freshman, a poor choice of words that I used during a press conference on my endorsement of a group called Green Watch. Green Watch, which limits some—or, lists some 528 agencies—or groups, I guess I should say—I used the word "extremist," and I used that in a very poor way. What I should have said and what I meant to say was that this list had some people, had some groups on it, that held some extreme positions. I have apologized to Tim and I have apologized to Doug and Ducks Unlimited for those poor choices of words, and I do again publicly. Having said that, let's move on.

I certainly appreciate your comments about the Farm Bill, especially in light of I think we all share the enthusiasm for the Farm bill because it is an environmental bill, because it is a national security bill in terms of our foodstuffs, and it is a bill which I believe could provide an awful lot of economic stimulus.

We did have an effort during the negotiations and the debate in the House on considerably broadening the conservation part of it, and I don't know if you folks are aware of this, but Idaho I think's would have gone up I think 40 percent of the funds that would have been available.

One of the things that that amendment offered by my good friend from Maryland Wayne Gilberts, one of the things that it didn't address is that in the process of saving the wetlands, in the process of conserving these other areas, when that became the sole use, how were we going to provide for the aspect of private property, No. 1. No. 2—because I believe wetlands is a great natural filter for problems in our water, but on the other hand, if the government, any level of government, wants some of my land to build a

road on, they have to pay me for it. That comes under the Fifth Amendment, just compensation for property taken. When we limit the use to such an extent in some cases, I think we're going to have to make a provision for paying for the private format that we want to put to a natural use such as all you folks suggest.

My first question would go to how do we provide for an erosion of the local tax base, which I know my property out along the river—I've got 60 acres—a lot of it is taxed on the basis of its potential development even though it's all in the floodplain where we would actually be planting houses instead of crops, but it concerns me that when take the property for a much less use, the tax receipts for local county and to the local city, local units of government who only count primarily on property tax for their revenue streams, this amendment to the Farm bill did not provide for that. I have not seen a Farm bill in the conservation side which by and large provides for keeping the local tax base whole, and at the same time, providing for just compensation to the private property owner.

I guess, that's a question for all of you, but, Tim, I would start with you.

By the way, I am very familiar with the Kootenai County project, and your folks up there have just done a tremendous job. In fact, I brag about that project several times in several of my committees.

Would you respond to my question?

Mr. HOPKINS. I will indeed, Congressman, and pleased to have the opportunity to do that.

As you know, The Nature Conservancy is an organization whose efforts in conservation are really cooperative and collaborative. While our reputation may have been developed originally for privately purchasing lands and then doing conservation on those lands, that is not necessarily the only thing we do. We collaborate with a number of other private organizations, private landowners, as well as public agencies, in efforts of conservation. That work continues.

Specifically with respect to the tax base, which obviously is a concern, would be a concern of government at any level, The Nature Conservancy in Idaho has, as a matter of policy, always left all of the lands it acquires for conservation on the tax base so that they are taxed and continue to be taxed exactly as they had previously been taxed as private farms or rangelands, whatever their use may have been prior to the time that they were taken for conservation. I say that to agree with you that there is concern in that respect and to say to you that The Conservancy, as a matter of policy, continues to pay its tax on the lands it continues to own.

Of course, with respect to lands that may be subject, for example, to a Federal program, like the Wetlands Reserve Program, oftentimes that compensation for the purpose of reserving wetlands and characterized that way for a special purpose that does not have to do with production like the remaining farmlands may for that given farmer, nonetheless provide a source of income to him for those lands that he would not have had otherwise and they are, so long as they remain in his private ownership, taxed by the County in the same fashion as they may have been taxed previously. The only thing that is not being done is reducing those wetlands to pro-

duction agriculture, which would take them away from the conservation purpose and add to the subsidy problem that you all face on another side of the Agriculture Bill.

It's not a matter of a taking in the sense that it goes into public ownership. It remains in private ownership. There is compensation paid which presumably sees a tax on the income tax side, and it leaves it in a place that it continues to be taxed on a local basis.

While it may not have been addressed specifically in the debate in the House that you've described for us, I believe there is a rationalization of those interests in a very logical way between these programs and the interest of the government in maintaining a tax base of its operations.

Mr. OTTER. Kevin.

Mr. KOESTER. Congressmen, as you're both aware of, the National Association of Conservation Districts did not support any amendments to the House Ag Bill as it came out. I guess in fairness, I should add that we also told the House Ag Committee that once that bill was passed, all bets are off. We do not think that is necessarily the starting place for conservation on this next Farm Bill. We did not support any of the amendments that were presented at the time it was voted on.

Mr. OTTER. Doug.

Mr. HUBBARD. Ducks Unlimited's policy is very nearly the same as The Nature Conservancy as far as the tax base is concerned. Ducks Unlimited rarely buys the land outright. It's on a small percentage, very small percentage, if we do that. The land that we develop or enhance is generally under some type of a Federal program that we're looking at through grants and others like that, so that remaining tax base at least involving the land that we're involved with still remains there for the County or whatever jurisdiction that it's in.

From the Federal standpoint, the grants that we get to retire marginal land or other nonproductive land I think reduces the amount you have to pay out in commodities for that, so given inflation and a few other things, I don't think it's a wash, but it really reduces the commodity dollars that are paid out when we go to these grants like that.

For the most part that the tax question that you have for revenue, we've pretty much taken care of that just like The Nature Conservancy does. We're aware of that, we're aware of that, taking that out of the rolls, especially in today's environment.

Mr. OTTER. Let me just ask the question I guess generally in a different way: If in the event that a public policy such as could have been created with the Farm Bill—the amendment, Kevin, that your organization didn't support, which did, in fact, provide for a taking by strictly limiting the use, would your organizations support payment for that taking at a reasonable market price for what that land that we might take from a private property owner, would your agencies or would your organizations then support the Federal Government paying for whatever paid for that land?

Mr. HUBBARD. Yes, we would.

Mr. KOESTER. I don't believe so. That's one of the problems that NACD's had with the caribou is that there is some language in

there that involves taking, and we have several resolutions we passed, we passed not in support of that document.

Mr. HOPKINS. Congressmen, Mr. Eisenberg is specifically familiar with this privilege, and I'd like him, if he may, to respond.

Mr. EISENBERG. Just, I'd like to say that something like WRP is a voluntary program and the only people who are being involved are those who decided that this is the best economic use of their land. To the extent there's any diminishment in their use of the land, that's specifically what they are being compensated, and so of course we agreed with you that they should be compensated for the diminishment of the land just as a practical matter. We don't believe it's a taking situation in the first instance, because the only people who are doing it are those who want to, and they have the best property rights protection they could have, which is just to say "no" if they don't want the program.

Mr. OTTER. I agree with you, and as long as all the agencies approach that on a willing and a voluntary base, but we happen to have agencies that don't approach it that way.

Mr. EISENBERG. Where's the point of voluntary conservation.

Mr. OTTER. Thank you. Right.

Mr. Chairman, my apologies to the panel for having to leave early and to those folks in the crowd, but I want to thank you very much for including me in this hearing, and it's good to work with you.

Senator CRAPO. Well, thank you. We appreciate you being here with us today, and you are certainly excused to get on to the next one.

Mr. OTTER. OK.

Senator CRAPO. Let me start out my questions first of all with you, Kevin.

You indicated in your testimony a number of improvements to the conservation title of the Farm bill that could be made, and each of them I thought was very helpful in terms of those suggestions. No. 6 was that you would be in favor of including a broad-based incentive program that would provide rewards to farmers and ranchers for practicing good stewardship in private land areas. That sounds, to me, similar to the concept that Senator Harkin is talking about. Am I correct in that, that concept is the same one you're talking about?

Mr. KOESTER. Yes, Senator. In fact, I don't know if it's accurate, but we're very proud that we have that support of Senator Harkin.

Senator CRAPO. You mean his is very similar to yours?

Mr. KOESTER. Yes, that's the way we're going to look at it.

The bottom line for that is that we feel that it's time that society starts rewarding those farmers who are willing to participate in best management practices even though there may be an added cost burden to protect soil, water, and air; and in the past, sometimes the commodity programs, under past programs, have rewarded all farmers. We think it's time we make that difference between the good farmers and those who are just farming for the programs, and that's what we're considering is calling conservation issues.

Senator CRAPO. As I understand it, you're not suggesting that existing conservation programs be phased out in terms of instituting

a new program like this, but that we supplement existing programs with a new program like this?

Mr. KOESTER. Senator, that would be correct. We feel like we have a real good base but we need to build on, and now is the time to do that.

Senator CRAPO. Well, as I'm sure you are aware, I have introduced a conservation title that focuses on reforming and strengthening the existing programs, many of which you all have talked about here today, and Senator Harkin has either introduced or is formulating a program along the lines of these incentive-based programs that you have discussed. I don't believe it's his intent either that we replace existing programs, but that we supplement them.

I guess the question I have, which is just to ask you to speculate on this a little bit if you would: I am assuming that if we have a limited number of dollars, that we may run into a problem in terms of how much strengthening of existing programs do we do versus funding of a new approach to these voluntary incentive programs. Do you have a position on that?

Mr. KOESTER. Senator, I do, and I have several, unfortunately. I have one position as a small grain producer in Southeastern Idaho. I, particularly after two years of extreme drought, I'm highly in favor of commodity-based programs. As a conservationist and becoming a devotee of that, I think there are other things we can spend the money on.

I realize that there is probably going to be a finite amount of dollars. I'm not certain that we need to support only those traditional commodity programs. I think we can support better farm practices through a conservation incentive program, and we may have to split the pie up, but the better corn farmers if they're using no-till practices are still going to have approximately the same amount of dollars in return, it's just we're going to reward them for doing better practices.

Senator CRAPO. If I understand what you're saying, you know, please correct this or improve it—you're saying that the notion of the broad-based incentive programs, if correctly implemented, could reward farmers financially in ways that could benefit their bottom line in terms of the economic operation of their farms, while also improving the environment through proper farming practices or conservation incentive programs.

Mr. KOESTER. Exactly, Senator. That's one of these things that we've been beating on this drum for several years now and it's just finally getting out there. With public demands for clean water, clean and better-smelling air, there are farm practices out there that can help and do promote those ideals. As we've discussed in the past, one way that society can participate in that is with Federal dollars, and if society demands that upon agriculture and upon source polluters, then the way they can participate and help to solve that is through sharing of dollars.

Now, I'm not suggesting that one program has to suffer because of the other. I think there is a way to make everyone happy. That isn't going to happen, I'm sure, because we've had some interesting floor fights in our own National organization based on this very conversation.

It's not an easy element to discuss, but we firmly believe a conservation incentive program, now is the time to start that and to fund it in a mechanism that would be preferred.

Senator CRAPO. Tim or Doug, do you have any desire to jump in on this?

Mr. HUBBARD. I can't add too much to that, because I agree with both of these gentlemen. I think in the past that our guaranteed price support systems that we had for agriculture was an incentive for agriculture to produce a lot more at taxpayers' expense. That has since not become near of an abusive thing that was seen before, but I think because the conservation efforts in agriculture itself are so intertwined together that agriculture is good for the land, it's good diversity. The thing we've got to avoid is the monoculture or intensive agricultural farming. That's going to lead to not only ecological problems, but certainly low market prices similar to what we're certainly seeing now. What Tim and Kevin have said now, I think we'd have to echo 100 percent with them.

Senator CRAPO. Tim, did you want to add anything?

Mr. HOPKINS. I wasn't sure I'd been heard yet, but if Doug thought it was good——

Mr. HUBBARD. I'm thinking back to the last one, I guess. I'm sorry.

Mr. HOPKINS. I would like to say, Senator, that we are here today, of course, to really endorse the programs that we know: Wetlands Reserve, Grasslands Reserve, and the Conservation Reserve Programs that have worked well. I think at this point we're not familiar enough with the new proposal contained in Senator Lugar's legislation to really comment.

Senator CRAPO. All right. Thank you.

Tim, let me move to you for just a minute. In the context of the Grasslands Reserve Program, could you expand a little bit on the issue there of resource protection versus development potential of these lands and what we're seeking to achieve? It's my understanding there's a pretty sitting concern with regard to the fact that given the current economics and the environmental pressures and so forth that our ranchland owners and the grassland owners face, that they don't have the resources to continue, many of them, continue operating them effectively as ranch or grazing land and there's pressure to develop them, and that there's a way we could maybe solve some of that concern by the Grasslands Reserve Program and other efforts in that context.

