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OVERSIGHT OF CONSERVATION PROGRAMS OF THE 2002 FARM BILL

HEARING

BEFORE THE

SUBCOMMITTEE ON FORESTRY, CONSERVATION, AND RURAL REVITALIZATION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

UNITED STATES SENATE

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OVERSIGHT OF CONSERVATION PROGRAMS OF THE 2002 FARM BILL

TUESDAY, MAY 11, 2004

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 9:58 a.m., in room SD–628, Dirksen Senate Office Building, Hon. Mike Crapo, [Chairman of the Subcommittee], presiding.

Present: Senators Crapo, Talent, Harkin, Lincoln, and Leahy.

Senator CRAPO. If everybody would take their seats, the hearing will come to order.

I'm going to start just a couple of minutes early because—and I see we have our witnesses here—we're going to be under a pretty tight time constraint today. We will be having a vote at noon, which means we have only 2 hours for nine witnesses. I'm going to start now, and I expect we will have other members arriving shortly. I have had a number of them express an interest or concern and so I expect them to show up.

I will also remind all the witnesses that, because of our tight time constraints, we're going to be very careful to follow the clock. That is, we are giving you 5 minutes to summarize your testimony. We ask you to try to do it in 5 minutes or less, so that it will give us plenty of time for questions and interaction.

I always tell the witnesses, the time will be up before you're done saying what you had to say, and we encourage you to pay attention to the clock and then get your extra points in during the question and answer period.

I want to say that we are very pleased today to have Bruce Knight, the Chief of the Natural Resources Conservation Service, and James Little, the Administrator for the Farm Service Agency, here to testify on the programs and the progress they have made since the 2002 Farm bill was signed into law.

Following their testimony, we will hear from individuals representing those affected by the conservation programs, and I appreciate the widespread interest in this hearing. I look forward to their insight and will introduce them when we bring up that panel.

STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR FROM IDAHO, CHAIRMAN, SUBCOMMITTEE ON FORESTRY, CONSERVATION, AND RURAL REVITILIZATION, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator CRAPO. Nearly 2 years ago, the President signed the Farm bill into law, and at that time he noted the importance of the conservation title. The importance of these conservation programs in helping producers meet newer and higher environmental standards and enhancing their ability to protect wetlands, water quality and wildlife habitat cannot be overstated.

I agreed then, and I still agree. I continue to assert that the Farm bill is one of the most significant pieces of environmental legislation that Congress deals with. The conservation programs result in real significant environmental benefits. The success of these voluntary incentive programs in addressing environmental concerns is a testimony to the farmers and ranchers who make a living off the land and have long been the stewards of these resources, and the employees at the USDA who are faced with the task of implementing these programs.

The bill provided an historic 80 percent increase in conservation spending and made a point of addressing effective conservation on working lands. It increased funding, made major changes to existing programs, and created significant new programs. The conservation title to the 2002 Farm bill was a tremendous step forward in meeting the public demands for cleaner air and water, greater soil conservation, increased wildlife habitat, and more open spaces.

I also have the privilege of serving as the chairman of the subcommittee in the Senate that has jurisdiction over fisheries, wildlife and water. Based on that experience, I cannot overstate how important these farm bill programs are to all three issues. For those struggling to comply with the Clean Water Act requirements, to those facing demands for assistance with wildlife habitat, farm bill conservation programs get money and technical assistance on the ground and into the hands of landowners.

In Idaho, the Environmental Quality Incentives Program has been making significant inroads to address watershed concerns, and we have an EQIP contract in almost every TMDL planning watershed. The Idaho Department of Fish and Game credits the Conservation Reserve Program in Idaho for having the biggest population of Columbian sharptailed grouse in the country.

USDA has announced a program to address salmon habitat restoration through the Wildlife Habitat Incentives Program. With the majority of Pacific salmon habitat in Idaho, this will be helpful to our continued efforts to address the habitat needs of anadromous fish.

Many in my State have also indicated that the WHIP program will be crucial in sustaining conservation efforts to prevent the need to list the western sage grouse. I appreciate NRCS' efforts to support both sage grouse and the salmon efforts.

Also to be commended is the work that the RCND councils are doing throughout the State. Their proactive efforts to combat noxious weeds is crucial to long-term stewardship. I could go on and on about the work being done through the Farm bill programs, from the use of farm and ranchland protection programs, to the

Wetlands Reserve Program at Henry's Lake, to how the ground and surface water program can benefit irrigated agriculture and our precious water supply. While I use Idaho as an example, these successes are indicative of work occurring throughout the country.

Two years after the bill was signed into law, there are also challenges and questions that remain. I hope to delve more deeply into those issues when we have an opportunity to question the witnesses, but I would like to highlight a few right now.

The Grassland Reserve Program is the most over-subscribed program in Idaho. Yet, we haven't seen the final rules for this program. I understand there may be some news on that today.

Ranchers in Idaho see this as a crucial program for addressing the protection and restoration of native grasses. Our weed experts see it as critical for addressing noxious weed problems. Our biologists see it as important for nesting habitat. I appreciate your making funding available for the program through notices, but a final rule will provide the guidance for implementing this important program.

Also, I am still concerned that we have not been able to resolve the technical assistance issue. Congress was clear in waiving the section 11 cap, but 2 years later, we are still working to find a fix. I appreciate the massive effort on behalf of USDA to reduce TA costs, but even with a reduction, a discretionary account is not the way to fix this.

There is a great deal of optimism associated with the Conservation Security Program. Some see it as a replacement for farm programs. Others, like myself, see it as a supplement or a complement to our existing conservation toolbox. Like any program that has not been implemented but holds the promise of paying out billions of dollars, CSP has piqued the interest of potentially eligible producers, and as we wrote it in the Farm bill, just about everyone is eligible.

With this level of excitement, there is also discontent. There is a strong concern that the USDA is proceeding in a manner that is not consistent with the Farm bill. I am aware that a 15 percent cap on TA, requirements to not rank applicants and Congress', split personality on funding caps makes writing a rule difficult. My bottom line is that I want a program that addresses the intent of our legislation, a working lands program that supports ongoing stewardship and creates an incentive for more stewardship.

One reason producers support the conservation title is the ability to assist them in meeting regulatory burdens. There are concerns that the programs ranking systems do not adequately weight assisting producers with increasingly stringent regulatory mandates.

These are just a few of the concerns that I have heard from farmers in Idaho. I will raise these and other questions when the opportunity arises.

However, while there are concerns overall, the farmers in Idaho are pleased with the progress being made in our conservation programs. It is clear that the conservation programs of the Farm bill enjoy support from all sectors of the agriculture community and the public. From the bipartisan support of policymakers to the farmers and ranchers who use the programs, to the public that reaps many

of the benefits, support for these programs and for the work being done is strong and is sustained.

On that note, I just want to point out in closing that today in Idaho, high school students are participating in the Idaho Envirothon 2004. The Idaho event is sponsored by the Idaho Association of Soil Conservation Districts, and like the other programs across the country, it promotes natural resource education in a fun and interesting environment. They are learning about many of these farm programs and the benefits derived from good stewardship.

These Idaho students are competing for the opportunity to represent Idaho at the Cannon Envirothon International event later this year. More than that, they are fostering an interest in environment and natural resources, and developing a knowledge base that they will take with them into the future.

With that, I have concluded my opening statement. Senator Leahy, I see that you have arrived and are ready, so I will turn the podium over to you for your opening remarks.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

Senator LEAHY. Thank you, Mr. Chairman. I do appreciate you holding this hearing, and also to Senator Lincoln and Senator Harkin for being here.

We went through a great deal when we wrote the 2002 Farm bill. To say "a great deal" is an understatement. I remember all the weekends and all night long sessions we had in doing it. We included a much needed boost of new funding of national conservation assistance for working farms, working farms and forests, funds that would protect open space and fertile soils and wildlife habitat, water and air quality.

One of the most important additions to this Farm bill was the regional equity requirement that requires under-served States receive at least $12 million in conservation assistance. That is something that I had authored and thought it was very, very important, because I knew how well it would be used. Chief Knight, I want to thank you again for implementing this provision.

There are some other bright spots in the 2002 Farm bill. Funding for the Agriculture Management Assistance program, the AMA program, has doubled. Even with the additional funding in the Farm bill—and we put in significantly additional funding—my own State of Vermont continues to have a $2 million backlog, which is because of extremely low allocations.

Now, there is still time to change this year's allocation. I would ask the USDA to make a good faith effort to reprogram much needed funding. I will be happy to work with you, and my staff will be happy to work with you. We have time to do it.

I have visited a number of the areas where it might be used. We are a very small State and I tend to know everybody in the State. I know how well it would be used. Please work with us to do it.

The Farm bill also included historic funding increases for important working lands conservation programs, but the combination of Presidential budget cuts and the diversion of mandatory program funds have reduced funding for producers. What I worry about is

the family farmers and ranchers offering to restore wetlands, or offer to change the way they farm or improve air and water quality, get turned down when they seek conservation assistance. They can't just do it by themselves. Most ranchers and most farmers can't do it by themselves. They need the assistance.

Now, we have come a long way with the passage of the 2002 Farm bill. Historic funding has begun to make a real difference in rural America. USDA has done a commendable job in implementing the law, but there is a lot more to be done. I have read the testimony, and again, Mr. Chairman, I congratulate you for doing this.

On a personal note, I regret that I am not going to be with you in Coeur d'Alene. My wife is giving the graduation address at a school of nursing that weekend in Vermont, and as she is the one with Canadian ancestry, I had better be where she's giving the graduation address.

Senator CRAPO. We'll miss you.

Senator Harkin.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, RANKING MEMBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator HARKIN. Thank you very much, Mr. Chairman. I thank you and the Chairman of the full committee for having this hearing to examine the implementation of the conservation title of the 2002 Farm bill.

I join in welcoming all our witnesses. I especially want to thank two from Iowa, David Petty, representing our livestock producers, and Francis Thicke, representing the Sustainable Agriculture Coalition.

With good reason, we celebrated the enactment of the conservation title's historic increases in funding, expansion of programs, and creation of several new and innovative programs and initiatives. In fact, President Bush specifically mentioned the conservation provisions as a reason for signing the Farm bill 2 years. I remember. I was there.

Despite some progress, far too much of the praise and promise associated with the conservation title remains unfulfilled and unrealized. The first disappointment was the White House's seemingly willful misreading of the Farm bill, to block funds dedicated to conservation technical assistance. To make up the shortfall, over $210 million has already been redirected to technical assistance from funds that should have gone directly to producers to conserve soil, water, wildlife and other resources.

The Grassland Reserve Program still struggles for lack of final regulations. Though the Wetlands Reserve Program, the WRP, is a huge success story in helping restore wetlands on agricultural lands, the President's budget once again calls for scaling it back by 50,000 acres next year.

In EQIP, there needs to be a more equitable distribution of funds, geographically and among types of operations. To help livestock producers meet environmental challenges, we provided in the Farm bill a 60–40 split of EQIP funds between livestock and crop

practices. The actual split now is closer to 65–35, and the funds have not been distributed equitably.

For example, swine operations make up about 22 percent of all confined livestock operations, but I was just made to discover that swine got only 7 percent of the EQIP cost share funds that went to confined livestock.

The largest new initiative in the Farm bill, of course, is the Conservation Security Program. It has drawn tremendous interest and support across both the agriculture and conservation environmental communities. I compliment Mr. Knight here. I have a story here that quotes you, Mr. Knight, as saying that CSP is one giant leap for conservation. Well, that's true and I agree with that.

I believe it's more of a giant leap for all of agriculture as a whole. If properly implemented, true to the law, CSP will reward all types of agriculture producers who voluntarily make the required effort to protect and enhance water, air, soil, wildlife and other resources on working lands, as Senator Leahy said, on working lands.

The proposed CSP regulations have drawn a firestorm of over 14,000 comments, virtually all of them critical. For starters, the proposal to rotate signups among watersheds means a producer would have only one chance every 8 years to enroll. I will be getting into a discussion with you, Mr. Knight, about that. Once every 8 years. For example, let's say you have just about made the cutoff, you were the next person in line, and you didn't make it in that watershed. You have to wait eight more years to sign up again. That just doesn't seem right.

Proposed CSP payments are so drastically reduced that even the best stewards will see little reward for signing up. Producers seeking to increase their stewardship would inexplicably have to install and maintain high level water and soil conservation practices before they could apply for help through CSP. That would be especially tough on young, beginning and limited resource farmers.

In short, the administration's CSP proposal allows only a few producers to apply, and then offers so little reward that most will avoid the program. The proposed rule turns Secretary Veneman's description of CSP on its head by failing to reward the best or to motivate the rest. That's what Secretary Veneman said. They wanted to reward the best and motivate the rest.

In addition, the administration advocates capping CSP funding at $209 million for fiscal 2005, and limiting it in later years, so that, at best, only 5 percent of our Nation's farmers and ranchers can participate over the next 8 years. Five percent.

Regrettably, the administration seems determined to release a CSP rule in June that disregards the overwhelming comments against the proposal. At the least, it should be an interim final rule which can more easily be modified to correct the likely errors and shortcomings. I hope that Mr. Knight and Mr. Little will take back to USDA the fact that the administration, I believe, faces a real credibility gap with producers in the conservation programs, and it is critical, Mr. Chairman, that we fix these without delay.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you very much, Senator Harkin.

I should note that I have been given a note that Senator Coleman has had a death in the family and, therefore, he probably

won't be able to attend the hearing. He did, however, want us to indicate his interest in the hearing and to let everybody know that he'll be paying close attention to the testimony that we receive today.

As I indicated when we started the hearing, we are going to be under a very tight time constraint today because of the vote that will occur at noon, which gives us only 2 hours for nine witnesses. Again, I remind the witnesses to stay very close to your 5 minutes allocated for your remarks, to give us time for interaction. If you forget to watch the clock, I will lightly rap the gavel to remind you to do so.

With that, why don't we go ahead and start with you, Mr. Little.

STATEMENT OF JAMES R. LITTLE, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE

Mr. LITTLE. Thank you, Mr. Chairman, and members of the subcommittee. Thank you for inviting me here today to talk about the conservation programs authorized by the 2002 Farm bill.

CRP helps protect soil productivity while it improves water, air quality, and wildlife habitat. Countless lakes, rivers, ponds and streams across America are cleaner and healthier today because of the Conservation Reserve Program, the premier conservation program on private lands at USDA.

From the onset of the program in 1985, CRP has resulted in substantial reductions in soil erosion. By 1990, the water quality and wildlife benefits generated by CRP were widely recognized, and over 33.9 million acres of highly erodible land were enrolled. From 1991 through 1995, an additional 2.5 million acres were entered into the program.

The Federal Agricultural Improvement and Reform Act of 1996 capped the program at 36.4 million acres. At that time, the Agency developed several tools to maximize the conservation benefits produced by CRP. An objective environmental benefits index, or EBI, was implemented to rank CRP enrollment offers nationwide based on potential environmental benefits.

FSA also began the Continuous Conservation Reserve Program signup at that time to target enrollment of highly valued buffer practices, such as filter strips, riparian buffers, grass waterways, windbreaks, and similar practices on working lands. These measures are often established along streams and rivers to keep sediment and farm chemicals out of the surface water. Practices implemented under Continuous/CRP also reduce gully erosion in fields, protect groundwater, recharge areas for public water supplies, and enhance wildlife habitat on field borders and wetland areas.

Through CRP, farmers and ranchers have achieved their personal conservation goals voluntarily, reducing soil erosion by over 442 million tons per year. Our Nation's waters are much cleaner due to the reduced sediment in nutrient loadings. Over 1.5 million acres of streamside buffers and 3.9 million acres of wetlands in adjacent tracts have been enrolled. This has dramatically increased migratory waterfowl numbers.

A recent estimate by the United States Fish and Wildlife Service indicated that over 2.5 million additional ducks per year are attributable to CRP. CRP has also significantly enhanced many other

wildlife species and is a key tool in the restoration of threatened and endangered species, such as salmon in the Pacific Northwest, the prairie chicken in Texas, and the sharptailed grouse in Idaho.

CRP is also a key tool in protecting our Nation's water supplies. Buffers adjacent to streams and rivers reduce the potential for nutrients, pesticides and pathogens from contaminating water used for human consumption. This reduces water treatment costs and the need for costly filtration systems. CRP is used to protect public wells from impacts associated with the leaching of nutrients and pesticides.

FSA has implemented a number of administrative measures to improve program delivery. During the most recent CRP signups held last spring, FSA developed a new software tool in close collaboration with the Natural Resources Conservation Service to automate the EBI and to provide geo-spacial information system support in many counties. Over the last year, the GIS tool reduced the time required for farmers to submit offers, saved farmers $160,000 in participation expenses, and helped FSA reduce administrative costs for CRP by over $7 million.

In October 1997, FSA implemented the Conservation Reserve Enhancement Program, a partnership between the Federal Government, State and local governments. CREP targets some of our Nation's most critical resource areas and provides for locally tailored conservation measures and incentives under the CRP program umbrella.

Currently, FSA has 29 CREP partnership agreements in 25 States. Each CREP project is developed at the grassroots level, with strong support of the community.

In addition to CRP and CREP, FSA also offers the emergency conservation program in the Grasslands Reserve Program. ECP provides emergency cost share funding to producers to rehabilitate farmland damaged by natural disasters and for emergency water measures during drought. The Grassland Reserve Program is another voluntary program administered jointly by FSA and NRCS. It helps landowners restore and protect grasslands, including rangeland and pastureland, while maintaining the areas grazing lands.

Where is the CRP heading for the future? First, I am pleased to announce that the CRP final rule is now at the Federal Register and should be published this week. We are currently evaluating when the next CRP general signup will be, but we expect to have that evaluation to be completed this summer.

Looking to the future, we are working aggressively to quantify, using sound scientific methodologies, the benefits of conservation measures implemented through the CRP. We are also sponsoring, in consultation with the U.S. Geological Survey, in hosting a conference this June to provide a scientific and technical forum to review ongoing and planned research projects. With over 16 million CRP acres expiring in 2007, now is the time to be looking to the future.

CRP has built its success through the momentum of partnerships and ultimately this is a personal issue for us all, and at the end of the day we should all be supporting conservation for ourselves.

This concludes my oral testimony and I would be glad to take any questions.

[The prepared statement of Mr. Little can be found in the appendix on page 46.]

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

Mr. Knight.

STATEMENT OF BRUCE I. KNIGHT, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. KNIGHT. Mr. Chairman, members of the subcommittee, thank you for the opportunity to appear here today to discuss the conservation provisions included in the 2002 Farm bill.

Two years ago this week, almost to the day, President Bush signed the Farm bill into law, representing what many have acknowledged, an unprecedented conservation commitment to working lands of America.

Today, I am pleased to provide an update on the conservation investment you made for farming and ranching families across the Nation. I am especially proud to report that the men and women of the Natural Resources Conservation Service have accomplished objectives that few, quite frankly, believed were possible. To date, roughly $3.3 billion in conservation dollars have successfully reached farmers, ranchers, and other customers. In addition, NRCS has published rules for ten major programs, issued six requests for proposal, and has three new rules under review, and will have implemented each of these rules by the end of the fiscal year.

During this time frame, the agency continued to make gains in other aspects of the mission. This year alone, NRCS assisted four million farmers and ranchers, mapped or updated 22.5 million acres of soils, and distributed more than one million publications. Throughout the Farm bill implementation, we have made program and allocation data more accessible to the public, and have greatly streamlined program delivery.

In fiscal year 2003, NRCS worked closely with FSA to improve CRP program efficiencies that resulted in an additional $38 million allocated back out to States through other conservation programs. I believe the strong cooperation between our agencies is making a real difference, both for our respective agencies and, most importantly, customers.

Mr. Chairman, I can report that, overall, the Farm bill conservation title has been extremely popular. The flexibility and innovation that was integrated into the legislation is working well for all of us. As an example, the EQIP backlog for fiscal year 2002 requests was over 70,000 unfunded applications, totaling roughly $1.5 billion. The backlog for fiscal year 2003 requests was 108,000 unfunded applications, totaling more than $2.06 billion. Specifically, the new ground and surface water conservation provisions are being met with an excellent response from farmers and ranchers and saving significant quantities of water nationwide.

Also, a few weeks ago, as an example of helping farmers with threatened and endangered species issues, we announced the availability of $3.5 million in WHIP funding for salmon habitat restoration. Under the farm and ranchland protection program, many new

entities are coming forward and leveraging new projects, greatly expanding our ideas about what is possible under that program.

I need to clarify for the record that the acreage protected is now nearly 328,000 acres to date. Further, today the Secretary announced the release of the Grazing Lands Reserve Program interim final rule. We anticipate that that program signup will be able to be initiated shortly.

A new program that has gained a lot of attention and interest, of course, is the Conservation Security Program. We in the administration are enthusiastic and committed to the prospects of CSP and look forward to making the program available on farms and ranches across the country.

Mr. Chairman, the single most misunderstood aspect of CSP is the budget for the program. When the President signed the 2002 Farm bill into law, the Conservation Security Program was estimated to cost $2 billion over 10 years. Later, CBO estimated the program would obligate $6.8 billion, and Congress subsequently capped it at $3.7 billion. Then, under further revisions in the law, Congress placed a cap on expenditures of $41.443 million for this fiscal year, and the CBO score is now under $9 billion.

Mr. Chairman, there have been a lot of numbers floating around. I would just like to point out that our approach, which will result in an estimated $13.4 billion in CSP contracts over 7 years, is higher than any estimate that has come out to date.

We have attempted to design the program in a way that provides funding obligations in a similar way the Conservation Reserve Program obligations are structured. For example, the President's budget request of $209 million for CSP in fiscal year 2005 will provide about $1.7 billion in funding over the life of contracts to farmers and ranchers. In addition, our recently announced watershed approach and payment structure will ensure that CSP is all about environmental performance and enhancements. It is not an income transfer program.

I would note for members of the subcommittee that the CSP base payment is just one of four components of a CSP participant's payment. We are proud of what we have accomplished and look forward to making funding available to producers this year. As we look ahead, it's clear that the challenge before us will require the dedication of all available resources, the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with our partners.

I thank the Chairman and members of the subcommittee for the opportunity to appear here today, and for your ongoing support and attention to implementation of the 2002 provisions of the Farm bill.

Thank you.

[The prepared statement of Mr. Knight can be found in appendix on page 73.]

Senator CRAPO. Thank you very much, Mr. Knight and Mr. Little. We appreciate both of you making the effort to be here today.

Mr. Knight, you actually answered my first question. My first question was going to be when do you expect to have a final rule on the grasslands program. I appreciate the fact that that rule will be out today and I will forego other questions on that until we have a chance to review the rule. We appreciate that news, however.

I'm going to go with my questioning immediately into the EQIP program. Helping producers meet an increasingly stringent environmental standard was a priority of mine when we crafted the Farm bill. The significant increase for EQIP and the lifting of size caps was a direct result of the need to address regulations on animal feeding operations and requirements for developing comprehensive nutrient management plans.

However, disbursement of the EQIP that I have seen for fiscal year 2003 doesn't appear to reflect a priority on addressing air and quality regulatory changes. For example, pork producers in Idaho have indicated to me that confined operations receive very little of the EQIP livestock funding, and that pork producers received only a small percent of that funding. I understand that fiscal year 2003 was a transition period, so I'm interested in what steps USDA is taking in 2004 to make sure that those facing significant water and air quality regulatory challenges, like our pork producers in Idaho, are going to get adequate assistance from EQIP.

Mr. KNIGHT. Mr. Chairman, one of the real challenges of having attempted to implement these programs in a much more transparent manner is that the results of that transparency sometimes come back to haunt you. We have a goal in the case of livestock of 60 percent. It looks like we're doing—that about 65 percent of the EQIP funding has gone to livestock. As we have all found, we have a surprisingly low amount of the total EQIP dollars actually going to assist pork producers, perhaps as little as 10 percent or less of the total dollars in this past year.

We are now in the process of going through to see what are the reasons for these net results and what are some of the changes that could be put in place.

One of the things I have stressed with all of the NRCS employees is that we should be providing the service to all of our customers in a size-neutral manner. The debate on the size and complexity of the farm operations, in my view, was settled by Congress, and so we're attempting to implement these programs in a size-neutral manner.

We have to look at what are the potential barriers. We have looked at some of those things. We are reviewing issues such as portable equipment being available for EQIP funding. This is one of the things that we think can provide greater assistance out there, in ensuring that we're properly responsive on these issues. The other thing that we're trying to fully assess is if, in the ranking processes, because of the higher level of regulations that pork operations presently operate under, if that isn't one of the reasons why pork operations do not appear to be ranking as high as the dairy or beef operation.

We are very earnestly looking at how the programs are being implemented, to ensure that there are no inadvertent barriers to participation by any producer, regardless of the type of livestock or the type of structure for that operation.

Senator CRAPO. Thank you. I appreciate your indication of your understanding that Congress settled the question of whether size matters. There is some concern out there in the field, if you will, that perhaps that understanding has not filtered all the way through the system yet. I appreciate your acknowledgement of that

and would encourage you to be sure that that approach is understood and implemented.

By the way, NRCS has never before collected and reported information that breaks out by livestock species the EQIP applications and contracts. It is my understanding that it was done on an ad hoc basis for 2003. While it results in questions like mine, this transparency is very helpful.

I was wondering if you could make collecting and reporting this information a standard procedure.

Mr. KNIGHT. We'll be very pleased to take a look at what we can do to be able to break it down by species.

Senator CRAPO. Thank you very much.

I see that my time has expired. Senator Harkin.

Senator HARKIN. Thank you very much, Mr. Chairman. I want to thank both Mr. Little and Mr. Knight for their stewardship and for being here today for this hearing.

You have covered the swine portion, Mr. Chairman, pretty adequately, so I won't go into that. I thank you for that and appreciate your taking a look at that and finding out why we have such a huge imbalance there.

I'm sure it comes as no surprise that I would like to go right to the CSP program and discuss that with you, Mr. Knight. While I'm pleased that it appears USDA is preparing to move forward with enrolling producers in CSP this fiscal year, I do have some serious concerns, as I mentioned in my opening statement, with the ranking system being used by USDA.

In reading the recently issued notice on selecting certain watersheds in which to offer the CSP, I see it says that, "If there are no funding restrictions, all watersheds could be eligible."

Mr. Knight, if CSP funding remains without a set dollar limitation, will CSP be open to producers in all watersheds each year?

Mr. KNIGHT. Senator Harkin, I would like to be able to get the program fully operational this first fiscal year and to be able to evaluate what our costs of delivery are, what the costs of implementation are, and how many contracts we will be able to do to really be able to make a good estimate of how far you can go.

The operating restriction that has driven us to look and embrace the watershed approach, however, is the 15 percent limitation on technical assistance. That has us inclined to continue to utilize a watershed approach in future years as we move forward on implementation of CSP.

Senator HARKIN. Well, my question had to do with the statement, "If there are no funding restrictions, all watersheds could be eligible." I'm just asking you, if the funding remains without a set dollar limitation, will it be open to producers in all watersheds each year?

Mr. KNIGHT. The 15 percent technical assistance is the operating limitation on——

Senator HARKIN. Well, let's jump right to that. You state that the statutory cap on technical assistance forces you to limit offering to CSP producers, such as rotating among watersheds, restricting eligibility, et cetera.

I have looked into this assertion and, quite frankly, I don't think that's correct, Bruce. Several factors will keep TA costs below 15

percent without restricting CSP, as you propose. First, you use the technical assistance cost of EQIP as your benchmark. I don't think that's valid.

First, is it correct that EQIP covers just new practices, while CSP covers both maintaining existing practices and new practices? Is that not correct? In other words, EQIP covers just new practices, and CSP covers both new and existing.

Mr. KNIGHT. That is correct.

Senator HARKIN. OK. The second part, is it not correct that the technical assistance cost associated with maintaining existing practices is much less than with totally new practices? Obviously, if you've got practices that you've been maintaining, the technical assistance would have to be a lot less.

Mr. KNIGHT. In theory, you should have certain cost savings. However, the costs of oversight and implementation would be very similar between a new practice and an existing practice, because you're still out there doing spot checks.

Senator HARKIN. That's just some oversight, but that's not really technical assistance if you're maintaining something that has already been approved by you. In other words, to get into the CSP, they have a practice, they're maintaining it, they're now in the CSP, and I don't understand why it would cost so much in technical assistance.

Mr. KNIGHT. With all of our programs, program integrity and oversight are part of our technical assistance calculation. That is included in the technical assistance costs of all of our programs.

Senator HARKIN. You don't need any engineering or construction oversight.

Mr. KNIGHT. You still have spot checks, ensuring that what has been promised in the contract is delivered. Especially since these are contracts that will be management intensity and not practice intensity, there is an unknown quantity as to the amount of oversight that will be necessary.

Senator HARKIN. Let's keep going then. Is it correct that EQIP includes very expensive technical assistance for costly waste transport and storage practices, such as waste storage facilities and lagoons, which are not eligible under CSP? Is that correct?

Mr. KNIGHT. It is correct that those items are not eligible under CSP. That particular instance does give you a good example of where using a percentage of the total dollars is not the most accurate estimate of technical assistance costs, because sometimes the highest technical assistance costs are on your smaller contracts because they tend to be very labor intensive with a lot of hours per dollar expended, versus some of the larger livestock waste management which, yes, they have engineering costs, but you may be amortizing the technical assistance costs over several hundred thousand dollars rather than just a couple of thousand dollars.

Senator HARKIN. It seems to me that the total technical assistance, if you're talking about under EQIP, where you're building and constructing, which is not allowed under CSP, that engineering kind of technical assistance, that construction type of technical assistance, that's what you do under EQIP which you don't need under CSP. Yet you're factoring it into your CSP in terms of saying the 15 percent gives you a limit.

Now, what I would like you to do is I would like to see you take a look at the EQIP, take out the engineering and construction costs, and then what is the technical assistance percentage. Well, I don't know, but I'll bet you it is much less than 15 percent.

Mr. KNIGHT. Senator, I am sitting down with my staff this afternoon to go through the estimates once again, and I will be pleased to ask that question and check on that.

Senator HARKIN. Please ask that question, because we have been down this road—I have looked at this. You keep saying the 15 percent limits you. I'm telling you, Chief Knight, that is not right, simply because you've got maintaining practices and that's going to cost a lot less. You don't have any construction or engineering technical assistance, which sucks up a lot of money technical assistance-wise in EQIP, which you don't have under CSP.

Now, third, I have here a chart. I have here the NRCS planning process on the steps that they have to go through. Phase I, Phase II, Phase III. There are nine steps, OK, for NRCS?

Isn't it correct that the NRCS begins charging EQIP technical assistance only when they get to step 8, when they get to step 8, after all this has been done? Under CSP, you're going to start charging from step 1. That's what I understand. NRCS is going to start charging from step 1 for technical assistance. Under EQIP, they only do it from step 8. Why don't you do it from step 8 for CSP?

Mr. KNIGHT. We have a nine-step planning process——

Senator HARKIN. That's right. I have it right here.

Mr. KNIGHT. My interpretation is that the first seven steps are generally program neutral. At that point in time in which it is obvious which program a producer is intending to apply for or participate in, that is when we try to start doing the accounting to that particular program.

If a producer is looking at total comprehensive goals and objectives, that is program neutral planning. If a producer insists that they are applying for WRP, you have to start with step 1. If they insist that they are EQIP, you have to start there. The neutral aspects up to step 7 should be neutral and would be assigned to the conservation technical assistance account and then transferred over to that.

In the case of CSP, for those producers that utilize our program neutral planning to get to a watershed that they are not yet eligible for signing up in, that will largely be done, I would anticipate, under the CTA account.

One of the things I may want to put into perspective for everyone is that our EQIP technical assistance costs 3 years ago were 28 percent. Then we got them down to 25, and last year we came in at 24 percent. That is why it is a considerable task, a herculean task, to bring TSP in at a 15 percent cost. It's not a challenge that I'm not willing to attempt to do, but it is a herculean task.

Senator HARKIN. Mr. Chairman, I don't know if you want another round, but I know my time is up.

Senator CRAPO. I would like to ask another question or two and then we can come back for another round.

Senator HARKIN. That will be fine.

Senator CRAPO. Mr. Knight, as I indicated in my opening statement, I believe that the conservation programs of the Farm bill—

and, Mr. Little, this could be a question you could comment on as well—I believe the conservation programs in the Farm bill are probably the most environmentally beneficial things, if you look at one piece of legislation that Congress adopts, that we do here in Congress.

I would like to get your perspectives on whether this is working. In the context of this question, I also happen to chair the committee that governs the Endangered Species Act. Under that Act, we spend a lot of effort stopping harmful activities toward species. It seems to me that the conservation title of the Farm bill, however, focuses on incentivizing beneficial activities toward the environment and toward species, things that go beyond just stopping harmful activity but actually incentivize things that help promote habitat and strengthen our environmental heritage in this country.

I would like to have your comments, or at least your observations, on both your parts about that.

Mr. LITTLE. Mr. Chairman, as I mentioned in my opening comments, the Conservation Reserve Program itself is a voluntary program and it helps our Nation's farmers and ranchers implement conserving applications that are going to help them reach their goals and help the Nation reach additional goals to conserve our natural environment for the future.

As I mentioned, we are seeing an improved environment through the reduction of phosphorus and nitrates into our drinking water systems, helping filtration of sediment into wells and into our drinking water. It has also helped to improve the habitat with endangered and threatened species, including the sharpbilled grouse in Idaho.

Most importantly, what it's doing is helping, particularly with the Conservation Reserve Program. We're seeing partnerships being developed between the States and the Federal Government, along with local interests. We have 29 CREP agreements in place now in 25 States, and we're also having several in line that are going to be helping come on line in Minnesota, Indiana, and Maryland in the very near future.

These are all partnerships that are really helping private landowners. A good percentage of the rain that helps supply our water system falls on private lands. The partnership that we're seeing on private lands is helping us all see a cleaner environment.

Senator CRAPO. Thank you.

Mr. Knight.

Mr. KNIGHT. Certainly we have a recent success that should be noted in the aspect of your question. That is, on Earth Day, Secretary Veneman announced that we have essentially achieved no net loss of wetlands from agriculture. As a matter of fact, as a result of the National Resource Inventory, the NRI that NRCS does, we have now realized about 131,000 acres net gain in wetlands, largely as a result of voluntary, incentive-based actions, both the Conservation Reserve Program and WRP.

As a result of that, President Bush laid out a challenge that I know NRCS and FSA and all of us in agriculture and throughout the administration are anxious to leap to that challenge, and that is to do, over the next 5 years, another million acres of wetlands restoration, a million acres of wetlands enhancement, and a million

acres of wetlands protection. We believe that virtually all of this can be done by continuing to use these voluntary, incentive-based programs, and done in conjunction with working lands conservation.

Senator CRAPO. Thank you very much. I just want to highlight that, it seems to me, the programs that the two of you administer show the effort under the Farm bill from us to address some of these issues that are so critical—water quality, air quality, species conservation, habitat improvement and the like. It's important as we talk about these things to make sure the public understands the scope and the reach of these activities.

Just before I began this hearing, I was at a press conference with Environmental Defense, who are engaging right now in a broad new program to try to focus on this exact type of thing—that is, providing incentives for positive activities for the environment as opposed to focusing on penalties for harmful activities. We need to focus on both, but we need to remember the benefit of these programs.

I also think it's important for us to note that in the Farm bill we had an increase in focus, and it's represented by the CSP program that Senator Harkin is championing, which was essentially making sure that, in addition to our programs that focus on taking land out of production and developing habitat and so forth, we now have significant new resources focusing on operating lands so that we can have the incentives for improvements that these programs provide the incentive for. Again, I thank you both for that.

Senator Harkin, I want to try to get the next panel on by 11 o'clock, if I possibly can, so if you can take just five or 10 minutes, that would be fine.

Senator HARKIN. I appreciate that. Thank you, Mr. Chairman.