Mr. HOPKINS. Well, the Grasslands Reserve Program really is designed for the large-scale landscape of the type that we know in Idaho, of the type the West knows, and we're particularly well-suited to understand the value of extensive grassland areas. Not so much concerned with the intrusion of suburb or even recreational development into those lands, because while in more populous areas that probably is the principal concern in terms of conservation, here we're talking about areas like the Owyhee Canyonlands, for example, where there are literally millions of acres of land that are covered by sagebrush and junipers and serve as grazing base for the economy of that region but which are not threatened in a direct way or certainly in any immediate way by suburban develop-

ment, and neither has recreational development taken an interest in that kind of landscape.

The Grasslands Reserve Program, as certainly you know well and Senator Craig knows well, is something designed to protect those genuinely vast areas of open country that Idaho still has, Nevada still has, and other regions in the West still have, and not so much concerned about the intrusion of Suburban America that other programs, frankly, address.

I do understand there is some thought in the Congress that existing programs could accommodate the idea of this grasslands protection, and we're of the mind that that isn't the case, that these really or that this proposed legislation is focused on different kinds of land, the type I've described.

Senator CRAPO. Thank you.

Doug, this is for the whole panel really, in the context of the entire issue of whether we should stick with existing conservation programs or move to new, more-general conservation incentive programs, I'm hopeful that the budget that we deal with ultimately will not have to cause us to make a choice between programs such as the one I've proposed to strengthen existing portfolio of programs, versus the effort to try to move into some of the new areas that you discussed, Kevin.

If we have to face a difficult budget decision and decide between the two, should we pair back the dollars that can—the additional dollars that can be moved into the existing programs in order to try establish an incentive-based program, or should we wait for a time when we have a better budget climate in order to do that and to try to really bolster as much as possible our existing programs?

Mr. HUBBARD. My feeling is that we need to stick with the programs, bolster what we have, because these programs like WRP and CRP have been wildy successful. They have probably been some of the most successful government programs that have ever existed, and they benefit everyone. They're not just narrowly focused on the farmer or the conservationist or anybody, because they benefit everybody, right down through the taxpayers, and certainly environment.

My feeling is given the prospect that we may have a limited budget to deal with, as you say, then I say we need to reinforce these programs and wait until the later time to expand upon the incentive programs and those type which I think do show some merit.

Senator CRAPO. Right.

Kevin.

Mr. KOESTER. Senator, before I answer this question, would you look behind me and see how many consumer groups are back there?

[Laughter.]

Mr. KOESTER. If there are some commodity groups, I may be in a little bit of trouble here.

Senator CRAPO. Since it's after the lunch break, you're actually pretty lucky.

Mr. KOESTER. I may be in good shape.

If it comes down to it—and my gut tells me that it probably will come down to a choice, it will be an either/or situation—one of the

problems they're having back in the Midwest with land values is that land values are increasing very rapidly because of high commodity incentive programs, so what's happening, according to some information I've received from some friends of mine back there, these smaller operators are being pushed out because they can't afford to land rent or the purchase of property. The larger operators are buying because of the commodity programs, subsidy programs.

Given that, we need both, and I still think there's a way to share that. If we have to make a cut in the traditional commodity programs, I think that the individual producer can still retain that same value by practicing good conservation.

Maybe that's not a very good answer, but it's safe.

Senator CRAPO. I hear you. What if we, in the conservation arena though, as opposed to commodity programs between the broad-based incentive programs and the existing programs like CRP and WRP and so forth, do you feel we would have to make a choice there?

I guess the question is we're probably going to have some amount of budget. If the amount of money we have in that part of the budget is not enough to do all the bolstering we would like to do on the existing programs, should we back off a little bit on that and fit in a new section for the broad-based incentive conservation programs, or should we push for the maximum strengthening of the existing programs?

Mr. KOESTER. Senator, if I may, our National Association is on record that we are not very enthusiastic about any further land retirement programs, and we count CRP in that type of program. We think there are better ways to manage that land through conservation and still keep it productive, and so, therefore, if it came down to increasing a delay on CRP or conservation issues, we would support conservation issues rather than land retirement programs.

Senator CRAPO. OK.

Tim.

Mr. HOPKINS. Senator, if I may, I'd like to defer again to Mr. Eisenberg, because I know this is an issue he is currently dealing with and has a national position to express.

Senator CRAPO. OK. Go ahead, please.

Mr. EISENBERG. Tim has basically said, you know, we're supporting those three programs, and that's the case. We think the incentive program has merit, but believe that we're really seeking to support the resource-oriented programs.

I'd like to say something: It's a little bit inconsistent to say that, I recognize, and also talk about the Grassland Reserve Program which has not been out of the gate yet.

Senator CRAPO. New program, right.

Mr. EISENBERG. To say something on its behalf, which is basically that it's a rare example when you have a commodity and conservation groups working hand in hand to pull something together that's going to address common problems and, you know, they want big ranches and we want big grass, maybe that's not a good enough reason to support that program and not others. Budget-wise, grass is much, much smaller than the incentive program is. We think the Conservation Incentive Program is a good—I mean, Harkin's pro-

posal is a good thing, but really we're really looking at resource-oriented programs that are going to better serve our mission.

Senator CRAPO. Well, thank you. Senator Harkin and I have talked about this issue, and he believes and I believe and I hope that we are right, that we're going to have the ability to do both. But, I'm just trying to get a feel for how people feel in the event that it doesn't turn out that way, because it's clear that we're going to be in deficit spending this year. Eight weeks ago we were looking at over $170 billion surplus; and now with the terrorist attacks and the response to that, plus the impact on the economy and the adjusted economic numbers in any event, we're looking at only having about a $52 billion surplus at this point; and that is even going to go down, in my opinion, when they adjust the economic numbers the next time, and we're talking about $100 billion surplus or economic stimulus package. When you do the math on that, it's pretty clear that Congress is contemplating deficit spending right now.

Now, in one sense, as one who was elected to Congress and has fought for the 9-years I've been in Congress to balance our budget and has been very proud that we've balanced our budget for the last five or six years, I don't like to see that happen. On the other hand, one of the exceptions that we have always acknowledged is time of war, when you have to do what you have to do to protect your national security.

But, still, leaving all of those broader budget issues aside, I'm just a little concerned that as we look at the commodity programs versus the conservation programs versus the nutrition programs versus the rural development programs, the energy programs, and so forth, all of which are in this bill, there's going to be a competition for limited dollars, and already there's a big debate on Capitol Hill with regard to the money that was allocated in the budget that we had agreed to before September 11 that we have over the next 10 years provided somewhere in the neighborhood of $75 billion of new dollars for these types of programs and now that's all up in the air and up for questioning.

That's the reason I'm postulating this. We've got to decide how to make the balance again between the commodity side and the conservation side and the rural development side, the research side, the energy side, and the food stamp and nutrition side, and it's going to become difficult, in my opinion. I don't think that we had yet grappled with it to the level that we are going to end up having to face it.

I was just trying to get a feel from you as to where you'd come done on some of these priorities, and I think I have a good answer there. If anybody wants to elaborate on that at all before I move on to another issue, please feel free to do so.

OK. I don't have a whole lot more right now, other than to say that as we move forward, it will be very helpful to have input from you on the way things are developing. What I mean by that is each of you has very effectively pointed out the areas where you think we ought to put our emphasis on and our focus, and I think you provided very wise counsel. I know that, for example, in the conservation title that I have suggested that most of you are happy with what I have done and would be happier if I did more, and there may be an opportunity for that or there may be a require-

ment that we do some adjusting, depending on what develops, and so I look forward to your continued input on this as it moves along.

I'd like to conclude by talking a little bit on something that is really not specifically related to the Farm Bill, and that is the collaborative effort which we've kind of hit on here a little bit; and, in other words, in the context of the agreement that has been worked out between the grassland owners and those who are advocating conservation efforts on the grassland and have come up with the Grasslands Reserve Program. To me, I see that as a collaborative success on a very broad scale in terms of finding a win/win solution for at least two pieces of the equation here.

We've just started the Owyhee initiative, which I want to thank The Nature Conservancy for its involvement and effort in trying help make that possible and to help make it work, and the ranching community who has been so willing to work together and try to find a way to get across or get past some of the more difficult issues that we face.

I guess maybe this question is coming mostly to you, Tim: You said that you believe very strongly that habitat protection and a strong farm economy can go hand in hand, and I think that in one way or another that's what Kevin and Doug have said also, which I strongly agree with. I personally believe that the way we will get there is through collaborative decisionmaking, and let me tell you what I mean by that and I'm just going to ask you each to give your thoughts on this.

My opinion, collaborative decisionmaking is not just decisionmaking where we invite everybody in like this. In my opinion, this is not collaborative decisionmaking that's going on right now. I'm listening to what you have to say, but then I'm going to go back with the Senate Ag Committee and we're going to do what we're going to do. This is a public hearing in which you have the opportunity to give input and comments, and if I do my job right, your input and comment will have an impact on the policymaking that happens at another time in another place.

What I'm talking about in terms of collaborative decisionmaking is if we were all sitting around the same table with our different perspectives on an issue, and we had everybody at the table in the sense that we would have all of the interest groups at the table and entities at the table who were involved in making that decision and we talk through issues, which is a sometimes very difficult process. In fact, just figuring out who should be sitting at the table is often an issue that becomes so divisive that it almost makes it difficult to achieve the collaboration. But, I'm—when I say "collaboration," I mean creating that table and then having the work product of the people sitting at that table be binding in a sense that it is what the policy is. When they develop it, they achieve the consensus, then it's not submitted to somebody else for approval; it is the decision. And, I contemplate that that table is generally going to be made up of people who are from the area where the issue is. Now, it's not always going to be the case, because there will be Federal agencies sitting at that table and there will be State agencies sitting at that table and there will be others sitting at that table, and it's not going to be 100 percent local, but I believe the people who

live where the issue is have the best ability to figure out the way to solve the problem and to identify the common ground.

Anyway, with that description of what I mean when I say "collaborative decisionmaking," I would just like to toss it out and see whether you feel, each of you, that, A, that that's the way that we should be moving; and if so, what we might be able to do, whether it's in the Farm bill or in some other context of regulatory reform or whatever, to facilitate that happening in our Federal system.

I know that's a tall order, but an important question. Anybody want to jump up first?

Mr. HOPKINS. I'm——

Senator CRAPO. Go ahead, Tim.

Mr. HOPKINS. Senator, thank you for the opportunity really to speak to that question, because, firstly, it gives us an opportunity to thank you for your leadership in the Owyhee Canyonlands, because that is genuinely an example of collaborative effort. You have the farmer/rancher community—principally ranchers—you have the conservation community, you have the various Federal agencies that have extensive interests in that area, and you have the public officeholders as yourself who are bringing together that kind of a diverse group for the purpose of collaborative problem solving and hopefully decisionmaking that will result in some solution for the problems that beset that area.

The Nature Conservancy endorses that and strongly endorses what you have suggested was so essential to planning of this kind, and that is community-based conservation. It has to be close to the assets that people generally value for conservation purposes. I don't believe that's done at a distance. I believe that's done in our back yard, so to speak, where we know the problems, where we love the mountains, where we fish the streams, and where we otherwise revere the place in which we live. Collaboration in working toward those solutions is something that is essential I think to the philosophy of The Nature Conservancy, and one that we want to endorse as a part of your efforts at problem solving with us and with the other agencies and the people involved.

A perfect example of that I'm sure you're well aware of is the Henry's Fork Watershed Council which has operated in the upper reaches of the Snake River on the Henry's Fork in exactly that fashion. No one could possibly have dreamed of a group as diverse as that coming together to genuinely make decisions that affect the water flows and the management of that great river which is so essential to the agricultural community, and at the same time such a revered asset of the sportsmen's community and all of which needs to be conserved for future generations of people to be thrilled by and to be utilized. We're for it.

How exactly the Federal Government comes together with that spirit and that sense to genuinely lead it I think depends, frankly, on the initiatives of people, Senator, in places like your own who can give genuine personal energy and leadership to the collaboration of those very diverse groups, because there has to be a catalyzing force, there has to be someone who brings together those people displaying an open mind and an interest in problem solving above partisan issues and politics, someone who can bring together those

people in a way that they are inspired to collaborate to solve the problems.

Senator CRAPO. Thank you.

Kevin.

Mr. KOESTER. Senator, for the want of a different term, in soil conservation, we call that "locally led," and we've been doing that now for 60-some years. Yes, we do favor that collaborative process.

Maybe in answer, I'd like to read just a portion of our mission statement for the Idaho Association of Soil Conservation Districts. It says Providing action at the local level to promote growing wise and beneficial conservation of natural resources, with emphasis on soil and water.

One of the things that has been very interesting over the last 10 or 12 years is our emphasis no longer is strictly agriculture. For example, in the Portneuf Soil and Water Conservation District, which I am the supervisor on it, the last 18 months our focus has been almost entirely on rural lands and rural development.

We are no longer strictly an ag-based organization. We are using the collaborative process in dealing with cities, the small ranchette type operations, as well as food producers.

We think the process works. The only thing we're not too happy with is when someone from Connecticut tells us how to use grazing lands in Idaho.

Senator CRAPO. I understand that feeling.

Mr. HUBBARD. I think collaboration is the only way to go. Conservation organizations in the past when I first got really interested in this stuff, which was about 40 years ago, you know, it was a big deal then. There was a lot of hand ringing and headbutting in the organizations themselves, and then you got to realize we're basically going for the same basic thing that we wanted to say, although come around to it in a different direction. Now it's come to a point, I'll trade you a cow for two mallards. You can't beat it.

Ducks Unlimited is a good example of that. The original founding of that was strictly for waterfowl, but now it's branched off into everything. It's even involving fish.

And, Tim, your example of the Henry's Fork project is a shining example of collaboration if there ever was one out here.

We take this so much for granted out here in our wide-open expanses as compared to your Connecticut example, that we've got to bring it all in in this collaborative effort. That's the only way to do it. That's the only way you can do it in today's environment, political, economical, and otherwise. You have to collaborate, you have to get together and ring it out and beat your head on the wall for a while, but it will all come together and I'm encouraged.

We're extremely fortunate in this state to have the representatives that we have in Washington like yourself and Representative Otter and Senator Craig that we're just really, really fortunate, and I think we should really count our blessings there. I hope that doesn't sound like a hyperbole, but that's my feeling on it anyway.

Senator CRAPO. Well, I could sure agree with that testimony.

[Laughter.]

Senator CRAPO. You know, I appreciate your comments on this, and I realize that this isn't specifically Farm bill related, although I'd like to figure out a way to put something in the Farm bill to

promote this; but every time I have an opportunity to establish more of a record in the Federal proceedings on this I take the opportunity, because I really believe that after having been involved in Idaho politics now for a long time and from even before I was elected to office being involved in Idaho politics in one context or another, I am increasingly convinced that we see conflict between people who in their hearts agree on an awful lot of stuff, and the conflict is, in my opinion, sometimes created and even orchestrated by the rules and the laws which force us into the decisionmaking modes that we have to fit into.

What I mean by that is that I think most Idahoans believed, as you have all three said, that we have a tremendous heritage. I mean, we live here because of the beautiful, beautiful environmental heritage that we have, the clean water and the clean air, the mountains, the rivers, the streams, the hunting, the fishing, the kayaking, whatever it may be. It's a quality of life. Whether you're a rancher or a farmer or someone who works in an urban area like Boise, there is a commonality there among us in terms of wanting to preserve and protect this, and yet we seem to have conflict so often. I've stepped back and looked at it, and I actually believe that it happens a lot because we have rooms set up like this where there's somebody up here making a decision and everybody down there trying to influence the decisionmaker, and the decisions are often very rigid in terms of how they have to be achieved. I'm increasingly convinced that we've got to find a way to get the Federal system of environment law to facilitate a different mode of decisionmaking than we now facilitate. We've looked at a lot of different things, we've tried a lot of different pilot projects, and we're starting to win.

I'll tell you just another little bit of this, and then we'll wrap this up.

Back about five years ago, I won't tell you the issue or details or I'll start another fight, but there was an issue on which I approached supporting in a collaborative approach and actually we had some people together who were going to collaborate, and I and the collaborator just got beat to a pulp from all sides. Everybody thought that we were trying to pull one on them. I learned a lesson then. In fact, I learned the first time I tried it. That's why it was hard to even figure out who should sit at the table.

The first time I tried it, I got beat up because I didn't have all of the right people at the table. The second time, I had everybody I could think of at the table, but then we got beat up because nobody trusted what was going on. At that time, I concluded that we had to get some successes in place so that we could point to something and say, OK, this is what we're talking about and it works, and we now do.

The Henry's Fork situation is a good example. That's why I'm so hopeful that the Owyhee initiative that is now started will succeed. I recognize there's a lot of distance that has to be traveled there before it can be declared a success, but that's what this is all about.

I'm convinced that once we get enough examples in place—and they're happening around the country now—once we get enough examples in place, then the trust level will be a little easier to achieve and we can maybe try to get some things established at the

Federal level where we actually promote this rather than have to figure out a way to get around the Federal system in order to get it to happen.

I'll just finish my little tirade on this by saying that, again, going back about six years now when we first started to try to really go in in a gung ho way to change some of the Federal decisionmaking processes, one side didn't want to change it because they thought they were starting to get an advantage they hadn't had for a long time, and another side didn't want to change it because they didn't trust State and Local governments to care about the environment, and another side didn't want to change it because they had the advantage and didn't think the other side was going to get the advantage.

I sit back and think as long as we approach this from the perspective that we don't trust people who live where the issues are, who care about where they live, and we are trying to figure out a win/lose scenario where we win and somebody else loses, then we're just not thinking about it in the right way, and I still believe that we're not out of that mode yet. We're starting to break out and we're starting to find successes that can help people see that there is a win-win.

Said another way, I believe that there are solutions in the Owyhees and everywhere else that are better for the environment and better for the economy than what we are doing right now, and it's those kinds of solutions that we need to achieve.

Anyway, I appreciate you taking that little trip with me off of the Farm bill into that area, but one of these days we're going to get that so that it's a part of the Federal law in a better way, and it's going to be because of the work of people and organizations like you and yours and the others who have testified here today that we're going to make it happen.

Anybody want to have a last word before we wrap up?

Mr. KOESTER. Senator, if I may—and this is for Don Dixon; I hope he's in the room. When it comes time to title the new Farm Bill, I am going to be so bold as to suggest that you call it the Consumers' Food Protection Act, because that's what it is.

Senator CRAPO. That's right. I appreciate that, and I have heard that 100 times from Don; in fact, it's on my notes here for this hearing.

Mr. KOESTER. We've made sure that Don's heard that too.

Senator CRAPO. Well, that's so important.

Did either of you want to make a comment before I wrap up?

Mr. HOPKINS. Only to thank you, Senator Crapo, for the opportunity.

Senator CRAPO. Well, thank you.

Mr. HUBBARD. Thank you very much. It's most appreciative.

I like to look at some Federal agencies. I was the chairman of Southwest Area Focus on the part of the North American Waterfowl Management Act.

I had to try to get together the Forest Service and on and on and on, and it was the most frustrating experience I ever had in my life because they don't talk to each other.

Senator CRAPO. I know.

Mr. HUBBARD. I thought a good analogy to that—and it's probably something you experience every day—is that if I run up and I hit my head on a brick wall, I back off and there's a little blood and a little skin left there. Now if I run into this Federal agency, it's like a huge chocolate pudding wall: I run into it, go clear up to my shoulders, I back out; I can't even see where I've been.

It's changed. It certainly has changed.

Senator CRAPO. I'll maybe use that some day.

Mr. HUBBARD. Feel free to.

Senator CRAPO. Well, it certainly creates an image, doesn't it?

Mr. HUBBARD. Yes, a mental image.

Senator CRAPO. Again, thank you all very much for coming today. We're facing some really tough times in America right now, and without trying to get overly emotional about it or whatever, I'm not sure that we've seen all of what we're going to see in terms of the reality of the fact that we are at war. That is something that I, in my lifetime, have not experienced even with the Vietnam War being in my time. It was not fought on American soil, and part of this war will be fought on American soil. The Vice President said this may be one of those times in which the civilian casualties exceed the military casualties, and it's a very, very difficult dynamic for us to deal with emotionally and even intellectually, but it's also having its ramifications in virtually every other decisionmaking element that we are in. I mean, in the Small Business Committee on which I sit, it's security issues that are now critical or things to help the small businesses deal with the economic ripples of the terrorist activities. In the Farm Bill, significant focus is now there on food safety. And, you know, you just cannot underestimate the way that this is going to impact a change in our lives, and it's going to have an effect on the Farm bill itself, if in no other way than the budgetary impacts that we've talked about.

I believe it's important for us, as Americans. I believe the way we'll avoid the panic and the very exact response that the terrorists would like us to have is to be informed and to recognize that we are living in the greatest nation in the world, and that although we are not necessarily prepared for it—we probably weren't prepared for everything when World War II started—but we are a nation that knows how to deal with and grapple with problems, and we are a nation of strong people; and although we probably have some difficult times ahead of us, we are a strong people who can deal with those difficult times, and the way we will deal with them is by being prepared so that we can know that we are doing and that our government is doing the things that are necessary to protect us.

Once again, I think that issues like those we are grappling with in the Farm bill arena right now are very, very intimately related to us maintaining that strength as a nation, and in our economy, and in our response to protecting ourselves in a new paradigm of threat in the world.

I again thank you all for coming here today, and I look forward to working with you in the future on this. Unless there's anything else, we will conclude the hearing.

Mr. HUBBARD. Thank you.

Senator CRAPO. This hearing is adjourned.

[Whereupon, at 1:46 p.m., the committee adjourned.]

APPENDIX

October 27, 2001

Statement of Congressman C.L. "Butch" Otter

Before the Senate Committee on Agriculture, Nutrition and Forestry

Field Hearing on Farm Bill Issues
Boise, Idaho

October 27, 2001

Mr. Chairman, Members of the Committee, I appreciate the opportunity to be with you today. Let me first thank Senator Mike Crapo for his efforts in bringing this hearing to Idaho. It is also important to thank Congressman Mike Simpson for his leadership, and that of his colleagues on the House Agriculture Committee for completing H.R. 2646--The Farm Security Act. They should be congratulated on a job well done and for working to complete this critical legislation.

The House-passed version of the Farm Security Act authorizes $73.5 billion over ten years, funding a three-piece "safety net" for farmers, retaining fixed decoupled payments, the marketing loan program, and adding a counter-cyclical payment to provide a more consistent and reliable means of support for farmers and their lenders to plan for the future. The bill also makes significant investments in and improvements to conservation, rural development, export promotion, research, nutrition and other important agricultural programs.

The bill would devote $16 billion over ten years to soil, water, and wildlife conservation programs--an 80 percent increase--including the Conservation Reserve Program, the Environmental Quality Incentives Program, the Wetlands Reserve Program, the Wildlife Habitat Incentives Program, the Farmland Protection Program, and a Grassland Reserve Program.

This bill is not only a major boost for our farmers, but also sets a more stable farm policy for the next decade. This legislation is a step in the right direction, however, I urge the Committee to consider the concerns of Idaho's dry pea and lentil producers who have shared in experiencing dramatic declines in prices. They are important contributors to Idaho's economy.

Another major component to sound farm policy is the promotion of American commodities abroad. While our farmers are facing low commodity prices and stagnate domestic markets, we should work to open world markets to our producers.

I look forward to working with my colleagues in the House to pass H.R. 3005, the Trade Promotion Act. If passed this law will allow the President to enter into new trade agreements without undue Congressional interference. Idaho producers would benefit greatly from the expansion of foreign markets, particularly when the domestic economy is slowing as a result of the terrorist attacks.

In fiscal year 2000, the State's total cash receipts from farming reached $3.4 billion, and exports were estimated at $823 million. These exports help boost farm prices and income,

while supporting 12,500 jobs both on the farm and off the farm in food processing, storage, and transportation.

Idaho farmers are among the best in the world at producing and marketing their products, but foreign countries protect their agricultural industries more than any other. The average tariff on agriculture products coming into the U.S. is 12 percent, while the average global tariff on agriculture products is 62 percent. Agriculture is the backbone of Idaho's economy, and for Idahoans to compete for export opportunities, they need fair trade and more open access to growing global markets.

Allowing the President to negotiate and enter into new trade agreements--an authority granted to every President before him since President Nixon--will help open new markets for Idaho products worldwide, and help Idaho farmers scale the tremendous obstacles that limit export growth. This bill is important to our economy, its important to Idaho farmers, and it is an essential component of sound farm policy.

Again, the opportunity to be with you today is appreciated, and so is your selection of Boise, Idaho as the location of a field hearing.

Statement of Kevin Koester, National Board Member

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

Oct. 27, 2001

I. Background

I appreciate your invitation to share conservation districts' proposals for the conservation title of the next farm bill.