Again, I just want to point out why this 15 percent thing is nonsense. If there is a problem, it's manufactured. Basically, I had this chart here. EQIP covers only new practices, as I said, and CSP covers new and existing. EQIP covers many structural practices, lagoons, holding ponds, other intensively engineered way structures that require extensive designs and increase the amount of technical assistance.

That is not true under CSP. All I have heard under CSP is you've got oversight. Again, I pointed out that technical assistance costs should be charged only when the producer enters the program, the same as EQIP.

I would say right now, Mr. Chairman, if someone comes into their local office and says they want to sign up for EQIP. EQIP is not charged technical assistance from that moment on. There is no charge on EQIP until they get to step 8. As I understand it, if you walk in and say you want to sign up for CSP, then they start charging it right away. I'm saying it ought to be the same.

Again, that's where this 15 percent rule is being manufactured somehow, because it is not the same as EQIP. The 15 percent payment I don't believe in any way limits the program.

Now, there is another chart here I wanted to show. I am also a little upset with how this is being implemented, Mr. Chairman, in disregard of the clear law that we passed. Here is Tier 1, Tier 2

and Tier 3, and here is the extent, the required treatment, rental rate, base payment, contract limit.

Now, we said in the law that under Tier 1, for example, or Tier 2, you had to address at least one resource concern. You are now saying you've got to do two. You have to do soil and water. We didn't say that in the law. Again, I am pointing out that the proposed regulations that they're using is not in accordance with what we passed in the law.

Also, we specified a rental rate limit, 5, 10 and 15 percent. We specified that in the law. What does the regulations provide? One-tenth of that, five-tenths of a percent, 1 percent, and 1.5 percent. That's what they have provided.

It just seems to me, Mr. Knight, that at least in those two instances, the proposed rules don't comport with the law.

Mr. KNIGHT. We certainly have a number of lawyers who do believe that we are fully within the legal authorities in how we have moved forward with the proposed rule. We are under evaluation of the proposed rule, and we have had a number of suggestions within the rule of how to make improvements and all of those are under due consideration at this time. We are looking at the rental rate limits to see if there are adjustments that can or should be made and are able to do that.

However, it is important to note that, especially in this first year, we are in a zero sum game, so the more generous the program implementation is per contract, the fewer total contracts we are able to do under the cap that we currently have to operate under. We're trying to find that right balance between how generous the contract should be and the number of contracts that we should be able to do.

We are currently estimating in this first year to be able to write between 3–5,000 contracts, which we would estimate to obligate about $400 million worth of funding, which expresses our commitment because, by using the CRP example as a means of doing the obligations, we are able to go beyond that $41 million restriction that was placed on the cap.

Senator HARKIN. Well, this is from your office, by the way. I didn't draw this up. This is NRCS. You have developed the chart and yet, what is in the proposed rules doesn't comport with the chart that your own department came up with on that. I hope you will take a look at that and we'll keep talking about this.

Last, these base payments are so low, I just don't know how you're going to get people in this, since you have already said that producers have to have already met NRCS quality criteria levels for both soil and water before they can even get into the program.

Then you get the base payments down so low—What if I'm a beginning farmer. I don't know how beginning I am, but I'm a farmer and I want to get in the CSP program and I want to start doing conservation practices. I haven't met that soil and water, but I want to do that. I don't have the wherewithal. I don't have enough money to do that. I want to get in and start doing this.

What you're basically saying is, since I don't meet both the soil and water criteria levels, which are pretty high, I'm out. I'm just out. How can you "motivate the rest," as the Secretary says, when I can't even get in?

Mr. KNIGHT. The key thing is that, with this program, this is the completion of our conservation toolbox. For many producers, this is the completion of the conservation toolbox. For many producers, this fits above all of our other programs. For many producers, if they have a specific practice-based orientation, they may want to go first to EQIP. That may be their first need as they're moving. That is a good example of where a beginning farmer may be better able to be utilized.

The second thing that I would like to point out as it pertains to those base payments, the base payments are one of four components that make a producer's total payment. There is a base payment level, there will be a maintenance payment level, there is also for many producers a one-time-only practice payment level, and then there will be the enhancements. Our clear intent is to make a majority of the payments through enhancements that purchase the additional conservation that we are trying to achieve through the Conservation Security Program.

Senator HARKIN. I understand that. That's in the law, that the enhancement payment is part of it. Before you can ever get to the enhancement payment, you have got to get in. You don't get an enhancement payment if you're not in the program. It seems to me what you're doing is you're going to pick a few people in a watershed, and selected watersheds, and then that watershed will not be eligible for 8 years.

Let's say you've got a watershed in Arkansas and you have a few people that meet the criteria, but you have someone just underneath it, just right under the cutoff point. They don't make it. They have to wait 8 years to get in the program again.

Mr. KNIGHT. The tough thing about the watersheds is that that is the only way we could bring the cost of delivery in total down to a manageable level. In this very first year, if we rolled out with a nationwide signup and you had, of the 1.8 million farmers and ranchers who are potentially eligible for the program, if you only had 500- or 700,000 of those producers go in and need an hour of service from the agency, we would have spent the entire $41 million allocation just in going through that processing point without ever having implemented CSP.

Now, I am quite aware that earlier you had pointed out that I should look and see if that should be part of the program-neutral planning, which would be assigned to the CTA account and not to the CSP account. It would be important for me to point out that even if we went down that path, we still have to pay the $41 million out of somewhere. We would be providing $41 million in less service through the Conservation Technical Assistance account if we utilized the methodology that you're talking about. There is a challenge of which levels of conservation service are you no longer providing if we go down that particular path.

Senator HARKIN. Mr. Chairman, you have been very indulgent and I appreciate it. This is a very important program and there are some real problems out here.

Again, Mr. Chairman, I would point out that none of the experiences I've ever had, going back as far as I have been involved in this committee or in agriculture, of 1.8 million farmers jumping in to sign up for anything all at one time.

Look at the CRP program. You hold it out there and a few farmers come in, and then the few farmers look and see what their neighbors are doing and see if it applies to them.

It seems like we're always taking the worst case scenario, the idea that 1.8 million farmers are going to rush to the door in the first year. There is no history to show that that's true. Some farmers will come in and want to sign up, and the next year, as I said, other farmers look at their neighbors and say, well, I might do that, and then, after 3 or 4 years, then you will start developing people coming in. This idea they're all going to rush your doors in the first year, I don't think there is any history to show that that has ever happened.

You have been very indulgent, Mr. Chairman, and I appreciate it.

Senator CRAPO. Thank you, Senator Harkin. We will continue to work with you as we work with the administration to assure we get the implementation of our entire conservation title accomplished as Congress intends it.

We have been joined by our Ranking Member, Senator Blanche Lincoln from Arkansas.

Do you have any questions of this panel, Blanche?

Senator LINCOLN. I can just submit them.

Senator CRAPO. OK. We will submit questions to this panel.

Senator Lincoln is going to make an opening statement, but I would like to excuse this panel and have the next panel begin coming forward so that we can save as much time as possible since we're going to be under such a strict time constraint. With that, we will excuse this panel and ask the next panel to come forward.

While that transition is taking place, Senator Lincoln, please take over and share any of your thoughts with us.

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

Senator LINCOLN. A special thanks to the panel that is leaving us. I will submit my questions in writing, in the hope that we can certainly work through some of the implementation of the conservation programs in the Farm bill.

I want to start by saying a very special thanks to Chairman Crapo. It is really a delight and a pleasure to share this subcommittee with you. I am so proud that you have brought up this very worthwhile hearing to focus on the implementation of the conservation provisions of our 2002 Farm bill.

It is a bill that I worked very hard on, as did other members of the Ag Committee. I support it because of it's importance to my State's rural economy and our way of life. I am delighted that you see the importance of this issue and continue to bring about the worthwhile conversation that we need to have.

Indeed, probably the most notable part of the legislation we did deal with was its historic increase in the conservation component. As a member of a 7th generation Arkansas farm family that enjoys hunting and fishing and other outdoor activities, I know well the importance of the conservation programs. It really does allow our farmers and our producers to not only be good stewards of the land, but to be good stewards of the Government as well.

To be able to utilize these programs that help them take the unproductive lands out of cultivation or improve the lands that they have in cultivation in a way that helps them maximize what they're doing, for not only providing the safest, most abundant and affordable food supply to the world, but also in providing to their families as well as conserving the land around them, allowing them to be the good stewards of the land that they want to be, is a critical component for our agricultural community.

Environmentally, the conservation programs safeguard millions of acres of American topsoil from erosion, while improving air quality, increasing wildlife habitat, and protecting ground and surface water quality by reducing water runoff and sedimentation.

Economically, the benefits are immeasurable. These programs not only increase net farm income, they preserve soil productivity, they improve surface water quality, they reduce damage from windblown dust and increase uses of wildlife. It is just overall an incredibly important component of our overall production and agricultural component of this Government.

The dual benefits are critical to the long-term sustainability of American agriculture and to life in rural America, and it provides a much needed bridge between an adequate farm safety net and the resources that are truly necessary to conserve our land. I applaud the chairman for working with all of us on very, very important issues like conservation programs.

We thank the witnesses for being here today. I do have questions for both panels, so if I do have to excuse myself, I would like to be able to offer those for the record.

We do encourage all of you to work with us as we begin to work through the implementation of the intent of the law that we passed in 2002. Again, we worked very conscientiously together to craft a piece of legislation that would benefit everybody involved, both Government as well as individuals and communities, as well as the environment. We look forward to working with you.

[The prepared statement of Senator Lincoln can be found in the appendix on page 42.]

I thank you again, Mr. Chairman. It's a delight to work with you.

Senator CRAPO. Thank you very much, Senator Lincoln. It is truly my privilege to work with you. We have a great bipartisan relationship here and we get a lot of good work done.

I definitely agree with your comments. I have said many times that the most important environmental legislation that we do in this Congress is in the Farm bill. It certainly has a tremendous impact.

Senator LINCOLN. With that, let us go to our second panel. Our second panel is composed of Mr. Al Christopherson, who is president of the Minnesota Farm Bureau; Mr. John Hansen, president of the Nebraska Farmers Union; Billy Wilson, president-elect of the National Association of Conservation Districts; Gordon Gallup, representing the National Association of Wheat Growers, the Cotton Council, the Corn Growers, the Soybean Association and the Rice Federation.

Also is Mr. Jeff Nelson, Director of Operations of the Great Plains Regional office of Ducks Unlimited. He, is also representing a number of other groups here, including the Sportsmen's Founda-

tion, Pheasants Forever, the International Association of Fish and Wildlife Agencies, the Izaak Walton League, the Wildlife Society, and the Wildlife Management Institute.

We also have David Petty from the National Cattlemen's Beef Association, also representing the National Chicken Council, National Milk Producers Federation, the National Pork Producers Council, the National Turkey Federation, and United Egg Producers. Also Francis Thicke, who is here representing the Sustainable Agriculture Coalition.

Gentlemen, we welcome you all. As you have heard me say, we're under a very tight time constraint, so please pay attention to the 5-minute limit, speak quickly, and we'll have a little bit of time to get into dialog with you before they call that cloture vote. As I indicated, unfortunately, we're facing a time deadline at noon with a cloture vote that I believe is going to be called fairly timely.

With that, why don't we start with you, Mr. Christopherson.

STATEMENT OF AL CHRISTOPHERSON, PRESIDENT, MINNESOTA FARM BUREAU; ON BEHALF OF THE AMERICAN FARM BUREAU FEDERATION

Mr. CHRISTOPHERSON. Thank you.

Mr. Chairman and members of the committee, my name is Al Christopherson. I produce corn, soybeans and raise hogs near Pennock, MN. I am president of the Minnesota Farm Bureau, as you are aware, and a member of the American Farm Bureau Federation board of directors. I want to thank you again for the opportunity to share some of our thoughts on the status of the conservation provisions of the Farm bill.

We have made great strides in improving our environment over the past last three decades. By nearly every measure, our environment and natural resources are in better condition than any other time in our lives. The Farm bill has led the way by providing willing producers with tools to adopt and continue conservation practices. For the most part, the programs have been very popular and well received by farmers and ranchers.

Building on the gains over the last three decades requires new programs such as the Conservation Security Program to deliver the kinds of conservation the public now desires. We strongly support the CSP, but we have numerous concerns with the proposed rule. For example, we contend that CSP should be available to all ag producers rather than only in a few targeted watersheds. We also believe that the final rule should reflect the mandatory status of the program. If CSP is implemented consistent with congressional intent, it will deliver enormous benefits to all Americans. Now, there is broad support for CSP within agriculture, and we look forward to a revised rule and its implementation as soon as possible.

We also strongly support the EQIP program and the improvements made by Congress in the 2002 Farm bill. We are concerned that NRCS has not been monitoring EQIP projects or providing animal feeding operations with the assistance to meet their regulatory requirements. Specifically, we understand that EQIP provided $483 million in assistance to all agricultural operations in fiscal year 2003. Of the $483 million, $314 million was provided to

livestock operations, of which $105 million was directed to animal feeding operations.

This is troubling. If these numbers are correct, we believe the allocation within the livestock sector does not place enough emphasis on confined animal operations and their associated regulatory compliance costs, which was a major intent of Congress. The situation is particularly vexing because, in promulgating the revised animal feeding operations rule in 2003, EPA, in part, justified the heavy regulatory burden on producers by reference to EQIP funds available for producer assistance.

With regard to the Wetlands Reserve Program, President Bush noted the role that the incentive-based program such as the WRP played in achieving the goal of no net loss, and specifically lauded the response of farmers and ranchers to such approaches. One recommendation we have is that prior to a landowner being allowed to place a parcel of land into the WRP, the adjoining landowner should be notified and assured that they will not be affected by any change in drainage patterns. We have seen first hand instances where a landowner's participation in the WRP has altered the drainage on adjacent farmland and resulted in wetlands violations and land use restrictions and those types of things.

The Farm Bureau has advocated for increased conservation funding in technical assistance in the 2002 Farm bill. As local, State and Federal environmental regulations has increased, cost sharing and technical assistance are essential to addressing public concerns relating to the environment. We are troubled by the ongoing shortfall of technical assistance funding for both CRP and WRP. These shortfalls will result in a cut for EQIP and other programs in order to deliver CRP and WRP.

We believe that every program should cover its own technical assistance delivery costs. It is also important that NRCS maintain adequate career manpower resources for program delivery. It will be necessary to utilize technical service providers to supplement these resources. We support the use of third party technical service providers to ensure adequate delivery of the needed services.

We recognize the challenges the NRCS faces with limited Government manpower for program delivery. The situation is compounded by the increasing regulation which has made conservation planning significantly more complex and time-consuming.

We appreciate the opportunity to offer these brief perspectives on some of the conservation programs of the Farm Security and Rural Investment Act of 2002. These programs provide great opportunity to agricultural producers and great benefit to the nonfarm public.

Thank you.

[The prepared statement of Mr. Christopherson can be found in the appendix on page 103.]

Senator CRAPO. Thank you very much, Mr. Christopherson. You were right on time.

Mr. Hansen.

STATEMENT OF JOHN K. HANSEN, PRESIDENT, NEBRASKA FARMERS UNION; ON BEHALF OF THE NATIONAL FARMERS UNION

Mr. HANSEN. Thank you, Mr. Chairman, members of the committee. I am John Hansen, President of the Nebraska Farmers Union.

Our National Farmers Union represents over 260,000 independent, diversified, owner-operated family farms and ranches across the Nation. We appreciate the opportunity to appear before you today and to discuss the conservation programs of the 2002 Farm bill.

In the interest of time, let me get right at our list of conservation considerations.

Our National Farmers Union policy, set by our members, strongly supports public funding for soil and water conservation programs and the necessary technical support to properly implement them. We believe that the 2002 Farm bill is a long overdue step forward in conservation funding, while providing new initiatives and the expansion of existing programs. I am actively involved in helping make these conservation programs work. As a member of the Nebraska State Technical Committee, the Environmental Quality Incentives Program subcommittee, and the Conservation Security Program subcommittee, I am actively involved in making these programs, as are my Farmers Union counterparts around the country.

The good news is that conservation program funding has increased. The bad news is the funding for the necessary technical assistance to help our farmers and ranchers put often complex conservation systems into operation simply has not kept pace with dramatically increased workloads.

Our local governmental entities in Nebraska that are responsible for soil and water conservation and our natural resource district system used over $1 million of local property tax revenues last year to help fund additional clerical staff to help support NRCS implement Federal conservation programs, yet we are still falling behind. We ask for your support to increase additional funding for NRCS technical support staff.

Our farmers and ranchers want to use conservation programs to protect and enhance our natural resources. However, demand for these programs far exceeds current funding. In Nebraska, there was approximately $263 million in requests for EQIP programs, and yet there was only $28 million worth of funding actually that was accepted. That is 11 percent of the program demand.

CRP continues to be a heavily utilized program by Nebraska producers, with 1.1 million acres currently enrolled. CRP is then used as the base for many additional programs and is considered to be the single most important program for protecting our soil, water, fish, and wildlife resources. For example, in Nebraska our Game and Parks Commission has invested over a million dollars a year in three programs that enhance CRP acres.

I am encouraged that we are expanding conservation programs for grazing lands, restoration and protection, which in my judgment has been lacking. Because of the diversity of our State's regional resource needs, State and local advisory committees are pro-

viding a great service by helping us tailor our programs to meet our local resource needs.

Farmers Union strongly supported the new Conservation Security Program included in the 2002 Farm bill. We think it is appropriate to financially reward good resource management. We are very concerned that USDA's proposed CSP implementation plan that uses targeted watersheds is not consistent with the original intent of Congress for a full-scale nationwide program.

In summary, the National Farmers Union feels it is important that Congress: one, recognize the importance and popularity of conservation programs among farmers and ranchers nationwide as a tool to protect and enhance our Nation's soil, water, and wildlife; two, that we fully fund all those conservation programs included in the 2002 Farm bill; three, that we fully fund technical assistance for implementing all farm bill conservation programs, including the use of mandatory funds to achieve this goal; and four, that we ensure the newly created Conservation Security Program is implemented as intended by Congress and not be diverted or restricted by the USDA rulemaking process.

We look forward to working with you, Mr. Chairman, and members of this committee and the Senate, in the days ahead to help fulfill the promise of the expanded conservation provisions provided in the 2002 Farm bill so that our farmers and ranchers do have the tools that we need to help protect our soil and water resources for the generations yet to come.

Thank you for this opportunity to appear before you today.

[The prepared statement of Mr. Hansen can be found in the appendix on page 112.]

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

Mr. Wilson.

STATEMENT OF BILL WILSON, PRESIDENT-ELECT, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

Mr. WILSON. Thank you, Mr. Chairman, and members of the committee. I am Bill Wilson. I am president-elect of the National Association of Conservation Districts and live in eastern Oklahoma. NACD represents 3,000 conservation district members and a little over three million cooperators in this country.

We strongly support incentive-based approaches to private working lands conservation, so you might imagine how excited we were when the 2002 Farm bill added authority in those areas. We strongly support that and, in fact, our members are locally led in conservation. That's what we're about. That theme was repeated throughout the Farm bill and we were excited about that as well.

I want to thank this subcommittee for your leadership in developing this farm bill, and we look forward in future farm bills to work with you. As we know, and as has been said already, this has been the largest private working lands effort that we have seen come out of this Government and this Congress ever, and we applaud the bill.

We have been involved with farm bill conservation programs from their very beginning, our members have, for 60 years. In fact, many of our members are helping implement this farm bill through the offering of technical assistance and as technical service pro-

viders, so we are intimately involved here. We are direct partners with NRCS at the local level and our members are housed in the same office with their staff, so we certainly have a vested interest in making this farm bill a success.

We are concerned, however, that the budget request in 2005 starts to reduce the funding levels that were committed to in this farm bill. EQIP would be reduced nearly 20 percent, as you know, $215 million below the authorized level, the WHIP program by more than a 31 percent reduction, and the WRP program by around a 20 percent reduction. The budget request caps the CSP program at an arbitrary level instead of fully funding at its national program provision, and it provides no Commodity Credit funding for the small Watershed Rehabilitation Program, which in my State is a very important program and a real concern that we have.

We applaud the Senate budget resolution, the language that attempts to address the technical issue situation with the WRP and the CRP programs. In the past, taking their technical assistance from the donor programs, as has been stated earlier, that takes money away from producers that could be used out there to implement conservation on the land. We applaud the Senate budget resolution language and support that. We hope that can stay in.

The CSP program is one that we are really excited about. It truly does take conservation to the next level in this country in our mind. It gives the American taxpaying public security that the conservation practices that they fund will be in place, and that they will receive the benefits that are intended and that they are paying for rightfully so should happen.

We are concerned about the watershed approach, though. In the rule that is being written now, it is too limited. It might be a way to start understanding that there's a $41 million limit on the program in this year. We need to remember that that rule was written before that cap was lifted in the Omnibus Appropriations bill, so in our comments to the agency, we have encouraged them to not go the watershed approach, at least in the final version, and we have encouraged them in our testimony to look at coming back in a year and doing a final rule and to go ahead and implement this year's program under an interim final rule.

We think, and they have told us from the beginning, that this is an important program and we need to do it right, so our encouragement is let's implement under an interim final rule, come back a year from now with perhaps another comment period and do a final rule, because we, too, want to get this program right.

Our concern is the rule is too restrictive. It's complex in its eligibility requirements, it is way below the funding level that was in the law for base payments, and the cost share payments and maintenance payments as well. We believe that the 15 percent cap on technical assistance levels is adequate if, in fact, the rule and the law is implemented according to the statute. We think that 15 percent is adequate.

The decisions on these issues will have a major impact on whether or not the program is seen as rewarding good stewards and providing the incentives that make it worthwhile to participate. Now that the funding cap has been lifted, as I said earlier, in the Omni-

bus bill for 2005, we urge the administration and the agency to rewrite the rule and to make it as it was intended in the statute.

There has been a tremendous increase in workload for NRCS and its partners, and as I said, we're doing what we can to have our members help deliver that.

Thank you, Mr. Chairman, and I will yield for questions if there are any later. Thank you.

[The prepared statement of Mr. Wilson can be found in the appendix on page 116.]

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

Mr. Gallup.

STATEMENT OF GORDON GALLUP, BOARD MEMBER, NATIONAL ASSOCIATION OF WHEAT GROWERS; ON BEHALF OF NATIONAL ASSOCIATION OF WHEAT GROWERS, THE NATIONAL COTTON COUNCIL, THE NATIONAL CORN]GROWERS ASSOCIATION, THE AMERICAN SOYBEAN ASSOCIATION, AND THE U.S. RICE FEDERATION

Mr. GALLUP. Thank you, Mr. Chairman, and members of the committee. My name is Gordon Gallup. I'm an Idaho producer of wheat and barley, a board member of the National Association of Wheat Growers, and the chairman of the National Association of Wheat Growers Environmental Policy Committee.

I am pleased to appear before the committee today to present testimony on behalf of the National Association of Wheat Growers, the National Cotton Council, the National Corn Growers Association, the US Rice Federation, and the American Soybean Association.

May I ask the committee's permission to make our written statement a part of the record?

Senator CRAPO. Without objection. All written statements will be a part of the record.

Mr. GALLUP. Thank you.

Mr. Chairman, passage of the 2002 Farm bill marked a giant leap forward in advancing private land conservation efforts in this country. At the signing of the bill, President Bush called it "the single most significant commitment of resources toward conservation on private lands in the Nation's history."

Thanks to your efforts, Mr. Chairman, and members of your committee, programs such as EQIP and WRP were expanded and the CRP was continued under a slightly higher cap. Under the new programs created, the Grassland Reserve Program, which can help enroll two million acres to restore and improve natural grassland range and pasturelands, has been a fairly smooth implementation, I would say.

The other new program, the Conservation Security Program, has been one of the most anticipated programs among producers of all title II programs, the one that I had hoped would allow me to embrace new technologies on my own operation, allowing me to become more productive and efficient, the working lands program to reward those producers who had engaged in state-of-the-art conservation practices already, in addition to providing financial assistance and encouragement to all producers to upgrade their conservation practices.

Unfortunately, when the draft regulations were published, the program outlined in these drafts appeared to be far different than what the program suggested in the statute. This is due, in part, to the complexity of the program and the changing directions from Congress from the original mandatory spending program with unlimited scope.

While we don't fault the NRCS or the USDA—in fact, we commend them for grappling with such a difficult issue, and it's been a tough one—the draft regulations with inconsistent farm definitions, priority watersheds, enrollment categories, ranking with enrollment categories and unwarranted reductions in base payments and cost share amounts is designed to limit participation rather than to encourage participation.

Some have suggested that a person is more likely to win the lottery than to be eligible to participate in the CSP program. I'm very unlucky at the lottery, too, or I wouldn't be farming. This is because the administration, by their own admission, is viewing this as a capped entitlement program with limited resources to meet our enormous demand. However, beginning in fiscal year 2005, CSP will be returned to its original design as an uncapped mandatory spending program, and I would suggest that the current draft rules remain as an interim rule until final rules can be drafted to reflect the program as described in the law.

Again, in the larger conservation picture, there remains the problem of how conservation technical assistance is accounted for. With the cost of CRP and WRP being paid for by every other conservation program, this needs to be changed to ensure that each conservation program pays for its own technical assistance.

We understand that there is some language in the Senate version of the pending budget resolution that would direct this to be corrected, and we would appreciate this, assuming the final budget resolution is adopted.

We would hope that the funding disbursements for these programs, particularly the CSP, would be administered through the Farm Service Agency.

Mr. Chairman, these are the important principles that remain priorities for the implementation of the farm law to continue. We believe that each conservation program should pay for its own technical assistance; second, we believe that the Conservation Security Program should be implemented and funded as originally intended by Congress in the 2002 Farm bill; and finally, we will continue to oppose any attempt to amend, alter or divert funding away from farm bill programs as authorized by Congress and signed into law by the President nearly 2 years ago.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Gallup can be found in the appendix on page 121.]

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

Mr. Nelson.

STATEMENT OF JEFFREY W. NELSON, DIRECTOR OF OPERATIONS, DUCKS UNLIMITED, INC; ON BEHALF OF THE CONGRESSIONAL SPORTSMAN'S FOUNDATION; DUCKS UNLIMITED; PHEASANTS FOREVER; THE INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES; THE IZAAK]WALTON LEAGUE; THE WILDLIFE SOCIETY; AND THE WILDLIFE MANAGEMENT INSTITUTE

Mr. NELSON. Thank you, Mr. Chairman, and members of the subcommittee.

As noted in the introduction, I am the Director of Operations for Ducks Unlimited at the Great Plains Regional office in Bismarck, ND, which covers an eight-State region, including South Dakota, Nebraska, Iowa and Minnesota. As the chairman noted, today I represent a coalition of seven wildlife organizations, representing hundreds of thousands of concerned conservationists.

Thank you for the invitation to testify before you today. Your subcommittee should be proud that in many ways America's landscape is healthier and more productive than it has been in decades. The money being spent on conservation programs through the Farm bill is a great investment for future generations and is producing measurable benefits for fish and wildlife. Our ongoing partnerships with producers, FSA and NRCS are both appreciated and productive.

In light of time constraints today, I will simply give some very brief examples of the dramatic results of the Farm bill's conservation title, particularly focused on the Conservation Reserve Program, or CRP, and outline some of the challenges we face.

CRP is extremely well-received by producers and has had clear measurable benefits to wildlife. As illustrated in this first chart to my right, increased grassland cover results in improved nesting success for five species of prairie waterfowl. In Montana and the Dakotas alone, 4.7 million acres of CRP resulted in 12.4 million ducks added to the fall flight between 1992 and 1997. The program is producing measurable benefits for many other species as well.

Some claim that CRP leads to economic decline in rural areas. Based on chart 2, it is clear that since CRP was enacted in 1985, the rate of farm loss has actually slowed. Recent studies in North Dakota back this up.

CRP is a very popular and effective program. Therefore, we respectfully request that it be fully funded, reauthorized, and/or expanded in the next Farm bill.

Demand for the WRP, the WRP, is three times greater than the 250,000 acres annually authorized. WRP provides potential feeding habitat for wintering waterfowl, wild turkey, and a myriad of other game and nongame fish and wildlife species. Its benefits are well documented in our written testimony.

Importantly to this program, we understand that the final technical service provider rule is due out this summer. We look forward to its release. Technical assistance should be provided for restoration so that WRP can fulfill the 2002 Farm bill goals. We support the Senate resolution calling for TA funds to be available through the CCC, and recommend enrollment and restoration of all authorized acres for WRP before the end of fiscal 2007.

A wide variety of fish and wildlife have benefited from WHIP projects, the Wildlife Habitat Incentive Program, because it fills critical conservation gaps, helping to respond to the Endangered Species Act needs, and benefiting other species that could be headed toward listing. Demand for the program outpaces funding, however. Unfunded WHIP applications in fiscal 2003 totaled $40 million, including $1.5 million of unfunded applications just in Idaho. We recommend full funding for WHIP at authorized levels.

We applaud the establishment of the Grassland Reserve Program, GRP. Most native grasslands in the heart of the U.S. have been converted to cropland since the 1800's. Once plowed, they are expensive and nearly impossible to restore. GRP would help prevent conversion, conserving wildlife habitat in the process.

Demand for GRP funding is also overwhelming. In South Dakota, applications for funding total $150 million, but only $1.4 million was allocated to the State. In North Dakota, less than 1 percent of 471 applications could be funded. Due to the overwhelming demand, increased funding should be considered in upcoming years and in the next Farm bill.

Finally, maintaining an effective Swampbuster remains vital to achieving the overall net increase in wetlands that the President committed to in his Earth Day speech 3 weeks ago. Studies referenced again in our written testimony point to the high value of wetlands protected by this program. Swampbusters should be maintained and enhanced in the next Farm bill, including better enforcement, as suggested in a recent GAO report.

In conclusion, the challenge we face is to provide funding and support for these programs at levels already authorized. Moreover, demand remains strong from producers for the expansion of several popular program that offer tremendous returns to the American taxpayer, both fiscally and in terms of conservation. We remain committed to assist in any way possible to meet these challenging demands.

Mr. Chairman, thank you for this opportunity to present our view of the outcomes, benefits and importance of this farm bill and its conservation programs. Please do not hesitate to call upon us for any reason regarding any of these important issues.

I would be happy to answer questions if there is time.

[The prepared statement of Mr. Nelson can be found in the appendix o page 124.]

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

Mr. Petty.

STATEMENT OF DAVID PETTY, ON BEHALF OF THE NATIONAL CATTLEMEN'S BEEF ASSOCIATION; NATIONAL CHICKEN COUNCIL; NATIONAL MILK PRODUCERS FEDERATION; NATIONAL PORK PRODUCERS COUNCIL; NATIONAL TURKEY FEDERATION; AND THE UNITED EGG PRODUCERS

Mr. PETTY. Good morning, Mr. Chairman. I am David Petty from Eldora, IA. I am a farmer and rancher with a diversified crop and livestock operation.

I would like to note that we recently received an award from NCBA, the national environmental stewardship award, as well as from EPA for environmental excellence. We do use a lot of con-

servation practices in our operation and these programs are very important to me personally.

Today I am here representing the National Cattlemen's Beef Association, of which I'm a member, and I am here representing the pork, dairy, beef and poultry industries. The testimony today will include all of those as well as the livestock.

We are very grateful to you and the members of the subcommittee for holding this hearing and allowing us an opportunity to provide to you our views of the implementation of the conservation title of the 2002 Farm bill. We cannot stress enough how important it is to our producer members for the conservation title to be implemented well and effectively, and we welcome your commitment to this objective.

We know the members of this subcommittee understand better than anyone the significance of the economic contribution that livestock producers make to the U.S. agricultural sector. Livestock receipts were a little more than $100 billion last year, and consistently they average over 50 percent of the total agriculture receipts. We are the single biggest customer of the U.S. feed crop producers and our single largest expense is the feed we purchase for our livestock. Without a doubt, livestock agriculture is value-added agriculture.

Environment Quality Incentive Program. Livestock producers made it a top priority to work together in the 2002 Farm bill process to ensure that the EQIP program was well funded and properly structured. They were and continue to be seriously alarmed by water and air quality regulations being imposed on AFOs. While EQIP has been able to help some AFOs in 2003, more help is needed. Our written testimony goes into considerable detail on these items, but I will mention a few of them here.

We believe NRCS should set aside EQIP funds at the State level for the specific purposes of addressing animal feeding operations. Producers seeking assistance with costly regulation requirements should not be ranked lower than they would otherwise if they had not done a good job addressing the manure issues in previous times. Many thousands of livestock producers need and want comprehensive nutrient management plans, and EQIP is not helping enough for this. If EQIP can't work, then we need NRCS to find some other ways to help the producers get the CNMPs that they are desiring to get.

Mobile and portable equipment that is effectively and economically used for transferring manure from these AFOs to better utilize it as a nutrient also needs to be considered as cost share equipment, which at the present time it is not. APOs application for EQIP assistance to install air quality protection and odor reducing systems must be given higher priority than they presently are.

We are deeply concerned that the Department excludes custom feeders from EQIP. EQIP was intended for everyone, but they are not eligible.

We support a budget resolution this year that would provide funds to CRP and WRP to pay for their own technical assistance, rather than drawing in $60–100 million from EQIP, and we support Congress passing subsequent authorization legislation that

would direct USDA to use these new funds in the base line to pay for CRP and WRP financial technical assistance.

The Conservation Security Program. A number of members of our agriculture committee were excited by the enactment of the Conservation Security Program as part of the 2002 Farm bill. Other groups are leery of the new program for fear that it would prop up inefficient producers and hurt the overall efficiency of the industry. Our overall goal is to create a regulatory and business environment in which our members can thrive and produce the food needed for America and the world. We will be particularly supportive of these concepts of CSP that promote the economic efficiency of producers.

The program needs to be fixed in many ways, some of which I will highlight:

Enrollment in the program should not be limited to a few watersheds across the country. Producers should not be required to address significant water and air quality concerns prior to getting enrolled in the program. All resource concerns, particularly air quality, should be accorded equal weight with soil and water for the enrollment of this program.

Limits of feedlot participation in the program for base payments and for watershed selection should be eliminated. The lower payment rate that is proposed in the rule will reduce producer interest, and they certainly won't be knocking the door down.

In the Grassland Reserve, we certainly support that as it was intended, just keeping grasslands in grasslands versus tearing them up. We certainly applaud the NRCS for the work they have done through WHIP, helping with the sage grouse and keeping that from being listed, and we support the technical services.

Thank you, sir.

[The prepared statement of Mr. Petty can be found in the appendix on page 138.]

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

Mr. Thicke.

STATEMENT OF FRANCIS THICKE, MEMBER, IOWA STATE TECHNICAL COMMITTEE, ON BEHALF OF THE SUSTAINABLE AGRICULTURE COALITION

Mr. THICKE. Thank you, Mr. Chairman.

My name is Francis Thicke. I am a farmer from southeast Iowa. In the past I farmed in Minnesota, and actually, in the meantime, between, I spent some time in grad school and came and worked for the USDA in Washington, where I helped write the conservation programs in the past. I would like to tell my friends I'm a "born again farmer."

Our farm that we are now farming in Iowa was in corn and soybeans. It was very eroded. It's hilly land, the farm, and we planted it basically in grasses and in conservation crops. As Dave Petty's farm, farms can be transformed drastically. Dave is a little modest. He has won a lot of awards for his work in grassland conservation and cattle and livestock grazing.

Like Dave, we get many visitors to our farm that look at what we're doing and would like to change. They would like to change from what they're doing. They don't like only monocropping, as you

see a lot of in the Midwest. They are afraid to do that. They are really afraid to make these changes. They are dependent upon the commodity programs and they don't see how they can make these changes.

The Conservation Security Program can really come to the aid of farmers today. If properly implemented, we could see a big change in American agriculture, from monoculutre, from resource degradation—one that we don't hear about from agriculture, resource degradation. We could make it into resource enhancement. I like to think that my whole farm is a buffer strip. People like to put buffer stripes on their farm. Dave's farm is a buffer strip that actually buffers for water and soil quality and air quality. We can really enhance our resources, not just try to maintain them. That is, if we can implement this program properly.