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.

Senator Crapo, and other members of the Committee, the nation's 3,000 conservation districts are pleased with the leadership that you have provided for conservation in the next Farm Bill. We also appreciate Mr. Harkin and Mr. Lugar's vision in outlining new approaches to working lands conservation embodied in their two bills. The concept behind the Conservation Security Act (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. 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:

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- 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 rehabilitat 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.

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 current

federal effort.

While these state and local initiatives have helped, they have added to the already complex array of programs and are themselves are often 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 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 the Conservation Technical Assistance Program 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. More than three million services were provided to farmers and ranchers last year through this program.

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-Forest 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.

II. 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.

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 at least $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 offering to 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 planned 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. Forest Stewardship Program

The Forest Stewardship Program (FSP) helps nearly 10 million nonindustrial private forestland (NIPF) owners - who own 44 percent of the nation's forestland - better manage and use their forest resources. Under FSP, every state has developed and is implementing a comprehensive management program to ensure that private forestlands are managed under stewardship plans. The program is cost-shared with states and provides high quality technical and stewardship planning assistance. Conservation districts recommend extending FSP and increasing its funding authorization to $50 million annually.

11. Forestry Incentives Program (FIP) and Stewardship Incentives Program (SIP)

The public derives tremendous benefits from nonindustrial private forestland and we need to ensure that these benefits continue to be realized. Of the 737 million acres of forestland in the United States, close to half - more than 350 million acres - are nonindustrial private forest (NIPF). The majority of NIPF lands are owned by people who for the most part have a strong interest managing their lands in a sustainable manner, but often do not have the knowledge or resources to do this. Given that the management of these forests has a tremendous influence on the quality of our nation's waters, watersheds, air, wildlife habitat and timber resources, the owners of these lands must be provided the resources they need to assure proper management of the resource.

Federal funding to help landowners implement sustainable forestry practices is currently far less than what is needed to sustain the resource. The two existing programs designed to provide financial incentives to NIPF landowners - the Forest Service's Stewardship Incentives Program (SIP) and NRCS's Forestry Incentives Program (FIP) - are seriously under funded. In fact, SIP has received no funding in the past three years and the President has requested no funding for the coming year. Further, neither of these programs provides sufficient flexibility for states to target their highest priority needs or tailor program management to their individual state administrative structures.

Given this background, conservation districts recommend establishing a new financial assistance program to replace the SIP and FIP. This new incentives program should allow states to have greater flexibility in determining how to meet national, state and local forestry management objectives. Under SIP and FIP, contracts have maximum acreage limitations of 1,000 acres or, with a waiver from the state forester, up to 5,000 acres. We believe that states should have the latitude to set acreage limitations that are appropriate for their needs. We also believe that states, in consultation with USDA, should have the flexibility to determine the percentage of funds spent for education, financial and technical assistance based on their own individual needs. There is strong support for this concept in the forestry community. Conservation districts and other groups that work with NIPF landowners such as the National Association of State Foresters (NASF) and the National Council on Private Forestry have embraced the idea. We also concur with NASF's recommendation to authorize funding for such an initiative at $100 million annually.

The primary differences between this new incentives program and the former programs (SIP and FIP) are that states would have greater flexibility in determining how the funds would be used to meet national and local objectives and the percentage of funds spent for education, financial and technical assistance would depend upon the needs within each state, as determined by the Forest Service and NRCS in partnership with the state forestry agency and state stewardship committees. The new program should allow states to set their own acreage limitations.

12. Forest Legacy Program

The Forestry Legacy Program (FLP) is intended to conserve environmentally important forests under threat of conversion to nonforest uses. From 1978 to 1994, private forestland tracts of 10 acres or less increased from 11 million to 16.6 million acres. A well-funded Forest Legacy Program, through which landowners sell development rights and the right of public access while retaining other rights in private ownership, can, in part, help prevent the fragmentation of the nation's forestlands. It operates on a willing seller-willing buyer concept. Conservation districts recommend extending the Forest Legacy Program and increasing its funding authorization to $50 million annually.

13. Urban and Community

Forestry Program

The Urban and Community Forestry Program (UCFP) provides the leadership, in cooperation with states, for improving and expanding urban forest ecosystems in the nation's 45,000 towns and cities where 80 percent of our population resides. The program provides leadership for state of the art technology and grants to urban areas to improve their quality of life through tree planting, maintenance and urban tree protection actions. Conservation districts recommend extending authorization for the Urban and Community Forestry Program and increasing its funding authorization to $50 million annually.

14. General Provisions

In addition to the above, conservation districts endorse 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.

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.

DOCUMENTS SUBMITTED FOR THE RECORD

OCTOBER 27, 2001

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Dirk Kempthorne / Governor
Rod Sando / Director

October 27, 2001

The Honorable Mike Crapo
U.S. Senate
111 Russell Senate Office Building
Washington, DC 20510

Dear Senator Crapo:

Thank you Senator Crapo and other members of the committee for holding this hearing and for taking the time to listen to the residents of Idaho. My mission as Director of Idaho Department of Fish and Game is to preserve, protect, and perpetuate fish and wildlife resources of Idaho. Conservation programs within the Farm Bill have become very important to that mission. In fact, Farm Bill programs do more to restore and maintain wildlife habitat on private working lands than any other program offered in Idaho today. Our Department has a strong commitment to continue our partnership with private landowners, conservation groups, and other agencies while improving and maintaining wildlife habitat on private lands. That is why I would like to offer our thoughts as you and your colleagues consider the 2002 Farm Bill in the Senate.

The Conservation Reserve Program (CRP) has helped to reduce soil erosion, improve water quality, increase wildlife populations and hunting opportunities, reduce the risk of species decline, reduce the risk of livestock-big game conflicts, and provides economic benefits to rural Idaho. There are nearly 800,000 acres enrolled in CRP in Idaho and payments exceed $30 million dollars annually. Additional dollars flow into rural communities during the fall as hunters take to CRP fields in pursuit of upland and big game hunting opportunities. Wildlife habitat created by CRP is largely the reason the population decline of Columbian sharp-tailed grouse was reversed in Idaho and why this species avoided listing under the Endangered Species Act in October 2000. After 15 years, CRP lands have become more valuable to sage grouse, another native upland game species threatened by habitat alteration across the West.

Forage produced on CRP lands and used by wildlife has helped to reduce the amount of damage caused by big game to growing or stored crops on private land. The Department of Agriculture, Department of Fish and Game, and local ranchers have adopted a plan to enhance certain CRP fields for elk so livestock and elk remain separated during winter. This plan is designed to reduce the risk of transmitting brucellosis from one species to the other.

This summer, emergency grazing and haying of CRP became a major issue during a statewide drought. Nearly 90% of all CRP land in Idaho received authorization for grazing or haying. This provided a safety net for livestock producers that were displaced from public lands due to wildfire last year and other producers that experienced the hardships of drought this year. Most of the grazing and all of the haying occurred outside of the primary nesting season minimizing the major concern of negative effects on wildlife habitat.

These are only a few examples that help illustrate the widespread values this program offers and why our Department is such an advocate for an increase in CRP acreage caps.

The Wetland Reserve Program (WRP) is a program that gives farmers a way out of farming problematic land and delivers environmental benefits at the same time. Here in Idaho, there are more than 5,500 acres enrolled in WRP. Additional requests have been turned away due to the lack of funding. Although this is a small program in Idaho, it is ecologically important to fish and wildlife species that require functional aquatic systems in the arid West. This program will become increasingly popular as landowners seek best management practices designed to meet water quality standards established for Idaho.

The Wildlife Habitat Incentive Program (WHIP) has been extremely successful in providing assistance to conservation-minded landowners that are unable to meet the specific eligibility requirements of other USDA conservation programs. The emphasis placed on partners in WHIP has improved communication and coordination among various interests addressing wildlife concerns. Priority habitats in Idaho include shrub-steppe, grasslands, wetlands, and riparian areas. Bull trout, Snake River chinook salmon, steelhead, Columbian sharp-tailed grouse, sage grouse, and southern Idaho ground squirrel are just a few species of special concern that have received benefits from this program.

The department is a strong advocate of the Grassland Reserve Program. The concept of conserving native grasslands and maintaining the ranching lifestyle is very popular in Idaho and will ensure long-term wildlife and ranching benefits. Unfortunately, this program is too late for the Palouse Prairie in northern Idaho where less than 1% of prairie exists today. However, other grassland habitats in Idaho remain intact and support sustainable livestock grazing. The next Farm Bill should include funding for ranchers who desire to sell permanent or 30-year easements against cultivation of this important habitat.

Recommendations from Idaho Department of Fish and Game include:

- **Expand the enrollment caps of the Conservation Reserve Program to its original 1985 level of 45 million acres.**
- **Expand enrollment of the Wetlands Reserve Program to accommodate enrollment of 250,000 acres per year through the duration of the Farm Bill. Do not place a cap on permanent easements.**
- **Expand the Wildlife Habitat Incentive Program to authorize the expenditures of $100 million annually.**
- **Establish a Grasslands Reserve Program to authorize up to 1 million acres for enrollment.**

Recognizing that our national priorities have shifted following the recent terrorist attacks, we support the Senate Agricultural Committee in continuing a careful and deliberative process with a goal of reaching Senate passage early in the Second Session of the 107th Congress. Thank you for your continued support and willingness to take comments during this dynamic and valuable process.

Sincerely,

for Rod Sando
Director

Testimony on Provisions for Farm Bill
Senate Agriculture Committee Field Hearing
Boise, Idaho
October 27, 2001

Submitted by:

Joe Anderson
Director, U.S. Canola Association
1082 Crane Creek Road
Potlatch, Idaho 83855
Phone: 208-875-0686

Mr. Chairman and Members of the Committee:

My name is Joe Anderson. I am a farmer from Potlatch, Idaho, where I raise wheat, barley, lentils canola and blue grass seed. I currently serve as Director of the U.S. Canola Association.

I am supportive of many of the concepts brought forward in the House farm bill with regard to PFC payments, target prices for triggering countercyclical payments and, marketing loans. However, all of these factors must be equitable between crops to enable those crops to compete for acreage in farmer's rotations in response to market signals and not program benefits.

The House bill fails to achieve this equity with regard to canola. Minor oilseeds would be worse off than under current legislation and not competitive with other crops for acreage. It is essential that minor oilseeds maintain their competitiveness for acreage under the marketing loan program. Each of our crops must attract acres to preserve industry infrastructure or to expand to meet growing demand.

Much of the incentive for increased canola acreage in recent years has come, not in response to marketing loan rates, but primarily, in response to agronomic issues of combating disease. Most of the acreage increase came before market prices became low enough that farmers sought the marketing loan. However, lowering of canola loan rates relative to other crops in a farmers rotation, may certainly cause a disincentive to produce canola.

The demand for canola oil in the United States continues to grow faster than the expansion in acreage. If loan rates are lowered and that results in lost acreage, then even a greater percentage of canola oil will be imported.

Minor oilseed organizations have worked closely with the American Soybean Association to develop consistent positions on domestic farm policy issues. We recognize that Congress treats oilseed crops in a similar manner, and that soybeans comprise over 90 percent of U.S. oilseed production.

The oilseed position on farm programs was presented at a hearing by the Senate Agriculture Committee on July 12. We support establishing current oilseed loan levels as floors rather than ceilings, and allowing loan rates for other crops to be rebalanced upward to reflect historical price relationships. We support establishment of fixed, decoupled payments for oilseed producers that reflect the relative value of oilseeds and other program crops, with payments based on recent historical acreage and yields. Finally, minor oilseed producers support development of a multi-year countercyclical income support program to replace the ad hoc emergency oilseed payments required annually since the 1999 crop.

Using updated historical production data to determine fixed and countercyclical payments could reduce the overall amount of support provided to specific program crops that have lost acreage and/or failed to increase yields in recent years. However, if crop payment levels are equitable, individual producers should not be disadvantaged.

I appreciate the opportunity to provide input to the Committee and recognize the difficulties in balancing the needs of all producers.

10/27/01

Senator Crapo.

Thanks for holding this hearing. It is important that you keep in touch with ag. Many things in this testimony are critical to us in the cattle business. Free Trade needs to be struck down + Fair Trade in its place. Also most of my testimony is about fairness in all policies to keep family operations like ours going.