How many have heard of the Integrated Crop Management Program, or the Integrated Farm Management Program, or the Conservation Farm Option in the nineties? Nobody. They all died. They all died because they got strangled from bureaucratic rule writing, some of them did, and for other reasons as well.

Now the time is right. We had 14,000 comments on this program. Farmers are excited. They are looking for something out here. Of course, I'm not going to mention all the things that are wrong with CSP. Fourteen thousand comments came in and we have heard them already here.

Just a few of them I will mention, though. A 90 percent reduction in payment rates, that means that a 10 percent payment rate for these base payments. That means in some cases it's like less than a dollar an acre. Farmers are not going to sign up for that. It is actually ridiculous. For pastures, it's much less than for cropland. For pastures, for resource conserving uses, it's less than for cropland, which is more resource degradating.

The rotating watersheds, the mysterious rotating watersheds that Senator Harkin talked about, you may have to wait 8 years to sign up if you don't quite get in in 1 year. The low cost share rate for the Conservation Security Program versus EQIP and other programs. A prohibition on renewing contracts, the convoluted categories and ranking systems. What's going on here? It's really convoluted. Again, I don't want to see this program strangled by this bureaucratic rulemaking.

From my experience at USDA, we have writing rules and we don't have conservation minded NRCS people working the way they would normally work. We see here a political process. We have the "tail wagging the dog." The tail here is the NRCS, and the dog is being wagged by some political process. What I see here is actually the long arm of the Office of Management and Budget of the White House. We can talk to Chief Knight until we're blue in the face, but it really isn't going to make a difference as long as this is a political process.

For example, the 15 percent technical assistance thing is really a facade. That assumes this budget cap, which Congress has taken off, as you well know, and now that is still assumed to be driving the process. I would like to think of it as the one domino that knocked all of the other dominos down. All these problems at CSP are a result of this alleged budget cap, which doesn't exist. I guess

I would suggest that the next time you bring an OMB budget examiner to one of these hearings here.

Now, Chief Knight has said that he has several lawyers that have said NRCS is within the law. Well, frankly, I could find several lawyers that can tell you just about anything. Congress has said no cap, no ranking criteria, has specifically said no ranking criteria, no cap. What part of "no cap" don't they understand? I don't get it.

Basic junior high civics is that there are three branches of Government. Congress makes the law and the Executive branch enforces the law. What's happening here is they're trying to rewrite the Farm bill. Are we going to have to use the third branch, the Judicial branch, to stop this?

I would ask you Senators here to make this happen, because this program could get strangled like other programs have in the past.

Thank you.

[The prepared statement of Mr. Thicke can be found in the appendix on page 150.]

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

To the entire panel, I want to thank you. You were all very good at staying within your time limits, which has helped us tremendously.

Before I proceed with my questions, I want to make a request on behalf of Senator Talent, who was here but had to leave for another hearing, and who wanted to have his statement submitted for the record. Without objection, it will be submitted.

[The prepared statement of Senator Talent can be found in the appendix on page 44.]

Senator CRAPO. I have just a couple of questions. The first one I will direct to you, Mr. Gallup, although I would welcome input from any members of the panel who have a thought on this.

Noxious weeds are one of the big threats that we are facing right now in our environment. Fortunately, they are one problem where, when addressed early can be managed in an affordable way. That and the severe threats that they pose is one reason that we made weed treatments eligible for cost share assistance under the Farm bill programs. I'm seeing more conservation spending being used to address these threats.

Do you agree that these threats should be and can be addressed effectively through the conservation programs of the Farm bill?

Mr. GALLUP. They definitely have been, and are being. These conservation programs help us tremendously through the conservation tillage where weeds have definitely been under control. We are seeing a little bit on the rangelands, and that's probably our worst areas right now of the noxious weeds, but we're getting them under control, also, through the natural processes.

Senator CRAPO. Thank you very much. Again, I'm going to toss out a couple of questions here and anybody on the panel who is interested is welcome to respond.

Another area that we tried to address in the Farm bill was to try to make sure that those who are facing an increased regulatory burden under Federal environmental laws got increased weight in their applications under various farm bills. I would like to know your thoughts about whether that's a good idea and whether it's

working. Even further, there is a notion that has been suggested, which I am at least evaluating, which is, namely, that areas where there is designated critical habitat under the Endangered Species Act would be given additional weighting in the application of the farm programs.

Would anybody like to jump in on those issues, for or against? Mr. Wilson.

Mr. WILSON. The first one you talked about certainly is being addressed and should be under these programs. In my conservation district where I live, we have a number of integrated poultry and swine producers that are under certainly stringent Federal regulations.

In my State, we lead the Nation in State regulations on those types of operations as it relates to water quality issues. We are the first State, to my knowledge, that actually requires those producers to have a license, and that requires them to go to school, if you will, for continuing education, so many hours a year to maintain that license to stay in business.

In my particular district, we have really, over the past Farm bill and this farm bill, been able to assist those producers in complying with those environmental regulations. It has been very helpful to them to do that. That is certainly a very important aspect of these programs.

Senator CRAPO. Thank you.

Does anybody else want to jump in? Mr. Hansen.

Mr. HANSEN. Mr. Chairman, I would say that in Nebraska we have 67 percent of our EQIP dollars going to livestock operations. I have been involved in doing conservation work now for 30 years as a local public official, or involved in these kinds of issues and discussions.

It seems to me that, within the ag community, you get a very opinionated response with a lot of diversity over whether or not the traditional conservation programs that are geared toward lands and conservation, wind and soil erosion, whether or not those dollars ought to be put in the same pool and compete with specific water quality problems that are the result of CAFOs, that that's not the traditional view of what conservation was supposed to be about or should be involved in. Yet, water quality is important.

It seems to me that, as I'm helping to administer these programs and give advice at the State level, perhaps we need to take a look at different kinds of criteria for livestock.

My personal view—and it's not the view of the organization—is that we struggle with this whole business of whether or not we ought to be using public tax dollars to subsidize the waste management problems created by vertical integrators who are, in fact, unfairly competing against traditional livestock producers. That argument goes on.

I hope that that argument and area of disagreement doesn't jeopardize our opportunity to move forward with general soil and water conservation programs as a whole, and that the Farm bill presented the opportunity to do that. I would hate to see us end up having to short that opportunity after we have spent all of this money and all of this education, for all of these years, trying to get farmers to the point where they actually want to put conservation

on the land. I would hope that we wouldn't short them when we provide incentives for them to do it.

Senator CRAPO. Thank you.

Mr. Thicke.

Mr. THICKE. We have to be careful not to go too far in using conservation funds to help with regulatory burdens. In Iowa, in the State Technical Committee, when we saw the EQIP funds be allowed to go to CAFOs, we saw a huge difference in the number of participants. It went from hundreds of participants in EQIP down to—I don't remember the numbers any more, and maybe Dave does. It was almost to 25 percent or so. All that funding was funneled into a few producers, large producers, and people have to question that. As was mentioned, do we really want to fund commercial organizations that have to meet a regulatory rule anyway? We should probably use that money instead to help those who are not yet regulated but we can get up to a higher level of functioning.

Senator CRAPO. Thank you.

Mr. Nelson, and then Mr. Gallup.

Mr. NELSON. I will just quickly add, of course, we're all concerned about those species that have reached the threatened or endangered level. One other thing to think about is targeting groups of species that are maybe sliding toward that level of listing and try to target programs to keep those from getting to the point where these kind of regulatory options need to be considered.

Senator CRAPO. Thank you.

Mr. Gallup.

Mr. GALLUP. Mr. Chairman, in thinking about endangered species, the only reason I would prioritize them higher on the list would be to help and assist the farmer that is impacted by that, because the cost is enormous sometimes to meet those. I would say they need some help so that they can be viable still.

Senator CRAPO. Thank you.

Mr. Christopherson.

Mr. CHRISTOPHERSON. Any time you get into the issue of targeting, you have to be careful so that you don't lose sight of what the initial activity of Congress was. If, indeed, it was dealing with conservation issues as it relates to clean air, clean water, et cetera, then size really becomes irrelevant, even though, yes, while the dollars per individual site may increase, but supposedly so should the impact. That is the first thing you need to be careful of.

Second, we, as producers, are operating in the real world, where we have to pay our bills, and any time you slap on regulatory requirements or anything like that, there is a cost that we have to pay.

Now, let me say first of all that farmers in most cases are willing to shoulder some of that, and we can be innovative in how we address some of those issues to meet those goals. At the same time, the reality of it is, if you're going to put a level of expectation on producers, you need to be a little careful. Otherwise, you will turn them off and you will get less participation than what you would have gotten initially without any program at all.

Senator CRAPO. Thank you.

Mr. Petty, did you want to jump in here?

Mr. PETTY. Yes. Mr. Chairman, remember that one of the original intents of EQIP was to help producers to come into compliance with regulations and preventing them from needing further assistance down the road. We have a lot of producers in the feedlot scenario, farmer producers, small by national standards, but who truly need to have more EQIP money. If we had more EQIP money, we could solve a lot of things.

Being that we don't, it goes back to the local level of deciding what the priority and what the ranking criteria is. If it turns into being some social issue that becomes involved in there, and if the social issue becomes too strong, then the ranking criteria does not justify what is really going to get the most "bang for the buck." Consequently, a lot of the producers with livestock are not getting the help that they need because of the social issue.

Senator CRAPO. Thank you.

Senator Harkin, I have a lot of other questions, but I know we're going to run out of time here. You can take the rest of the time up until noon, or until they call the vote, if you would like to do that.

Senator HARKIN. Thank you very much, Mr. Chairman. Again, let me thank you for holding this hearing. I want to thank all of our panel for being here today.

There are about three different areas I want to cover. First, Mr. Wilson, from the NACD, I assume you were in the room when I had an exchange with Mr. Knight about that 15 percent cap and why it's different than the EQIP program. I believe in your statement you basically address that, at least in your spoken words here today, and I wanted to have you say again.

Is the 15 percent cap an impediment in implementing the CSP program?

Mr. WILSON. In my view, Mr. Harkin, and in the view of our association, our members, it is not a problem if the rule is written more in line with what the statute says. It becomes a problem when the payment limitations are put on that they're suggesting, and certainly the conservation practices that are numbered and named in CSP by the list don't list construction, if you will, or the engineering type practices. The last one leaves it to the discretion of the Secretary to be able to fund any practice that she deems necessary, or he, whoever it might be.

It is our belief that the intent of the law was to not implement, design and implement practices, but was to make incentive payments available to those people who had those practices in place and to give the public, as I said in my comments, some security that the practices they helped pay for with their tax dollars will be maintained over a period of years and, consequently, the outcomes that they expect and are willing to pay for will be realized.

Senator HARKIN. I appreciate that. I will be talking more with Mr. Knight about that. That 15 percent cap, as I said earlier, is a manufactured problem. It's not a real one.

I want to go to you, Mr. Petty. Again, I thank you for being here and for your statement. One of the things you touched on and we have to make clear also is that, in these conservation programs, we don't have just one conservation program that has a border here and a border here, and then another one has a border here and a

border here. These aren't all segmented out. They overlap. Almost every one of these programs, whether it's WRP or CRP or WHIP or anything, they all overlap on one another. There is probably a central core of each of them that's unique to that program, but on the edges, they can go into one or into the other. We have purposely designed these programs that way, understanding that you may not fit into one little niche but you may fit in that gray area where maybe both of them will apply.

Now, the EQIP program, for example, in terms of livestock operations, has been a good program. We've got some problems in that in terms of the split, and we talked about that earlier. Hopefully, we're getting closer to a good split on it. It was never intended that the CSP program would not apply to livestock production. It may not apply to waste structures that's EQIP. It didn't mean that it wouldn't apply to other things in terms of feedlots and things like that that could be eligible for CSP on a working land. These are working lands, and to the extent they're carving those out of CSP really upsets me.

I'm really glad that you pointed that out, that this should be eligible also under CSP. We were all there when we wrote the law, and there is nothing that excluded that at all. I wanted to make that point, to make it very clear that maybe some people thought the livestock producers weren't included, and that was never our intention. It is not in the bill anywhere. We wanted to cover everyone who was a producer in any way.

Also, the other thing you mentioned about soil and water on CSP. Here again is where CSP can come in for a livestock producer. As you know, in Iowa we have concern with air quality. We all recognize that. CSP would handle it because it addresses air quality. Again, this is one area in which the way the Department is moving on this would exclude you from meeting air quality standards and qualifying under the CSP program.

Am I stating it fairly correctly?

Mr. PETTY. That's the way the rules are coming out.

Senator HARKIN. Mr. Chairman, this was never intended that way. I didn't get into that with Mr. Knight before. We didn't have enough time. This is one area where we've really got to have this final rule that's different than what they're proposing.

One last thing, Mr. Petty. You mentioned that USDA excluded custom feeding operations from EQIP. Can you explain your understanding for the basis for this policy and the impact on the livestock industry?

Mr. PETTY. I'll try, but I'm not sure I understand it, either, why they did it.

They are saying that a custom feeder is not an agriculture entity, and they are just as much as everyone else. They're not a part of an agriculture entity, and in their Schedule F they're not filing that way. It doesn't make a bit of sense to me because, in the beef industry, there are more and more custom feeders all the time and there are a lot more individual producers that are doing some custom feeding in their own operation just to help supplement their operations. It was probably just an oversight.

Senator HARKIN. Again, Mr. Chairman, I guess this is something that really need to be corrected. Custom feeding operations ought

to be included. I have no understanding of what their rationale is for taking them out. Again, hopefully, we can prepare a letter and try to find out what their thinking is on this. I don't know if they have followed through on it, and maybe they will change their proposed regulations on that.

Mr. Gallup, give us a look to the future. CSP is fully funded and we move ahead on this as it is supposed to, a national program. What does the future look like in terms of farmers, no matter whether they're in Idaho or—is it lentils you grow?

Mr. GALLUP. Potatoes.

Senator HARKIN. Potatoes and all that kind of thing, and in my State, corn and beans, and wheat in your area, what does this mean? Just give me some idea of what it might mean for the future.

Mr. GALLUP. For me in the future, what I was looking at when I first heard CSP, I thought this is going to give me the ability to go in and use the technologies that are out there, that right now are cost prohibitive for a wheat farmer with $3.80 wheat and a drought. To me, it gives me the opportunity for variable rate technologies to be put on the farm, which in turn helps in several ways, applying fertilizer better, puts in it less concentrated areas so that you have less ability to leach that into the water and so on. You're applying the fertilizer as it's needed for the type of soil you have, those types of things where the GPS technology is out there. Yield monitoring can help you with those types of things that are really cost prohibitive for a farmer like myself.

That is what I had hoped to see CSP accomplish.

Senator HARKIN. Anybody else?

Mr. PETTY. I'll take a shot at that.

When I first saw CSP come out, I went straight to the local office and told them, I said I've been in there a lot of times and do a lot of different conservation practices, and I said we can use my place, and if there's something else I need to be doing out there, let me know so that we can get it in place.

You know, they came up, the DCs, and as near as they thought, we had everything just totally in line and they couldn't recommend another thing that maybe I could be doing along the way. I thought this is great. This really fits me, to finally get some recognition for some waterways that I had put in that a lot of other people had been farming straight through and putting sedimentation straight into the water, all these different good practices.

I had bordered the river for seven miles, and I'm not in a watershed. You explain that to me. I'm probably at about year nine, so as it looks right now, I don't think I'll ever be eligible for CSP.

Senator HARKIN. You were the type of people that we had envisioned—and we talked about this a lot in the development of the Farm bill—that in the past, it seems that every time we had a program, the bad actors got in and the people that had been doing it were carved out. In fact, we know in the past that a lot of people tore up things just to get in the program. We didn't want that to happen. This is an excellent example of what we're talking about.

Mr. Christopherson, before my time runs out, I want to give you a chance.

Mr. CHRISTOPHERSON. You identified something in your opening statement regarding things happen as we notice what our neighbors are doing. I view the CSP program as an opportunity to get some examples out there for other people to see.

Each of us recognize there are things on our own farms that we would like to change, like to improve, like to address. Basically farmers are stewards of their land and they like to be good stewards, but at the same time we sometimes lack—again, it goes back to the technical assistance that we sometimes don't get. We are forced into a program to in many cases accept money for some grand scheme, and we think, because farmers are innovative, we think that with a little bit of technical assistance, a little bit of—give us the numbers and we'll work with them.

A program like this was an example of where we saw or I saw an opportunity to get some ideas on the ground out in practice and, hopefully, a lot of my neighbors would participate. That was what I thought was going to be exciting about the whole thing.

Senator HARKIN. Right down the line. I know we're running out of time.

Mr. HANSEN. Senator Harkin, of course, I'm Norwegian so I have a different take on almost everything. My view was, as you look through these traditional conflicts within conservation, I looked at the Conservation Security Program as an opportunity to actually reward those folks that have been good resource managers, had been doing the right stuff, and in a lot of cases had been sucking up the financial costs and paying them out of their own pocket rather than getting Government incentives to be encouraged to do the right thing that they were already doing a lot of. They were already being good resource managers and we wanted to try to let almost everyone in who was doing that and then, after we had rewarded them, help give them additional incentives to move them up to even higher levels of resource management through the tiered system. That was my take.

Senator HARKIN. Mr. Gallup.

Mr. GALLUP. Senator Harkin, I've been a dyed in the wool no-till farmer since 1985. I've got neighbors next door to me who still tell me that it will not work on my farm. A lot of it is because of the cost of the equipment to get started. I was dumb enough and young enough at that age that I sold everything I owned and bought a no-till drill, so it had to work. It works.

That is what my whole vision, too, of this program would be, to help those neighbors get involved in something that I have seen conservation-wise on my place, that erosion is almost nonexistent.

Senator HARKIN. You got it. That's what we're trying to get to.

I have two left, Mr. Nelson and Mr. Thicke.

Mr. NELSON. I didn't comment a lot in my testimony about CSP, mostly because we're waiting for it to be implemented to see what kind of wildlife values it does have. We anticipate good things.

I would just say that I totally agree with your point about this rewarding good stewardship as opposed to only having programs that reward those who maybe did the wrong thing and need help getting back to where they ought to have been in the first place.

Having said that, we continue to see thousands of acres being plowed up, of native prairie, in many areas. I don't know if some

of the other farm programs are taking the risk out of that, but I would certainly like to see programs that prevent that from happening and reward those who keep those kinds of areas intact.

Senator HARKIN. Thank you, Mr. Nelson.

Mr. Thicke.

Mr. THICKE. It seems to me that diversity is really the key thing when you look at the law, diversity of crops, not just in Iowa where we see all corn and soybeans, but we need to get more resource conserving crops in there.

Mr. Chairman, you spoke earlier about noxious weeds. Ralph Waldo Emerson defined a weed as "a plant whose value has not yet been discovered."

[Laughter.]

We need to look at the whole system. If we begin to use more rotations, then these things fall out, some of these problems fall out as we begin to do this. Dave and I have discovered that cows really do like to graze and they don't have to stand in feedlots, so we can use the whole system in the CRP program.

Senator HARKIN. I appreciate all your testimonies and thank you very much for what you have been doing in the past. I thank all the organizations who are represented here.

Mr. Chairman, it's clear that conservation is the hallmark of the last Farm bill. It is something that we just have to continue oversight on and continue to work with the administration to make sure that all these programs are implemented and funded in a way that makes them work.

Could I just close on this note. Talking about money and the Farm bill and how things have changed, in this 3 years since the Farm bill passed, we have saved over $15 billion in payments that would have gone out. Why? Because prices are high so we had the countercyclical programs. It was $15 billion that we were allotted to spend, could have spent, but we didn't spend. It seems to me that, if we're asking for a couple of billion to implement all these conservation programs, and to do it right, we're still saving the taxpayers a lot of money. This idea that somehow we have to cut this down because we have a deficit—and I know we have a deficit; we're all trying to reduce that. Agriculture has done more than its fair share of helping out.

Thank you, Mr. Chairman.

Senator CRAPO. Thank you very much, Senator Harkin.

I share your views on those issues. This is a critical part of the Farm bill and a critical part of our effort in our economy, as well as in terms of our stewardship over the environment.

We are 10 minutes into that vote that we were talking about, so we have about 5 minutes to get there. I want to again commend all of our witnesses for following the time restraints.

I should also note that I have a thick binder here of all of your written testimony, so I understand the effort that you went to to put together your written as well as your oral testimony. We thank you for it.

Without anything further, this hearing will be adjourned.

Senator HARKIN. Thank you, Mr. Chairman.

[Whereupon, at 12:08 p.m., the subcommittee adjourned.]

APPENDIX

MAY 11, 2004

Statement of Senator Blanche Lincoln
before the Forestry, Conservation, and Rural Revitalization
Subcommittee Hearing

"Overview of the Conservation Provision of the 2002 Farm Bill"

May 11, 2004

- Thank you, Chairman Crapo. It is a pleasure to share this subcommittee with you.

- This very worthwhile hearing will focus on the implementation of the conservation provisions of the 2002 Farm bill.

- A bill that I worked hard on and supported because of its importance to my state's rural economy and way of life.

- Indeed, the most notable part of this legislation was its historic increase in conservation.

- As a member of a seventh generation farm family that enjoys hunting, fishing and other outdoor activities, I know well the importance of conservation programs.

- And so do the agriculture producers in my state of Arkansas.

- Conservation programs are not only an environmentally sound practice, but produce a wide range of economic benefits.

- Environmentally, conservation programs safeguard millions of acres of American topsoil from erosion while improving air quality, increasing wildlife habitat, and protecting ground and surface water quality by reducing water runoff and sedimentation.

- Economically, the benefits are also immeasurable. These programs not only increase net farm income they preserve soil productivity, improve surface water quality, reduce damage from windblown dust, and increase uses of wildlife.

- These dual benefits are critical to the long-term sustainability of American agriculture and provide the much needed bridge between an adequate farm safety-net and resources necessary to conserve our land.

- I thank the witnesses for appearing here today and look forward to their testimonies.

- I also have some specific questions to ask of them at the appropriate time.

- Thank you, Mr. Chairman.

Sen. Jim Talent

Statement on

Implementation of the Conservation Title of the 2002 Farm Bill

Mr. Chairman, thank you for holding this important hearing. I did not have the pleasure of being a member of the Senate during the farm bill debates, but I hear from farmers and ranchers in Missouri on these issues quite often.

The 2002 farm bill devoted an unprecedented amount of funding to these conservation programs - more than $17.1 billion in funding over 10-years - and I'm pleased that farmers and ranchers in Missouri are taking advantage of them. In most cases, we have more people applying for these programs than we can accommodate.

Our farmers and ranchers are great stewards of the land. These new farm bill programs are designed to give them additional incentives for developing and implementing innovative conservation practices on the land they work. I agree with the Secretary's strategy of "Reward the best and motivate the rest."

But more importantly, these programs represent a shift in thinking. In the past, farmers who participated in traditional conservation program, like CRP and WRP, had to take their land out of production. These programs were designed to stop erosion and restore critical habitats, but they also limited a farmer's livelihood. EQIP and soon CSP, will compensate farmers for improving the lands but allow them to continue to produce. I've often said

that you must find a balance between economics and environment. These new programs make great strides toward that balance.

Also, this is an example of federal conservation programs changing with the technology. For example, biotechnology brings benefits to farmers and the environment. Farmers don't have to spend as much time working the soil and erosion is greatly reduced. I'm pleased that the farmers are being recognized for the good work that they are doing on their lands.

We all benefit from an improved environment. Tourism, largely due to the great natural resources in Missouri, is the states number one industry. People from across the nation come to fish the lakes and rivers we have in the Ozarks or hunt in our forests and river bottoms. These programs that will do so much for water quality, erosion and land use will continue to develop our states tourism industry.

Mr. Chairman, let me close by saying that I am also pleased that we are having these hearings well in advance of the next farm bill. This is a good opportunity to evaluate what is working and what isn't. I appreciate all that the administration has done to develop these programs, and I look forward to the testimony today. There are a lot of questions from farmers and ranchers in Missouri regarding CSP. I hope that this hearing will address some of their concerns.

Written Statement By

James R. Little

Administrator

Farm Service Agency

United States Department of Agriculture

Before the Senate Agriculture, Nutrition, and Forestry Committee

Subcommittee on Forestry, Conservation and Rural Revitalization

May 11, 2004

INTRODUCTION

Mr. Chairman and Members of the subcommittee, I am pleased to appear before you to discuss the conservation programs administered by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

FSA offers a variety of conservation programs for our Nation's farmers and ranchers including, the Conservation Reserve Program (CRP), the Emergency Conservation Program (ECP), the Debt for Nature Program, and the Grassland Reserve Program (GRP), which is jointly administered with the Natural Resources Conservation Service (NRCS). FSA takes pride in the administration of these farmer-friendly and environmentally sound conservation programs and the strong partnership FSA has established with NRCS in the delivery of USDA's conservation programs.

CONSERVATION RESERVE PROGRAM

The Food Security Act of 1985 authorized CRP. The program initially focused on retiring the most highly erodible land through a voluntary competitive bid process. By 1990, over 33.9 million acres of highly erodible land had been enrolled with many of the acres planted to a monoculture of either grass or trees. From 1991 through 1995, an additional 2.5 million acres were enrolled into the program. The Federal Agriculture Improvement and Reform Act of 1996 capped the program acreage at 36.4 million acres. At that time, FSA implemented a number of provisions to place more emphasis on conservation benefits derived from the CRP, rather than just focusing on erodibility. The agency instituted an objective science-based Environmental Benefits Index (EBI) that ranked offers nation-wide based on the overall environmental benefits expected to accrue from the offered acres in CRP, as well as anticipated program costs.

FSA also began a continuous signup effort in 1996 to target enrollment of highly valued buffer practices such as filter strips, riparian buffers, grass waterways, windbreaks, and similar practices on working lands. These measures are often established along streams and rivers to keep sediment and farm chemicals out of surface water. These practices reduce gully erosion in fields, recharge groundwater areas for public water supplies, and enhance wildlife habitat on field borders and wetland areas. Almost 2.7 acres have been enrolled through continuous signup efforts.

Equally importantly, FSA began working with State and local Governments to target some of our Nation's most critical resource areas that are impacted by agricultural production through partnership agreements. This effort, called the Conservation Reserve Enhancement Program (CREP), provides for locally tailored conservation measures and incentives under the CRP program umbrella.

The Food Security and Rural Investment Act of 2002 subsequently expanded the acreage for the CRP to 39.2 million acres and modified the criteria for eligible land and other provisions, and expanded the Farmable Wetland Pilot Program (FWP) from a six-State pilot initiative to a nationwide program.

CRP ACCOMPLISHMENTS

CRP is the Nation's largest conservation program on private lands. Farmers and ranchers throughout the Nation are meeting water quality, erosion control, wildlife, and wetland restoration objectives through voluntary means using CRP. Voluntary compliance helps farmers and ranchers achieve broad conservation goals without the onerous burdens and high costs of Federal or State regulatory approaches. Farmers and ranchers are our most important resource managers, and CRP is among their most essential conservation stewardship tools.

Better Water Quality

Through the CRP, farmers and ranchers, along with their Federal, State and local partners, have accomplished a significant enhancement of our natural resources. We estimate that soil erosion has decreased by over 442 million tons per year. Over 1.5 million acres of streamside buffers have been enrolled to intercept nitrogen, phosphorus, and sediment before they reach lakes, streams, and rivers. Our Nations' waters are much cleaner since CRP was established – we estimate that CRP has helped to reduce nitrogen loadings of 655 thousand tons per year and reduce phosphorus loadings of 103 thousand tons per year.

Wetlands Enhancement

Over 1.9 million acres of wetlands and adjacent tracts have been enrolled in the CRP, helping agriculture to help America move from losing 400,000 acres of wetlands on agricultural lands per year from 1954-1974 to an estimated annual net gain of about 26,000 wetland acres on agricultural lands from 1997-2002, according to the National Resources Inventory. This increase reflects the culmination of years of accomplishments in wetland conservation by landowners, conservation groups, state and federal agencies. Programs such as the CRP have helped dramatically slow wetland losses by increasing wetland protection and enhancement. Furthermore, the CRP is expected to restore or enhance hundreds of thousands of additional wetland acres in the next five years, helping meet the President's goal to create, improve, and protect at least three million wetland acres over that period.

Waterfowl Numbers

The CRP has contributed to the dramatic increase in migratory waterfowl numbers. A recent estimate by the United States Fish and Wildlife Service indicated that over 2.5 million additional ducks per year are attributable to CRP. CRP has also enhanced habitat for many wildlife species and has contributed to the doubling of ring-necked pheasant populations, the reappearance of long-absent prairie chickens in Texas, and the increase in many grassland bird populations. CRP is also a key tool in the restoration of threatened and endangered species such as salmon in the Pacific Northwest. The CRP greatly encourages diverse cover-stands of habitat that enhance wildlife and protects farmland for future generations.

Haying and Grazing

This is the second year for managed haying and grazing. CRP participants may hay or graze eligible CRP acreage which was not hayed or grazed under managed or emergency provisions last year but not during the primary nesting and broodrearing season which allows for the successful breeding, nesting, and rearing of wildlife on CRP acreage. Last year, FSA authorized its State committees to review the nesting season dates and adjust them if necessary as recommended by the State Technical Committee, of which U.S. Fish and Wildlife Service, State Fish and Wildlife Agencies, and other resource professionals are members. These adjustments were authorized to ensure that each nesting season adequately met the wildlife needs within each State.

Protecting Water Supplies

The CRP is also a key tool in protecting water supplies. Buffers adjacent to streams and rivers reduce the potential of nutrients, pesticides, and pathogens to contaminate waterbodies. This reduces water treatment costs and the need for costly filtration systems. The CRP is used to protect public wells from impacts associated with the leaching of nutrients.

CREP

Currently, we have 29 CREP partnership agreements involving potentially 1.7 million acres in 25 States. The significance of these agreements is enormous. For example, they play a role in protecting the water supplies of New York City; Columbus, Ohio; Raleigh, North Carolina; as well as 56 small rural communities in Missouri and others throughout the country. CREP agreements are also vital in protecting the Chesapeake Bay, improving water quality of the Great Lakes, and as mentioned before, in restoring Salmon in the Pacific Northwest. Over $1 billion of State and private contributions may eventually be leveraged through the CREP to protect our Nation's most critical resources. Each CREP project is developed at the grass roots level with strong support from the State and local communities.

Flood Plains

During this past year, FSA has placed a greater emphasis on protecting our Nation's flood plains. Flood plain restoration plays a critical role in protecting water quality, serving as critical wildlife habitat and reducing the impacts associated with flood events. FSA provided for continuous signup practices for the restoration of both bottomland hardwoods and wetlands.

The wetland restoration practice (CP23) under the CRP is limited to 500,000 acres nationwide and eligibility is limited to the 100-year floodplain. The Farmable Wetlands Program (FWP) allows enrollment of certain wetlands that are less than 10 acres in size, not to exceed 40 acres per tract. CP23 protects wetlands in the floodplain, and the FWP protects the small isolated prairie pothole wetlands.

Cost-Effective Program Administration

These significant public benefits from the CRP are also achieved in a very cost-effective manner. FSA has implemented a number of administrative measures to improve program delivery while reducing administrative delivery costs. For example, during the most recent CRP general signup, FSA developed a new software tool to automate evaluations using the EBI and to provide Geographic Information Systems (GIS) support in many counties. Over the last year, this GIS tool greatly reduced the time required for farmers to submit offers, saved farmers $160,000 in participation expenses, and helped FSA reduce administrative costs for CRP by over $7 million.

CRP SIGNUP

FSA continuously evaluates and assesses conditions regarding CRP general signups. In total, there are more than 34.7 million acres enrolled in the CRP, with Continuous Signup-CRP, the CREP, and the FWP available year-round. The current very tight supply/demand situation for

communities has resulted in record low pipeline stocks, both in the U.S. and globally. As a result, an expansion in acres planted for corn, soybeans, cotton, and other commodities is expected in response to the existing market conditions. The Department had earlier indicated its intention to conduct another general signup in early 2004. The Department now plans to issue the details of the next general sign-up in the summer when agricultural market conditions and demands for resource use becomes clearer with harvest of this year's crops. This delay will allow the department time to more fully evaluate the supply/demand situation with respect to CRP and the market's demand for additional crop acres.

FSA also continues to work to further quantify the significant conservation outcomes that are attributable to the CRP using scientifically sound methodologies. For example, FSA has a number of research efforts with Universities to determine the outcomes attributable to the CRP. By next year, we will be in a better position to document how CRP prevents sediment, nitrogen, and phosphorus from entering our Nation's waters through several technical scientific assessments. In fact, FSA is sponsoring a national conference on the future of the CRP in June 2004 to exchange ideas, discuss issues, and help define the future of the program.

Attached to my statement, as Exhibit 1, is a summary of CRP statistical data.

EMERGENCY CONSERVATION PROGRAM

The Agricultural Credit Act of 1978, as amended, authorized the Emergency Conservation Program (ECP), with funding for the program through the appropriation process. The ECP provides emergency cost-share funding to agricultural producers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures during periods of severe drought.

To be eligible for the ECP, the natural disaster must create new conservation problems, which, if not treated, would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and (4) be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use. Producers with conservation problems existing prior to the disaster involved are not eligible for cost-share assistance.

Emergency practices to rehabilitate damaged farmland may include removing debris, providing emergency water for livestock, fence restoration, grading and shaping of farmland, restoring conservation structures, and emergency water conservation measures. A FSA County Committee may also authorize other emergency conservation measures with approval by the State Committee and FSA's Deputy Administrator for Farm Programs.

Local committees, on an individual basis, taking into account the type and extent of damage, determine eligibility for ECP assistance. The ECP makes cost-share assistance available at levels of up-to 75 percent with a maximum benefit limitation of $200,000 per person per disaster.

The ECP has not been funded since fiscal year (FY) 2001, except that Congress recently provided $12 million for the implementation of ECP specifically targeted in southern California.

GRASSLAND RESERVE PROGRAM

The Grassland Reserve Program (GRP) is a voluntary program that helps landowners and operators restore and protect grassland, including rangeland and pastureland, and certain other lands, while maintaining the areas as grazing lands. The program emphasizes grazing operations, plant and animal biodiversity, and grassland under the greatest threat of conversion. The program was authorized by the 2002 Act and is administered in cooperation with NRCS and the Forest Service.

Applications may be filed for either a rental agreement with 10, 15, 20, or 30-year terms or easements with either FSA or NRCS at any time. Participants must limit future use of the land while retaining the right to conduct common grazing practices. The program was initiated in FY 2003 through a Notice of Funding Authority (NOFA). Over 688 rental agreements have been signed to protect over 162,000 acres. In addition, 106 easements have been signed which provide

long-term protection to over 78,000 acres. There is strong demand for this program, as evidenced by the 13,321 applications on over 7.9 million acres of land offered for rental agreements and 1.0 million acres offered for easements during 2003. In FY 2003, 240,965 acres were accepted totaling $51.3 million.

The GRP regulations for 2004 should be published soon. Once the regulations are published, a signup will be conducted. Interest in the program is expected to be robust again this year.

DEBT FOR NATURE PROGRAM

The Debt for Nature Program, also known as the Debt Cancellation Conservation Contract Program, is available for persons who have FSA farm loans secured by real estate property, who can cancel a portion of their FSA indebtedness in exchange for a conservation contract. The exchange ultimately restricts the type and amount of development that may take place on the property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation, and wildlife purposes.

By participating in this program, borrowers reduce their FSA loan debt, thereby improving their overall financial stability. Also, borrowers can conserve wildlife habitat and improve the environmental and scenic value of their farms. As of March 31, 2004, FSA had

closed 502 conservation contracts, bringing the total land enrolled in the program to 101 thousand acres since inception of the program in 1985.

MODERNIZING GENERAL SIGN-UP BUSINESS PROCESSES & SYSTEMS

Before the 26th general CRP signup was held in the spring of 2003, the CRP signup, evaluation, and acceptance process was a labor-intensive operation for both FSA and NRCS. As part of the President's Management Agenda and the e-Gov initiative, FSA took a major step forward in modernizing its business processes and the use of technology in delivering CRP. As of result of a major business process modernization effort, we were able to automate nearly the entire CRP general signup process, integrating FSA's EBI and GIS databases, as well as NRCS's soils database. This automation initiative reduced administrative costs for CRP by approximately $7 million dollars; and the data entry error rate decreased by 90%. These improvements equate into more timely decision making for farmers, ranchers, and others making business decisions about their operations.

This effort is a major part of FSA's overall enterprise architecture modernization effort that spans across all field delivery business processes. Under the President's Management Agenda, we are streamlining our business operations and modernizing our IT delivery system. This new delivery channel, will ultimately provide on-line user-friendly services, allowing farmers, ranchers, and business partners to conduct business with us either at our Service Centers or on-line from the convenience of their home or place of business.

CONCLUSION

In summary, FSA remains committed to achieving conservation benefits through voluntary partnerships with individuals, environmental groups, and government entities. Our programs have assisted farmers in accomplishing significant improvements in environmental quality. Building on these successes, we will continue to work with farmers and ranchers to preserve our Nations' natural resources.

I appreciate the opportunity to testify today. I am happy to respond to your questions.

Conservation Reserve Program

USDA Farm Service Agency

MONTHLY SUMMARY - MARCH 2004

ACTIVE CONTRACTS

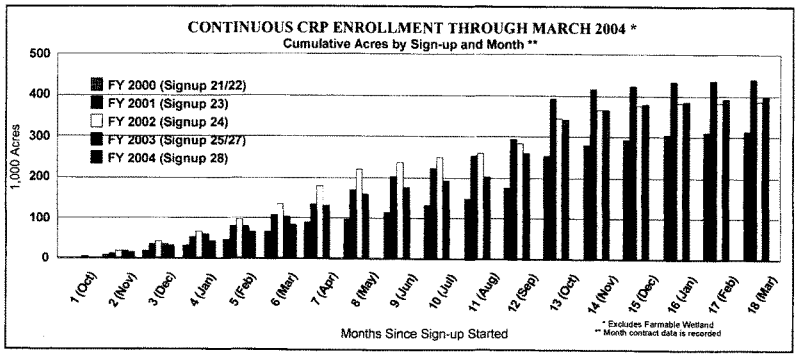
Sign-up Type	Contracts	Farms	Acres	Annual Rental Payments b/ ($Million)	($/Acre)
General	393,865	261,296	31,871,996	$1,389	$43.59
Continuous					
Non-CREP	217,189	137,823	2,113,394	$189	$89.46
CREP	36,180	24,193	571,921	$70	$121.53
Subtotal	253,369	158,442 a/	2,685,315	$258	$96.29
Farmable Wetland	6,899	5,632	106,367	$13	$119.56
Total	654,133	386,548 a/	34,663,678	$1,661	$47.91

Note: Not including 12,197 acres in contracts with invalid expiration year (before 2004).

a/ Number of farms not additive across sign-up types because a farm may participate in multiple sign-up types.
b/ Approximates FY 2005 payments, before adjustments for haying/grazing, non-compliance, terminations, part-year contracts, and contracts not yet recorded.

CRP ACTIVITY

- FY 2003 continuous CRP enrollment is projected to match FY 2002 continuous CRP enrollment (~440,000 acres, including Farmable Wetland).
- Contracts on 1,995,000 general sign-up 26 acres were approved for acceptance. Through March, contracts on 1,788,344 acres have been recorded in CRP data base.
- Enrollment of new marginal pasture practices is proceeding (8,560 acres of wildlife habitat buffers and 5,869 acres of wetland buffers).
- 47,039 acres of continuous wetland restoration practice (CP23) have been enrolled.
- Enrollment of continuous bottomland hardwood practice is at 797 acres.



General Signup. Producers with eligible lands compete nationally for acceptance based on an environmental benefits index (EBI) during specified enrollment periods. Producers may submit offers below soil-specific maximum rental rates to increase EBI ranking. Sign-up 26 results may not yet be complete.

Continuous (Non-CREP) Sign-up. Producers with eligible lands may enroll certain high priority conservation practices, such as filter strips and riparian buffers, at any time during the year without competition. In addition to annual soil rental payment and cost-share assistance, many practices are eligible for additional annual and one-time up-front financial incentives. Sign-up 28 is in progress.

Conservation Reserve Enhancement Program (CREP). Under CREP agreements, Federal/State partnerships, implement projects designed to address specific environmental objectives through targeted CRP enrollments. Sign-up is held on a continuous basis, general sign-up practices may be included, and additional financial incentives are generally provided. There are 29 agreements currently in effect in 25 States. Sign-up 28 is in progress.

Farmable Wetland Program. Producers enroll small non-flood plain wetlands under modified continuous sign-up provisions. Sign-up 28 is in progress.

The accompanying tables are based on contract data developed and maintained in CRP data files by USDA Service Centers as of March 26, 2004, and are based on the physical location of the CRP contracted land. Some adjustments have been made to correct mis-coded data in the active contract files. Farmable Wetland Program contracts are not included in the continuous sign-up tables.

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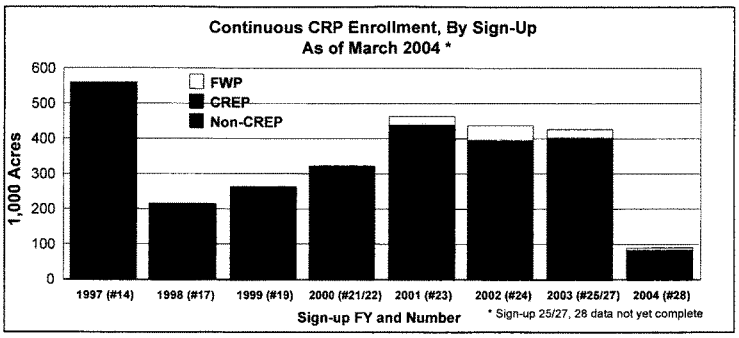

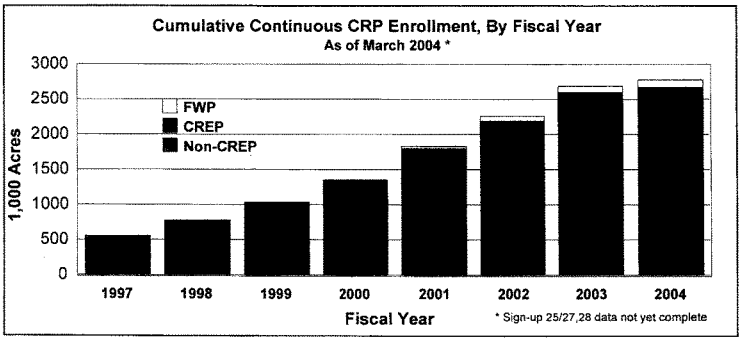

Continuous CRP Enrollment Since Inception
Through March 2004 (1,000 Acres)

	By Sign-up Year				Cumulative			
FY	Non-CREP	CREP	FWP	Total	Non-CREP	CREP	FWP	Total
1997(#14)	561	0	0	561	561	0	0	561
1998 (#17	203	14	0	217	764	14	0	778
1999 (#19)	221	45	0	266	985	59	0	1,044
2000 (#21/22)	258	66	0	324	1,243	125	0	1,368
2001 (#23)	298	142	26	466	1,541	267	26	1,834
2002 (#24)	230	164	45	439	1,771	431	71	2,273
2003 (#25/27)	285	116	26	427	2,056	547	97	2,700
2004 (#28)	57	25	9	91	2,113	572	106	2,791
Total	2,113	572	106	2,791				

CRP ENROLLMENT AS OF MARCH 2004
BY SIGNUP AND INITIAL CONTRACT YEAR 1/

ACRES

SIGNUP	BEFORE 1997	1997	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
1-12	111,840	0	0	0	0	0	0	0	0	0	111,840
13	435,218	159,384	0	0	0	0	0	0	0	0	594,601
14	0	99,099	461,485	0	0	0	0	0	0	0	560,584
15	0	0	1,6178,157	355,855	0	0	0	0	0	0	16,534,012
16	0	0	1,775,484	4,073,168	0	0	0	0	0	0	5,848,652
17	0	0	113,105	103,641	0	0	0	0	0	0	216,746
18	0	0	0	0	4,746,872	0	0	0	0	0	4,746,872
19	0	0	0	135,163	131,075	0	0	0	0	0	266,238
20	0	0	0	0	0	2,247,675	0	0	0	0	2,247,675
21	0	0	0	0	106,139	12,645	0	0	0	0	118,784
22	0	0	0	0	33,385	171,406	0	0	0	0	204,791
23	0	0	0	0	0	220,518	246,964	0	0	0	467,483
24	0	0	0	0	0	0	289,228	150,007	0	0	439,236
25	0	0	0	0	0	0	0	198,009	52,234	0	250,243
26	0	0	0	0	0	0	0	0	1,653,783	134,561	1,788,344
27	0	0	0	0	0	0	0	11,415	165,566	0	176,981
28	0	0	0	0	0	0	0	0	90,486	110	90,597
ALL	547,057	258,482	18,528,231	4,667,828	5,017,471	2,652,244	536,193	359,432	1,962,069	134,671	34,663,678

NUMBER OF CONTRACTS

SIGNUP	BEFORE 1997	1997	1998	1999	2000	2001	2002	2003	2004	2005	TOTAL
1-12	3,387	0	0	0	0	0	0	0	0	0	3,387
13	10,773	2,213	0	0	0	0	0	0	0	0	12,986
14	0	11,417	21,986	0	0	0	0	0	0	0	33,403
15	0	0	163,646	2,585	0	0	0	0	0	0	166,231
16	0	0	23,715	52,592	0	0	0	0	0	0	76,307
17	0	0	14,299	11,582	0	0	0	0	0	0	25,881
18	0	0	0	0	60,778	0	0	0	0	0	60,778
19	0	0	0	16,997	12,730	0	0	0	0	0	29,727
20	0	0	0	0	0	37,873	0	0	0	0	37,873
21	0	0	0	0	12,222	820	0	0	0	0	13,042
22	0	0	0	0	5,541	16,434	0	0	0	0	21,975
23	0	0	0	0	0	27,688	21,380	0	0	0	49,068
24	0	0	0	0	0	0	32,107	11,156	0	0	43,263
25	0	0	0	0	0	0	0	20,046	3,346	0	23,392
26	0	0	0	0	0	0	0	0	34,692	1,611	36,303
27	0	0	0	0	0	0	0	1,606	10,394	0	12,000
28	0	0	0	0	0	0	0	0	8,497	20	8,517
ALL	14,160	13,630	223,646	83,756	91,271	82,815	53,487	32,808	56,929	1,631	654,133

Note: Not including 12,197 acres in contracts with invalid expiration year (2003 or before).

1/ For CRP, contract year is the same as fiscal year, which begins October 1.
General Sign-up Numbers: 1-13, 15, 16, 18, 20, 26 (Sign-up 26 data may not yet be complete).
Continuous Sign-up Numbers: 14, 17, 19, 21-25, 27, 28 (Sign-up 28 in progress).

CRP ENROLLMENT BY STATE AS OF MARCH 2004
--------TOTAL CRP (ALL SIGN-UPS)--------

STATE 1/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 2/ ($1,000)	($/ACRE)
U.S.	654,133	386,548	34,663,678	1,660,675	47.91
ALABAMA	10,152	7,606	484,252	21,804	45.03
ALASKA	64	43	29,524	981	33.24
ARIZONA	1	1	33	0	9.00
ARKANSAS	3,875	2,429	188,776	9,160	48.52
CALIFORNIA	520	407	147,173	4,622	31.41
COLORADO	12,439	6,057	2,283,241	71,314	31.23
CONNECTICUT	26	24	318	21	66.81
DELAWARE	666	358	7,365	738	100.18
FLORIDA	1,948	1,588	88,283	3,310	37.50
GEORGIA	8,266	6,191	309,221	12,293	39.75
HAWAII	1	1	19	2	93.40
IDAHO	5,383	3,106	788,554	30,675	38.90
ILLINOIS	63,988	37,853	994,744	100,861	101.39
INDIANA	27,815	17,425	281,751	24,938	88.51
IOWA	90,105	47,562	1,883,447	194,602	103.32
KANSAS	41,173	25,564	2,863,978	110,951	38.74
KENTUCKY	13,521	8,355	332,985	24,537	73.69
LOUISIANA	3,402	2,353	238,015	10,983	46.15
MAINE	845	568	23,359	1,169	50.05
MARYLAND	6,103	3,350	84,264	10,162	120.60
MASSACHUSETTS	17	14	121	13	103.80
MICHIGAN	14,230	8,699	257,688	18,398	71.40
MINNESOTA	53,996	30,318	1,759,326	103,159	58.64
MISSISSIPPI	19,675	13,137	929,070	38,398	41.33
MISSOURI	32,721	20,297	1,550,783	102,533	66.12
MONTANA	17,819	6,623	3,420,366	114,856	33.58
NEBRASKA	24,591	14,524	1,189,343	65,253	54.86
NEVADA	1	1	151	3	16.72
NEW HAMPSHIRE	16	13	195	10	52.59
NEW JERSEY	135	95	2,327	118	50.75
NEW MEXICO	2,620	1,657	596,050	18,701	31.38
NEW YORK	2,395	1,828	58,129	2,547	43.81
NORTH CAROLINA	7,073	4,747	120,781	7,117	58.92
NORTH DAKOTA	34,925	17,239	3,348,488	110,666	33.05
OHIO	22,595	14,522	274,632	22,962	83.61
OKLAHOMA	8,839	6,112	1,035,612	33,524	32.37
OREGON	2,990	1,691	492,469	23,612	47.95
PENNSYLVANIA	6,935	4,546	147,134	11,107	75.49
PUERTO RICO	20	19	671	60	89.05
SOUTH CAROLINA	8,662	5,156	213,391	7,511	35.20
SOUTH DAKOTA	24,108	12,503	1,453,767	59,319	40.80
TENNESSEE	8,046	5,805	273,128	15,878	58.13
TEXAS	24,038	17,555	3,968,782	139,685	35.20
UTAH	1,036	615	200,290	6,080	30.36
VERMONT	117	98	1,390	107	76.94
VIRGINIA	4,080	3,275	61,218	3,182	51.98
WASHINGTON	10,688	4,392	1,374,930	72,289	52.58
WEST VIRGINIA	148	121	2,241	132	58.94
WISCONSIN	30,233	19,395	621,582	42,648	68.61
WYOMING	1,091	710	280,322	7,684	27.41

Note: Not including 12,197 acres in contracts with invalid expiration year (2003 or before).
1/ State in which land is located.
2/ Payments scheduled to be made in October 2004. Includes annual incentive and maintenance allowance payments, but not one-time signing and practice incentive payments or payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CRP ENROLLMENT BY STATE AS OF MARCH 2004

----------GENERAL SIGN-UP----------

STATE 1/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 2/ ($1,000)	($/ACRE)
U.S.	393,865	261,296	31,871,996	1,389,377	43.59
ALABAMA	9,190	7,040	457,909	20,470	44.70
ALASKA	58	39	29,321	968	33.00
ARIZONA	1	1	33	0	9.00
ARKANSAS	2,356	1,665	150,539	6,413	42.60
CALIFORNIA	413	317	138,373	3,831	27.69
COLORADO	11,583	5,777	2,275,739	71,010	31.20
CONNECTICUT	16	16	235	14	61.35
DELAWARE	82	68	1,791	118	65.85
FLORIDA	1,946	1,588	88,215	3,308	37.50
GEORGIA	8,060	6,085	307,317	12,198	39.69
HAWAII	0	0	0	0	.
IDAHO	4,903	2,821	780,780	30,260	38.76
ILLINOIS	23,710	16,782	646,747	51,758	80.03
INDIANA	8,207	6,375	207,891	15,640	75.23
IOWA	33,919	23,778	1,440,781	130,595	90.64
KANSAS	34,693	22,526	2,815,966	107,892	38.31
KENTUCKY	7,145	5,401	281,884	19,367	68.71
LOUISIANA	2,903	2,104	222,423	10,080	45.32
MAINE	719	488	22,996	1,146	49.82
MARYLAND	630	508	12,231	816	66.72
MASSACHUSETTS	7	6	93	10	103.43
MICHIGAN	6,259	4,957	191,801	10,771	56.16
MINNESOTA	26,495	17,549	1,429,134	73,103	51.15
MISSISSIPPI	14,232	10,513	804,112	30,878	38.40
MISSOURI	25,211	17,376	1,466,224	95,025	64.81
MONTANA	16,277	6,227	3,261,089	108,431	33.25
NEBRASKA	15,889	10,464	1,113,539	58,906	52.90
NEVADA	1	1	151	3	16.72
NEW HAMPSHIRE	1	1	11	1	48.00
NEW JERSEY	88	65	2,145	104	48.54
NEW MEXICO	2,587	1,634	591,031	18,480	31.27
NEW YORK	1,588	1,238	48,574	1,960	40.36
NORTH CAROLINA	4,109	3,226	84,815	3,679	43.38
NORTH DAKOTA	28,210	14,587	3,201,937	104,646	32.68
OHIO	7,047	5,622	214,451	15,516	72.35
OKLAHOMA	8,453	5,875	1,023,047	32,975	32.23
OREGON	2,179	1,287	469,427	21,828	46.50
PENNSYLVANIA	1,813	1,492	58,515	2,344	40.05
PUERTO RICO	20	19	671	60	89.05
SOUTH CAROLINA	5,352	3,739	179,226	5,688	31.74
SOUTH DAKOTA	13,827	7,506	1,298,065	49,520	38.15
TENNESSEE	6,631	5,218	259,040	14,636	56.50
TEXAS	23,144	16,967	3,933,191	138,312	35.17
UTAH	1,017	598	200,109	6,072	30.34
VERMONT	4	4	116	5	39.95
VIRGINIA	1,714	1,411	41,244	1,669	40.47
WASHINGTON	7,391	3,521	1,276,393	64,561	50.58
WEST VIRGINIA	26	22	843	34	40.60
WISCONSIN	22,793	16,172	565,487	36,768	65.02
WYOMING	966	620	276,344	7,511	27.18

Note: Not including 12,197 acres in contracts with invalid expiration year (2003 or before).
1/ State in which land is located.
2/ Payments scheduled to be made in October 2004. Includes annual maintenance allowance payments, but not payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CRP ENROLLMENT BY STATE AS OF MARCH 2004
---------TOTAL CONTINUOUS/CREP 1/-------

STATE 2/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 3/ ($1,000)	($/ACRE)
U.S.	253,369	158,442	2,685,315	258,580	96.29
ALABAMA	962	747	26,343	1,334	50.66
ALASKA	6	5	203	14	67.50
ARIZONA	0	0	0	0	.
ARKANSAS	1,519	996	38,237	2,747	71.83
CALIFORNIA	107	93	8,799	791	89.84
COLORADO	856	481	7,503	304	40.49
CONNECTICUT	10	8	83	7	82.32
DELAWARE	584	320	5,574	620	111.21
FLORIDA	2	2	68	3	39.88
GEORGIA	206	136	1,904	95	50.06
HAWAII	1	1	19	2	93.40
IDAHO	480	386	7,775	415	53.41
ILLINOIS	40,275	25,836	347,979	49,101	141.10
INDIANA	19,595	12,564	73,740	9,283	125.89
IOWA	53,090	30,519	391,109	55,627	142.23
KANSAS	6,478	4,636	47,995	3,058	63.72
KENTUCKY	6,376	3,864	51,100	5,170	101.18
LOUISIANA	499	358	15,592	903	57.94
MAINE	126	98	363	24	65.13
MARYLAND	5,473	3,148	72,033	9,346	129.75
MASSACHUSETTS	10	8	27	3	105.06
MICHIGAN	7,971	4,287	65,887	7,627	115.76
MINNESOTA	25,668	16,338	304,932	27,629	90.61
MISSISSIPPI	5,443	3,863	124,958	7,521	60.19
MISSOURI	7,510	5,083	84,559	7,508	88.79
MONTANA	1,529	607	159,169	6,421	40.34
NEBRASKA	8,339	5,386	72,764	6,085	83.63
NEVADA	0	0	0	0	.
NEW HAMPSHIRE	15	12	184	10	52.85
NEW JERSEY	47	32	182	14	76.71
NEW MEXICO	33	23	5,019	221	44.00
NEW YORK	807	617	9,555	586	61.38
NORTH CAROLINA	2,964	1,605	35,966	3,437	95.57
NORTH DAKOTA	6,178	3,752	136,448	5,550	40.68
OHIO	15,548	10,130	60,181	7,447	123.74
OKLAHOMA	386	303	12,565	549	43.68
OREGON	811	530	23,042	1,784	77.43
PENNSYLVANIA	5,122	3,236	88,619	8,764	98.89
PUERTO RICO	0	0	0	0	.
SOUTH CAROLINA	3,310	1,957	34,165	1,823	53.36
SOUTH DAKOTA	9,242	5,977	139,558	8,641	61.92
TENNESSEE	1,415	1,052	14,089	1,242	88.14
TEXAS	894	745	35,591	1,373	38.56
UTAH	19	17	181	8	45.71
VERMONT	113	94	1,274	102	80.32
VIRGINIA	2,366	1,911	19,975	1,513	75.74
WASHINGTON	3,297	1,724	98,537	7,728	78.43
WEST VIRGINIA	122	99	1,398	98	70.00
WISCONSIN	7,440	4,752	56,095	5,880	104.83
WYOMING	125	104	3,978	173	43.42

1/ Farmable Wetland enrollment not included.
2/ State in which land is located.
3/ Payments scheduled to be made in October 2004. Includes annual incentive and maintenance allowance payments, but not one-time signing and practice incentive payments or payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CRP ENROLLMENT BY STATE AS OF MARCH 2004

----------CREP ONLY----------

STATE 1/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 2/ ($1,000)	($/ACRE)
U.S.	36,180	24,193	571,921	69,508	121.53
ALABAMA	0	0	0	0	.
ALASKA	0	0	0	0	.
ARIZONA	0	0	0	0	.
ARKANSAS	205	132	5,921	596	100.62
CALIFORNIA	31	31	2,700	350	129.69
COLORADO	0	0	0	0	.
CONNECTICUT	0	0	0	0	.
DELAWARE	405	234	4,751	555	116.73
FLORIDA	0	0	0	0	.
GEORGIA	0	0	0	0	.
HAWAII	0	0	0	0	.
IDAHO	0	0	0	0	.
ILLINOIS	5,384	3,937	109,817	17,527	159.60
INDIANA	0	0	0	0	.
IOWA	12	8	190	40	207.70
KANSAS	0	0	0	0	.
KENTUCKY	269	153	6,464	773	119.55
LOUISIANA	0	0	0	0	.
MAINE	0	0	0	0	.
MARYLAND	4,955	2,987	68,948	9,085	131.76
MASSACHUSETTS	0	0	0	0	.
MICHIGAN	3,993	2,132	46,966	5,762	122.68
MINNESOTA	2,586	2,076	83,279	9,268	111.29
MISSISSIPPI	0	0	0	0	.
MISSOURI	222	173	12,785	1,104	86.32
MONTANA	78	27	6,826	701	102.72
NEBRASKA	1,755	1,254	18,730	1,795	95.85
NEVADA	0	0	0	0	.
NEW HAMPSHIRE	0	0	0	0	.
NEW JERSEY	0	0	0	0	.
NEW MEXICO	0	0	0	0	.
NEW YORK	126	101	1,339	149	111.53
NORTH CAROLINA	1,690	1,060	24,091	2,575	106.88
NORTH DAKOTA	74	54	1,480	53	35.47
OHIO	3,770	2,575	20,186	3,070	152.11
OKLAHOMA	0	0	0	0	.
OREGON	479	352	12,342	1,142	92.57
PENNSYLVANIA	4,736	2,934	87,564	8,710	99.47
PUERTO RICO	0	0	0	0	.
SOUTH CAROLINA	0	0	0	0	.
SOUTH DAKOTA	0	0	0	0	.
TENNESSEE	0	0	0	0	.
TEXAS	0	0	0	0	.
UTAH	0	0	0	0	.
VERMONT	77	62	943	85	89.65
VIRGINIA	2,183	1,765	18,451	1,438	77.96
WASHINGTON	509	399	8,437	1,396	165.47
WEST VIRGINIA	82	66	1,141	86	75.28
WISCONSIN	2,559	1,681	28,570	3,249	113.72
WYOMING	0	0	0	0	.

1/ State in which land is located.
2/ Payments scheduled to be made in October 2004. Includes annual incentive and maintenance allowance payments, but not one-time signing and practice incentive payments or payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CRP ENROLLMENT BY STATE AS OF MARCH 2004
----------CONTINUOUS NON-CREP 1/-------

STATE 2/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 3/ ($1,000)	($/ACRE)
U.S.	217,189	137,823	2,113,394	189,073	89.46
ALABAMA	962	747	26,343	1,334	50.66
ALASKA	6	5	203	14	67.50
ARIZONA	0	0	0	0	.
ARKANSAS	1,314	873	32,316	2,151	66.56
CALIFORNIA	76	62	6,099	440	72.20
COLORADO	856	481	7,503	304	40.49
CONNECTICUT	10	8	83	7	82.32
DELAWARE	179	137	823	65	79.39
FLORIDA	2	2	68	3	39.88
GEORGIA	206	136	1,904	95	50.06
HAWAII	1	1	19	2	93.40
IDAHO	480	386	7,775	415	53.41
ILLINOIS	34,891	22,975	238,161	31,574	132.58
INDIANA	19,595	12,564	73,740	9,283	125.89
IOWA	53,078	30,515	390,919	55,587	142.20
KANSAS	6,478	4,636	47,995	3,058	63.72
KENTUCKY	6,107	3,712	44,636	4,397	98.51
LOUISIANA	499	358	15,592	903	57.94
MAINE	126	98	363	24	65.13
MARYLAND	518	389	3,085	261	84.72
MASSACHUSETTS	10	8	27	3	105.06
MICHIGAN	3,978	2,433	18,921	1,865	98.58
MINNESOTA	23,082	14,779	221,653	18,361	82.84
MISSISSIPPI	5,443	3,863	124,958	7,521	60.19
MISSOURI	7,288	4,922	71,775	6,404	89.23
MONTANA	1,451	580	152,342	5,720	37.55
NEBRASKA	6,584	4,445	54,034	4,290	79.39
NEVADA	0	0	0	0	.
NEW HAMPSHIRE	15	12	184	10	52.85
NEW JERSEY	47	32	182	14	76.71
NEW MEXICO	33	23	5,019	221	44.00
NEW YORK	681	516	8,216	437	53.20
NORTH CAROLINA	1,274	611	11,875	863	72.64
NORTH DAKOTA	6,104	3,704	134,968	5,498	40.74
OHIO	11,778	8,136	39,995	4,376	109.42
OKLAHOMA	386	303	12,565	549	43.68
OREGON	332	217	10,700	642	59.96
PENNSYLVANIA	386	320	1,055	53	50.64
PUERTO RICO	0	0	0	0	.
SOUTH CAROLINA	3,310	1,957	34,165	1,823	53.36
SOUTH DAKOTA	9,242	5,977	139,558	8,641	61.92
TENNESSEE	1,415	1,052	14,089	1,242	88.14
TEXAS	894	745	35,591	1,373	38.56
UTAH	19	17	181	8	45.71
VERMONT	36	34	331	18	53.70
VIRGINIA	183	163	1,524	75	48.93
WASHINGTON	2,788	1,363	90,100	6,332	70.28
WEST VIRGINIA	40	34	257	12	46.54
WISCONSIN	4,881	3,388	27,525	2,631	95.60
WYOMING	125	104	3,978	173	43.42

1/ Farmable Wetland enrollment not included.
2/ State in which land is located.
3/ Payments scheduled to be made in October 2004. Includes annual incentive and maintenance allowance payments, but not one-time signing and practice incentive payments or payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CRP ENROLLMENT BY STATE AS OF MARCH2004
-------FARMABLE WETLAND PROGRAM--------

STATE 1/	NUMBER OF CONTRACTS	NUMBER OF FARMS	ACRES	ANNUAL RENTAL PAYMENTS 2/ ($1,000)	($/ACRE)
U.S.	6,899	5,632	106,367	12,717	119.56
ALABAMA	0	0	0	0	.
ALASKA	0	0	0	0	.
ARIZONA	0	0	0	0	.
ARKANSAS	0	0	0	0	.
CALIFORNIA	0	0	0	0	.
COLORADO	0	0	0	0	.
CONNECTICUT	0	0	0	0	.
DELAWARE	0	0	0	0	.
FLORIDA	0	0	0	0	.
GEORGIA	0	0	0	0	.
HAWAII	0	0	0	0	.
IDAHO	0	0	0	0	.
ILLINOIS	3	3	18	2	128.66
INDIANA	13	12	120	15	122.06
IOWA	3,096	2,504	51,557	8,380	162.54
KANSAS	2	1	18	1	54.94
KENTUCKY	0	0	0	0	.
LOUISIANA	0	0	0	0	.
MAINE	0	0	0	0	.
MARYLAND	0	0	0	0	.
MASSACHUSETTS	0	0	0	0	.
MICHIGAN	0	0	0	0	.
MINNESOTA	1,833	1,614	25,260	2,427	96.09
MISSISSIPPI	0	0	0	0	.
MISSOURI	0	0	0	0	.
MONTANA	13	6	109	4	35.35
NEBRASKA	363	324	3,040	262	86.13
NEVADA	0	0	0	0	.
NEW HAMPSHIRE	0	0	0	0	.
NEW JERSEY	0	0	0	0	.
NEW MEXICO	0	0	0	0	.
NEW YORK	0	0	0	0	.
NORTH CAROLINA	0	0	0	0	.
NORTH DAKOTA	537	372	10,103	469	46.43
OHIO	0	0	0	0	.
OKLAHOMA	0	0	0	0	.
OREGON	0	0	0	0	.
PENNSYLVANIA	0	0	0	0	.
PUERTO RICO	0	0	0	0	.
SOUTH CAROLINA	0	0	0	0	.
SOUTH DAKOTA	1,039	796	16,143	1,157	71.69
TENNESSEE	0	0	0	0	.
TEXAS	0	0	0	0	.
UTAH	0	0	0	0	.
VERMONT	0	0	0	0	.
VIRGINIA	0	0	0	0	.
WASHINGTON	0	0	0	0	.
WEST VIRGINIA	0	0	0	0	.
WISCONSIN	0	0	0	0	.
WYOMING	0	0	0	0	.

1/ State in which land is located.
2/ Payments scheduled to be made in October 2004. Includes annual incentive and maintenance allowance payments, but not one-time signing and practice incentive payments or payment reductions, such as for lands enrolled less than a full year and lands hayed or grazed.

CONTINUOUS/CREP ENROLLMENT CHANGE FROM PREVIOUS MONTH
------CHANGE FROM FEBRUARY 2004 TO MARCH 2004 1/-----

	------NON-CREP------		--------CREP--------		--------TOTAL-------	
STATE 2/	NUMBER OF CONTRACTS	ACRES	NUMBER OF CONTRACTS	ACRES	NUMBER OF CONTRACTS	ACRES
U. S.	1,887	10,944	654	15,231	2,541	26,175
ALABAMA	3	152	0	0	3	152
ALASKA	-2	-22	0	0	-2	-22
ARIZONA	-2	-8	0	0	-2	-8
ARKANSAS	25	480	0	-3	25	477
CALIFORNIA	2	345	0	0	2	345
COLORADO	13	137	0	0	13	137
CONNECTICUT	-1	-14	0	0	-1	-14
DELAWARE	2	9	1	6	3	15
FLORIDA	0	0	0	0	0	0
GEORGIA	0	-0	0	0	0	-0
HAWAII	0	0	0	0	0	0
IDAHO	2	20	0	0	2	20
ILLINOIS	284	1,398	4	56	288	1,454
INDIANA	164	401	0	0	164	401
IOWA	370	2,803	0	0	370	2,803
KANSAS	94	475	0	0	94	475
KENTUCKY	97	622	8	195	105	817
LOUISIANA	24	885	0	0	24	885
MAINE	0	0	0	0	0	0
MARYLAND	4	-0	83	872	87	872
MASSACHUSETTS	0	0	0	0	0	0
MICHIGAN	18	177	2	36	20	213
MINNESOTA	180	1,090	11	449	191	1,539
MISSISSIPPI	69	1,786	0	0	69	1,786
MISSOURI	47	341	1	43	48	384
MONTANA	-63	-6,115	78	6,826	15	712
NEBRASKA	75	680	89	876	164	1,556
NEVADA	0	0	0	0	0	0
NEW HAMPSHIRE	0	0	0	0	0	0
NEW JERSEY	-1	-8	0	0	-1	-8
NEW MEXICO	0	0	0	0	0	0
NEW YORK	6	1	0	0	6	1
NORTH CAROLINA	16	426	25	316	41	742
NORTH DAKOTA	90	1,360	0	0	90	1,360
OHIO	98	323	72	389	170	712
OKLAHOMA	1	7	0	0	1	7
OREGON	4	365	2	60	6	425
PENNSYLVANIA	6	32	185	4,416	191	4,448
PUERTO RICO	0	0	0	0	0	0
SOUTH CAROLINA	11	82	0	0	11	82
SOUTH DAKOTA	180	1,451	0	0	180	1,451
TENNESSEE	11	66	0	0	11	66
TEXAS	17	310	0	0	17	310
UTAH	0	0	0	0	0	0
VERMONT	0	-0	0	0	0	-0
VIRGINIA	-1	-34	53	436	52	402
WASHINGTON	16	677	0	0	16	677
WEST VIRGINIA	0	0	1	9	1	9
WISCONSIN	23	55	39	247	62	302
WYOMING	5	188	0	0	5	188

1/ Farmable Wetland enrollment not included.
2/ State in which land is located.
Note: Negative numbers, indicating net reductions in contracts or acres, reflect contract terminations, data errors, and/or data corrections.