Thanks,
Bud Redke

18765 600W
Oakley, Idaho
83346

The inventory of steers and heifers over 500 pounds increased over 5 million head from the late 1980s to 1996 (Figure 13). The increase is largely attributed to a smaller proportion of the calf crop being slaughtered, increased rates of gains for yearlings, higher imports, and a longer time in feedlots. Since the peak of the current cattle cycle in 1996, the U.S. steer and heifer inventory has been worked down nearly 2 million head. The working down of this inventory adds supplies to the market in addition to annual calf crop supplies.

Another method of monitoring the levels of the cow herd and calf crop is a comparison of the adjusted calf crop and its disposition. Disposition of the adjusted calf crop is composed of steer and heifer slaughter the following year, change in steer and heifer inventory the following year (either building or reducing the inventory during the following year), death loss, exports and imports the following year, and additions to the cow herd two years following the adjusted calf crop. Based on expected steer and heifer slaughter during 2001, imports and exports, and changes in steer and heifer inventory levels, it appears the 2000 adjusted calf crop, and therefore calf crop, is supported by expected disposition (Figure 14). Having a good accounting of the calf crop helps in estimating cow numbers and consequently, the total cattle inventory. Because it takes three years to account for the disposition of a calf crop, no one calf crop is a perfect fit with disposition since it is influenced by two other calf crops.

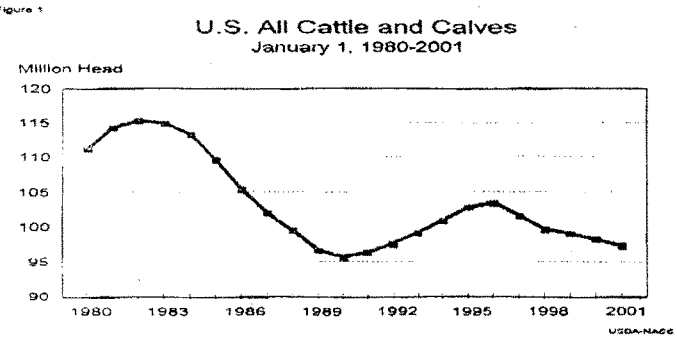
A larger proportion of the calf crop going into feedlots, increased feeder imports, and heavier fed cattle are largely the reason why U.S. beef production has continued to trend upward although the herd has trended downward (Figure 15). Beef production per cow has now increased nearly 200 pounds per head, or over 40 percent, over the last 20 years (Figure 16). Also, both the average live weight and dressed weight of cattle have increased about 100 pounds each over the past 20 years (Figure 17).

In summary, it is the fifth year of the downturn in the cattle cycle and there are no significant signs of expansion since replacement heifer numbers are down and placements of heifers in feedlots remain heavy. At the same time, the percentage of the calf crop slaughtered as calves is at a record low level (which suggests it is not likely to go much lower given there is a veal market) and the steer and heifer inventory has been worked down by 2.0 million head. These factors point to reduced future cattle supplies, which should support both future calf and fed cattle prices. On the other hand, increased imports, and continued heavy placements of heifers and lighter weight calves have added to feedlot supplies. These factors have tended to moderate cattle prices, especially fed cattle, and will be a major influence on the strength of future cattle prices.

Note

This special release is only available on the NASS website at: http://www.usda.gov/nass/.

Figure 1



R-CALF USA POSITION BRIEF

Cattle Chapter for 2002 Farm Bill

Revised July 24, 2001

Purpose of the Cattle Chapter: The cattle industry is characterized by cyclical, and often volatile, price patterns. In recent years, the troughs in pricing for live cattle have gotten deeper and lasted longer while price recovery has occurred for shorter periods of time. If the current situation is not addressed, the viability of the cattle industry in the United States will be even further threatened.

Fairer Share of Retail Dollar: A cattle chapter in the Farm Bill could help restore greater equilibrium to pricing, and thus help the U.S. market for live cattle operate as an actual market. In terms of retail dollars, if a rancher in 1997 received the same percentage of the retail dollar for beef, as was the case in 1970, he would be getting nearly $50 more per hundredweight. This phenomenon accounts for a substantial portion of the depressed prices received in the last decade and for a major part of the price/cost squeeze experienced. R-CALF USA is convinced that the Farm Bill will help U.S producers obtain a fairer share of the retail dollar if it contains provisions addressing the following issues:

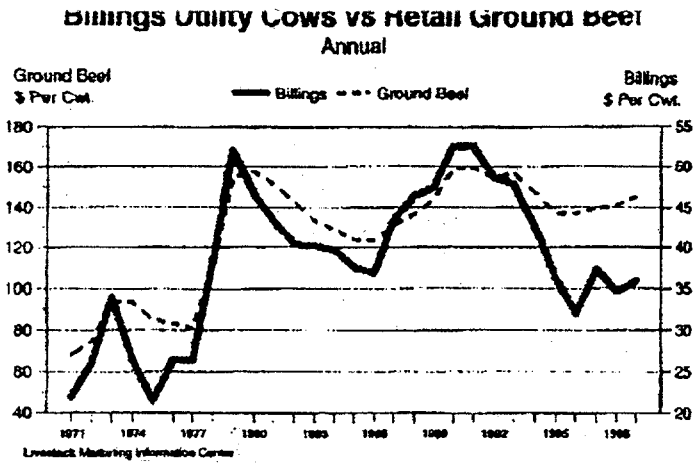
Elimination of Unfair Contract Practices: The Farm Bill should eliminate forms of contracts that distort market forces. For example, a cattle chapter should require that contracts for the sale of cattle be on a fixed-price basis. Ledger contracts, which allow buyers to loan producers operating expenses at considerable risk to producers, should be prohibited. The termination of contracts as a form of retribution should not be permitted. Furthermore, the Farm Bill should prohibit packers from owning livestock more than fourteen days prior to slaughter with the exception of plants that process less than 100 head per day. Addressing contract practices could help ensure that producers will be able to obtain a greater share of the retail dollar.

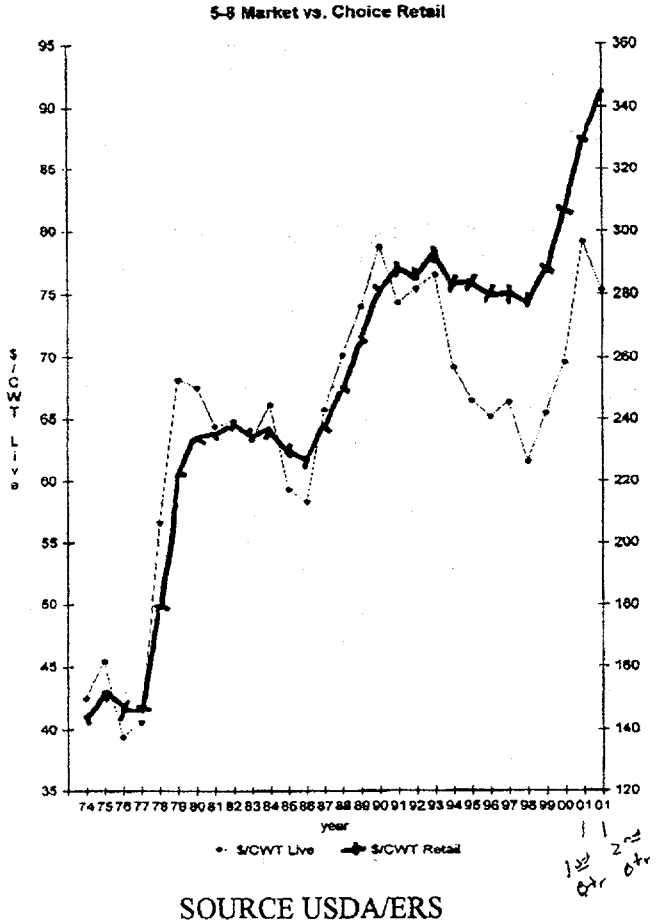
Better Enforcement of Antitrust Laws: Better enforcement of the antitrust laws would help U.S. cattle producers gain more of the retail dollar. R-CALF USA requests that the Farm Bill provide for increased resources for the enforcement of laws that have already been enacted for the benefit of cattle producers. Specifically, R-CALF USA asks for increased funding for the enforcement of the Packers and Stockyards Act (PSA). In addition, R-CALF USA requests that the Farm Bill provide for a review of penalties for violations of the PSA. R-CALF USA supports Senate Bill 282, which would establish in the Antitrust Division of the Department of Justice a position with responsibility for agricultural antitrust matters.

Need for Increased Transparency: Increased transparency in the cattle market will help U.S. producers gain a fairer share of the retail dollar. R-CALF USA was a strong advocate of the livestock mandatory reporting legislation, and R-CALF USA has been extremely concerned with the non-reporting that has characterized data released publicly to date. Nothing in the statute authorizes the elimination of information on a national or even a larger regional basis. USDA has the authority at the present time to provide complete national information. This lack of market information discourages competitive bidding. Although R-CALF USA appreciates USDA's efforts to improve implementation of the mandatory reporting law, R-CALF USA supports the elimination of the 3/60 Rule

Country of Origin Labeling: R-CALF USA believes that U.S. producers will invariably benefit when consumers can distinguish high quality U.S. products from those produced in other countries. For this reason, R-CALF USA is a strong advocate of country of origin labeling for beef. Most other major beef-producing and beef-consuming countries already have such laws on their books, and R-CALF USA does not understand why U.S. producers and consumers should not benefit from labeling laws. R-CALF USA advocates the adoption of a country of origin provision in the Farm Bill that would provide that U.S.-labeled beef would be beef from animals exclusively born, raised, and slaughtered in the United States. R-CALF USA strongly supports the restriction on the use of USDA's grade stamp to only meat that was born, raised, and slaughtered in the United States.

Interstate Shipment of State-Inspected Beef: Presently, beef processed through slaughter facilities cannot be sent across state lines unless federal inspection occurs. These laws penalize smaller packing plants, which are less likely to undergo federal inspection than major facilities. Ironically, through equivalency agreements between the United States and other countries, some beef inspected by foreign governments can be shipped into the U.S., and between states, although not undergoing inspection by the USDA. The prohibition on the interstate shipment of state-inspected meat is nonsensical, and a cattle chapter to the Farm Bill must end this prohibition.





SOURCE USDA/ERS

Free trade too often means no tariffs and no tariff rate quota's (TRQ's); however, if we pursue those free trade extremist agendas we guarantee the further hallowing of rural America.

We need to maintain our TRQ's and if TPA is granted, it needs to be contingent on maintaining TRQ's We cannot afford to compromise on those issues.

In 1998 the US cattle filed trade violation cases against Canada. The Department of Commerce after a long investigation found that Canada was dumping into the US and at a high enough level to warrant a tariff to protect the US industry from further damages. Unfortunately, the ITC over ruled and said it wasn't damaging us. Today, we have record live cattle imports from Canada and again they are dumping fat cattle into the US well below their cost of production and US packers are using these suppliers to hammer down cattle prices.

We need not only strong trade laws but trade laws that are enforceable.

Last summer the WTO overruled the US Sheep Industries case, throwing it out. Their reason, lamb and mutton have nothing to do with the price of sheep. This has now set a precedent for the cattle industry in addressing unfair trade practices where beef is subsidized or dumped into the U.S.. Our hands are tied, we have been blocked from ensuring trade is not damaging or even unlawful under our own trade laws.

Why are we continuing to expose US agriculture to an international environment that doesn't respect the values of our country? Who Benefits?

Finally, it's important to note that beef and cattle imports when converted to beef have risen from 2 billion lbs. in the early 1980's to well over 4.5 billion lbs. this year. Today when you factor out the nearly 2.5 billion lbs. of beef we export, 18-20% of the beef consumed in the US is imported, and it pales the lost market share of beef to poultry.

We look forward to your support in insuring trade isn't damaging to US agriculture, to your support for Country of Origin Labeling and your support in restoring competition to the greatest country in the world- The United States of America.

it's refreshing to finally hear someone besides the past chairmen of the ITC say that imports are being used to suppress cattle prices.

Recently, we've seen 6 Free Trade Agreements added to the dockets in D.C. Tell me how US cattle producers, and sheep producers, are going to compete not only with the added supplies but with foreign producers who's costs and exchange rates give them the ability to provide a cheaper product?