CONTINUOUS/CREP ENROLLMENT ACTIVITY SINCE INCEPTION BY STATE AND SIGN-UP, AS OF MARCH 2004 (ACRES) 1/

SIGN-UP NUMBER	14	17	19	21, 22 3/	23	24	25/27 4/	28	TOTAL
SIGN-UP FY	1997	1998	1999	2000	2001	2002	2003	2004	
STATE 2/									
U. S.	560, 584	216, 746	266, 238	323, 575	440, 966	394, 164	401, 131	81, 911	2, 685, 315
ALABAMA	326	823	401	4, 827	6, 262	4, 823	7, 501	1, 379	26, 343
ALASKA	0	0	0	40	99	1	63	0	203
ARKANSAS	1, 182	1, 115	1, 070	2, 715	5, 273	8, 087	18, 012	784	38, 237
CALIFORNIA	0	40	0	1, 027	2, 868	1, 119	3, 369	376	8, 799
COLORADO	690	734	232	1, 286	1, 074	2, 197	999	292	7, 503
CONNECTICUT	30	0	37	13	3	0	0	0	83
DELAWARE	383	173	39	1, 587	1, 085	1, 889	354	64	5, 574
FLORIDA	68	0	0	0	0	0	0	0	68
GEORGIA	446	503	105	4	179	317	319	30	1, 904
HAWAII	0	0	0	0	19	0	0	0	19
IDAHO	559	526	287	1, 069	2, 545	1, 943	819	27	7, 775
ILLINOIS	54, 399	31, 974	59, 532	64, 179	68, 385	39, 325	24, 396	5, 788	347, 979
INDIANA	11, 091	5, 245	6, 819	12, 848	15, 986	11, 373	8, 701	1, 677	73, 740
IOWA	55, 718	61, 869	59, 211	62, 891	58, 012	41, 945	39, 366	12, 096	391, 109
KANSAS	8, 970	4, 595	7, 448	4, 972	7, 049	7, 381	5, 915	1, 664	47, 995
KENTUCKY	2, 334	3, 539	8, 083	7, 544	10, 468	9, 892	6, 880	2, 359	51, 100
LOUISIANA	1, 701	142	184	320	821	1, 845	9, 267	1, 313	15, 592
MAINE	23	44	33	122	95	38	8	0	363
MARYLAND	1, 909	6, 257	7, 386	7, 219	12, 205	17, 534	16, 687	2, 836	72, 033
MASSACHUSETTS	9	13	5	0	0	0	0	0	27
MICHIGAN	2, 106	2, 080	2, 840	3, 411	23, 241	25, 101	6, 447	662	65, 887
MINNESOTA	49, 803	26, 636	19, 491	29, 890	65, 845	62, 216	43, 658	7, 392	304, 932
MISSISSIPPI	2, 041	4, 840	5, 473	19, 855	18, 448	20, 685	50, 210	3, 405	124, 958
MISSOURI	8, 310	9, 495	6, 564	8, 031	20, 168	16, 434	13, 470	2, 086	84, 559
MONTANA	135, 100	7, 948	1, 034	1, 797	2, 220	1, 180	8, 885	1, 004	159, 169
NEBRASKA	4, 322	3, 910	4, 223	7, 031	11, 382	10, 702	27, 756	3, 438	72, 764
NEW HAMPSHIRE	151	16	0	6	12	0	0	0	184
NEW JERSEY	32	13	33	6	72	10	16	0	182
NEW MEXICO	0	0	0	0	851	2, 072	1, 388	708	5, 019
NEW YORK	336	254	468	1, 705	4, 120	1, 641	1, 029	3	9, 555
NORTH CAROLINA	67	430	11, 736	8, 762	5, 170	3, 086	5, 570	1, 145	35, 966
NORTH DAKOTA	59, 188	7, 667	21, 314	12, 105	15, 783	10, 549	6, 853	2, 989	136, 448
OHIO	11, 821	3, 265	3, 357	8, 906	12, 408	9, 626	9, 085	1, 712	60, 181
OKLAHOMA	7, 725	1, 264	998	593	1, 009	437	480	60	12, 565
OREGON	237	493	1, 956	2, 085	4, 192	2, 899	9, 306	1, 875	23, 042
PENNSYLVANIA	67	98	63	9, 907	20, 428	23, 441	21, 983	12, 632	88, 619
SOUTH CAROLINA	2, 665	9, 715	8, 469	6, 842	3, 817	1, 343	875	438	34, 165
SOUTH DAKOTA	97, 828	3, 865	3, 860	4, 412	7, 244	8, 882	9, 800	3, 666	139, 558
TENNESSEE	1, 005	956	717	889	2, 320	3, 841	3, 653	706	14, 089
TEXAS	5, 119	4, 551	1, 430	1, 297	1, 786	10, 051	8, 584	2, 772	35, 591
UTAH	0	32	0	0	21	23	105	0	181
VERMONT	47	31	62	129	238	520	203	43	1, 274
VIRGINIA	214	703	144	3, 499	7, 800	2, 676	4, 102	836	19, 975
WASHINGTON	29, 871	5, 605	14, 214	15, 511	13, 333	7, 506	11, 608	889	98, 537
WEST VIRGINIA	18	14	8	13	138	567	625	14	1, 398
WISCONSIN	2, 672	4, 929	6, 833	3, 712	5, 916	18, 166	11, 626	2, 241	56, 095
WYOMING	0	345	78	518	572	801	1, 154	511	3, 978

1/ Farmable Wetland enrollment not included.
2/ State in which land is located.
3/ Sign-up 21 ended and sign-up 22 began in May 2000.
4/ Sign-up 25 ended and sign-up 27 began in May 2003.

SCHEDULE OF CRP CONTRACT EXPIRATIONS
BY STATE AND YEAR OF CONTRACT EXPIRATION, AS OF MARCH 2004 (ACRES)

STATE 1/	2004-2005 2/	2006	2007	2008	2009	2010	2011	2012	2013+
U.S.	443,525	195,715	16,111,553	6,093,262	4,299,572	2,193,815	201,427	723,121	4,401,689
ALABAMA	9,166	2,181	232,321	59,531	29,919	35,778	9,928	7,937	97,489
ALASKA	0	0	24,123	0	4,999	240	5	1	158
ARIZONA	0	0	33	0	0	0	0	0	0
ARKANSAS	3,986	3,221	47,001	8,099	7,431	28,254	1,796	12,560	76,428
CALIFORNIA	2,394	0	99,284	15,853	9,305	6,935	490	1,837	11,075
COLORADO	2,080	1,866	1,356,653	395,715	304,891	116,082	266	965	104,723
CONNECTICUT	0	0	167	34	71	13	3	30	0
DELAWARE	0	0	600	616	659	439	113	199	4,737
FLORIDA	1,970	966	44,147	5,287	6,187	9,454	1,227	1,132	17,913
GEORGIA	7,510	2,137	97,026	16,934	13,483	27,389	6,057	5,081	133,604
HAWAII	0	0	0	0	0	0	0	0	19
IDAHO	3,227	1,443	533,438	69,142	86,452	31,913	865	536	61,537
ILLINOIS	26,110	9,129	189,192	134,797	108,822	92,614	24,911	44,156	365,011
INDIANA	6,167	3,729	74,285	45,787	30,310	22,610	10,764	15,117	72,981
IOWA	62,009	15,056	523,574	361,554	257,089	194,222	36,235	63,995	369,713
KANSAS	11,453	16,905	1,617,113	392,031	357,966	122,334	4,158	9,270	332,746
KENTUCKY	5,830	1,281	135,156	47,700	31,511	38,332	4,281	7,419	61,475
LOUISIANA	2,596	2,335	42,294	9,935	11,816	15,759	2,033	24,037	127,209
MAINE	0	0	15,397	5,192	1,827	613	89	60	180
MARYLAND	1,330	171	6,061	5,876	6,989	3,871	3,241	8,726	47,999
MASSACHUSETTS	47	0	19	14	5	30	5	0	0
MICHIGAN	16,798	2,932	47,402	47,725	24,503	21,715	1,774	2,260	92,579
MINNESOTA	16,014	2,317	399,239	404,840	270,152	83,113	15,727	89,942	477,982
MISSISSIPPI	29,800	21,096	422,992	71,483	68,522	57,621	7,204	39,529	210,823
MISSOURI	51,736	18,582	790,178	188,528	129,558	131,718	3,881	15,660	220,942
MONTANA	32,602	27,595	1,685,982	768,406	520,623	208,256	1,542	3,392	171,967
NEBRASKA	17,436	4,431	562,828	180,719	156,815	83,832	2,868	9,806	170,608
NEVADA	0	0	0	151	0	0	0	0	0
NEW HAMPSHIRE	11	0	105	16	0	6	45	0	12
NEW JERSEY	17	0	1,132	598	127	216	35	12	189
NEW MEXICO	3,425	2,189	536,230	36,882	11,563	526	0	0	5,236
NEW YORK	2,736	169	24,992	10,890	4,512	3,475	117	535	10,703
NORTH CAROLINA	1,981	110	41,124	11,640	10,476	9,367	2,639	986	42,457
NORTH DAKOTA	19,506	11,312	1,718,224	482,807	527,303	155,578	12,849	218,977	201,931
OHIO	6,406	1,078	81,367	35,883	28,529	26,332	5,916	9,232	79,889
OKLAHOMA	5,761	7,329	631,549	176,039	136,677	37,472	551	193	40,040
OREGON	13	1,227	294,619	63,377	38,740	34,610	653	845	58,386
PENNSYLVANIA	4,121	619	31,642	13,042	6,459	2,114	21,092	27,611	40,435
PUERTO RICO	162	0	157	322	0	20	0	10	0
SOUTH CAROLINA	3,497	631	96,755	20,530	11,936	22,100	2,771	6,838	48,332
SOUTH DAKOTA	8,211	6,629	731,720	198,915	228,511	87,308	4,104	38,904	149,464
TENNESSEE	6,677	971	124,975	28,030	22,793	25,847	1,214	2,078	60,544
TEXAS	35,907	9,396	2,066,972	1,017,413	532,302	192,306	1,336	3,546	109,603
UTAH	0	0	142,007	41,273	5,314	8,531	1	20	3,144
VERMONT	0	0	160	8	56	0	9	27	1,131
VIRGINIA	974	134	23,342	6,774	4,935	1,862	999	1,549	20,649
WASHINGTON	3,625	9,392	225,558	539,777	196,831	193,800	4,964	29,453	171,529
WEST VIRGINIA	0	0	513	65	292	0	28	8	1,337
WISCONSIN	29,566	7,157	194,207	125,514	62,112	58,819	2,458	18,273	123,475
WYOMING	666	0	197,697	47,511	30,197	387	184	376	3,304

1/ State in which land is located.
2/ Includes 3,126 acres under contracts expiring in 2004.

Note: Contacts expire at the end of the fiscal year (September 30th).

USDA/FSA/OBPI/EPAS

CONSERVATION PRACTICES INSTALLED ON CRP ACREAGE
----BY SIGNUP TYPE, AS OF MARCH 2004 (ACRES)---

PRACTICE		GENERAL SIGNUP	CONTIN. CREP	CONTIN. NON-CREP 1/	FARMABLE WETLAND	TOTAL
CP1	NEW INTROD. GRASSES AND LEGUMES	3,287,819	79,102	73,596	0	3,440,516
CP2	NEW NATIVE GRASSES	6,475,032	53,328	18,454	0	6,546,814
CP3	NEW SOFTWOOD TREES (NOT LONGLEAF)	429,828	336	300	0	430,464
CP3A	NEW LONGLEAF PINES	208,965	0	0	0	208,965
CP3A	NEW HARDWOOD TREES	513,711	7,836	815	0	522,362
CP4	PERMANENT WILDLIFE HABITAT	2,326,536	36,811	3,012	0	2,366,359
CP5	FIELD WINDBREAKS	893	2,519	62,815	0	66,227
CP6	DIVERSIONS	835	0	0	0	835
CP7	EROSION CONTROL STRUCTURES	654	1	0	0	655
CP8	GRASS WATERWAYS	1,012	475	95,837	0	97,324
CP9	SHALLOW WATER AREAS FOR WILDLIFE	1,957	2,176	43,827	0	47,960
CP10	EXISTING GRASSES AND LEGUMES 2/	15,189,951	8,176	37,373	0	15,235,500
CP11	EXISTING TREES	1,102,689	357	0	0	1,103,046
CP12	WILDLIFE FOOD PLOTS	74,802	1,260	0	0	76,061
CP13	VEGETATIVE FILTER STRIPS	29,672	0	0	0	29,672
CP15	CONTOUR GRASS STRIPS	36	109	73,837	0	73,983
CP16	SHELTERBELTS	375	390	26,034	0	26,799
CP17	LIVING SNOW FENCES	2	0	3,721	0	3,724
CP18	SALINITY REDUCING VEGETATION	0	16	288,804	0	288,820
CP19	ALLEY CROPPING	52	0	0	0	52
CP20	ALTERNATIVE PERENNIALS	15	0	0	0	15
CP21	FILTER STRIPS (GRASS)	0	121,608	815,562	0	937,170
CP22	RIPARIAN BUFFERS	0	129,613	506,514	0	636,127
CP23	WETLAND RESTORATION	1,575,858	89,706	47,039	0	1,712,603
CP24	CROSS WIND TRAP STRIPS	0	38	627	0	665
CP25	RARE AND DECLINING HABITAT	651,301	38,060	0	0	689,361
CP26	SEDIMENT RETENTION	0	5	0	0	5
CP27	FARMABLE WETLAND PILOT (WETLAND)	0	0	0	30,639	30,639
CP28	FARMABLE WETLAND PILOT (UPLAND)	0	0	0	75,728	75,728
CP29	WILDLIFE HABITAT BUFFER (MARG PAST)	0	0	8,560	0	8,560
CP30	WETLAND BUFFER (MARG PAST)	0	0	5,869	0	5,869
CP31	BOTTOMLAND HARDWOOD	0	0	797	0	797
	TOTAL	31,871,996	571,921	2,113,394	106,367	34,663,678

Note: Not including 12,197 acres in contracts with invalid expiration year (2003 or before).
1/ Includes 161,229 acres in designated wellhead protection areas.
2/ Includes both introduced grasses, legumes, and native grasses.

This and prior monthly and annual summaries are posted at
http://www.fsa.usda.gov/dafp/cepd/crp_statistics.htm.
Additional details on contracts currently entered in USDA Service Center CRP data files are posted at http://www.fsa.usda.gov/dafp/cepd/crp_reports.htm.
For more information about this summary, contact Alex Barbarika at 202-720-7093 or at Alexander.Barbarika@usda.gov.

For release only by the Senate Subcommittee on Forestry, Conservation And Rural Revitalization

Statement of Bruce I. Knight
United States Department of Agriculture
Before the Subcommittee on Forestry, Conservation and Rural Revitalization
Senate Committee on Agriculture, Nutrition and Forestry
May 11, 2004

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the conservation programs included in Title II of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). Two years ago, almost to the day of this hearing—May 13, 2002, President Bush signed the farm bill into law and stated that, *"For farmers and ranchers, for people who make a living on the land, every day is Earth Day. There are no better stewards of the land than people who rely on the productivity of the land. And we can work with our farms and ranchers to help improve the environment."* The 2002 Farm Bill represents an increased commitment of more than $17.1 billion in funding over 10-years for conservation. The 2002 Farm Bill is an historic commitment by the members of Congress and this Subcommittee to invest in the future of agricultural conservation in America. Today, I am pleased to provide an update on the conservation investment you made for America's working farm and ranch families.

The working lands in this nation provide many opportunities to address substantial improvements on a broad range of emerging conservation challenges faced by farmers and ranchers, including soil erosion, wetlands conservation, wildlife habitat improvement, and farm and ranchland protection. Private landowners will benefit from a portfolio of voluntary assistance, including cost-share, land rental, incentive payments, and technical assistance. The 2002 Farm Bill places a strong emphasis on the conservation of working lands – ensuring that lands remain both healthy and productive.

Mr. Chairman, I would note that this is the first hearing that has been conducted in Congress regarding the full impact of the 2002 Farm Bill conservation provisions, and I want to commend you for holding this hearing today. The Natural Resources Conservation Service (NRCS) is eager to provide an overview of implementation of the farm bill investments and the technology that supports moving conservation efforts into the 21st century.

Historic Investment

With the passage of this legislation, NRCS was challenged to develop and issue new program rules, train and update our workforce and partners on the changes contained within the legislation, and deliver the programs to America's farmers and ranchers in a timely and efficient manner. I am proud to report that we met, and in most cases exceeded, these expectations. We challenged NRCS staff throughout the nation since the passage of the 2002 Farm Bill. And it is clear that our field staff have answered the call. The State allocations for the Farm Security and Rural Investment Act funds for FY 2002-

2004 total roughly $3.3 billion in conservation dollars that have successfully reached farmers, ranchers, and other customers.

Since passage of the 2002 Farm Bill, the Agency has moved aggressively forward to publish program rules, complete companion policy guidance documents, develop program manuals, and reach out to employees and landowners with program information.

To date, NRCS has published rules for ten major programs, including:

1) **Environmental Quality Incentives Program (EQIP)** Final Rule, published May 30, 2003, after evaluating and considering the public input from over 1,250 letters containing 4,900 specific comments;
2) **Wetlands Reserve Program (WRP)** Final Rule, published June 7, 2002;
3) **Grassland Reserve Program (GRP)** Notice of Fund Availability, published June 13, 2003. The Interim Final Rule will be published in the near future;
4) **Wildlife Habitat Incentives Program (WHIP)** Final Rule, published July 24, 2002;
5) **Farm and Ranch Lands Protection Program (FRPP)** Final Rule, published May 16, 2003;
6) **Agricultural Management Assistance (AMA)** Final Rule, published rule April 9, 2003;
7) **Conservation Security Program (CSP)** Advance Notice of Rulemaking published April 3, 2003. The Proposed Rule was published January 2, 2004, with

receipt of over 14,010 letters and more than 70,000 specific comments the Agency is currently analyzing.

8) **Private Grazing Lands** Final Rule, published November 12, 2002;
9) **Conservation Innovation Grants (CIG)** The Interim Final Rule and Requests for Proposals, published March 29, 2004. The comment period on the Interim Final Rule will be open through May 28, 2004, with Requests for Proposals accepted during this same time period; and
10) **Technical Service Providers (TSP)** Interim Final Rule, first published on November 21, 2002. Subsequently, two amendments to the rule have been published, clarifying issues on methods for payment, and certification and payment requirements for public sector entities. More than 360 entities offered over 1,200 comments, and 335 recommendations. The Final Rule is currently under development.

NRCS also issued six Request for Proposals including the Biomass Research and Development Initiative in March of 2003 and January 2004; Farm and Ranch Lands Protection Program in May 2002, April 2003, and March 2004; and Conservation Innovation Grants to be awarded in 2004.

In addition, we have three new rules currently under review, including an Interim Final Rule on confidentiality of producer's conservation case file and location of National Resource Inventory (NRI) data points; a Final Rule on the Appeals Procedures; and a Final Rule on Equitable Relief.

It is important to note, during this time of tremendous increased workload, NRCS continued to make significant gains in other aspects of the Agency mission. In 2003 alone, we provided assistance to nearly 4 million farmers, ranchers, and other customers, provided assistance to over 300,000 female and minority customers, mapped or updated 22.5 million acres of soils, released 20 new conservation plants for commercial and private use, distributed more than one million publications, and gained more than one million hours in donated time through our Earth Team volunteer program.

We are proud of the work our Agency and partners have accomplished with America's farmers and ranchers in planning and delivering conservation.

Lean, Local, and Accessible

One of the core themes that I have stressed to our Agency is the need to be lean and local. Throughout the implementation of the Farm Bill, we have worked hard to provide as much decision-making flexibility to the local level as possible. In addition, we have worked to provide streamlined business processes to improve use of valuable staff resources. The 2002 Farm Bill poses many implementation challenges and requires our Agency to work more efficiently.

One of the most important investments we can make today in improved efficiency is the development of new and improved technical tools for use by our staff, Technical Service Providers, our partners, and the general public. In concert with the rollout of the 2002

Farm Bill, we launched the Electronic Field Office Technical Guide (eFOTG). The eFOTG is the primary reference of NRCS operations at the field level, and provides conservation information and scientific and technological resources on the Web in an easy-to-use environment. The Field Office Technical Guide used in each field office is localized so that its contents apply specifically to the geographic area for which it was prepared. This dynamic document is designed to evolve to incorporating research and on-the-ground experience. It represents the best science and technology in the conservation of our Nation's natural resources.

The electronic technical guides are linked to 8,000 NRCS web pages and external sites. Content includes data in technical handbooks and manuals, scientific tools that help generate conservation alternatives, conservation practice standards, conservation effects case study reports, and other electronic tools for evaluating the effects of conservation technical assistance. In total, the eFOTG has made our information more accessible, and supports the President's Management Agenda for E-Government.

The eFOTG is part of larger efforts at developing Smartech. Smartech uses electronic tools—from handheld devices in the field to a nationally available Web farm of databases, applications, and information. Smartech was conceived to modernize NRCS operations by integrating conservation technology with our conservation planning and application.

Access and Accountability

As a core principle, we need to increase the accessibility of NRCS to the public, not only by providing conservation data, but also by making our internal processes more easily understood. We have taken steps to make items such as our program allocation formulas, backlog, and participation data much more transparent to the general public. All of this information can be found on the Web. We have worked to foster competition and reward performance, in our internal functions and also in contracting and cooperative agreements. Throughout implementation, our goal has been to provide the best and most efficient service to producers at the local level, and to make NRCS more farmer-friendly and accessible.

Increasing Third-Party Technical Assistance

With the historic increase in conservation funding made available by the 2002 Farm Bill, NRCS will look to non-Federal partners and private technical service providers to supply the technical assistance needed to plan and oversee the installation of conservation practices. I am proud to report that, at the end of April 2004, NRCS had over 1,700 individuals certified as Technical Service Providers (TSPs), with 1,200 more individuals pending. In terms of businesses, NRCS has certified 160, with over 220 more applications in process. In FY 2003, NRCS obligated $23 million for utilization of TSPs, with that funding quickly utilized across the Nation. For FY 2004, we are using $40 million worth of TSP services. We are excited about the additional assistance provided by TSP's that will complement our expertise and increase our capacity to deliver services.

NRCS developed an Internet-based system for approving individuals and entities to provide technical services called TechReg. Individuals and entities may register in TechReg and become certified to provide specific categories of technical services. Once certified, the individuals are included on the approved list of technical service providers. Landowners and producers can locate TSPs certified in their State and county from the TechReg web site to help them meet their conservation goals.

NRCS has reached out aggressively to establish formal relationships through Memorandums of Understanding with key organizations. The goal is to forge a partnership and cooperate on providing Technical Services to the Agency. Some of these groups include American Society of Agronomy's Certified Crop Advisers, The Society for Range Management, The Wildlife Society, The University of Tennessee, Agricultural Extension Service, The Irrigation Association, Environmental Management Solutions, LLC, National Alliance of Independent Crop Consultants, and the Society of American Foresters.

We are excited about this new partnership and the prospect of TSP expertise continuing to complement our ongoing work.

Streamlining and Cost Savings

NRCS devoted considerable effort to streamline our operations, becoming leaner and more efficient in delivering our core work. Since the 2002 Farm Bill, NRCS:

- Reviewed and revised 95 National Conservation Practice Standards, and currently updating an additional 32;
- Deployed the NRCS Electronic Field Office Technical Guide;
- Streamlined program delivery, resulting in reduced costs without compromising quality;
- Developed new software called PROTRACTS to speed up and keep up with the processing of the large increase in Farm Bill program contracts, allowing more time and dollars to be directed toward planning and applying conservation on the land; and
- Transitioned from an offset to a direct charge method of accounting to better identify and control costs.

As Farm Bill implementation progresses, we will continue to improve on many fronts. We will continue streamlining and getting more efficient in working with our partners as well.

Farm Bill Technical Assistance Cost Savings

The streamlining and efficiencies NRCS has gained mean that even more conservation funding can be utilized for financial assistance to producers.

NRCS worked closely with Farm Service Agency (FSA) to develop Conservation Reserve Program (CRP) efficiencies that resulted in additional allocations to the

Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, Grassland Reserve Program and the Wetlands Reserve Program.

This accomplishment is indicative of the work we are doing in cooperation with FSA to identify better ways of doing business for programs like CRP, including moving from Agency certification of all practice installations to a 10 percent sample, with the other 90 percent self-certified by the producer.

These accomplishments have also come within the context of the challenges we face on funding for technical assistance. As you are aware, the current situation has necessitated that we utilize funding from various Farm Bill program accounts to support other conservation programs, including the WRP and CRP. The President's budget request proposes to address that issue by establishing a discretionary account for technical assistance for CRP and WRP.

Technical assistance funding for conservation programs has been the subject of ongoing discussion for several years, and is a topic of interest to this Subcommittee. We appreciate Congress taking steps to address the long-standing issues of technical assistance for Farm Bill conservation programs in the Consolidated Appropriations Act of 2003. The long term solution to the technical assistance issue is proposed in FY 2005 with the establishment of a new Farm Bill Technical Assistance account for CRP and WRP, and dedicating resources for this purpose. This will allow the Agency to provide

more financial assistance to farmers and ranchers in the other mandatory Farm Bill programs.

Conservation Programs

Environmental Quality Incentives Program (EQIP). EQIP was re-authorized by Section 2301 of the 2002 Farm Bill.

The purpose of EQIP is to provide flexible technical and financial assistance to landowners that face serious natural resources challenges that impact soil, water, and related natural resources, including grazing lands, wetlands, and wildlife habitat management.

The 2002 Farm Bill made several changes to the EQIP to streamline and improve efficiency. Just a few of the changes include:

- Increasing authorized funding from $200 million in FY 2001 to $400 million in FY 2002, and increasing to $1.3 billion per year by FY 2007;
- Reducing the minimum length of a contract from five years to one year after installation of the last practice;
- Allowing cost-share rates of up to 90 percent for limited resource farmers or ranchers and beginning farmers or ranchers;

- Removing the provision prohibiting a producer from receiving cost-shares for an animal waste facility on an animal operation with more than 1,000 animal units;
- Removing language authorizing targeting of funds to Conservation Priority Areas;
- Allowing payments to be made in the first year of the contract;
- Eliminating the competitive bidding by applicants;
- Revising the purpose from "maximize environmental benefits per dollar expended" to "optimize environmental benefits"; and
- Changing the maximum payment limitation from $50,000 per person per contract to $450,000 per individual or entity for all contracts entered into in fiscal years 2002 through 2007.

In an effort to make the program more effective and efficient, the Department also initiated several streamlining changes, including:

- Eliminating the program's dual administration by changing Farm Service Agency (FSA) participation from concurrence to consultation;
- Reducing the planning requirements needed to develop the contract; and
- Allowing producers to have more than one contract per tract at any given time.

Benefits

The increased funding for EQIP in the 2002 Farm Bill greatly expands program availability for optimizing environmental benefits. Including funding distributed in FY2002, 2003, and 2004, totaling $2.2 billion, EQIP will benefit close to 200,000

participants. In addition, EQIP leverages additional funding from landowner match requirements, and State and local cost-share programs.

Producer demand continues to be high for EQIP assistance. At the end of May 2003, NRCS published priority resource concerns and program rules for EQIP resulting from the changes enacted in the 2002 Farm Bill. We believe that the increased program flexibility and improved program features will continue to make EQIP one of the most popular and effective conservation efforts Federal Government-wide.

Ground and Surface Water Conservation (GSWC). GSWC is authorized by Section 1240I of the 2002 Farm Bill. The purpose of the program is to promote ground and surface water conservation by providing cost-share payments and incentive payments to producers to carry out eligible water conservation activities with respect to agricultural producers. A net savings in groundwater or surface water resources in the agricultural operation of the producer is a program requirement. Program operation is similar to the Environmental Quality Incentives.

NRCS has obligated over $116 million in financial assistance for this program through FY2004.

Klamath Basin Funding. The 2002 Farm Bill authorized $50 million to carry out water conservation activities in the Klamath Basin in Oregon and California to provide

assistance to producers to facilitate conservation measures that would result in an on-farm net savings in ground or surface water resources.

Since the passage of the farm bill, NRCS has allocated over $34 million in financial and technical assistance in the Klamath Basin funding through FY2004. Up until the end of FY 2003, this funding has helped more than 2,700 local landowners receive farm bill assistance. This funding, and the technical assistance provided, addressed natural resource concerns on over 66,000 acres in the Basin. With proper irrigation management and application, landowners have been able to lower their on-farm water use by 6,700 acre-feet. Converting from flood systems to more efficient irrigation systems can typically result in an average of 30 percent on-farm savings.

Mr. Chairman, the Klamath Basin represents a challenging situation, as farmers are faced with the need to conserve water use and still farm in a cost-effective manner. We feel the Farm Bill funding implementation in this area is a showcase example of how rural landowners can rise to the challenge of addressing limited water availability while meeting environmental objectives.

Wetlands Reserve Program (WRP). WRP is a voluntary program in which landowners are paid to retire marginal agricultural lands if those lands are restored to wetlands and protected, in most cases, with a long-term or permanent easement. Landowners receive an easement payment based on the agricultural or other raw land value and are provided with cost-share assistance to cover the restoration expenses. The 2002 Farm Bill

increased the program enrollment cap to 2,275,000 acres. The FY 2005 Budget request estimates that nearly 200,000 acres will be enrolled in 2005, an appropriate level to keep us on schedule to meet the total acreage authorization provided in the Farm Bill.

At the end of FY 2003, WRP had a total enrollment level of 1,470,998 acres on 7,831 projects. Approximately 80 percent of these acres are subject to permanent easement; 14 percent are 30-year easements; and 6 percent are restoration cost-share agreements.

On Earth Day, April 22, 2004, Agriculture Secretary Ann M. Veneman announced that farmers and ranchers produced an estimated gain of 131,400 acres of wetlands from 1997-2002 according to the National Resources Inventory (NRI).

The NRI reports changes in the Nation's private land use. The most gains occurred in the Corn Belt and Delta States where farmers and ranchers have created, maintained or enhanced numerous wetlands through conservation programs such as the Wetland Reserve Program and Conservation Reserve Program.

On that same day in Maine, President Bush made the commitment to the country to move beyond the no net loss of wetlands in America to having an overall increase of Americans' wetlands over the next five years. He specifically mentions expanded incentive and partnership measures, such as the Wetlands Reserve Program.

WRP is a good way to provide incentives to the landowners to contribute to the increase of wetlands in America for the good of the country, for the good of the habitat of our

country, and for the good of the wildlife of our country. All these efforts will add to the beauty of our Nation, and provide habitat for millions of birds and fish.

Grassland Reserve Program (GRP). New in the 2002 Farm Bill, the GRP assists landowners in restoring and protecting grassland by enrolling up to 2 million acres under easement or long term rental agreements. Program participants can also enroll in restoration agreements to restore the functions and values of the grassland. The 2002 Farm Bill authorized $254 million for implementation of this program during the period 2003-2007. This program is administered in cooperation with Farm Service Agency (FSA).

FY2003 was the first year this program was available, and NRCS and FSA, through Notice of Funding Availability, allocated $52 million in financial assistance to all 50 States. The average estimated cost per acre for easement acquisition was approximately $382. The average estimated cost per acre for rental agreements was $134 per acre. With this funding approximately 240,000 acres were enrolled in this program. Approximately 78,000 acres were enrolled as easement projects, and 162,200 acres were enrolled as rental agreements. For FY2004, we have allocated an additional $54 million and will operate the program through soon to be published rulemaking.

Mr. Chairman, this program is one of the most highly demanded programs we have to date. Ranching families in America are excited about this program, and are willing to participate. We are excited about the future opportunity this program represents.

Wildlife Habitat Incentives Program (WHIP). WHIP was authorized by Section 2502 of the 2002 Farm Bill. The program continues to develop habitat for upland wildlife, wetlands wildlife, threatened and endangered species, fish, and other types of wildlife.

Under WHIP, NRCS provides technical and financial assistance to landowners to improve wildlife habitat conditions on their property. NRCS enters into five- to 10-year cost-share agreements with landowners, providing up to 75 percent of the funds needed to implement wildlife habitat development practices. NRCS can also enter into one-year wildlife emergency agreements to help landowners meet the immediate habitat needs of wildlife affected by natural disasters, such as the drought during the summer of 2002. The 2002 Act also authorizes NRCS to provide additional cost-share assistance to landowners who enter into 15-year agreements for the purpose of developing essential plant and animal habitat. The 2002 Act authorized $360 million for implementation of the program from FY 2002 through FY 2007.

Since passage of the 2002 Farm Bill, NRCS has utilized more than $39 million dollars in financial and technical assistance to enroll nearly 4,200 agreements on over 600,000 acres. On average, NRCS reimbursed participants approximately $6,800 for each long-term agreement. The average agreement size is 150 acres. Since the program began in 1998, national enrollment includes a total of 14,500 agreements on more than 2.3 million acres. In FY 2004, NRCS has allocated over $34.6 million.

On March 30, 2004, the Secretary of Agriculture announced the availability of $3.5 million under the WHIP Salmon Habitat Restoration Initiative. The Salmon Habitat Restoration Initiative will be available in Alaska, California, Idaho, Maine, Oregon, and Washington.

In the remaining years of the 2002 Farm Bill implementation, NRCS anticipates that WHIP will serve the growing need that landowners have for wanting to meet the habitat needs of species in decline. NRCS is working with landowners and partners to assist with habitat development projects for sage grouse, salmon, bog turtle, and northern bobwhite quail.

Farm and Ranch Lands Protection Program (FRPP). Section 2503 of the 2002 Farm Bill repealed the Farmland Protection Program, authorized by the Federal Agriculture Improvement and Reform Act of 1996, and authorized a new program that has been named in rulemaking the Farm and Ranch Lands Protection Program.

Through FRPP, the Federal Government establishes partnerships with State, local or tribal government entities, or nonprofit organizations to share the costs of acquiring conservation easements or other interests to limit conversion of agricultural lands to non-agricultural uses. FRPP acquires perpetual conservation easements on a voluntary basis on lands with prime, unique, or other productive soil or that contains historical or archaeological resources. FRPP provides matching funds of no more than 50 percent of the purchase price for the acquired easements.

Prior to the 2002 Farm Bill, NRCS protected 540 farms covering 113,700 acres with $53 million. Since the 2002 Farm Bill, the FRPP has enrolled 818,300 acres on 1,431 farms and ranches with $215.4 million.

Agriculture Management Assistance Program (AMA). AMA provides financial assistance to producers to construct or improve water management or irrigation structures; plant trees for windbreaks or improve water quality. The program also offers financial assistance to mitigate crop failure risks through diversification or resource conservation practices.

The 2002 Farm Bill provides $20 million annually for financial assistance in 15 States, as determined by the Secretary, in which participation in the Federal Crop Insurance Program is historically low through 2007. The 15 States designated by the Farm Bill to participate in the program are Connecticut, Delaware, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

NRCS implemented 962 contracts on 360,000 acres with $9.8 million obligated for implementation of conservation practices in fiscal years 2002 and 2003. In FY2004 $14 million will be available for AMA.

Conservation Security Program (CSP). The CSP is authorized by Section 2001 of the 2002 Farm Bill. The CSP is a voluntary program that provides financial and technical

assistance for the conservation, protection, and improvement of natural resources on Tribal and private working lands. The program provides payments for producers who practice good stewardship on their agricultural lands and incentives for those who want to do more.

The U.S. Department of Agriculture (USDA) has been moving forward aggressively to implement the program, and we are proud of the work that has been achieved thus far. We at USDA are enthusiastic about the prospects of CSP, and look forward to making the program available on farms and ranches across America.

The Conservation Security Program proposed rule was published for public comment on January 2, 2004, with the comment period that closed on March 2, 2004. The response from the public was overwhelming with more than 14,000 comments from the public, in a variety of forms including e-mail, paper letters, and facsimiles, including more than 70,000 specific comments. The Agency also conducted 10 National listening sessions around the country and many individual sessions in States on the proposed rule. Our staff has worked diligently to assemble the body of comments and ensure that each comment will receive fair consideration and review. These comments are available for public viewing and copying at USDA, and are available electronically as well. Ultimately, it is this body of public discourse that will drive the next steps of policy decisions on program design. While we are not in a position today to debate the contents of the proposed rule, I would like to put the contents of the proposed rule in perspective in terms of our approach and rationale.

Budgetary Aspects of CSP

Mr. Chairman, the single most misunderstood aspect of CSP is the budget for the program. When the President signed the 2002 Farm Bill into law, the Conservation Security Program was estimated to cost $2 billion over ten years. I would note that this amount is 400 times the amount originally authorized for the Wildlife Habitat Incentives Program, and 571 times greater that the original funding for the Farm and Ranch Lands Protection Program.

Under revised law, Congress placed a cap on expenditures of only $41.443 million for this fiscal year. We have designed the program in a way that provides funding obligations in a similar way that Conservation Reserve Program obligations are structured. For example, the President's Budget Request of $209 million for CSP in FY 2005 will provide about $1.7 billion in funding over the life of the contracts to farmers and ranchers. We are proud of what we are accomplishing, and look forward to making funding available to producers this year.

Watershed Approach

A second area of misunderstanding is about our proposed watershed approach. The dollars Congress has made available will not even begin to meet the immediate demand. There is a potential applicant pool of 700,000 producers to signup for the CSP program. The CSP statute prohibits ranking applications, but instead would allow all applicants to be accepted into the program and receive a payment. Given the $41 million available for

this Fiscal Year and unknown amounts for FY 2005 and beyond, USDA has proposed a program that focuses CSP's activities and benefits in high-priority regions that meet the environmental and philosophical goals of the program. CSP will also be flexible enough to match funding available for any given fiscal year, by making the program available in selected watersheds and emphasizing enrollment categories. Our approach also deals with the constraint placed in statute on technical assistance at 15 percent of expended CSP funding in a fiscal year. If USDA were to conduct a nationwide signup for CSP, technical assistance costs would far exceed the $41 million made available for the program just for the signup. Mr. Chairman, we have proposed what we believe to be the best course of action in designing a staged program that focuses resources at environmental priorities and that can be modified based upon available funding.

Base Payments and Enhancements

There has also been considerable discussion regarding the way the CSP base payment is structured under the proposed rule. Again, it is critical to consider the funding available and demand for the program. In order to ensure defensible environmental results for the program, we have proposed placing "increased emphasis on increased conservation." That is to say, those farmers and ranchers who agree to do more, get more in the way of financial support from the program. Our goal is to design a program that is easy to understand for farmers, ranchers, and those implementing the program. We also want to ensure that the program produces demonstrable conservation results that will show the American taxpayer the value of good conservation on working lands.

Conclusion

As I mentioned, our next step is to conduct a thorough review and consideration of the public comments. It will be this input that assists us in finalizing the program design. The task is massive, but we have dedicated appropriate staff expertise to tackle the job. Our goal is to publish a final rule this summer, with a signup occurring during FY 2004. USDA is ready to deliver the program to the public and begin seeing results. We consider the CSP to be a brand new day for conservation policy.

Watershed Rehabilitation Program. One of the Agency's strategic goals is to reduce risks from drought and flooding in order to protect community health and safety. A key tool in meeting this goal is providing financial and technical assistance to communities and implementing high priority watershed rehabilitation projects to address dam safety. The Watershed Rehabilitation Program is authorized under section 14 of the Watershed Protection and Flood Prevention Act, approved August 4, 1954, as amended by section 313 of Public Law 106-472, November 9, 2000.

The purpose of this program is to assist communities in addressing public health and safety concerns and environmental impacts of aging dams. Rehabilitation also provides opportunities for communities to gain new benefits, such as adding municipal and irrigation water supplies, recreation, and wetland and wildlife enhancement.

To date, almost $70 million has been appropriated for watershed rehabilitation in fiscal years 2002 thru 2004. Considerable progress has been made in a very short time since

this new authorization was provided and funded. NRCS has worked with communities to identify dams that are nearing the end of the designed life span, and need rehabilitation not only to ensure that the dams are safe and protect the people of the community, but also will continue to provide flood control, recreation, and wildlife habitat for another 50 to 100 years.

Plans have been authorized for the rehabilitation of 25 dams. The 18 dams that have been rehabilitated to date have reduced the risks to 1530 people living downstream, and provided $1,060,000 in annual flood damage reduction. More than 580 homes and businesses, 330 farms and ranches, and 60 bridges benefit from these rehabilitated dams.

Additional Conservation Features

Aside from the core conservation programs, the 2002 Farm Bill included additional legislative language that makes important conservation improvements.

Regional Equity. Legislation was written into the 2002 Farm Bill giving priority to States that have not received for the fiscal year, an aggregate amount of at least $12 million under the Environmental Quality Incentives Program, including Ground & Surface Water Conservation Program and Klamath Basin, Grassland Reserve Program, and Farm and Ranch Lands Protection Program.

As a result, for fiscal year 2004, regional equity adjustments of $55.7 million were allocated to thirteen States and the Caribbean Area, including Alaska, Connecticut,

Delaware, Hawaii, Maine, Massachusetts, Nevada, New Hampshire, New Jersey, Rhode Island, South Carolina, Vermont, West Virginia, and Puerto Rico.

Mr. Chairman, regional equity is well received in many parts of the country. The Agency has put into place a mechanism to assess and reevaluate excess program funding in the regional equity States should they not be able to obligate all the allocation in the allotted time frame. As the fiscal year progresses, we can steer unobligated dollars to States that can utilized the funds by the end of the fiscal year, if needed.

Conservation Innovation Grants (CIG). Section 1240H established CIG as a new discretionary provision under the EQIP. Through CIG, the Secretary is authorized to pay the cost of competitive grants to carry out projects that stimulate the development and adoption of innovative conservation approaches and technologies while leveraging the Federal investment in environmental enhancement and production, in conjunction with agricultural production. Funds for CIG come from EQIP, and the funding level will be determined annually by the NRCS Chief. Fifteen million dollars has been allocated for CIG in FY 2004.

NRCS published a Request for Proposals and will accept applications until May 28, 2004. While funding requests are capped at $1 million per proposal, the anticipated range of funding for an individual project is between $75,000 and $500,000. Based on the interest in similar grant programs, we anticipate that CIG could generate over 400

applications. With the $15 million provided for fiscal year 2004, we anticipate funding 40 to 70 projects.

Confidentiality of Producers Conservation Plans. The voluntary adoption of conservation practices on agricultural land and non-agricultural land reaps great public benefits such as soil loss reduction, water quality improvement, water conservation, wildlife habitat development, and wetland restoration. The 2002 Farm Bill greatly expands the funding available to implement NRCS conservation programs. The Farm Bill also included a provision to protect information about program applicants or program participants, and their agricultural and non-agricultural operations to ensure that they would continue to participate in the expanded availability of conservation programs.

Section 1244 of the Food Security Act of 1985, as amended, balances the public right to information to ensure an open government and an informed public while also protecting the privacy rights of program applicants and program participants from opening up their proprietary information to competitors or the general population.

NRCS is in the process of developing rules to be published to clarify the protection cooperators would receive under these provisions.

Biomass Research and Development Initiative. Section 9008 of the Farm Security and Rural Development Act of 2002, provided for a reauthorization of the Biomass Research and Development Act of 2000 and authorized $75 million in funding from the

Commodity Credit Corporation (CCC) for fiscal years 2002 through 2007. In addition, Section 2306 of the Energy Policy Act (PL 102-486) provides authority and requirements for financial assistance for programs covered by Titles XX through XXII of the Act. In 2003, Title II of the Healthy Forest Restoration Act (PL 108-148) was included in the initiative. Through this Biomass Research and Development Initiative, grants are available to eligible entities to carry out research, development, and demonstrations on biobased products, bioenergy, biofuels, biopower, and related processes.

In March 2003, the U.S. Department of Agriculture released the request for proposals (RFP) for the 2003 USDA/DOE Joint Solicitation for the Biomass Research and Development Initiative. USDA received approximately 400 proposals in response to the solicitation. All eligible proposals were competitively evaluated in a process that included a joint USDA/DOE technical merit review, as well as cost analysis and programmatic review based on the respective independent priorities of the departments as published in the solicitation.

In September of 2003 USDA and DOE jointly awarded over $23 million in grant awards to 19 applicants, with USDA awarding $16 million to 15 applicants. In the FY 2004 program, USDA and DOE intend to award up to $24 million.

We are very pleased with the outcome of the Biomass Research and Development program. The initiative has resulted in cooperative funding for a diverse and innovative array of projects including anaerobic digestion, biorefineries, biomass focused forest management training, and innovative use of feedstocks. We are optimistic about the

future of this program and look forward to continued collaboration and mutual progress with the Department of Energy.

Measuring Success

As stated earlier, we have made significant progress in improving the availability and transparency of program outputs. For example, program allocations, contract information, and backlog data are all available in table and map form on our website.

But while we have excellent information about our program outputs, we still lack data about the environmental outcomes of our programs.

As a result, starting in 2003, NRCS in collaboration with other USDA and Federal agencies, initiated the Conservation Effects Assessment Project (CEAP) to develop a scientific assessment of the environmental and related outcomes from Farm Bill conservation programs at both the national and watershed scale over the next five years.

The national assessment initially focuses on water quality, soil quality, and water conservation benefits from cropland, including the Conservation Reserve Program. Using the Natural Resources Inventory (NRI), supplemented by farmer surveys, and verified by USDA computer models, CEAP will estimate national benefits from conservation practices and programs. In addition, our future plans include estimates for wildlife, grazing lands, and wetlands benefits from conservation activities.

NRCS plans to release the initial CEAP report by April of 2005, followed by annual reports through 2008.

We know that farmers and ranchers are making important gains in conservation on working lands. We are excited to capture this data and tell the story of the improvements being gained.

Looking Ahead

In other efforts to streamline Farm Bill delivery and support current technology needs, NRCS announced on May 5, 2004, we would be reorganizing our Agency. The purpose of this reorganization is to improve NRCS's operational, technology support, and resource assessment functions to strengthen our ability to help America's farmers and ranchers reach their conservation goals and offer them the latest science-based technologies. The 2002 Farm Bill has put a tremendous workload on the Agency to improve our technology transfer, realigning the structure of the Agency to support this goal is imperative.

Conclusion

As we look ahead, it is clear that the challenge before us will require dedication of all available resources – the skills and expertise of the NRCS staff, the contributions of volunteers, and continued collaboration with partners. Conservation Districts, Resource Conservation and Development Councils, State and local agencies, and other valuable partners continue to make immeasurable contributions to the conservation movement.

Since enactment of the 2002 Farm Bill, these organizations contributed over $2.4 billion to conservation programs. It is this partnership at the local level that makes a real difference to farmers and ranchers. As we move forward, we will accelerate the use of third-party sources of technical assistance as well. We recognize that the workload posed by future demand for conservation will far outstrip our capacity to deliver, and seek to complement our resources with an appropriate system of qualified expertise.

I thank the Chairman and Members of the Subcommittee for the opportunity to appear here today, and for your ongoing support and attention to implementation of the Conservation Provisions of the 2002 Farm Bill. I would be happy to respond to any questions that Members might have.

Statement of the American Farm Bureau Federation

TO THE
SENATE FORESTRY, CONSERVATION AND RURAL REVITALIZATION SUBCOMMITTEE OF
THE SENATE AGRICULTURE COMMITTEE
REGARDING
CONSERVATION PROVISIONS IN THE 2002 FARM BILL

Presented by
Al Christopherson
President
Minnesota Farm Bureau

May 11, 2004

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As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.

FARM BUREAU represents more than 5,000,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

FARM BUREAU is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

FARM BUREAU is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

FARM BUREAU is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

STATEMENT BY
THE AMERICAN FARM BUREAU FEDERATION
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Mr. Chairman and members of the subcommittee, my name is Al Christopherson. I produce corn, soybeans and swine near Pennock, Minnesota, in the west-central part of the state. I am president of the Minnesota Farm Bureau and a member of the American Farm Bureau Federation Board of Directors. Thank you for the opportunity to share our thoughts on the status of the conservation provisions of the 2002 farm bill.

Farm Bureau was a strong advocate for increased conservation funding and technical assistance in the 2002 farm bill. We continue to strongly support conservation incentives as a means to improve net farm income, enhance economic opportunity, preserve the rights of property owners and improve the nation's environment. Increased regulatory costs on all levels – federal, state and local – are placing a heavy burden on individual farmers and ranchers as well as distorting the traditional structure of our industry. Farmers and ranchers understand the importance of protecting the environment. Our livelihood depends on it. However, the expenses incurred to comply are taking a heavy toll on farm incomes and forcing farmers and ranchers to spread the cost of increased regulation over more units of production. The consequence is the inability of small and medium sized family farms to compete in a highly charged regulatory environment.

There is little doubt that we have made great strides in improving our environment over the last three decades. By nearly every measure, our environment and natural resources are in better condition than any other time in our lives. As the demand for environmental enhancements increase it is important that we examine the public policy that we have at our disposal and determine whether they are appropriate. The command-and-control nature of many of the first generation environmental statutes were for the problems of the 1960's and 1970's. The programs continue to be very controversial and adversarial in nature and compliance is expensive.

Bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. In addition to building on the gains of the last three decades, the public now desires open space, wildlife habitat, scenic vistas, diverse landscapes and recreational activities. These are clearly more ephemeral policy goals that require a more delicate and site-specific policy approach.

Farm Bureau policy supports:

- Improving the environment through expanded incentives to encourage voluntary soil conservation, water and air quality programs, and advanced technological and biotechnological procedures that are based on sound science and are economically feasible;

- Rural economic development to improve the environment and quality of rural life;

- Voluntary conservation programs that provide direct payments and comply with the green box World Trade Organization (WTO) requirements; and

- Providing willing producers incentives to adopt and continue conservation practices that address air and water quality, soil erosion and wildlife habitat.

Conservation Security Program (CSP)

During the farm bill debate Farm Bureau was a strong supporter of a new type of conservation incentive program. We believe agricultural producers must receive assistance to help defray the cost of ongoing environmental improvements and regulations. The Conservation Security Program (CSP) will assist farmers in achieving environmental goals and reward us for improved environmental performance. CSP should be available to all producers and it should be funded and implemented as a nationwide program.

CSP provides producers additional conservation options for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat. The program was designed to allow each participant the opportunity to meet his or her objectives while also achieving the goals of the program. Participants should be given the opportunity and flexibility to develop a management plan that provides environmental benefits without land retirements or easements. Practices covered under CSP could range from accepted good farming practices already implemented, to the establishment of a comprehensive environmental management plan.

The current proposed rule has added eligibility restrictions never anticipated by the law. A new requirement to meet both soil and water quality criteria prior to participation in Tier I and Tier II, adds new restrictions, which will severely limit eligibility by anyone other than those who have already achieved what the program sought to create. The CSP program should allow anyone to enter a Tier I contract, which requires only the "adoption and maintenance of conservation practices that address at least one identified resource problem on part of the agricultural operation" or Tier II contract, which requires the "adoption and maintenance of conservation practices that address at least one identified resource problem on all of the agricultural operation.

While we understand the initial reasoning for targeting watersheds, we contend that CSP should be available to all agricultural producers, rather than in only a few watersheds. Enactment of the 2004 Omnibus Appropriations removed funding limits previously imposed on this program; so

we believe that the final rule should reflect the mandatory status of the program and must include extensive revisions to the budget-driven application, implementation and eligibility requirements in the proposed regulation.

Since the final rules have not been published, we would like to highlight several issues raised in the proposed rulemaking:

- Overall, the proposed rule is too complicated, restrictive and provides too little financial incentive for many farmers and ranchers to participate. We have encouraged Natural Resources Conservation Service (NRCS) to change this proposal before the regulation is finalized. We recommended that NRCS address the program's overall lack of clarity by finalizing a regulation that is easy to understand and fosters participation.

- Limiting eligibility to producers in "selected" watersheds will greatly reduce participation and deny conservation to broad areas of the nation's farmers and ranchers. CSP is not simply a watershed program, but a program meant to be open to all qualifying agricultural producers in all regions of the country.

- The proposed rule restricts the practices eligible for reimbursement and provides payment at a lower rate than those provided in EQIP and other USDA conservation programs. The benefit cost assessment refers to a rate as low as five percent. This approach is counter-productive and will make it difficult or impossible for many producers to afford to participate in CSP.

- The statute clearly directs the Secretary to establish a base payment. Specifically it requires the Secretary to determine "the average national per-acre rental rate for specific land use during the 2001 crop year or another appropriate rate for the 2001 crop year that ensures regional equity." Congress made very clear that it intended for the base stewardship payment to be based on rental rates and the Statement of Managers specifically emphasized that "the Secretary shall not provide a rate lower than the national average rental rate."

- A primary concern pertains to the definition of an agricultural operation. The proposed definition which reads "all agricultural land and other lands determined by NRCS, whether contiguous or noncontiguous, under the control of the participant and constituting a cohesive management unit, where the participant provides active personal management of the operation," is too broad and will be subject to inconsistent interpretation. This definition is also inconsistent with any description in any other conservation or farm program. It would require a complicated eligibility determination process for NRCS that would be new to the agency and the producer. The definition of an "agricultural operation" for purposes of implementing and administering the CSP should be similar to Farm Service Agency farm definition and allow for tenants to work with multiple landowners. This would facilitate eligibility determinations for the agency and the producer.

- We are equally concerned about the proposed eligibility requirement that would require the applicant to have control of the land for the life of the CSP contract. Many rental

arrangements in all areas of the country are on an annual basis. In addition, annual contracts are currently more prominent with the annual signup requirements for the current farm bill. While multi-year rental contracts do occur, it is unlikely that a tenant could ensure that he would have control of the land for a five to10 year period at the time of application. A requirement that the applicant have control of the land for the entire contract period at the time of application will severely limit the ability of commercial-size tenant producers to participate in this program.

Environmental Quality Incentives Program (EQIP)

Farm Bureau strongly supports EQIP and the improvements to the program made by Congress in the 2002 farm bill. We believe EQIP should be available to all crop and livestock producers and provide compliance assistance with implementation of federal, state and local environmental laws.

We are concerned that NRCS has not been monitoring EQIP projects or providing animal feeding operations with the assistance needed to meet their regulatory requirements. To highlight a specific concern, we are aware that EQIP provided $483 million in assistance to all agricultural operations in FY2003. Of the $483 million, $314 million was provided to livestock operations, of which, only $105 million was expended to help animal feeding operations. This is a very troubling realization. If these numbers are correct, we believe this allocation within the livestock sector does not place enough emphasis on confined animal operations and their associated regulatory costs. The situation is particularly vexing because in promulgating the revised animal feeding operations permit rule in 2003, EPA in part justified the heavy regulatory burden on producers by reference to EQIP funds available for producer assistance. Of particular concern to Farm Bureau are the compliance needs of animal feeding operations in general and specifically to the disproportionate burden regulations placed on small and medium sized operations. Without EQIP, many small and mid-sized operations are at risk of financial collapse or unable to implement regulatory compliance requirements in a timely manner. These small and mid-sized operations are critical to the rural economy and our overall agricultural infrastructure.

To overcome the problems associated with the lack of emphasis and funding for animal feeding operations we recommend that NRCS prioritize:

- EQIP contracts that are intended to help producers comply with local, state and federal regulations;
- Air quality and odor control practices; and
- Mobile equipment and manure transport practices.

With regard to the portion of EQIP funds that go to non-livestock operations, we recommend that further attention be brought to the opportunities that EQIP can play for specialty crops. These producers are generally outside the scope of the traditional farm bill programs and may be unfamiliar with conservation programs such as EQIP or CSP and the opportunity that they provide to address environmental concerns.

Conservation Reserve Program (CRP)

The CRP is a time-tested program that works well overall and has been very popular with farmers and ranchers. There are no major concerns with its current operation. Farm Bureau supports CRP because it provides incentives for reducing soil erosion, the enhancement of water and soil quality and additional wildlife habitat. Additionally, it recognizes the inherent value of private property and provides a steady income to participants who enroll in the program. In order to ensure that the rural and agricultural infrastructures are not hurt by even a slight increase in CRP acreage, we continue to oppose more than 25 percent of any county's acreage being included in a CRP contract, Conservation Reserve Enhancement Programs and all experimental pilot projects.

Wetlands Reserve Program (WRP)

Farm Bureau supports WRP because it provides incentives for farmers and ranchers to restore and protect wetlands and allows individuals to be compensated for the inability to use their land as they wish. We are not aware of major problems with implementation of the WRP and believe that overall it has been satisfactory. President Bush recently noted the role that incentive-based programs such as the WRP played in achieving the goal of "no-net loss" of wetlands, and specifically lauded the response of farmers and ranchers to such approaches. We strongly agree that incentive-based programs are far preferable to regulatory control approaches. However looking ahead, we are troubled by the growing litigation and regulatory activity over wetland delineation outside of the farm bill program, specifically under the Clean Water Act. Farmers increasingly are concerned about becoming entangled in jurisdictional conflict among federal agencies over what constitutes a wetland. With regard to the WRP, we recommend that prior to a landowner being allowed to place a parcel of land into the WRP, the adjoining landowners should be notified and assured that they will not be affected by any changes in drainage patterns. We have seen first-hand instances where a landowner's participation in the WRP has altered the drainage on adjacent farmland and resulted in wetland violations and land-use restrictions.

Technical Assistance Funding

Farm Bureau is extremely concerned about the ongoing shortfall of technical assistance funding for the CRP and the WRP. These shortfalls will result in a substantial cut in funding for EQIP and other conservation programs in order to deliver CRP and WRP. This comes at a time when EQIP has a significant application backlog. We believe every program must cover its own technical assistance delivery costs. In the case of CRP and WRP, USDA should calculate the delivery cost of program enrollment. Acres available for an enrollment should be reduced to the level necessary to fund technical assistance needs to compensate for program delivery cost. We are not suggesting a reduction in the statutory cap of 39.2 million acres. CRP has never been fully enrolled and WRP yearly acreages have varied. The programs and their goals should not be sacrificed or jeopardized in any way. In this manner the programs could cover their own costs without incurring additional budget obligations or taxing other programs. The integrity of the 2002 farm bill is critical. Farm Bureau supports full funding of the farm bill and opposes any action that upsets the financial balance.

Conservation Program Delivery and Implementation

Farm Bureau advocated for increased conservation funding and technical assistance in the 2002 farm bill. Conservation has increasingly become a priority for farmers and ranchers as the pressure of local, state and federal environmental regulation has increased. Conservation cost-share and incentives are essential to assist producers in addressing public concerns relating to the environment.

Conservation planners are confronted with overlapping issues of endangered species and wildlife management, wetlands protection, nutrient management, air quality regulation, integrated pest management, and water quality issues, in addition to soil erosion. We can expect planning challenges to increase as the complexity of environmental regulation grows. President Bush has been a strong advocate of incentive-based solutions. If the farm bill conservation programs are to be successful, adequate technical assistance will be key. USDA must be able to demonstrate that voluntary, incentive-based conservation programs can be successful in addressing environmental issues and serve as an alternative to a more costly and burdensome regulatory approach.

Technical Service Providers

It is critical that NRCS maintain necessary career manpower resources for program delivery. Notwithstanding, it will be necessary to utilize technical service providers to supplement those resources. Farm Bureau supports the use of third-party technical service providers to ensure adequate delivery of needed services. We recognize the challenges NRCS faces with limited government manpower for program delivery. The situation is compounded by the increasing regulation of agricultural production, which has made conservation planning significantly more complex and time-consuming.

We have concerns regarding implementation of the technical service provider program.

- The confidentiality of information provided to technical service providers must be protected. Farmers and ranchers increasingly are concerned regarding the misuse of information provided as part of program participation. Outside agencies have attempted to use program information for regulatory and other purposes. The farm bill specifically exempted such information from distribution to other agencies of government and from disclosure under the Freedom of Information Act. This protection must be extended to information made available to third party technical service providers. NRCS must work to assure that third-party contractors are subject to stringent confidentiality requirements. NRCS should explore all means available for accomplishing this goal; including making it a condition of certification and offering standardized contracting language.

- Technical service providers must be bonded and have appropriate liability insurance. Bonding and insurance will be vitally important to producers to assure that they are protected and not liable for inferior planning and services. We have been made aware that in some states liability insurance may not be available for some practices or is cost-prohibitive. NRCS should review bonding and insurance issues on a state-by-state basis to assess availability. Lack of insurance coverage could create a shortfall for

technical service providers and hamper program delivery. NRCS should consider a means for providing liability insurance for service providers.

- Payment rates for technical service providers should be based on NRCS' cost of service. When calculating cost of service, the rate should be based on actual NRCS cost. The calculation of actual cost must include all costs (insurance/liability, office/administrative, etc.)

- The regulations lay out a complex system through which producers can utilize third-party technical service providers. Errors in timing and contracting procedures could result in producers not being reimbursed for planning costs. It is essential that NRCS produce a plain-English, step-by-step procedure guide for producers planning to use technical service providers.

- Training and certification should be coordinated between states allowing technical service providers to operate on a multi-state basis. It will also be important to establish clear certification requirements for EQIP planning, recognizing that planning may also be utilized to satisfy CAFO obligations.

Performance measures

During the farm bill debate some members of the committee raised the question of performance measures. We recognize that performance measurements are necessary to demonstrate the effectiveness of conservation programs such as CSP. However, many environmental improvements cannot be measured directly or immediately. These are dynamic systems, subject to uncontrollable changes, and improvement could take years to be realized. We recommend that NRCS establish a measurement system based on reference sites and environmental models. This information should be used to provide a measurement of program success and accountability.

Conclusion

We appreciate the opportunity to offer these perspectives on the conservation programs of the Farm Security and Rural Investment Act of 2002. These programs provide great opportunity to agricultural producers and great benefit to the non-farm public. It is essential that program rules be sound and flexible in order to meet the diverse needs of producers and varying environmental challenges they face. It is also essential that Congress provide adequate funding to ensure that the programs are viable. We urge that you strongly oppose efforts to reduce funding of the 2002 farm bill programs. Lastly, if these programs are to be meaningful to farmers and ranchers in addressing resource needs in the current regulatory climate it is critical that USDA have the sufficient human resources to provide any needed technical assistance.

National Farmers Union

Testimony of Mr. John K. Hansen
Nebraska Farmers Union President

On Behalf of National Farmers Union

Before the
U.S. Senate Agriculture Subcommittee on Forestry, Conservation, and Rural Revitalization

Tuesday, May 11th, 2004
Washington, D.C.

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Tuesday, May 11th, 2004
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Chairman Crapo, Ranking Member Lincoln, members of the committee, I am John Hansen, President of the Nebraska Farmers Union. Our National Farmers Union represents over 260,000 independent, diversified, owner-operated family farms and ranches across the nation. We appreciate the opportunity to appear before you today to discuss the conservation programs of the 2002 Farm Bill. In the interest of time, let me get right at our list of conservation considerations.

Our National Farmers Union policy, set by our members, is very clear on the issue of conservation funding. We strongly support public funding for soil and water conservation programs and the necessary technical support to properly implement them.

As farmers and ranchers, we acknowledge and accept our stewardship responsibilities to protect our natural resources for the generations to come. As businessmen and women, we recognize that we operate high-risk, low-return businesses adversely damaged by noncompetitive and concentrated agricultural markets, and that unlike other players in the food economy we do not, nor can we, pass on our costs of doing business. As farm credit borrowers, we realize the primary concern of our agricultural lenders is not the long-term protection of our natural resources for the future, but the short-term protection and repayment of their operating loan plus interest.

We believe that the 2002 Farm Bill is a long overdue step forward in conservation funding, while providing new initiatives and the expansion of existing programs. Like many of my Farmers Union counterparts, I am actively involved in helping make these conservation programs work I currently serve as a member of the Nebraska State Technical Committee, the Environmental Quality Incentives Program (EQIP) Subcommittee, and the Conservation Security Program Committee (CSP) Subcommittee.

The good news is that conservation program funding has increased. The bad news is the funding for the necessary technical assistance to help our farmers and ranchers put often complex conservation systems into operation has not kept pace with dramatically increased workloads.

Our local governmental entities in Nebraska responsible for soil and water conservation and our Natural Resource Districts used over one million dollars of local property tax revenues last year to fund additional clerical support staff to help NRCS implement federal conservation programs, yet we are still falling behind. We ask for your help in badly needed additional funding for NRCS technical support staff.

The good news as far as the conservation programs themselves go is that our farmers and ranchers really do want to use these programs to protect and enhance our natural resources. Demand for conservation programs far exceeds funding. In my home state of Nebraska, I counted $263 million in sign up dollars requested in Nebraska for EQIP, Grassland Reserve Program, Wetland Reserve Program, and Wildlife Habitat Incentives Program. We were able to fund about $28 million. Demand was nine times the available funding.

The Conservation Reserve Program (CRP) continues to be a heavily utilized program by our producers for a wide variety of reasons while providing a wide range of soil and water benefits. Nebraska currently has 1.1 million acres enrolled in the Conservation Reserve Program, down from our state high of 1.425 million acres. CRP is used as the base for the development of many additional programs and considered to be the single most important program for our fish and wildlife resources.

Our Nebraska Game and Parks Commission has invested state funds in three programs that enhance CRP acres. The Conservation Reserve Enhancement Program (CREP) at $250,000 per year, the CRP-MAP program to encourage public access at $550,000 per year, and a new jointly funded program with Pheasants Forever, Focus on Pheasants at $200,000 per year.

I am also encouraged that we are now making available more conservation programs for grazing lands restoration and protection, which in my judgment has been lacking. And because of the diversity of regional resource needs, we are using advisory committees to reflect the diversity that helps appropriately tailor our programs.

With respect to new conservation initiatives, National Farmers Union supported wholeheartedly the landmark Conservation Security Program (CSP) provision of the 2002 Farm Bill. But, we are very concerned that USDA has announced its plan for implementing the CSP in a severely restricted manner. By using a national watershed scheme to limit and determine participation in and eligibility for the program, a full-scale nationwide program as written in the farm bill law, is not possible.

While it's true a full-scale nationwide program for 2004 is not feasible because of a $41 million budget cap for FY '04, it is also true that the CSP FY04 budget cap comes off at the beginning of the new fiscal year in October of this year and the program returns to its 2002 Farm Bill status as a conservation entitlement program. We can only assume that the USDA proposed rule funding restrictions are intended to apply for 2005 and all future years. This should not happen.

It appears to us that the approach being taken by USDA is in direct opposition with the intent of the law as written, and will effectively eliminate the CSP as the nationwide, comprehensive

environmental program intended by Congress in the farm bill. Congress made a promise to farmers and ranchers when the bill was signed into law. We urge Congress to keep that promise.

Over 14,000 farmers and other citizens wrote to USDA in response to the CSP proposed rule released at the beginning of the year, the most comments by far ever received by USDA for a conservation program. The overwhelming majority of those comments rejected the restrictive watershed approach, as well as other key problems with the rule, including the low payment rates. We urge the Administration to heed the public input gathered by USDA, and reverse course in the upcoming rule to implement the CSP for 2005 and beyond.

We fear that the current USDA approach will cause a very divisive and nonproductive fight for funding between livestock producers and crop producers, between geographical regions of the country, and between working lands conservation versus non-working lands conservation. That kind of battle may well spell the doom of the CSP. The farmers and ranchers of the National Farmers Union do not want that to happen.

If I could summarize our views in a nutshell it would be that

- All the conservation programs in the 2002 Farm Bill should be implemented as Congress intended when it enacted the law, especially the Conservation Security Program.
- USDA should be encouraged to carefully record, consider and respond to public input on conservation programs rules. (The overwhelming public concern and negative responses expressed regarding the proposed CSP rule is an example of what we suggest as important public input)
- Funding for technical assistance to implement the farm programs must be increased to reflect the increased workloads. We should use mandatory program funds to finance both the financial assistance and technical assistance costs of the farm bill conservation programs.
- In Nebraska alone, the demand for EQIP, Grassland Reserve Program, Wetland Reserve Program, CRP and Wildlife Habitat Incentives Program was nine times the available funding. Congress must recognize this pent-up demand and provide for more opportunities for ranchers and farmers to participate in conservation programs.
- The landmark Conservation Security Program (CSP) provision of the 2002 Farm Bill should be put in motion as a full, nationwide and unrestricted program as written in the law. No reduction or limiting structures or schemes should be instituted in contradiction to the intent of Congress.

We look forward to working with you and your Senate colleagues in the days ahead to help fulfill the promise of the expanded conservation provisions provided for in the 2002 Farm Bill so that our farmers and ranchers have the tools they need to help protect our soil and water resources for the generations yet to come.

Thank you again for this opportunity to share our views with you today.

Statement of Bill Wilson, President-elect

National Association of Conservation Districts

relative to

Examining Conservation Programs of the 2002 Farm Bill

Presented to the

United States Senate

Committee on Agriculture

Subcommittee on Forestry, Conservation, and Rural Revitalization

May 11, 2004

Mr. Chairman and members of the subcommittee, I am Bill Wilson, from Kinta, Oklahoma. I am President-elect of the National Association of Conservation Districts (NACD) and have served as a district official for the Haskell County Conservation District since 1980. I am also a founder and past chairman of the National Watershed Coalition.

I own and operate a 660-acre cow/calf, horse and mule ranch in East Central Oklahoma, am a registered land surveyor in both Oklahoma and Arkansas and have worked many years to restore Dust Bowl era farm fields into productive pasture land.

NACD is the nongovernment organization that represents the nation's 3,000 conservation districts and the more than 16,000 men and women – district officials – who serve on their governing boards. Conservation districts are local units of government established under state laws to carry out natural resource management programs at the local level. Conservation districts work with the Natural Resources Conservation Service (NRCS) and other agencies and organizations to provide technical and other assistance to millions of landowners and others to help them manage and protect the nation's land, water and related resources. Conservation districts provide the linkage for delivering many federal, state and other local natural resource programs at the local level.

I am here today to share with you the conservation district perspective on implementation of the conservation title of the 2002 Farm Bill. Conservation districts work shoulder-to-shoulder with NRCS every day in implementing most of the provisions of the conservation title. Districts also work closely with the Farm Service Agency in carrying out the Conservation Reserve Program (CRP) and, in fact, approve the conservation plans developed for the CRP. As we talk today about the Farm Bill conservation programs, I urge you to keep in mind that I speak on behalf of the people who work at the very point where the programs you authorized are delivered to the customers.

Throughout our history, conservation districts have strongly supported voluntary, incentive-based approaches to private working lands conservation—a theme repeated throughout the 2002 Act's conservation title. We also believe the best way to achieve conservation is through local decision-making with input from all stakeholders and customers to identify natural resource priorities and objectives.

Today, conservation district staff number more than 7,000 employees of all types. Many of these employees are involved in the delivery of the Farm Bill's conservation programs. State and local governments contribute more than a billion dollars a year to carry out our nation's private lands

conservation efforts. Private landowners, businesses and other interests add more than a billion dollars to this collaborative effort as well.

The nation's 3,000 conservation districts appreciate the leadership and vision that members of this subcommittee provided in developing the most sweeping conservation title in the history of Farm Bills. We also appreciate the administration's efforts in finally getting most of the program rules published.

Conservation districts have been involved with the Farm Bill conservation programs from the very outset. Many conservation districts were involved in discussions with their members of Congress when the Farm Bill was being developed, helping chart the course of the programs. A number of districts also submitted comments on the proposed rules to implement them as well. On the ground, we play a big part in delivering the conservation title programs by identifying resource objectives, setting priorities, developing and approving conservation plans, and helping to leverage funds to enhance their effectiveness. Hundreds of conservation districts have also entered into Technical Service Provider agreements with NRCS to deliver additional technical assistance and other services to help producers get conservation on the land.

The funding increases enacted in the 2002 conservation title were a clear signal that the American public considers conservation a high priority investment of considerable value to taxpayers. The new funds are allowing us to not only address some of the huge backlog of conservation requests throughout the nation, but also to achieve many more of our conservation objectives at the local level.

Up to this point, with a couple of exceptions that I will discuss later, Congress has allowed, and the administration has apportioned, nearly the full level of mandatory funding authorized in the conservation title. The working lands programs—EQIP and FRPP—have received about 98 percent of the funds approved in the law. WRP, CRP, and GRP have also been reasonably funded up to this point. WHIP, on the other hand, been seriously underfunded partly as a result of its status as a CRP/WRP "donor" program, an issue I will address later.

Overall, the changes made to these programs are working well. Administrative procedures have been streamlined and, although there are still many producers on waiting lists, many more are receiving the assistance they need to put conservation practices in place. As a result, we are seeing decreases in soil erosion, improvements in water and air quality and fish and wildlife habitat—exactly the results we expected from the conservation title. We're making substantial progress in achieving many public benefits, but there's still a lot left to be done.

That brings me to our concern that the fiscal year 2005 budget request, instead of moving forward, would slow the progress we're making. The proposal on the table would cut EQIP by nearly 20 percent, WHIP by more than 31 percent and WRP by 20 percent from their authorized levels. It also caps the CSP at an arbitrary level instead of fully funding it as a national program. The Small Watershed Rehabilitation Program, which has never been funded through its CCC authorization, is again proposed for zero funding. Given all the good conservation work these and the other conservation title programs are accomplishing, we believe cutting back on the funding would be a huge mistake. We strongly support continuing funding for the conservation title at the full level authorized by the law. (See the attached chart for details.)