Today we are poised to have a Free Trade Agreement with South America--possibly as early as 2005. The Argentinean Ag Minister reported to R-CALF USA delegates at the recent business sessions of the FTAA in Buinas Aires that their cost of gain is $.17 (while US is closer to $.42) and that a 750lb steer was selling for $.40 with a break-even of $.20 (while US at the time was selling for $.80 with a break-even near $.70.) Both Brazil and Argentina have made statements they want to be a major player in the US market. USDA reported in 1998 that the FTAA would increase the US agriculture trade deficit. In fact, if the USDA understated the impact on the FTAA with South America as bad as they did with NAFTA then we can expect the causalities to be much higher. With Brazil and Argentina having nearly 2 times more cattle than the US, with Brazil already being the major soybean meal exporter in the world, and the third largest corn producer in the world, and with the recent USDA FAS reports saying that when Brazil has completed their infrastructure building of roads and waterways in the next 5 –10 years that they then will have the ability to increase their production by another 60 million hectors, it's understandable why the American Sheep Industry has said that the US cattle industry is positioned today with South America, where the US sheep industry was with Australia and New Zealand several year ago.

It's interesting to me that while US agriculture is developing conservation programs and environmentally conscious management programs, the Department of Commerce reported in their subsidy investigation last year that the Brazilian government is assisting farmers and ranchers in developing the Amazon.

I ask you Senator to explain how the US agriculture will benefit from a FTAA with South America.

I also ask why if both proponents and opponents of the FTAA agree that it will take Trade Promotion Authority (Fast Track) to pass the FTAA? Why if it is the key would we support it?

It's important that we clean up the damage from other trade agreements first.

Today the US is the most open country in the world with tariff's 1/5th of the rest of our trading partners. This has made us the international dumping grounds for other countries over production problems. We need to have Tariff Purity.

It's interesting to note a study commissioned by the Cattlemen's Beef Board (Check-Off) back in the mid 90's. The study was called "The Future of Price Discovery" and was completed by Cattle Fax, a national market analyst group. In the study Cattle Fax reported that historically retail prices and fed cattle prices have moved up and down in close synchrony. Attachment 'A' which are USDA – ERS numbers clearly shows that has not been the case since the early 1990's. It's important to note that retail prices as reported by USDA-ERS do not include value added practices and only include fresh retail prices.

Based on this, it's difficult to say that producers or consumers have benefited. The loss market share of the consumers beef dollar since the early 1990's to Idaho cattle producers represents nearly $300.00/head. That's over half the value of our calves.

It's also interesting to note the spread between hamburger prices and slaughter cow prices in the Pacific Northwest. 1996, 1997, 1998, and 1999 posted cow prices that were well below the previous cycle low and in fact the lowest in the previous 20 years. While hamburger prices stayed near record highs.

I think we all can admit that Something Is Wrong!

It's also disappointing to me to see IBP last week close down their packing plant for a day shutting US producers out of their market while imports for the same week remained near record highs compared to the previous yearly week levels.

It's disappointing to hear that Safeway will sell only New Zealand lamb while shutting off US producers from their markets. This type of restraint of trade on US producers should not be tolerated. Especially during these times, when it's important that this country maintain a strong economic infrastructure and keep America first.

I'd like to turn your attention toward trade. Too often the Global market is held out as the future for US agriculture. We may be the most efficient producers but we are not the least cost producer, and too often for US agriculture to compete in a Global Market arena we must sell below our cost of production. How could we be when not only our costs but also our purchased costs are saddled with some of the highest labor, environmental, and regulatory costs in the world? In return to often US agriculture is punished by artificially low priced imports that not only suppress our markets but often block us from access to our own markets.

The last bargaining tool we have as producers is in our ability to manage supplies, yet the agenda of Free Trade extremists is taking that away.

On September 21, 2001 USDA NASS reported that "...increased imports, and continued heavy placements...have added to feedlot supplies...and will be a major influence on the strength on future cattle prices." Many of us already know that but

I appreciate the opportunity to be a part of this hearing today. Our family has ranched in Idaho since the 1870's -

The domestic cattle industry is the single largest agriculture sector in the United States with more then one million producers. The US cattle industry, agriculture and our rural communities are in a crisis today even with our calf crop being the lowest since the 1950's.

While some economist and political leaders have said that concentration increases efficiencies and subsequently lowers prices to consumers and increases prices to producers, we've seen just the opposite happen. In fact, USDA reported that the producers share of the retail dollar has fallen from 70% in the 1970's to below 50% in 1996, while the nominal farm to retail price spread has widened from. $.40/ lb. to over $1.40/lbs. No industry can survive this kind of lost market share.

How long do we have to wait? How many more US cattle producers do we have to loose? How many more rural communities have to be hollowed out until competition is restored to our markets?

There is a competition chapter being offered into the Farm Bill. We look forward to your support.

Among other things, the competition Chapter:
1) Prohibits packers form feeding cattle

2) Requests the contracts be negotiated on a cash amount, much like ranchers contract their calves.

(Both of the above are designed to keep a live healthy cash market.)

3) Rescind or delete the confidentiality rule in Mandatory Price Reporting. In an age that will be recorded in history as the information age, cattle producer too often are in the dark. The confidentiality guidelines that USDA has applied are more stringent than those used by other agencies such as the Bureau of Labor. It is unclear to me that with even two buyers in the market and with the hundred and even thousands of contracts a day, how any one would know who's buying what unless there is collusion?

In the case where there's only one buyer in a market then it becomes even more important that we have timely market reports.

4) As we try to restore competition and producers look to more direct marketing programs, it's also important that we insure they have opportunity in market access. Therefore, it's important that slotting fees and other fees in the retail sector, which discriminate against small independent processors, be prohibited.

Thank You -
Rud Bedke

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83346

Honorable Dirk Kempthorne
Governor, State of Idaho
Senate Agriculture Committee Testimony
Saturday, October 27, 2001
City Council Chambers, Boise City Hall

Mr. Chairman, thank you for the opportunity to provide testimony to the United States Senate Agriculture Committee. We appreciate the fact that you have decided to have your hearing in one of the most important agricultural states in the union—Idaho.

Here in Idaho, our farmers, ranchers, and citizens take great pride in our agricultural industries. Our farm and ranch families are able to compete domestically and globally in the production of agricultural commodities. Currently, Idaho ranks nationally among the top ten in several of our commodities that are produced:

- Idaho is ranked sixth in the nation in alfalfa hay production.
- Idaho continued to hold its place as the sixth largest milk production state in the country, surpassed only by California in the West.
- The commercial fish farmers dominate the food-sized trout market, producing 75% of the nation's supply.
- Record yields and production resulted in a number one ranking for Idaho's "famous" potatoes. Idaho produced 32% of the nation's fall crop.
- Wheat farmers had a better year as higher prices were bolstered by record winter wheat yields. Idaho ranks seventh in the nation for wheat production.
- Total barley production was up for the state as Idaho regained the nation's number two spot.
- Sugar beet farmers produced the second largest crop in history and established a new record yield.

Overall, we are ranked second nationally in the production of barley, sugar beets, lentils, and wrinkled seed peas. We are ranked third in the production of dry edible peas, mint, hops and summer storage onions.

The State of Idaho, genuinely supports our agricultural industry. Recently, Idaho earned national recognition for the Idaho Dairy Initiative, from the John F. Kennedy School of Government at Harvard University. The Dairy Initiative is a partnership between federal and state agencies, industry representatives, and the University of Idaho with all partners committed to eliminating dairy waste discharges to surface ground waters. The carefully managed dairy industry is just one example of Idaho's effort to provide support for agriculture, while simultaneously making improvements to the environment through conservation.

As you can clearly see, Idaho does not have any production barriers. However, agriculture across the country and in Idaho still faces many challenges. Our producers are suffering from low commodity prices and markets that are encumbered by high

tariffs. Progressive businesses understand the necessity of expanding globally to remain competitive in the world marketplace—states must have this same attitude. I am committed to delivering results by addressing difficult trade issues with government officials and by helping convert opportunities into sales for Idaho's agri-businesses.

The Farm Bill gives agricultural opportunities for domestic producers to compete in global markets. International markets are becoming increasingly important, as more than one-third of Idaho's agriculture is exported into foreign markets. Idaho has taken an aggressive approach into marketing our commodities worldwide—75% of Idaho wheat is exported and 80% of Idaho peas and lentils are sold to foreign markets. Idaho exports have increased from $789.4 million in FY1999 to $823.8 million in FY2000.

The Farm Bill could provide a trickle down effect to the rural communities surrounding agricultural areas. It should focus on providing assistance for rural revitalization. The communities that have provided support for agriculture are also experiencing deterioration. This is not only attributed to the economic plight of farm and ranch families, but also to the agri-businesses that depend on agriculture. The rural communities have experienced burdening economic and social hardships. The Farm Bill should provide farmers and ranchers with the ability to do their share of revitalization of rural America. For Idaho's rural communities to improve economically, it must start with the lifeblood, agriculture. Once agriculture starts to improve, other rural businesses will follow.

However, rural revitalization must also coincide with conservation efforts. Conservation is an eminent factor. As Governor, I am committed to keeping Idaho's environment healthy for it's citizens and natural resources. Idaho is making great strides in our conservation efforts. It is shown through our Dairy Initiative, as well as awards for environmental stewardship. I have added a new award to the Idaho Agriculture Summit showcasing farmers and ranchers efforts to be environmentally frugal. I developed the Environmental Stewardship award to encourage farmers and ranchers to improve the quality of air, water, or soil as a result of innovative practices, technologies, and/or partnerships.

In closing, Idaho is proud of our capabilities in agricultural production; our pride encompasses all facets of agricultural stability. Our conservation efforts are an important component of stabilizing and revitalizing our rural areas. We are intent upon keeping our agricultural background a profitable and sustainable way of life. Your consideration of these positions and assistance within the Farm Bill would be appreciated.

Glanbia Foods, Inc.
1373 Fillmore Street,
Twin Falls, ID 83301-3380
Telephone (208) 733-7555
Facsimile (208) 733-9222

Testimony of
Dave Thomas
President of Glanbia Foods Inc., Twin Falls, Idaho

Before the
Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing
Boise City Hall, Boise, Idaho
The Honorable Mike Crapo
United States Senate

October 27, 2001

Senator Crapo and Members of the Committee:

My name is Dave Thomas and I am President of Glanbia Foods, Inc., headquartered in Twin Falls, Idaho. Thank you for the opportunity to submit testimony before the Senate Agriculture Committee on Section 146, of H.R. 2646, the "Farm Security Act." This provision would require importers of dairy products to pay an assessment to fund the Dairy Promotion Program. Glanbia shares the view of many importers and U.S. processors that this provision is unfair, unconstitutional and may potentially violate U.S. obligations to the World Trade Organization. While the Senate begins to draft its version of the farm Bill, we would like to submit our views about this provision and urge that the Senate oppose its consideration and enactment.

Glanbia Foods is the U.S. subsidiary of Glanbia plc, a leading international dairy-based food company, headquartered in Kilkenny, Ireland. Its operations comprise significant dairy processing and marketing activities in Ireland, the United States and the United Kingdom, as well as regional interests in the food service, meat processing and general agribusiness sectors. The Group has an annual turnover of approximately US$2 billion and employs over 7,000 people. It ranks among the world's leading cheese manufacturers and markets a broad portfolio of dairy products across the world, particularly from its Irish and US facilities.

In Ireland, Glanbia is the country's leading dairy business, processing approximately 30% of national milk output into a range of value-added dairy products, 80% of which is exported. The company serves a diverse geographic market base, including nutritionally formulated milk products for countries in Africa, Asia and South America; cheese and butter products for European markets and high value added, functional dairy proteins (mainly casein) to the U.S. and European markets.

In the U.S., Glanbia Foods is the leading dairy processor in the State of Idaho and is the third largest manufacturer of American cheese for the domestic market, as well as being the largest cheese manufacturer in the Northwest. With three locations in Idaho (Twin Falls, Gooding, and Richfield), the company employs 450 people and processes over 2.4 billion pounds of milk annually. The company has an annual payroll which exceeds $15 million.

Glanbia is one of the largest whey processors in the U.S. and has been a pioneer in the fractionation of whey into advanced nutritional ingredients – whey proteins, lactose, milk minerals and specialty proteins for both domestic and thriving export markets. Glanbia has invested over $100 million in Idaho in recent years and has further significant investment plans in development to expand production to meet rapidly growing demand for nutritional products, particularly in Asia and Europe.

Glanbia Food Inc.'s market position can be summarized as follows:

- #1 milk processor in Idaho
- #1 in the USA barrel cheese market
- #3 in the USA American Cheese Market
- #2 in USA whey protein concentrate market
- #2 in the world whey protein isolate market (WPI)
- #2 in USA exports of Lactose to Japan

Glanbia is committed to continuing to grow its position in the United States through expanding development and production of superior nutritional products in Idaho for home and export markets, as well as providing customised functional ingredient solutions for US food manufacturers from operations in Idaho and Ireland.