I also raise the issue of technical assistance. After much contentious debate, the issue of whether CCC funds could be used to fully fund technical assistance for each of the mandatory Title II programs, was largely settled for all but the two acreage-based programs—CRP and WRP. Language in the Agricultural Assistance Act of 2003 (Omnibus) made it clear that technical assistance funds would be available for FRPP, EQIP, WHIP and GRP, but because of certain constraints, that language failed to include the CRP and WRP. The result is that until that issue is

addressed, the only way those two programs can operate will be for the other four to "donate" funds to them to cover their technical assistance needs, thereby reducing the technical and financial assistance available to producers participating in the "donor" programs. We do not believe this is what the bill's managers intended. We encourage you to fix this problem as soon as possible. We ask that you support the approach provided in the Senate 2005 Budget Resolution and strongly encourage its adoption in the final resolution.

As you examine the 2002 Farm Bill conservation programs, we urge you to carefully examine implementation of the Conservation Security Program. The CSP was introduced and enacted with much deserved fanfare. It signaled the beginning of a new era for private lands conservation with almost unlimited potential to help producers conserve, protect and better manage our natural resources. For the first time, all producers on all lands would be eligible to participate in a program that not only encourages the adoption of new conservation measures, but also would reward those who have been and continue to practice good stewardship on America's agricultural lands.

In January, NRCS published the long-overdue proposed rule to implement the CSP. Given the many changes that occurred after its initial enactment, we recognize the difficulties of developing a proposed rule based on frequently changing assumptions, and we compliment NRCS on navigating this process through a continuously evolving environment. We do, however, raise several issues that need to be addressed before the agency issues a final rule.

First, we are concerned that the very complex eligibility requirements, deeply discounted base payments and sharply limited cost-share payments for conservation practice installation and maintenance are contrary to the language in the statute and will provide very little incentive for producers to apply to enroll in the program. We encourage NRCS to re-think these decisions and follow language in the statute with respect to base payments and cost-share and maintenance payments. Further, the 15 percent technical assistance level in the statute was, in part, predicated on those payments being far higher than the proposed rule allows. The decisions on those issues will have a major impact on whether or not the program is seen as rewarding good stewards and providing the incentives that make it worthwhile to participate.

The statute provides for a nationwide program under which all agricultural lands could be eligible. Since funding in 2004 is limited to $41 million, however, NRCS has proposed to limit enrollment to producers in highly targeted watersheds who meet relatively stringent eligibility requirements. Although we do not believe this approach was intended for CSP as an uncapped program, we understand the need to develop a temporary alternative model given the limited funding in 2004. Now that the funding cap has been lifted, the rule needs to be constructed to support CSP implementation as a true nationwide program. Since interest in the CSP is still very high, we encourage decision-makers in Congress and the administration to work toward that goal swiftly.

Along with the substantial increase in conservation funding, the 2002 Farm Bill has brought about a tremendous increase in the workload of NRCS and its partners. Even with the additional technical assistance funding, the mechanisms are not in place to significantly increase the staff resources needed to provide the help producers need to put complex conservation practices in place. The Farm Bill has generated a demand for many additional staff years to address its workload needs.

Despite that fact, the fiscal year 2005 budget estimate provides for about 3,200 Farm Bill program staff years, 500 less than this year and far less than the total need. The Technical Service

Provider initiative will help fill some of that gap, but not nearly all. And even that will take several years to reach full implementation. We encourage Congress and the Administration to consider ways in which to address this shortfall.

In closing, I would like to again commend you for your vision and foresight in crafting the Farm Bill's conservation title. As we move closer to 2007 and the next Farm Bill reauthorization, it will become ever more critical to resolve the issues raised here today, especially those concerning the CSP. Our performance in carrying out the 2002 conservation title and delivering on the promises of cleaner water, purer air, healthier soil and diverse and abundant fish and wildlife will be important in providing the benefits the American public expects.

We appreciate the opportunity to present our views and look forward to working with our partners to realize even greater benefits the future promises.

MANDATORY FARM BILL PROGRAMS BUDGET

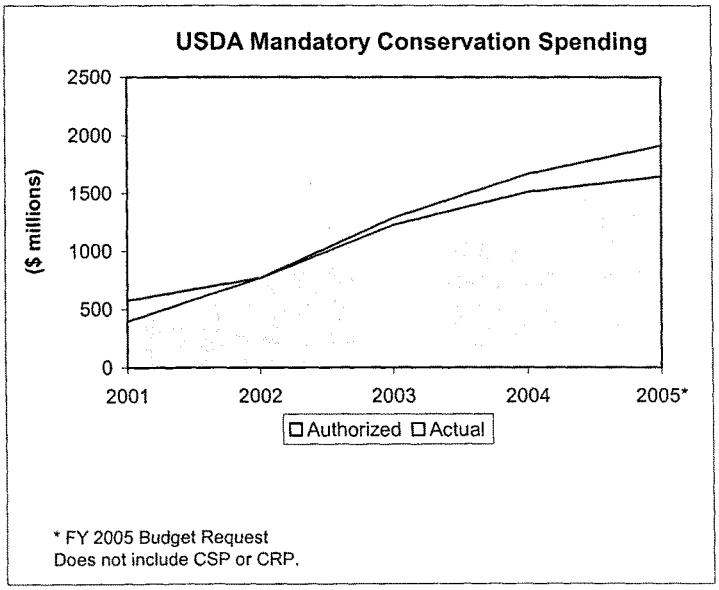
Actual

	2001	2002	2003	2004	2005*
EQIP	200.000	425.000	709.050	967.570	1076.573
AMA	6.000	7.000	14.000	14.000	0.000
WRP	162.000	275.000	309.402	298.966	295.000
WHIP	12.000	15.000	23.768	33.432	58.568
FPP	18.000	50.000	100.000	112.044	120.403
GRP	0.000	0.000	72.250	85.000	81.574
BRD	0.000	0.000	14.000	14.000	14.000
TOTAL	**398.000**	**772.000**	**1228.470**	**1511.012**	**1646.118**

Authorized

	2001.000	2002.000	2003.000	2004.000	2005*
EQIP	175.000	425.000	757.000	1068.118	1291.218
AMA	0.000	7.000	20.000	20.000	20.000
WRP	286.000	275.000	295.000	295.000	295.000
WHIP	50.000	15.000	30.000	60.000	85.000
FPP	65.000	50.000	100.000	125.000	125.000
GRP	0.000	0.000	72.250	85.000	81.574
BRD	0.000	0.000	14.000	14.000	14.000
TOTAL	**576.000**	**772.000**	**1288.250**	**1667.118**	**1911.792**

Source: US budget documents. Does not include CSP, CRP or Watershed Rehab.



Testimony of Gordon Gallup
Before the Senate Agriculture Subcommittee on Forestry, Conservation and Rural Revitalization
May 11, 2004

Mr. Chairman and Members of the Committee -

My name is Gordon Gallup and I am a Board Member of the National Association of Wheat Growers and Chairman of the NAWG Environmental Policy Committee.

I am pleased to appear before the Committee to present joint testimony on behalf of the National Association of Wheat Growers, the National Cotton Council, the National Corn Growers Association, the American Soybean Association and the USA Rice Federation on implementation of the conservation title of the Farm Security and Rural Investment Act of 2002.

We would like to thank you and the committee for your leadership in helping to craft a conservation title for the 2002 Farm Bill that represents, in the words of the Bush Administration, "the single most significant commitment of resources toward conservation on private lands in the Nations history."

This was accomplished by greatly expanding successful programs such as the Environmental Quality Incentives Program (EQIP), the Conservation Reserve Program, the Wetlands Reserve program and others. These programs are voluntary, incentive-based programs that our producers have found extremely useful and that have resulted in numerous environmental benefits.

During the Farm Bill you extended programs such as, the Wildlife Habitat Incentives Program that offer farmers a unique opportunity to receive NRCS technical assistance and cost share monies to install conservation practices improving wildlife habitat on private lands. We support the program's state and locally-driven habitat priority setting process, and also NRCS's coordination role with private partners like Ducks Unlimited and the National Association of Conservation Districts in implementing the program at the ground level.

You also created promising new programs such as the Grassland Reserve Program, which authorizes enrollment of up to 2 million acres of restored, improved, or natural grassland, range land and pasture land and the Conservation Security Program which, if properly implemented and administered, can provide an unprecedented opportunity to increase conservation practices and generate positive results on private working lands.

Our organizations appreciate the difficulties NRCS faced in attempting to write a proposed rule with ever changing budget parameters and we understand that they have been diligently working to get regulations finalized in order to begin contracting process with producers. Unfortunately, the recent proposed CSP rule from NRCS is not as extensive as our producers had hoped. Most of our producer members are concerned that this program, in its proposed form, will not be accessible to them in the foreseeable future.

One primary concern to our producers is the definition of an agriculture operation in the proposed rule. The proposed requirement that a contract application must include all lands that a producer has under "cohesive management" and the requirement that an applicant must have control of the land for the life of the contract will likely prove to be challenging, especially when applied to diverse operations. We encourage consistency of farm definitions between farm programs and conservation programs administered by USDA.

Enactment of the 2004 Omnibus Appropriations measure removed funding limits previously imposed on the CSP program. The CSP was created to be operated as a mandatory program without arbitrary limits and we believe Final Rule must reflect the mandatory status of the program at the current time and must include extensive revisions to the budget driven application, implementation and eligibility requirements in the proposed regulation. In all years, the payments need to be revised to reflect the full payments under the law. The proposed rules and recently released notice on enrollment are constructed as if the program will be capped instead of based on the law.

It is clear that the intent of Congress was for the CSP to be a program for all producers on all working lands addressing one or more resources of concern on all or part of their farming operation.

Many of our members are concerned that this program not be targeted at the "bad actors" who have not been ambitious in addressing conservation concerns. We believe it should be utilized to reward producers who have been very aggressive in addressing conservation needs and can qualify for Tier 1 conservation maintenance and that it is accessible to producers who want to expand their conservation activities. The Secretary's stated goal of "Rewarding the best and motivating the rest" should certainly be adhered to as this program is implemented.

However, the concept of priority watersheds remains problematic. If you are fortunate enough to be included in a priority watershed you may be able to qualify, if not you're out of luck at least for several years. The law didn't contemplate this program being run as a quick pick lottery. And shrinking the base payments from 5%, 19% and 15% to 1/10th of those respective amounts for Tiers I, II and III, as well as reducing the 75% cost share will make it difficult to encourage producers to participate.

Another area of concern for our members is the ongoing debate over funding sources for technical assistance. It appears that interpretation of the provisions of the farm law and

language added to the 2003 Omnibus Appropriations measure have eroded program resources as well as the confidence and support of our members.

For example, last year the EQIP program was initially authorized at $700 million. The appropriations committee reduced it to $695 million. Year-end funding stood at $558 million as a result of the interpretation that requires EQIP to contribute funds for technical assistance requirements of the Conservation Reserve Program and the Wetlands Reserve Program.

We understand that the Congress passed the 2002 Farm Bill during a time of budget surplus and it is being implemented during a time of budget deficits. Clearly there are increasing pressures to restrain domestic spending, but the farm law was written in compliance with the Budget Resolution in effect at the time. Therefore, the programs authorized in the Farm Bill and signed into law by the President just nearly two years ago should be implemented as authorized.

Each of our organizations, along with the American Farm Bureau Federation and the National Farmers Union, have corresponded with Congress indicating our strong opposition efforts to amend, alter or siphon off funding from programs included in the Farm Security and Rural Investment Act of 2002. Nor do we believe that one conservation program should be funded at the expense of another, or that Title II is funded at the expense of Title I. The 2002 Farm Bill should remain intact with original funding commitments honored. Our producer members make long term planning decisions and altering support levels provided in the Farm Bill will cause severe disruption across the farming community. It is vitally important that we retain the balance we achieved during the Farm Bill. Our present conservation programs have served us well and we have no doubt programs in the future will serve us the same. Congress must protect Farm Bill to ensure that there are farmers on the ground to put these programs into practice.

In closing, Mr. Chairman, we want to emphasize several important principals that should remain priorities as implementation of the new farm law continues.

First, we believe each conservation program should pay it's own technical assistance. However, we sincerely hope that an administrative solution can be found to accomplish this objective.

Second, we believe the Conservation Security Program be implemented and funded as originally intended by Congress in the 2002 Farm Bill and we ask for your active support to realize this hard fought goal.

Finally, we will continue to oppose any attempt to amend, alter, or divert funding away from Farm Bill programs as authorized by Congress and signed into law by the President just over a year ago. Farmers need a consistent, predictable long-term policy in order to make sound investment, cropping and marketing decisions and to compete in a world market replete with subsidies, tariffs and non-tariff barriers.

We appreciate this opportunity to present our views and we will be pleased to respond to questions at the appropriate time.

TESTIMONY OF JEFFREY W. NELSON
DUCKS UNLIMITED, INC.

REPRESENTING THE VIEWS OF:
CONGRESSIONAL SPORTSMEN'S FOUNDATION, DUCKS UNLIMITED, PHEASANTS FOREVER, THE INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES, THE IZAAK WALTON LEAGUE, THE WILDLIFE SOCIETY, AND WILDLIFE MANAGEMENT INSTITUTE

BEFORE THE:

U.S. SENATE, COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON FORESTRY, CONSERVATION AND RURAL REVITALIZATION

CONCERNING:
IMPLEMENTATION OF THE CONSERVATION TITLE OF THE 2002 FARM BILL

May 11, 2004
WASHINGTON, DC

INTRODUCTION

Mr. Chairman, members of the Committee, my name is Jeff Nelson. I am the Director of Operations for Ducks Unlimited, Inc.'s (DU) Great Plains Regional Office in Bismarck, North Dakota. I am a professional biologist with training in wetland and waterfowl ecology. I have worked for DU since 1982 in both Canada and the U.S., initially as a research biologist and eventually as Chief Biologist for our U.S. organization. I currently lead a staff of about 70 professionals working in eight states including Minnesota, South Dakota, North Dakota, Nebraska, Iowa, Colorado, Wyoming, and Montana.

Ducks Unlimited was founded in 1937 by concerned and farsighted sportsmen and conservationists. It has grown from a handful of people to an organization of over 1,000,000 supporters who now make up the largest wetlands and waterfowl conservation organization in the world. DU has conserved over 11 million acres of wildlife habitat in the U.S., Canada, and Mexico. We pride ourselves on our cooperative work with private landowners on working lands to assist them in meeting their economic and production goals while providing high quality habitat for the wildlife that depend on their land for survival.

We appreciate the opportunity to speak with you today on behalf of Ducks Unlimited, but to also present the views of a group of conservation organizations regarding the conservation programs most important to wildlife. These organizations represent a variety of interests that have come together as users and supporters of wildlife conservation programs within the farm bill. The groups that I represent today include Congressional Sportsman's Foundation, Ducks Unlimited, Pheasants Forever, The International Association of Fish and Wildlife Agencies, The Izaak Walton League, The Wildlife Society, and Wildlife Management Institute. Collectively, our members and supporters represent a sizable cross-section of our nation's citizenry.

Over the past two decades, conservation programs of the Farm Bill have played an integral role in the economic vitality and general well being of this nation's farmers, ranchers, and foresters. In addition, they have improved conservation on private lands by enhancing and protecting wildlife habitat, water quality, and soil quality. The increased role and importance of conservation in agriculture and its role in private lands stewardship has led to consensus and partnerships among government and private interests including commodity groups, individual producers, livestock organizations, and the wildlife conservation community.

Voluntary, incentive-based conservation provisions included in the Farm Bill have provided the framework for "win-win" solutions on the farm and across the rural and urban landscapes. Congress recognized the success of and demand for these conservation programs when it passed the 2002 Farm Bill with an 80 percent increase above the baseline for the conservation title. Specifically, the acreage caps for both the Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP) were increased, funding for the Wildlife Habitat Incentives Program (WHIP) and Environmental Quality Incentives (EQIP) program were increased, and new programs including the Grassland Reserve Program (GRP) and the Conservation Security Program (CSP) were created.

CRP, WRP and WHIP provide significant benefits for wildlife and are discussed in detail in the testimony. We believe the new GRP, also discussed in detail below, has great potential to also benefit a diversity of wildlife species if adequate funding is provided for both protection and restoration. EQIP has the potential to be more beneficial for wildlife and we believe steps can be taken to address wildlife concerns together with other attributes of the program. It is too soon to evaluate the benefits for wildlife under the CSP program. We look forward to continuing to work with the Natural Resource Conservation Service (NRCS) to ensure that additional wildlife habitat benefits are a key component of CSP implementation. We believe that CSP (with wildlife benefits), in conjunction with fully funded and implemented proven successful programs like CRP and WRP, represents the best available opportunity to implement conservation as an integral component of all agricultural landscapes.

To ensure that all of these programs actually reach the ground, sufficient funding for both technical assistance and program costs must be available. It is vitally important that a long-term solution be established to ensure that adequate technical assistance is available for CRP and WRP without reducing the amount of funding available for other programs in the conservation title. We appreciate that the leaders in this Committee have worked toward solving that challenge.

CONSERVATION RESERVE PROGRAM (CRP)

No program in history has done more for landscape-level conservation of soil, water, and wildlife habitat on farmland while offering producers a significant and stable source of income than CRP. This section will describe how CRP has measurably improved wildlife habitats and populations in the U.S. The 2002 Farm Bill increased the acreage cap on CRP from 36.4 to 39.2 million acres, with the clear implication that an additional 2.8 million acres of CRP contracts should be available to producers. CRP has been very popular with landowners, as evidenced by the demand for land enrollment (acres bid) often exceeding availability by a 3 to 1 ratio.

CRP not only reduces erosion, but also provides habitat for many species of wildlife across the country. It has been especially important where cropland had replaced grassland on marginal soils. Across the plains states of the central U.S., grassland loss continues at alarming rates. In the U.S. Prairie Pothole Region (which includes portions of Minnesota, South Dakota, Iowa, Nebraska, North Dakota, Montana, and Wyoming) 56 million acres (62%) of the original 90 million acres of native grassland has been converted to other land uses. The 4.7 million acres of CRP within this landscape has helped to recapture the wildlife, soil, and water quality values of grassland on this landscape, but more grassland restoration through CRP is needed to achieve a level of sustainability of these public benefits.

CRP is a proven, results-oriented conservation program that has accomplished a variety of positive outcomes for wildlife habitat. Research has proven that putting land in to CRP has resulted in measurable benefits to wildlife populations in many areas of the country. Here are a few examples of this type of research:

- During 1992-1997, nest success of five common duck species were 46% higher with CRP on the landscape in the Prairie Pothole Region (PPR) of North Dakota, South Dakota, and Montana compared to a simulated scenario where existing CRP was replaced with cropland (Reynolds et al. 2001). This study concluded that an additional 12.4 million recruits were added to the waterfowl fall flight as a result of CRP from 1992-1997.

- During 1990-1994, nest success of female pheasants in north central Iowa was 40% higher in large blocks of CRP than in smaller fragmented nesting cover types like roadsides and fence lines (Clark and Bogenschutz 1999). When CRP acreage was enrolled in large fields, pheasant populations were 53% greater compared to no CRP (Clark and Bogenschutz 2001)

- Based on densities of 12 grassland songbird species in CRP fields compared to adjacent croplands, Johnson and Igl (1995) predicted that populations of at least five of these species would decline statewide in North Dakota by 17% or more if CRP was greatly reduced on the state's landscape.

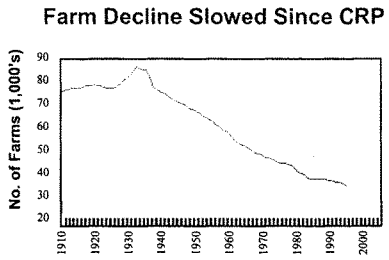
These studies document positive impacts of CRP on wildlife populations. Overall, the collection of scientific evidence demonstrates that CRP has been a major contributor to helping many species of waterfowl rebound to record levels following the return of precipitation to the northern prairies in 1993. This impact of CRP on waterfowl populations is further substantiated by comparisons with the Canadian prairies where waterfowl nest success and population growth remains low and CRP and other conservation cover programs are lacking. CRP has been a boon to pheasant and white-tailed deer populations throughout the plains states and the Midwest. Non-game grassland birds, one of the fastest declining groups of birds in the country have also responded positively to the habitat afforded by CRP, staving off declines that could lead to increased listings of threatened and endangered species.

CRP has helped many farmers diversify their income sources through incorporating grass agriculture and recreational based businesses into their operations. Some have decided to use CRP to help make the transition from cropping to ranching. Hundreds of farmers in the Dakotas and Iowa have restored formerly drained wetlands within their CRP tracts through CP-23. Many others are using available incentive programs to install grazing systems on expiring CRP. Others are using CRP payments to stabilize their financial situation and to pay off debt. As of May 2003, portions of more than 400,000 farms have enrolled in CRP across the nation. CRP remains very popular in prairie states like Texas, Kansas, Nebraska, and Minnesota where portions of over 20,000 farms in each of these states have enrolled in CRP. As noted earlier, generally the supply of CRP often falls short of demand by a 1:3 ratio. During the last general signup (Signup 26) this ratio was even higher in several Prairie Pothole states. In Montana only 24% of 2,293 offers were accepted, in North Dakota only 9% of 3,003 offers were accepted, and in South Dakota only 15% of 2,002 offers were accepted. Clearly CRP remains a very popular program among agricultural operators.

U.S. taxpayers are benefiting from cleaner air and improved water quality, because CRP removes greenhouse gases from the atmosphere and reduces soil erosion and nutrient runoff into our waterways. Recovering wildlife populations are enjoyed by sportsmen and wildlife watchers

across the nation generating millions of dollars and jobs for rural economies. Additionally, increasing wildlife populations are helping to diversify income sources for farmers who are responding to strong demand for fee hunting opportunities by operating hunting-related businesses. Many producers also have opened up the land they have enrolled in CRP to public access for hunting and fishing, thus improving the relationship between landowners, state fish and wildlife agencies and the hunting and fishing public.

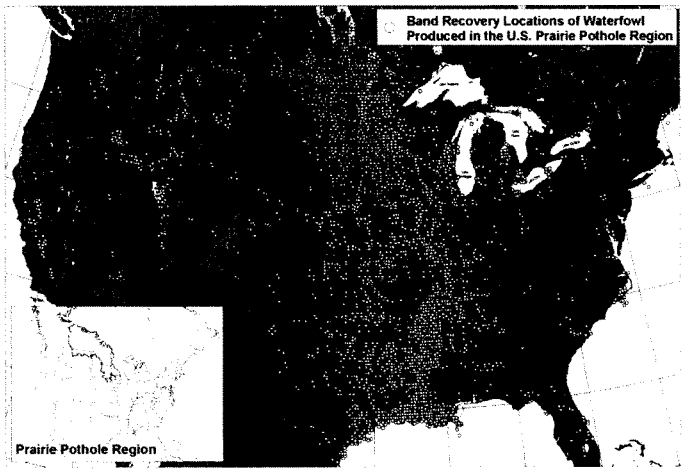
It is important to dispel some of the misconceptions concerning the impacts and distribution of CRP. One such misconception is that CRP has been causing the population decline of rural America by taking land out of production. Upon examination of the data, it is clear that rural population decline and the decline in the number of farms across the plains started decades before CRP ever entered the picture. In the case of North Dakota (see figure at right) the decline in farm numbers started in the 1930s and has actually slowed since the introduction of CRP in 1986. When one looks to prairie Canada, where there is no CRP-type program, these same trends, declining farm numbers and rural population decline, are also occurring. These data indicate that factors other than CRP are driving decline in farm numbers and rural populations, and it is possible that CRP is helping to reduce this trend.



Number of Farms in North Dakota 1910-1997

Several prominent economists have demonstrated that through the advances in agricultural technology, a farmer can now cultivate many more acres than was possible in the past and they require a smaller labor force. In many ways agriculture is a mature industry in America, relying on large automated machines, an extensive transportation network, and precision equipment to plant, harvest, and transport grains. These technological developments require a much smaller labor force and allow large agricultural operations that simply do not require or support the labor force that was needed historically in rural America. In fact other service based industries, which require larger labor forces such as tourism, recreational operations, and retail to support entrepreneurial small businesses, which are often founded around quality natural landscapes are supported by conservation programs such as CRP. Instead of CRP being viewed as contributing to the decline of rural America, it holds promise in helping to restore quality natural landscapes around which new and diversified service sector and small business jobs can be built.

CRP has provided documented wildlife benefits to waterfowl, upland game birds, grassland songbirds, and many other species of grassland wildlife. The map below illustrates how CRP, in the Prairie Pothole Region, has national importance by helping to provide waterfowl to almost every state (map below shows the location of ducks banded in the PPR and how they migrate).



In 2007, over 16 million acres of CRP contracts expire, with an additional 6 million acres expiring the following year. CRP should continue as USDA's flagship conservation program, and be reauthorized with a focus on enhancing and expanding the existing CRP "wildlife legacy". Given all of the benefits of CRP to producers, the environment, and the American public, we cannot afford the loss of CRP authorization in the next Farm Bill. Such a loss would negate many of the documented wildlife and other environmental benefits that resulted from CRP over the past 20 years.

The CP-23 wetland restoration practice has been vital to restoring both the small wetlands and adjacent grasslands necessary for waterfowl, pheasants, and other wildlife. Under the general CRP signup options, this practice has enrolled 1.5 million acres. With the stated purpose of increasing the availability of this practice for wetland restoration, CP-23 was removed as a general signup option and made available through the ongoing continuous CRP (CCRP). Following the 26th general CRP signup, CP-23 eligibility was restricted to 100-year floodplains only with additional limitations related to eligibility for associated upland enrollment, effectively removing opportunities for wetlands restoration over large regions of the country. We recommend CP-23 requirements be restored allowing enrollment of depressional wetlands outside of 100-year floodplains with sufficient associated uplands (6:1) within the CCRP. This will maximize wildlife production from CP-23's and assist farmers and landowners with areas that are problematic for farming operations

Full technical assistance (TA) should be made available for program implementation that does not involve either acreage reductions or cuts to other important conservation programs. We support language in the current Senate budget resolution calling for these funds to be made available through the Commodity Credit Corporation. During the 26th general CRP signup it was apparent that additional resources should be made available to NRCS, FSA, and private sector organizations, to assist applicants during the signup process.

CRP management is an important tool to maintain and enhance CRP wildlife productivity throughout the contract period. Provisions for managed haying and grazing, mid-contract management, and the setting of primary nesting/broodrearing seasons should allow for regional variations and be driven by a goal of protecting and enhancing resource benefits. In some regions of the country more frequent disturbance of CRP may be necessary (e.g. every two or three years in much of the South and East), while over much of the grasslands regions of the northern and southern plains, management may only be needed once or twice during a ten-year contract. We recognize that much of the CRP "wildlife legacy" can be directly attributed to large blocks of grassland in the upper Midwest, but note that additional efforts are necessary to ensure that this wildlife legacy is shared nationwide, especially in the southeastern section of the country where cover establishment and management on CRP lands has not achieved the wildlife benefits expected.

We support continued use of Conservation Reserve Enhancement Program (CREP), CCRP programs as valuable tools to provide resource benefits in many areas of the country. We support the Departments' involvement with the Northern Bobwhite Quail Conservation Initiative and urge immediate implementation of CCRP practices targeted to improve bobwhite quail habitat needs.

WETLAND RESERVE PROGRAM (WRP)

The Wetland Reserve Program (WRP) was established by Congress in the 1990 Farm Bill and reauthorized in 1996 and 2002. In the 2002 bill, the national aggregate cap for WRP was set at 2,275,000 acres nationwide, a significant increase over the previously authorized maximum of 1,075,000. We applaud Congress, and this Subcommittee in particular, for their leadership in responding to landowner and producer interest in this ever-popular provision of the Farm Bill. As of the end of fiscal year 2003, 1,470,998 acres had been enrolled in WRP in all 50 states and Puerto Rico. Clearly, the nation's farmers, ranchers and foresters are helping to offset the loss of wetlands as called for by the President in his recent Earth Day Speech. Farms are enrolling lands in conservation programs such as WRP, CRP, and Conservation Reserve Enhancement Program (CREP). Popularity of WRP is particularly high in the Lower Mississippi Valley states of Mississippi, Louisiana, Arkansas, Missouri, Tennessee, Kentucky, and Illinois where 42% of the program acreage exists. Nationwide, demand for the program continues to exceed the annual acreage authorization (250,000 acres) by a factor of 3:1.

As mentioned in the introduction, voluntary, incentive-based conservation provisions as a component of national agriculture policy have provided the framework for "win-win" solutions on the farm and across the rural and urban landscape. WRP has provided an avenue for hard-

pressed farmers and ranchers to realize an immediate economic return on their investment by converting marginally productive or flood-prone lands into more appropriate uses. As a result, these land are not only providing additional recreational opportunities but also other societal benefits such as improved water quality, increased flood storage capacity and enhanced wildlife habitat.

The Lower Mississippi Alluvial Valley portions of Arkansas, Tennessee, Louisiana, and Mississippi comprise one of the most important waterfowl wintering areas in North America wintering at least 5 million ducks and geese annually. WRP has restored winter flooding on at least 45,000 acres, potentially providing feeding habitat for over 280,000 waterfowl. In Arkansas, Louisiana and Mississippi, WRP has reforested more than 400,000 acres of marginal farmland, providing habitat for a variety of wildlife beginning almost immediately and continuing as the forest grows and matures. White-tailed deer populations are high on WRP lands within days of planting, and as the forest matures Eastern Wild Turkeys return to the land, providing outstanding hunting opportunities.

Non-game wildlife benefits of WRP are also substantial. Many species of neo-tropical migrant songbirds are declining throughout their range. Many of these species are "area sensitive" meaning they require large, contiguous tracts of forestland to maintain stable or growing populations. Through WRP reforestation efforts, many existing mature tracts of bottomland hardwood forest have been reconnected, expanding the total forested area, and aiding the recovery of area sensitive species like Swainson's Warblers and Swallow-tailed Kites. WRP is also important to the recovery of the Louisiana black bear, a threatened species in Louisiana and Mississippi. Black bears are also area sensitive, hence WRP reforestation efforts will contribute to the recovery of their populations. Reforested lands also filter runoff and retain floodwaters, thereby enhancing regional water quality for a variety of fish and mussels, including the endangered pallid sturgeon, the pink muckett and the fat pocketbook mussels.

Partnerships between state and federal agencies, wildlife conservation groups and landowners have proven to be the key to success of WRP throughout this country. This is especially true for the restoration component of WRP wherein NRCS has partnered with non-government organizations like Ducks Unlimited in many states to restore and re-vegetate wetlands in a timely and cost-effective manner. However, the challenges of implementing the Technical Service Provider (TSP) program, coupled with the lack of Technical Assistance (TA) funding available to state level NRCS staff, has led to scaled back restoration activities on WRP lands in key states, as NRCS staff attempts to balance TA and Financial Assistance (FA) accounts. This largely administrative hurdle must be overcome soon if WRP is to achieve the objectives as defined in the 2002 Farm Bill in a timely and cost-effective manner. Full TA should be made available for program implementation that does not involve either acreage reductions or cuts to these and other important conservation programs. We support language in the current Senate budget resolution calling for these funds to be made available through the Commodity Credit Corporation.

In closing, we look forward to continued work with NRCS in resolving the TSP issue (NRCS reports that the TSP final rule will be released early this summer). We also recommend fully funding WRP to the authorized acres by the end of FY 2007.

WILDLIFE HABITAT INCENTIVES PROGRAM (WHIP)

The Wildlife Habitat Incentives Program (WHIP) plays a unique role in conservation program toolbox, because it can target specific fish and wildlife resource needs that other larger and better-known Farm Bill conservation programs may not be able to address. WHIP fills in the fish and wildlife conservation gaps and is popular with landowners and land managers that have not been the traditional beneficiaries of other Farm Bill commodity or conservation programs. While assisting recovery efforts for species currently listed as threatened or endangered under the Endangered Species Act, WHIP also is an essential part of the nationwide effort by state and federal agencies to address the habitat needs of species in decline before they get to the point where limited resources must be directed toward the listing process. For example, Kansas is using WHIP funds to remove invading trees from prairie chicken habitat and Utah is working to conserve sage grouse habitat. Indiana's WHIP program is benefiting at-risk species across the Hoosier state by meeting the habitat needs of wildlife requiring native grasslands, bottomland forests and wetlands. In Kentucky, WHIP funds will be used to help protect a cave that should preclude the need to list the Beaver Cave beetle.

A wide variety of fish and wildlife have benefited from WHIP projects, including the bobwhite quail, grasshopper sparrow, swift fox, short-eared owl, Karner-blue butterfly, gopher tortoise, Indiana bat, and acorn woodpecker. USDA's recent announcement that $3.5 million in WHIP funds will be used to restore salmon habitat demonstrates the wide-ranging benefits of the program.

Although Congress has increased the appropriation for WHIP each year since passage of the 2002 Farm Bill, producer demand for the program continues to outpace available funding. According to NRCS's summary of un-funded WHIP applications there were 2,406 un-funded WHIP applications totaling over $22 million in FY 2002 and over 3,600 un-funded WHIP applications in FY 2003 totaling over $40 million. This includes $1.5 million in un-funded applications last year in the Chairman's state of Idaho. WHIP's popularity with landowners and conservation partners is based on its targeted fish and wildlife benefits and because it addresses important management needs on lands that are not eligible for cost-share under other USDA conservation programs.

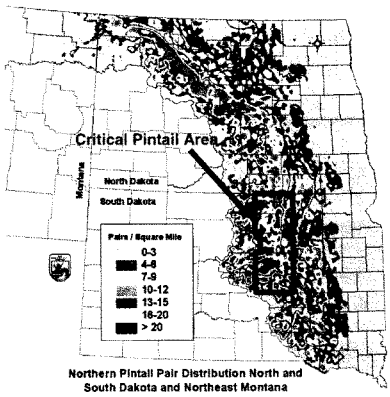
We recommend fully funding WHIP at the authorized level of $85 million in FY 2005.

GRASSLAND RESERVE PROGRAM (GRP)

Most native grasslands in the heart of the U.S., running from Texas to the Canadian border, have been converted to cropland since the 1800s. Nearly all of what was once tall-grass prairie has been converted to row-crop agriculture and now produces corn and soybeans. The mid-grass and short-grass prairies, further west, are becoming increasingly fragmented, but still provide a critical basis for our nation's livestock industry. In North Dakota alone, over 70% of native grasslands have been lost and thousands of acres continue to be plowed under each year. The

ranchers who steward these lands do so mostly on their own. While these plowed lands have traditionally supported the production of small grains in a crop/fallow system of cultivation, these areas are being converted increasingly to the production of new varieties of soybeans and other crops that are more drought-tolerant. Once broken, native prairie can only be restored to its former productivity and use after many years of intensive management, which requires both technical and financial assistance.

Remnant grasslands provide for an abundance of wildlife habitat, particularly for several rapidly declining species of grassland nesting birds. Native grasslands are also critical to pintails, and to declining songbirds and shorebirds such as Sprague's Pipit, Baird's Sparrow, and McCown's Longspur. More than 300 migratory bird species rely on the prairies, 170 species for breeding and nesting habitat and another 130 for feeding and resting during spring and autumn migrations. Many other wildlife depend on the prairies, including 25 mammals, 8 reptiles, 4 amphibians, and more than 55 species of butterflies. Native prairie is comprised of hundreds of species of plants supporting a multitude of unique species. Many of these plant species could have agronomic or economic value as new cultivars of grain and other crops are developed by future generations. Once plowed, this assemblage of species is nearly impossible to completely restore.



Northern Pintail Pair Distribution North and South Dakota and Northeast Montana

An example of national significance is the decline of the northern pintail population. During the 2003 breeding season, continental pintail populations were estimated to be 54% below the North American Waterfowl Management Plan goal. The collection of scientific evidence to date suggests that the strongest factor influencing declining pintail populations is reduced nest success on prairie breeding grounds caused by loss of grassland nesting cover. A common misconception is that the remaining prairie pothole grasslands are not at risk of tillage because poor soil conditions do not support row-crop agriculture. Yet, grasslands across the Prairie Pothole Region continue to be lost. In South Dakota alone 3.5 million acres of grassland were converted to other uses between 1977-97. In 2002, nearly 13,000 acres of native grassland were lost in just two South Dakota counties within the critical pintail breeding area. Demand for conservation far outstrips supply. Ranchers are standing in line to protect their land and their heritage with grassland easements.