Glanbia Foods, Inc. is opposed to legislation that will restrict trade in the dairy sector considering the devastating effects it will have on the U.S. operations, as well as on U.S. exports and competitiveness. Glanbia's opposition to Section 146 comes from a local Idaho perspective. Glanbia strongly opposes extending the mandatory assessment (check-off) on domestic milk for three reasons: it is unconstitutional, it imposes an unfair tax, and it breaches U.S. WTO commitments.

Constitutional Concerns

First of all, the extension of the mandatory assessment on domestic milk to all dairy imports is unconstitutional. Section 146 would impose a mandatory assessment on dairy imports, without giving importers the right to vote on participation that was given to domestic producers. Under the Dairy Stabilization Act of 1983 establishing the Dairy Promotion Program, domestic producers of milk were given the opportunity to vote in a referendum on whether they wanted to adopt the program. Section 146 would mandate an assessment on imports of all dairy products without giving importers any fair opportunity to decide if they wished to participate in the program. This would impose overwhelming control on the domestic producer as well as making the importer's role marginal. It is inappropriate for Congress to adopt such legislation, particularly in light of the recent U.S. Supreme Court ruling against a similar promotion program for mushrooms by the Department of Agriculture. In this decision the Court held that the mushroom promotion program violated the freedom of speech provision of the First Amendment of the Constitution. The Courts view was that the assessment forced individuals to pay subsidies to promote speech to which they objected. Like the mushroom example, the proposed dairy assessment under Section 146 would require importers to subsidize domestic market promotion whether they objected or not. Congress should defer consideration of such proposed assessments until their legal status has been conclusively resolved.

Fairness Concerns

Secondly, extending the mandatory assessment on domestic milk to all dairy imports to fund industry campaigns would be patently unfair. The proposed dairy assessment fee would assess imports disproportionately and the imports would not benefit in any meaningful way. In addition, this

assessment is intended for valued-added products, not commodities, and since dairy imports are largely value-added, this would unfairly impact our operations in Wisconsin and Idaho. Keep in mind that Glanbia produces such products as casein and other milk protein concentrate (MPC's), ingredients for both food and non-food use, which are not recognized by consumers as dairy products. Therefore, imports would be disproportionately assessed.

Moreover, the fee on imports would raise an amount annually equivalent to or even exceeding one percent of the value of cow's milk imports. According to U.S. Department of Agriculture figures, the value of dairy product imports in FY 2000 totaled $1.35 billion. One per cent of this total equals $16 million. If added to the current national program, funding from imports would equate to 12.9 percent of total funding in 2000. The disparity between the level of contribution to the program between domestic producers and importers couldn't be more apparent. Importers' contributions are three times higher than domestic producers, yet domestic producers can contribute up to two-thirds of their assessment to state and regional promotion programs. Importers are denied this benefit.

Another fairness concern is that imports would not benefit from the market promotional and development activities of the program. There are two reasons for this. First is that country specific quotas apply on imports of all dairy products directly competing with domestic products. Simply put, the promotion program cannot provide any measurable increase of U.S. market share for these imported products. Secondly, casein, caseinates and MPC's produced by companies such as Glanbia, which are not currently and should never be subject to tariff rate quota restrictions have never been promoted under the Program. They are not manufactured domestically because of the economic disincentives created by the dairy price support program. However, during the period from 1983 to 2000, casein imports would have been assessed an aggregate total of $174 million had they been subjected to the assessment under Section 146.

This additional tax on the supply chain would in fact reduce the welfare of importers, ingredient end-users and consumers. Since the increase in program revenues would only benefit the domestic origin product, Section 146 clearly would be unfair.

U.S. WTO Obligation Concerns

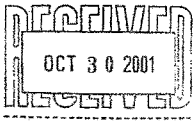
Finally, extending the mandatory assessment on domestic milk to all dairy imports would breach U.S. commitments under the WTO. There are two basic arguments with the assessment: First, to the extent that the assessment fee would be applied to both imported and domestically produced dairy products, it would be considered an internal tax subject to the national treatment provisions of Article III of the General Agreement on Tariffs and Trade (GATT) Article III of the GATT states that imported products are to be accorded no less favorable treatment than domestic products.. However, under Section 146 national treatment would be denied to importers because they would not be allowed to obtain approval for new programs to specifically promote imports. In contrast, as mentioned previously, domestic producers can obtain funding for state and regional promotion.

Secondly, where the assessment is applied only to the imported product and not to any like domestic product, such as with casein and others, then the provisions of GATT Article II, dealing with import duties and charges would apply. GATT Article II affords to U.S. trading partners the benefits of their negotiated tariff levels. However, given that the extension of the assessment to imports of milk proteins and not to any like product (caseins, caseinate and MPC's are not manufactured in the U.S.) it constitutes a duty on imports rather than an internal tax. Therefore this assessment on milk protein imports would be in addition to the U.S. tariff already being applied at bound rates. This is clearly inconsistent with U.S. commitments under GATT and the current WTO.

For these reasons, we respectfully urge that the Senate not enact section 146 of H.R. 2646, the House-passed Farm Security Act or similar provisions under consideration in the development of agriculture legislation. Glanbia encourages members of the committee to oppose legislation unfairly restricting trade in the U.S. dairy sector and to consider the impact such legislation may have on U.S. exports and competitiveness.

Thank you.

Northwest Federation of Community Organizations



October 27, 2001

Dear Senate Agriculture Committee,

I am submitting comments on the Farm Bill on behalf of the Northwest Federation of Community Organizations, the Idaho Community Action Network, Montana People's Action, Oregon Action, and Washington Citizen Action. Together these organizations have over 65 years of experience bringing low-income families into the political process on issues that affect their lives. More than 100 members of these organizations traveled here today to attend this field hearing and share their views on the Food Stamp Program.

The Food Stamp Program is the nation's first line of defense against hunger and has kept millions of families out of poverty since its establishment. However, the program's effectiveness was severely undermined in 1996 due to the passage of welfare reform. Foods stamps became more difficult to access, benefits were reduced, and certain populations of people, including legal immigrants and some unemployment people, were cut off the Food Stamp Program altogether.

The Senate Agriculture Committee plays a central role in the reauthorization of the Food Stamp Program. As you consider the 2001 Farm Bill, we ask that you pay careful attention to the nutrition title. In tenuous economic times like these, it is critical that the U.S. has a strong anti-hunger program to ensure the health and security of its citizens.

Specifically, we ask that the Senate Agriculture Committee increase the food stamp benefit levels to reflect the real cost of food, restore eligibility for immigrants and all unemployment adults, expand eligibility so more working poor families can participate, and encourage states to simplify their application procedures by developing a less onerous quality control system.

We are pleased to see that the House version of the Farm Bill includes some provisions that will simplify the application process. We understand that Senator Lugar's proposal also includes these provisions as well as other important policy changes like eliminating the vehicle test for applicants. We hope that the Senate's bill will build upon the policy changes in these bills and include a nutrition title that incorporates our suggestions listed above.

Please see the attached report "Food Stamps Out Hunger" for our more specific policy recommendations. Also, we ask that you take the time to read the stories from families on Food Stamps as well as the written testimony provided by low-income people who attended the hearing today.

Sincerely,

Terri Sterling
Idaho Community Action Network Board Member

RECEIVED
OCT 30 2001

Susan Merrill
PO Box 175
Soda Springs, ID 83276

Increasing the food stamp benefit levels

My name is Susan Merrill and I am from Soda Springs, Idaho. I am a wife and mother of two boys.

The Food Stamp Program does not reflect the true costs of food that families face today. My family struggles to keep nutritious food on the table. When we go to the grocery store I have to be very selective. My first stop is the bin of meat that has been reduced in price because it older then most people would buy.

Another adversity my family faces is my and my husband's diabetes. We are supposed to be on strict diets, which requires more expensive food, and we often have to jeopardize our own health and buy food which does not meet our health requirements.

One of the biggest reasons my family struggles with hunger, health and nutrition is that the assistance we receive through the Food Stamp Program does not reflect today's prices at the grocery store.

Congress needs to increase the benefit level for families by replacing the outdated Thrifty Food Plan with the USDA's Low Cost Food Plan. Besides a couple of small modifications in 1983 and 1999, the Thrifty Food Plan, which is the basis for the food stamp benefit allotment, has not been updated since its creation in 1975. The food stamp allotment needs to be increased to reflect the realistic cost of food. We believe the Low Cost Food Plan is more up to date with today's economy and would allow families to eat nutritious meals without having to go hungry.

RECEIVED
OCT 3 0 2001

KC Clugey
203 Gordon Lane
Cul de Sac, ID 83524

Eliminate Barriers to accessing food stamps

My name is KC Clugey and I live in a household of seven in Lewiston, Idaho.

Families are frustrated with the extremely complicated application and re-certification process for the Food Stamp Program.

My family is not currently on food stamps, although my family has applied for food stamps five times. Each time we have applied it has not only been a hassle with intruding personal questions that have no relevance to our hunger and need for food stamp benefits but we were also treated in a demoralizing way by the staff.

When my family applied for food stamps a year and a half ago we were like thousands of other families in Idaho who were hungry and in need of assistance. Because of our need we bent over backwards to go through the complicated process of applying. After the trips to Health and Welfare office, the seemingly endless questions and the brow beating we were offered the minimum Food Stamp benefit, $10 dollars a month.
We turned down the $10 dollars a month because it was not worth the hassle of the continued red-tape let alone the complicated application process.

The Senate needs to create a farm bill that aims to eliminate the barriers low-income families face when accessing and applying for food stamps. The Food Stamp Program's eligibility and benefit determination process is extremely complicated. A detailed processes of using net income and certain household costs as deductions is used to determine if a family qualifies for food stamps and how much of a benefit they will receive. The enrollment and benefit determination process needs to be streamlined. A simplified system of deductions should be developed for the majority of applicants, while allowing families with high expenses to continue to use the current itemized deduction system.

Quality Control

States are erecting barriers that are preventing hungry families from receiving food stamps to avoid penalties from federal quality control regulations

States should be awarded for enrolling eligible families and not punished for granting benefits to needy families. The current quality control standards are hurting both families and states and need to be removed. Currently, there are many families who are eligible to receive food stamps but are not enrolled because they do not know that they qualify or are intimidated by the complicated process.

Quality control should mean ensuring quality of life. A new quality control standard must be set up that would allow families to access the food they need while rewarding states for enrolling eligible families.

RECEIVED
OCT 3 0 2001

Adelaita Juarez
409 E. 12th
Rupert, ID 83350

Restore Benefits to Immigrants

Hello, my name is Adeliata Juarez, I am from Burley, Idaho, and my son is disabled.

Congress must restore food stamp benefits to legal, tax-paying immigrants. I am 70 years old and I am an immigrant to this country and feel that I have worked hard and contributed much to it as a citizen. Often times, we do not have enough to eat and skip meals or eat less.

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act made drastic cuts to the Food Stamp Program. A large portion of these cuts came from making most legal immigrants ineligible for food stamps. Millions of working poor, tax-paying immigrants are unable to access food through the Food Stamp Program. Worse yet, millions of eligible **citizen** children of immigrant parents have been harmed by this provision, as many parents don't know that their children still qualify for benefits. Benefits must be restored to these vulnerable immigrant families so they may have access to adequate nutrition.

RECEIVED
OCT 3 0 2001

Hank Travis
1203 Targee
Boise, ID 83706

Increase eligibility requirements for food stamps.

Many working poor families are going hungry. They earn too much money to qualify for food stamp benefits but not enough to feed their families three healthy meals every day.

Congress must allow hungry families to access food. The Farm Bill should increase eligibility so that low-income working families who are skipping meals have access to food stamps.

In a survey done by ICAN of 134 low-income families at or below 150% of the Federal Poverty Level, we found that 60% of adults and 33% of children who were not on food stamps had to eat less or skip meals because there was not sufficient food in the house.

Currently food stamp eligibility is set at 130% of the Federal Poverty Level causing many working poor families who have difficulty putting food on the table to be disqualified from the program. We would like to see the Food Stamp Program increase its eligibility requirements to 200% (gross income) and 170% (net income) of the Federal Poverty level.

RECEIVED
OCT 3 0 2001

Rose Spears
7207 N. Albina
Portland, OR 97217

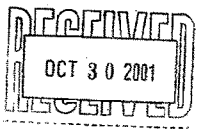
Increase the Standard Utility Allowance

Across the country many families have been burdened by the rising costs of utilities. Unfortunately, the Standard Utility Allowance that helps determine food stamp benefits has not been updated to reflect these true costs of living, leaving families hungry and skipping meals at the end of the month.

My monthly income is only $699 a month. It is a struggle for me to purchase enough food that will last me the entire month.

Yes food stamps help but it is not enough. When I have to pay more for electricity it means I have less money to buy food. If I paid what the Standard utility Allowance says I pay for electricity it would be shut off. When I pay the actual cost of electricity I don't have enough money to buy food at the end of the month.

The farm bill must raise the Standard Utility Allowance to reflect the costs of living families face today.



Bonnie Chambers
14610 Admirality Way, Apt. F202
Lynnwood, WA 98037

Restore benefits to all able body adults without dependents (ABAWDs)

The 1996 Welfare Reform Act limited all Able Body Adults Without Dependents (ABAWDs) to receiving only 3 months of food stamp benefits over a three year period.

In today's economy many workers are having a brutal time finding work, let alone work that pays a living wage. The weak job market is leaving many families and single adults grappling to access healthy food.

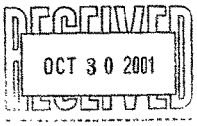
My family and I have experienced this fight first hand. My husband James use to work for Boeing in Washington state but when he was laid off we struggled to put food on the table for our four children. James and I often had to eat only one meal a day to ensure our kids had enough to eat.

I am grateful that we were able to receive food stamps, they are America's first line of defense against hunger.

Unfortunately, many single adults are not able to access food stamps when they are hungry and looking for work.

The 1996 Welfare Reform Act limited all Able Body Adults Without Dependents (ABAWDs) to receiving only 3 months of food stamp benefits over a three year period.

Congress must use the farm bill to restore benefits to the unemployed and ensure no one in America goes hungry.



Arnold Glover
3125 NE Dekum
Portland, OR 97211

Vehicle Assets Test

Currently the Food Stamp Program punishes those with reliable vehicles. Punishes them by not giving them enough benefits to have enough food for the entire month or punishes them by disqualifying families from the Food Stamp Program

The Food Stamp Act of 1977 required families to count their car as a resource to the extent that the value exceeds $4500. The current vehicle test presents a dilemma for working families who rely on a vehicle to commute to work, the grocery store, to the doctor, or for emergencies. The need for a reliable vehicle is especially critical for those in rural areas.

Congress needs eliminate the vehicle test or at the least update the current auto resource limit to reflect changes in car prices since the limit was set 24 years ago.

Testimony by Idaho Honey Industry Assoc.
for Senator Crapo's Agricultural Hearing
held in Boise, ID. October 25, 01

The American Beekeeping Industry like most Ag. sectors is challenged by the current circumstances of low commodity prices, high production costs, and unfair trading practices in the Global economy. Idaho ranks an average of 11th nationally in annual honey production. Beekeepers in Idaho provide pollination services in CA., OR., WA., and ID.

The National Honey Board was created to promote honey consumption. Since its inception over ten years ago domestic honey consumption has grown from 210,000,000 pounds to over 395,000,000 pounds for the year 2000. Domestic and imported honey pays an assessment of $.01/lb to the National Honey Board. We view this as a self-help effort.

Senator Crapo has observed in several meeting, the currency exchange rate is our single most difficult barrier to world trade. Many nations impose high tariffs and onerous regulations prohibiting the flow of U.S. produced honey into their country's.

Annual domestic honey production averages near 230,000,000 pounds. A ready import market awaits other honey producing nations to fill the remaining 160,000,000 pounds. There is a $.01/pound tariff on all imported honey which is meant to cover Custom's expenses. These exporting countries have several advantages; lower production costs, significant exchange rate advantage, and few of the intrusive and costly government regulations we deal with constantly. Since there is no mechanism to encourage domestic production be used first, foreign producers are selling their honey ahead of our production due to price advantages we are unable to overcome.

A study in 2000, commissioned by the Nation Honey Board, found the domestic honeybee contributes over $14.6 billion in pollination services yet as Keeper's of the bees we see only a small fraction of that dollar amount in the form of compensation. Just like many households need two incomes, if a Beekeeper doesn't have both pollination and honey production income, he is out of business.

With a honey price of $.70/lb., a normal production year of 65 lbs. of honey and two pollination fees totaling $75.00, a hive will clear $120.50. Expenses for a hive consistently exceed $105.00 annually. For 1998 and 1999 many beekeepers sold their crops for $.38-.52/ pound generating far less than the expenses incurred.

We ask for a safety net that the honeybee and their keepers might survive cyclical down turns in honey prices. Most of the honey crop is generated and ready for market in September. No segment in our industry is capable of financing an entire crop. Commercial banks have no incentive to gamble with a small sector like honey, hence financing with honey as collateral is unavailable.

We need a nonrecourse honey loan program to assist in the orderly marketing of honey. A mechanism such as a loan deficiency payment to help counter the cyclical nature of our industry would go a long ways in countering market predations due to exchange rates.

Beekeeping is one of the smallest segments of Agriculture, yet its impact is easily the most far-reaching. Unlike other war-torn nations the United States has never been hungry, yet without bees and beekeepers it very soon could be. America needs a Food Security Policy to act as a compass in all WTO negotiations, treaty's, and legislation. Will you please champion a cause to help beekeepers help themselves for Idaho and our nation. Thank you!

Idaho Honey Industry Association
P.O. Box 911
Blackfoot, ID. 83221
Kevin Howell- Pres. 208-356-7676

November 5, 2001

Senator Mike Crapo

I have some comments that I would like to add to testimony on the farm bill. These are personal comments and do not represent PGI. Due to a accumulation of debt over the past several years I was unable to get financed to farm this year. It has been a difficult time, one which I had certainly hoped to avoid. We sold most of our equipment and are working to pay or settle with creditors.

There are several reasons for our losses. Low potato prices is one of the main reasons, but the flood of 97 and hail in 95 also caused large losses. The 1996 farm bill as well as previous farm bills were also to blame. That is what I would like to explain.

We started farming in the Riverside area in 1985. Most of the ground we gradually rented had not had sprinkler irrigation prior to that time. In earlier times potatoes had been grown extensively in Riverside, but the small flood irrigated farms did not work for potatoes by the 80's. Much of the land had been in pasture, hay, and some was idle. Some wheat and barley were raised but most of the farmers had chosen not to participate in government farm programs. Therefore these farms had either low or non-existent bases or proven yields. As I started to farm those farms I slowly began to build bases, but was soon stopped by changing farm policy. Most of the ground was only allowed a 21 bushel dry land yield, even though it was some of the first ground in Idaho to be irrigated.

When I signed up for the 1996 farm bills AMPTA payments, those payments were very small compared to similar farms that had been developed into modern farms earlier. I felt that this was really age discrimination because older producers that had fully participated in earlier farm programs had a big advantage. It was definitely harder for a younger producer to compete when he couldn't get paid the same for his overall farm production as the older farms did. There is a lot of ground in the community that was not even eligible to receive LDP payments.

I estimated once that this issue has cost me about $20,000 per year in government payments. Like many other growers I thought I could survive without the government, but apparently I had been wrong. If I could have had the extra $20,000 per year that older operations were receiving it would have made a big difference to my finances over the past 10 years. Under previous farm bills, when subsidies weren't paid when prices were high, I could at least compete on good years. This last farm bill has made it impossible to compete, even in good times.

I have a good friend and neighbor that is trying to survive by producing alfalfa and silage corn. Although farming hundreds of acres in Riverside he receives practically no FSA payments. He family had chosen to stay out of government programs back in the 70's and early 80's and now his survival is also much at question because he is ineligible for almost all payments. At the same time other alfalfa or corn producers are able to receive subsidy payments for a crop (wheat) that they may not have even raised in years!

I think that it may be time for a whole new approach to the next farm bill. I have always supported all producers receiving the same benefits, but when I see large, well to do farmers receiving hundreds of thousands of dollars in government money while myself and other smaller farmer friends are being forced out of business partly because we don't qualify for the same treatment as the larger producers, I think it is time to change something. (By the way when I refer to smaller producers I am talking about farms of around 1000 acres with gross revenues around $500,000 to $800,000.)

I have not seen Senator Lugars proposals, but perhaps we need to take a close look at them. Perhaps limited government subsidies should be targeted to the benefit of all producers.

Again I am not speaking for anyone but myself, but I think there are a lot of people like me, that have not been party to very much of the billions spent by the government on farm aid. I appreciate your time and interest in this important task of rewriting farm legislation.

Sincerely,

Keith Esplin
580 West 75 South
Blackfoot, ID 83221
208-785-3311
208-680-3905

Nov. '93

Introduction

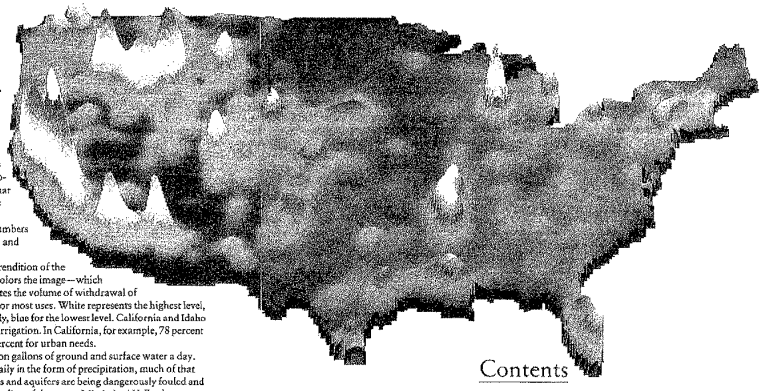
"When the well's dry, we know the worth of water."

BENJAMIN FRANKLIN quoted those prophetic words nearly two and a half centuries ago, when America's wells—both literally and figuratively—overflowed with water.

Today those same wells are in danger of running dry, and along with the rest of the world we face a critical shortage of clean, fresh water.

The problem is not the *supply* of water; earth has virtually the same amount today as it did when dinosaurs roamed the planet. Ninety-seven percent of that supply is in the form of salt water. Only 3 percent is fresh, and two-thirds of that is ice.

The problem is simply people—our increasing numbers and our flagrant abuse of one of our most precious, and limited, resources.



The bizarre image at right, a computer-graphics rendition of the United States, dramatizes the problem. In varying colors the image—which was created by the U. S. Geological Survey—indicates the volume of withdrawal of surface and ground water throughout the country for most uses. White represents the highest level, ranging down through red, yellow, green, and, finally, blue for the lowest level. California and Idaho show the areas of highest use, thanks largely to crop irrigation. In California, for example, 78 percent of the water used goes to agriculture and only 22 percent for urban needs.

Altogether the United States withdraws 339 billion gallons of ground and surface water a day. Although four *trillion* gallons of water falls on us daily in the form of precipitation, much of that disappears in evaporation and runoff, and our rivers and aquifers are being dangerously fouled and depleted. Occasionally, as with the catastrophic flooding of the upper Mississippi Valley last summer, we seem cursed with an overabundance of water, but such events are mercifully rare.

This special 13th edition of the NATIONAL GEOGRAPHIC is devoted exclusively to the subject of fresh water—our use and abuse of it, our potential supply, and our prospects for the future. The edition is only the second of its kind in the Society's 105-year history; in February 1981 we published a special edition on the subject of energy.

That report focused on major sources of energy—oil, coal, natural gas—as well as various substitute sources. But there is, of course, no substitute for water; it has already begun to replace oil as a major cause of confrontation in the Middle East. The confrontations can only grow and widen.

This special edition on water has been more than two years in the making. A team of top photographers, writers, and editors crisscrossed North America, exploring people's attitudes, habits, and perceptions of water. The team found historic mismanagement of water, blatant cases of waste and pollution, and widespread ignorance of water problems. Yet they also found a growing awareness of the challenges water presents and an encouraging readiness to face them.

One thing is certain: We must mend our ways. The United States uses three times as much water a day—1,300 gallons per person—as the average European country, and astronomically more water than most developing nations. When we realize that it can take a thousand gallons of fresh water merely to produce one eight-ounce steak, then—as Ben Franklin put it—we know the worth of water.

The question is how we will use that knowledge.

—WILLIAM GRAVES, EDITOR

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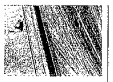

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Double Map Supplement: U. S. / Water

Cover ■ Thundering beauty and cheap electricity are Niagara Falls' twin blessings. The delicate balance challenges a society that thirsts after both. Photograph by Peter Essick.