With the authorization and implementation of the Grassland Reserve Program (GRP) in the 2002 Farm Bill, a vital tool was added to the conservation toolbox to assist ranchers in preserving their rangelands, their heritage, and the critical grassland wildlife habitat that remains. Although the program is too new for scientists to have conducted thorough evaluations of the impacts of the grassland protected under GRP on wildlife populations, it is clear that if grasslands continue to

be lost many of the plant and animal species that depend on them will decline with some of them approaching levels requiring designation as threatened or endangered species.

In 2003, $49.9 million was made available to fund GRP contracts and 812 contracts were awarded to protect 240,968 acres of critical grassland habitat. The landowner demand for this initial round of GRP funding was overwhelming. In South Dakota, applications for funding totaled $150 million for the $1.4 million allocated to the state. In North Dakota, 471 applications requesting $35.6 million were received, but only 3 projects could be funded (less than 1%). In Nebraska, 532 applications requesting $59.3 million were received, but only 6 were funded (1.1%). These figures clearly demonstrate the overwhelming demand for this new grassland conservation program and the importance of making the best use of limited funds by placing all three emphasis areas of plant and animal diversity, support for grazing operations and threats of conversion on equal footing in the application ranking process.

Most of the best soils for growing crops were brought into cultivation decades ago. The remaining grassland being plowed today is highly marginal in value for agricultural production, but it is highly valuable and necessary habitat for a large variety of wildlife as well as the ranching industry. Even after the passage of "Sodbuster" regulations in the Food Security Act of 1985, agricultural producers have continued to convert native, highly erodible lands, subject to securing a conservation plan that requires sufficient "residue" to remain on converted lands each fall. For example, USDA estimates that between 1982 and 1997, over 1.4 million acres of rangeland was converted in a major portion of the Northern Great Plains.

The native grasslands remaining in the U.S. provide critical wildlife habitat, enhance water quality, sequester greenhouse gases, and provide a forage base to maintain viable ranching operations and traditions well into the future. Due to the overwhelming demand for GRP and the public benefits of protection of the remaining native grassland in the U.S., increased funding for this program should be considered. Further, given the historic loss of grasslands, increased GRP funding should also be made available to fund grassland restoration efforts.

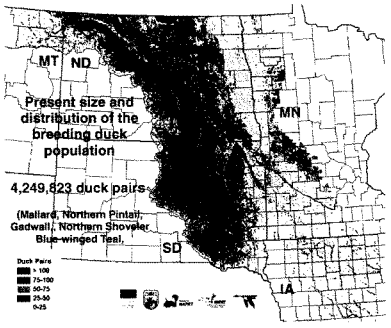
SWAMPBUSTER

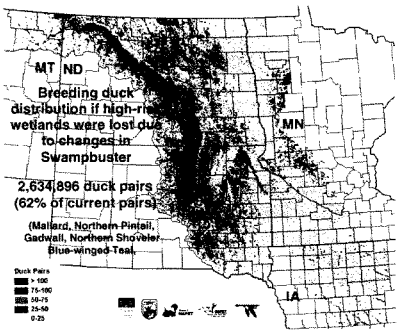
On April 22, 2004 to celebrate the 35th Earth Day, President Bush announced an aggressive new national goal of moving beyond a policy of "no net loss" of wetlands to an overall increase of wetlands in America over the next five years. Because the conterminous U.S. has lost approximately 52% of its original wetlands, this bold new policy will move the nation beyond just stopping overall wetland loss to increasing the vital functions of absorbing floodwaters, improving water quality, buffering coastal erosion, and enhancing wildlife habitat for hundreds of species that wetlands provide. Achieving this goal will require cooperation and diligence in protecting further wetland loss though regulatory and disincentive programs and encouraging wetland gains through incentive programs like the North American Wetlands Conservation Act (NAWCA) and the conservation title of the Farm Bill in particular the Wetlands Reserve Program (WRP) and the Conservation Reserve Program (CRP).

Secretary of Agriculture Veneman further announced on April 22, 2004 that America's farmers and ranchers produced a net increase of 131,4000 acres of wetlands from 1997-2002 according to the latest Natural Resources Inventory (NRI) statistics. These figures represent a dramatic turn around from 1954-1974, where past NRIs showed an average loss of 400,000 acres of wetlands on our nation's farms and ranches. The wetland trends reported by the NRI are the result of both disincentive programs such as Swampbuster which discourage the drainage of wetlands to grow commodity crops and incentive programs such as WRP, CRP and the Conservation Reserve Enhancement Program (CREP) which provide voluntary financial incentives to producers to restore wetlands on their marginal lands.

Swampbuster was established under the 1985 Farm Bill and is designed to discourage producers from draining wetlands by seeking to withhold farm program benefits from any entity who plants an agricultural commodity crop on a wetland converted after December 1985 or converts a wetland for the purpose of agricultural commodity production after November 1990. Swampbuster can be a vital tool in slowing the loss of wetlands, and therefore needs to be retained in future Farm Bills.

History tells us that the wetlands most vulnerable to drainage are the small, shallow wetlands that exist in heavily cropped landscapes. A recent analysis conducted by the U.S. Fish and Wildlife Habitat and Population Evaluation Team (HAPET) found that if Swampbuster protection was lost for these "vulnerable" wetland types in the Prairie Pothole Region of the Dakotas that the breeding waterfowl population would be reduced by 1.6 million (-38%) (see figures below). This analysis is evidence of the overall effectiveness of Swampbuster in protecting the wetlands most valuable to breeding waterfowl.





In accordance with the recommendations of the GAO Report, ***Agricultural Conservation: USDA Needs to Better Ensure Protection of Highly Erodible Croplands and Wetlands***, Swampbuster enforcement also needs to be enhanced to realize the full benefits of the provision. The GAO reports suggest the USDA should ensure that noncompliance waivers for identified violations are supported with adequate justification. The report also indicated that in response to farmers'

appeals that waivers were issued in 6,948 of 8,118 cases (61 percent) from 1993-2001. In many cases, the GAO showed that waiver decisions were not adequately justified. Without enforcement support, field staff have less incentive to find farmers out of compliance when such a finding is indeed warranted.

Maintaining a strong Swampbuster provision is especially critical to protect the smaller, shallow wetlands most important to wildlife in light of the 2001 U.S. Supreme Court decision, *Solid Waste Agency of Northern Cook County v. United States Army Corps of Engineers* (SWANCC) decision that questioned Clean Water Act protection of wetlands under the Migratory Bird Rule. In summary, the Swampbuster provision of the Farm Bill is vital to meeting the new national policy of an overall increase in America's wetlands each year. We recommend that USDA identify the steps that will be taken in response to the GAO report and that the Swampbuster provision should be maintained and enhanced in the next Farm Bill.

CONCLUSION

The conservation title of the 2002 Farm Bill provided authorizations for the largest array of conservation programs ever enacted within federal farm legislation. These programs are critical tools for the long-term conservation of soil, water, and wildlife habitat that also ensure a sound financial base for agriculture.

The majority of the wetlands, grasslands, and bottomland forests that originally existed in the U.S. have been lost. Many species of grassland and wetland wildlife continue to decline, many streams and rivers continue to fall below water quality standards, carbon and organic matter continues to be depleted from agriculture soils as a result of cultivation. Unfortunately, given the habitat deficit that existed when the 1985 Conservation Title was initiated, our nation's conservation work is far from complete.

As illustrated in this testimony, scientific studies demonstrate that CRP and WRP are resulting in measurable positive impacts on our nation's wildlife resources. As data is gathered on the newer or expanded conservation programs such as GRP, WHIP, CSP, and EQIP, we will be able to determine their effectiveness and suggest modifications to improve efficiency in reaching program goals.

The funding and available acreage for conservation title programs continues to fall woefully short of demand. Almost 70% of farmers and ranchers who want to enroll in CRP and WRP are turned away. The rejection rate for GRP is even more dramatic. Producers and rural communities want more of these programs. The documented interest in CRP, WRP, and GRP by farmers and ranchers speaks loud and clear. Farmers and ranchers desire a much higher level of conservation program funding and acreage availability than our nation is currently providing to restore their marginal lands to more sustainable uses, diversify their economic base, and improve environmental conditions on land under their stewardship. Simply put, we are not meeting their demand for assistance with their conservation efforts. These are the people who make up our rural communities, who are working the land, and who are the primary constituents of our nation's Farm Bill. We need to acknowledge these facts and look to better meet the demand for

conservation title programs in the future. This can be done while meeting the legitimate needs for supporting the production of our nation's food and fiber. This Subcommittee will play a vital role in insuring that the conservation needs of America's agricultural producers are met while balancing the needs for insuring continued agricultural production.

It is our view that full implementation of these programs can provide necessary conservation of soil, water, and wildlife resources, while protecting and enhancing our nations' farmers and ranchers ability to produce abundant and safe food supplies. In order for the full benefits of these programs to be realized, funding levels must allow producers access to the program levels authorized by Congress in 2002.

Last December and again last month, the President met with many of our groups leaders. He spoke of his strong support for wildlife conservation and of our groups' collective efforts at maintaining and enhancing America's wildlife heritage. The President voiced support for voluntary incentive-based programs such as the Conservation and Wetlands Reserve Programs. He echoed that support during his Earth Day speech last month. It is our hope that we can build upon that view with the members of the Subcommittee as we approach a new generation of farm legislation. We have numerous success stories from across this nation that document the proven success of CRP, WRP, WHIP and we hope to soon have new success stories about programs like the GRP and CSP. We offer our assistance not only in helping to deliver these programs to our nations' farmers and ranchers, but in helping to craft legislation and policies that will build upon our success stories.

We would be remiss if we didn't note that representatives of many of our organizations have worked with numerous offices of both the Farm Service Agency and the Natural Resources Conservation Service. While we don't always agree on solutions to issues, in our view this type of relationship is critical to maximizing program implementation for resource benefits and we acknowledge and thank our colleagues in these agencies for their willingness to listen and work with us.

Thank you for the opportunity to provide comments as you deliberate the role and future of conservation titles in agriculture policy. We have made the case that maintaining and expanding the scope of several proven conservation programs that are integral to a successful and balanced farm policy. The long-term health of our country and its citizens depends upon merging agriculture and conservation together in decision-making processes. We can lead the world in agriculture production while we maintain and improve our environment at the same time. The road to successfully achieving those goals starts with this Subcommittee.

Please do not hesitate to call upon us for any reason regarding these important issues. I would be happy to answer any questions you have.

Testimony of David Petty
of the
National Cattlemen's Beef Association

Representing the Views of the

National Cattlemen's Beef Association
National Chicken Council
National Milk Producers Federation
National Pork Producers Council
National Turkey Federation
United Egg Producers

Before the

Committee on Agriculture
Subcommittee on Conservation, Credit, Rural Development and Research
U.S. Senate

Concerning:

Implementation of the Conservation Title of the 2002 Farm Bill

May 11, 2004
Washington, D.C.

Mr. Chairman:

Good afternoon, Mr. Chairman. I am David Petty and am a farmer and rancher and resident of Eldora, Iowa. I am a member of the National Cattlemen's Beef Association and am here today to provide testimony on behalf of cattle, dairy, swine, and poultry (broilers, layers and turkeys) – collectively referred to as "livestock" in this testimony. We are very grateful to you and the Members of this Subcommittee for holding this hearing and for this opportunity to provide you with our views on the implementation of the conservation title of the 2002 farm bill. We cannot stress enough just how important it is to our producer members for the conservation title to be implemented well and effectively, and we welcome your commitment to this objective.

We know the members of this subcommittee understand better than anyone the significant economic contribution that livestock producers make to the U.S. agricultural sector. Livestock receipts were slightly more than $100 billion last year, and they consistently average 50% or more of total agricultural receipts. We are the single biggest customers for U.S. feed crop producers, and our single largest expense, by far, is the feed we purchase for our animals. Without a doubt, livestock agriculture is value added agriculture.

As you might expect, livestock agriculture is similarly important to the management of our nation's agricultural lands. According to USDA, in 2000, grassland pasture and range was the single largest land use in the country, accounting for 578 million acres, or 31 percent of the major land uses in the lower 48 states. Livestock operators also manage a substantial portion of the more than 300 million acres of land used for cropland. These statistics alone provide ample justification for a major and substantial federal investment in helping conserve the lands owned and operated by livestock and poultry producers.

Our associations and the producer members we represent worked very hard to secure an effective and well-funded conservation title of the 2002 Farm Bill. We very much appreciated the support that you and several members of this subcommittee provided to these programs. Our collective emphasis was on the Environmental Quality Incentives Program (EQIP), but the National Cattlemen's Beef Association also was and continues to be deeply supportive of and interested in the Grasslands Reserve Program (GRP). Many of those represented today also supported the Conservation Security Program (CSP) and continue to be very interested in the CSP program development in USDA that is underway today. The Farm and Ranchland Protection Program, Third-Party Service Providers, Technical Assistance are other issues of concern to us. Our comments today will focus on these programs and activities.

Environmental Quality Incentives Program

Livestock producers made it a top priority to work together during the 2002 Farm Bill process to ensure that the Environmental Quality Incentives Program (EQIP) was well-funded and structured so that it could be of real help to our operations. We believed that EQIP could be of enormous help to a large proportion of livestock producers. In particular, we were and continue to be seriously alarmed by the ongoing and new water and air quality regulatory requirements being imposed on animal feeding operations (AFOs) and we very much wanted to ensure that EQIP would be used to help producers facing those challenges. Our producer members and many Members of Congress believed that the amendments made to EQIP in the 2002 Farm Bill sent a very clear and strong message that EQIP assistance must be made available for that purpose.

We understand that fiscal year 2003, the first full year after passage of a farm bill that substantially amended EQIP, represented a difficult transition period for the program. This was a challenge made even more difficult by both the appropriations cycle and the agency rulemaking process. Fiscal year 2003 appropriations were not finalized and signed into law until after almost half of the fiscal year was complete, delaying by several months USDA's Natural Resource Conservation Service's (NRCS) allocation of EQIP funds to the states. Adding to the delay and frustration, the EQIP rulemaking was not finalized until very late spring. Both of these factors meant that NRCS's state and local offices had only a few weeks to get trained, conduct final reviews and to approve contract applications.

Even though we recognize that these were difficult circumstances, our coalition of livestock and poultry groups are very troubled by the fact that inadequate EQIP financial assistance was provided to AFOs representing all of major livestock species. It is absolutely essential that in 2004 and beyond EQIP financial assistance reach all AFOs, and that this assistance be of real utility relative to the regulatory requirements being imposed on our producers.

We address several other specific EQIP concerns below.

Pooling EQIP Funds at the State Level for Animal Feeding Operations—In most states in 2003 NRCS placed all EQIP applications for assistance from AFOs into a single pool with all of the other applications. As a result, an AFO's need for assistance to meet a regulatory requirement was competing against other applications involving strictly erosion control, habitat development, pasture management, riparian management, and other sound natural resource needs that have little or nothing to do with the challenges critical to the AFOs.

There were some states in 2003 that took a different approach and pooled EQIP funds at the state level specifically for the purpose of addressing livestock applications for assistance. We believe that to the fullest extent possible, NRCS

should set aside an adequate quantity of EQIP funds at the state level for the specific purpose of addressing AFO's needs for water and air quality protection assistance, particularly when producers need to adopt practices on the basis of current and emerging regulatory requirements.

Better Ranking Criteria for Producers Facing Regulatory Challenges—Many producers seeking EQIP's assistance with new regulatory challenges may have already done a good job of addressing certain of their operations' manure management issues important to water or air quality. Many livestock producers are finding that this past performance is penalizing them now in the EQIP application review and approval process. In 2003 many livestock producers found their 2003 applications being denied because they had done a good job of conserving certain resources on their farms. This was the case even though one of EQIP's top purposes is to help producers meet new regulatory requirements.

Many of these producers have been counseled that their applications would fare better if their applications included erosion control or wildlife habitat objectives that are not directly related to the manure management regulatory requirement at hand. This is particularly troubling.

It is our view that EQIP's application ranking procedures must give substantial priority to helping a producer get water or air quality protection assistance to meet a regulatory requirement even if:

- They have already invested in a good waste management/land application system and/or good erosion control on their farm.
- Their application does not address erosion control objectives that are unrelated to the erosion control needs that are to be addressed to ensure sound manure management on their farm.
- Their application does not address wildlife habitat objectives that are unrelated, or at best, peripherally related to addressing their water or air resource conservation needs.

Comprehensive Nutrient Management Plans (CNMPs)—Approximately 15,000 to 20,000 livestock producers nationwide will need to comply with the new confined AFOs feeding operation (CAFO) permit requirements under the Clean Water Act. The US Environmental Protection Agency has made it clear that the nutrient management elements of these permits can be fully addressed by something that NRCS has developed and calls a Comprehensive Nutrient Management Plan (CNMP). EQIP was specifically amended in the 2002 Farm Bill to make CNMPs a practice eligible for EQIP financial assistance. Beyond those operations subject to these permit requirements, there are tens of thousands of other AFOs that need and desire a CNMP. It is our view that EQIP, or some other appropriate program or authority available to NRCS, must be used to help every livestock producer that wants one get a CNMP. It is also our view and the

view of many others that NRCS will have to draw heavily upon non-NRCS Technical Service Providers (TSPs) to get this CNMP work done.

Unfortunately, livestock producers received very little assistance from EQIP in 2003 for CNMPs. Several states did not create an explicit CNMP practice eligible for EQIP and instead expected producers to assemble a set of other EQIP eligible practices that collectively might constitute a CNMP without ever explaining to producers how this could or should be done. While other states did make a specific payment available to producers for a CNMP, this payment was not intended to cover the costs of using a TSP to prepare the CNMP. Producers were expected to find these TSPs themselves and then let NRCS compensate them – unfortunately the TSP compensation rates (called Not-To Exceed or NTE Rates) that NRCS has said it is willing to pay are anywhere from 75% to 90% lower than what it costs to prepare a CNMP. As a result, and not unexpectedly, no credible TSP is willing to consider working on CNMPs at those rates.

We believe that NRCS should use whatever authorities and programs it can to provide direct assistance to livestock producers to get CNMPs. Full use must be made of TSPs qualified to do CNMP work in this effort, and payment rates for this work must accurately reflect the true costs involved. Rather than using TSP not-to-exceed (NTE) payment rates that were not designed nor ever intended to be used for establishing compensation rates for CNMP work, NRCS should instead retain TSPs directly under contract to provide CNMP assistance to producers, and let the normal contracting process establish payment rates that are appropriate and reflective of what the market can bear.

Cost-Share Assistance for "Mobile Equipment"--Certain mobile equipment provides the best, most effective and cost efficient means to help ensure that manure is used properly and to protect water and air quality. Unfortunately, mobile equipment is currently not eligible for EQIP cost-share assistance and this must be corrected.

One of the top challenges facing livestock producers is applying their manure to more land to ensure that the nutrients can be properly managed. This point has been driven home to all of us and to the general public by recent reports by USDA's Economic Research Service and NRCS, as well as statements by policy officials and regulators (including the recent CAFO rulemaking) and by the environmental community.

Pipes, pumps, and other manure transport equipment are essential tools to help producers access more land economically and in a timely and safer manner. Manure and waste water injection technology is going to be part of such systems and will also prove critical to air quality-odor reduction efforts while also protecting erosion-reducing surface residue. All of this equipment is largely mobile in nature. Such items can be accounted for in any contract

implementation review or oversight process used by NRCS and therefore at little risk of being removed from the farm.

Cost-share assistance as opposed to incentive payments is by far the simplest and most helpful means of helping producers acquire this equipment and is by far the most preferred method.

Higher Ranking For Air Quality and Odor Control Practices--Practices that protect air quality are a top environmental priority for many livestock producers. Many of these air quality systems work in many locations to provide significant odor control benefits as well. Several practices involving the use of biofilters are already part of NRCS conservation practice standards. It is critical that NRCS understand these systems and their importance to livestock producers. EQIP applications seeking assistance to install these systems must be given a high priority.

Species-specific EQIP Application and Contract Data—NRCS has never before collected and reported information that breaks out by livestock species the EQIP applications they have received and the EQIP contracts approved. NRCS has now generated such information for 2003 on an ad hoc basis and that information has proved invaluable to helping us understand EQIP's performance in 2003. We appreciate this information and believe NRCS should treat collecting and reporting this information as simply a standard element of EQIP. When collecting and reporting EQIP information for each livestock species NRCS should include information on the numbers of applications, contracts and producer involved, the dollar values, the type of financial assistance, the resource concerns to be addressed and the conservation practices to be adopted.

Exclusion from Eligibility of Sectors of the Agriculture Industry—We are deeply concerned that the Department excludes custom feeders from eligibility for program participation. Custom operations have become an ever more important part of diverse and complex agriculture operations. Custom feeding operations perform the exact same activity as do direct feeders and produce the exact same environmental effects. We had hoped and expected that EQIP would meet the actual environmental needs of production agriculture and that the Department would see its way clear through the complicated and interwoven regulations affecting these activities to support production agriculture.

Conservation Security Program

A number of members of the agriculture community were excited by the enactment of the Conservation Security Program as part of the 2002 Farm Bill. Other groups were leery of the new program, for fear that it would prop up inefficient producers and hurt the overall efficiency of the industry. Our overall goal is to create the regulatory and business environment in which our members

can thrive and produce the food needed for America and the world. We will be particularly supportive of those aspects of CSP that promote the economic efficiency of producers.

Still, we all realize that CSP addressed a desire by some segments of society to reward producers who are good stewards of the land. Our intention is to work with the Department and Congress to make the program and the principles underlying it be the most effective in helping livestock producers and the American public.

We are concerned with the direction the program appears to be taking after reviewing the proposed rule recently issued by the Department. Some feel CSP as envisioned in the proposed rule provides so few benefits for producers that many have commented to us that the program will not be useable on the ground. We urge the Department to consider a significant rewrite of the program in the final rule.

The program needs to be fixed in many ways, some of which are highlighted below:

Watershed Limitation
Last week's notice made it clear that NRCS plans to keep the restrictive watershed limitation it had originally proposed. The NRCS should heed the recommendation of thousands of comments in opposition to this part of the proposed rule and do away with it. With a fully funded program, a watershed limitation is not necessary. This is supposed to be a program which is available to producers nationwide. No reference was made in the law to giving preference to producers in a few "priority watersheds", except for enhanced payments made to producers who cooperate within a watershed. The watershed limitation severely and unnecessarily limits enrollment in the CSP and should be dropped.

Water and Soil Quality Requirements
NRCS should also do away with restrictive soil and water quality requirements. The proposed rule, and last week's notice, requires that in order to be eligible to participate in the CSP, a producer must have already addressed significant water and soil quality concerns. Nothing in the statute requires that a producer must already meet criteria in order to participate. Part of the purpose of the CSP is to enable a producer to reach these minimum standards. To require that they already be met makes little sense and severely limits eligibility in the program.

We also are troubled by the priority placed on addressing soil and water quality concerns as a matter of policy. This priority will make it very difficult for producers to address environmental concerns important to livestock producers such as air quality. The CSP statute addresses ALL resource concerns in the FOTG, including soil, water, air, energy, plant and animal life, among others. The Department should implement the program in the same manner.

Feedlot Participation
The proposed rule limits the eligibility of feedlots to participate in the CSP. We urge the Department to treat all agricultural operations the same under the program.

Last week's notice restricted feedlot participation by excluding them from the definition of "eligible land uses" for prioritizing watersheds. This exclusion reduces the chance that watersheds with feedlots will be selected for participation en though these watersheds may present the most opportunities for environmental remediation.

In addition, the proposed rule prohibits feedlots from being included in the base payment. An underlying policy driving the CSP is for producers to be paid who voluntarily install conservation practices. If the NRCS wants and expects feedlots to adopt conservation practices, they should receive the same payments as everyone else, particularly now that a significant national program sets payment for practices as the social norm. Excluding feedlots from base payment eligibility flies in the face of one of the central purposes of the CSP program.

Low Payment Structure
The very low payment structure under the proposed rule must be reconsidered. The low payments would be a huge disincentive to participation.

The purpose of the base payment envisioned in the law is to encourage producers to participate and reward them for their conservation efforts. The base payment is supposed to equal the national rental rate, or other appropriate rate to reflect local conditions, for land enrolled in the program. Unfortunately, the NRCS proposed to reduce the base payment down to ten percent of the rate in the statute.

In addition, the proposed rule proposes cost share payments that are less than EQIP. Given the low base payments and low cost share, it is hard to understand why a producer would choose to participate in the CSP program at all. It makes little sense for a producer to lock himself into a minimum five-year commitment for a program that pays less than other programs.

Other Concerns

Benchmark Inventory
Requiring producers to develop their own benchmark condition inventory may act as a disincentive for program participation. While some producers will be able to create the desired inventory, others will not. The Department should consider allowing third parties to conduct the benchmark if producers seek the help.

Periodic Sign-Up

The proposed rule provides for periodic signup for the CSP. We believe that the sign-up period should be continuous so that producers can sign up during a time that is convenient for them.

Grassland Reserve Program (GRP) and the Farm and Ranchland Protection Program (FRPP)

Landowners across the West and the Midwest are anticipating the release of the rule for the Grassland Reserve Program. Members of our groups were among the principle drivers behind the creation of the program during the last Farm Bill. A principle concern in supporting the program was to keep large grass landscapes intact for working ranches and biodiversity by providing an incentive to keep the land intact and not break it. It is widely recognized that the biggest threat to biodiversity is the conversion of landscapes out of natural and grass conditions. The relatively simple notion of keeping grass intact reflects the interest of our groups in seeing that program money get spent on the narrow, though critical, goal of the program and not for ancillary activities.

We are concerned the Department is moving away from this basic concept in its implementation of the program. Moreover, we are concerned the Department is implementing the GRP and administering the FRPP in a way that is not sufficiently respectful of the rights of private landowners.

First, the NRCS requirement that a conservation plan be developed in conjunction with GRP contract and easements was considered and rejected by those who drafted the statute. The grass is either kept intact or not. Requiring the production of a conservation plan makes more sense in connection with the Conservation Security Program which explicitly contemplates implementation of progressive levels of conservation practices to meet ever more comprehensive resource threats. At a time when NRCS is concerned about whether it will have sufficient technical assistance dollars to pay for program implementation and its core conservation activity, we believe that production of conservation plans in connection with GRP contracts and easements is a particularly poor use of these funds, and not consistent with the spirit animating the program.

A key goal of the program as drafted was to extend the reach of conservation to producers who do not normally participate in programs. So the statute authorizes the Secretary of Agriculture to transfer ownership of program easements and contracts to qualified third party land trusts. The underlying issue is that a number of our producers are not comfortable selling an easement that will be held by the government. These producers would be more likely to enroll in the program if a non-federal entity owned the easement. Unfortunately, the Department somehow misconstrued this provision of the program and has barred ownership of program easements and contracts by third party land trusts. We seek remedial legislation to further clarify this issue.

With respect to the Farm and Ranchland Protection Program, we are concerned the program is not sufficiently sensitive to property owners. In particular, the Department lacks adequate procedures for notifying landowners when monitoring visits will be conducted on their property. Additionally, the Department lacks clear criteria for defining when the Department will assume an easement that had been held by a third party land trust.

We have been working with the Department on the Farm and Ranchland Protection Program issues and hope we will be able to reach a satisfactory resolution of the issues with them. We will also keep the Committee apprised of our progress on these matters.

Wildlife Habitat Incentives Program

Our community supported reauthorization of the WHIP to help our producers meet the regulatory burdens imposed by the Endangered Species Act. The Fish and Wildlife Service is in the process of deciding whether to list the sage grouse, which should it be listed would affect land use in 11 states in the West. We applaud the efforts of NRCS to use WHIP in conjunction with many other federal and state efforts to help conserve sage grouse habitat and avoid the need to list the bird.

EQIP and Technical Assistance Costs

This coalition of livestock groups was dismayed and concerned over the disagreements about how the technical assistance costs of the conservation title's programs were to be paid. We were deeply concerned when it became apparent that funds were going to be diverted in fiscal year 2003 from EQIP, the GRP, the Wildlife Habitat Incentives Program (WHIP) and the Farm and Ranchland Protection Program (FRPP) to support the implementation of the Conservation Reserve Program (CRP) and Wetland Reserve Program (WRP). Unfortunately this situation persists in 2004 and anywhere from $60 to $110 and even more could be diverted from EQIP to pay for CRP and WRP technical costs every year of this farm bill. This is simply unacceptable given livestock producers and other farmers' needs for EQIP assistance.

We supported in 2003 and continue to support Congress taking action to correct this situation. We adhere to the principle that each of the 2002 Farm Bill conservation programs should pay for their own technical assistance (TA) costs. We do not support the use of funds from one set of farm bill conservation programs to pay for the TA of other farm bill conservation programs.

We were pleased to see that the Senate's 2004 Budget Resolution included a technical correction in the Budget Committee's baseline for the CRP and WRP to include the funds needed to pay their own technical assistance costs. We are supporting the inclusion of this provision in the Conference Committee's report on the Budget Resolution. If this occurs, we wholeheartedly support Congress

passing subsequent authorizing legislation that would direct USDA to use those funds to pay for the CRP's and WRP's technical assistance costs.

Technical Service Providers (TSPs)

Livestock producers recognized in the 2002 Farm Bill debate that the scope, intensity and type of new conservation and environmental work was going to be more than the existing NRCS staff could handle. Just the sheer volume of work ensures that was the case, but also the skill sets necessary to do the work also meant that NRCS was going to have to conduct major new training programs for a significant number of new or existing employees, and/or NRCS would have to rely on non-NRCS technical service providers that already have these skills and capabilities. Nowhere was this more evident in the need for comprehensive nutrient management plans (CNMPs), but this concern was appropriate for several other technical areas including grass and pasture management, wildlife habitat establishment, as we as advanced nutrient and pesticide management. Livestock producers believed that budget and hiring realities meant that NRCS would have to put particular emphasis on the use of TSPs, and it was for this reasons that we supported the expansion of the TSP provisions in the farm bill and the added emphasis on their use.

The rulemaking implementing the TSP provisions provide considerable flexibility to NRCS in finding appropriate and effective ways to make use of TSPs. But the rulemaking and subsequent implementation by NRCS in the States has placed primary emphasis on one particular approach – relying on producers to have an advance agreement with NRCS, and then locate an NRCS certified TSP of their choice to carry out a particular technical assistance task, pay that TSP for the service and then submit to the NRCS an invoice for the cost with supporting documentation. NRCS has apparently emphasized this approach out of an interest to introduce "market-like" forces and elements of competition into the process, and to provide producers with the maximum choice possible about the TSP they would be using.

While laudable objectives, we find the particular approach taken by the rulemaking and its implementation to be extremely cumbersome and unwieldy, creating far too much uncertainty and management costs of the producer, and in general unnecessarily complicating the entire process. Adding to this complexity has been NRCS's attempt to develop county-by-county specific "not-to-exceed" (NTE) payment rates for a broad array of technical services. Most producers and TSPs have found this system very difficult to understand and use, and as a result has significantly diminished or eliminated producers use of TSPs under this particular approach.

At the same time our groups recognize and appreciate the fact that NRCS worked hard with its states to ensure that at least $20 million in technical assistance was provided through TSPs last year, and that they are working hard to double that amount to $40 million in 2004. While this is a relatively small

amount given the work that needs to be done, it is a definite start. It is our understanding that the vast majority of these funds have been spent using an alternative approach to that described above. Most of those funds were used to retain TSPs in 2003 through the use of direct contracting arrangements between a TSP and NRCS for a specific set of technical services. Competition among TSPs for these contracting arrangements ensures that market forces are brought to bear on the rates being paid. NRCS sends the TSP to producers known to need the services and the administrative burden on the producer is greatly reduced.

We believe that this type of direct contracting approach is far superior to producer-centered process provided in the TSP rulemaking. We strongly encourage NRCS to aggressively pursue the use of TSPs through the direct contracting approach and to expand the use of TSPs to ensure that producers are getting all of their technical support needs met.

Accountability in Technical Assistance

Whether it is provided by TSPs or NRCS's own staff, we fully support NRCS's efforts to continue to create a system that can fully and explicitly account for how technical assistance funds are being used by NRCS in support of its programs and missions. Without such a system it is becoming harder and harder to provide decision makers and policy officials with credible justification for why farmers need this assistance and why funding for it should continue.

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Testimony of Francis Thicke
Presented on behalf of the Sustainable Agriculture Coalition
to the
Subcommittee on Forestry, Conservation and Rural Revitalization
of the
Senate Committee on Agriculture, Nutrition and Forestry

May 11, 2004

Good morning! My name is Francis Thicke and I am a farmer from Fairfield in Southeast Iowa. My wife, Susan, and I own and operate an organic, grass-based dairy farm where we process our milk on the farm and market fluid milk, yogurt and cheese through local grocery stores and restaurants. The rotational grazing based farm is managed organically to improve soil life as well as plant and livestock diversity. I am a member of the Iowa State Technical Committee and chair its CSP subcommittee. I am pleased to be here this morning to talk on behalf of the Sustainable Agriculture Coalition about the most important working lands conservation program in the history of U.S. conservation efforts – the Conservation Security Program.

As I look around Iowa and the Midwest, I see mostly monoculture farming and also see much environmental degradation associated with prevailing farming practices. For that reason I was excited when Congress created the Conservation Security Program in the 2002 Farm Bill. I give Congress a lot of credit for structuring CSP to not only reward farmers who practice good stewardship but to motivate other farmers to progressively adopt practices that will protect all their on-farm resources from degradation—and as a result improve our water, air, soil, biodiversity and other resources across the country.

From what I have seen, there appears to be unanimous support for CSP among farmers and the many farm organizations that represent farmers. CSP is clearly a farm program whose time has come.

With all the promise CSP holds, it is confusing to me—and many farmers I have spoken with—why USDA appears to be unwilling to implement CSP as it was created by Congress. Why has USDA created an elaborate watershed selection and application ranking process that will severely restrict the number of farmers eligible to participation in CSP when the 2002 Farm Bill clearly intends for CSP to be an open-enrollment, continuous sign-up program? The USDA plan to limit farmer participation runs counter

to the 2002 Farm Bill call for a nationwide program with all farmers practicing effective conservation and environmental protection eligible to participate.

We understand that the $41 million budget cap for fiscal year 2004 will limit CSP enrollment in this first year of implementation, but beginning in October, CSP returns to its 2002 Farm Bill status as a conservation entitlement program. In disregard of the law, however, USDA has indicated with its recent CSP program notice that it intends to continue following its plan for restricted farmer participation in 2005 and all future years.

Over 14,000 farmers and other citizens sent comments in response to the proposed rule for CSP and overwhelmingly rejected USDA's plan for restricting participation in the program. Yet, it appears USDA has stubbornly ignored both those comments and Congress' directive that CSP is a conservation entitlement program.

Now I should hasten to add that before returning to farming, I worked for USDA in Washington, D.C. and helped write rules for USDA conservation programs. When I look at the proposed rules for CSP I do not recognize the spirit of the conservation-minded folks at the Natural Resources Conservation Service. Perhaps what we are seeing is the long shadow of the Office of Management and Budget (OMB) or perhaps political level decisions. Whatever the case may be, it is clear to me the assumption of a pre-ordained budget cap on the CSP is the one big domino that is knocking down all the other dominos that are collectively imploding CSP: watershed rotations, enrollment categories, greatly reduced payments for conservation practices, and all the other items in the proposed rule that serve to limit farmer interest and participation in CSP.

As a farmer looking at the May 4 notice and the January 2 proposed rule, I see major problems. Let me walk through some scenarios.

I have made a major commitment to conservation, converting a severely degraded conventional corn and soybean operation into a grass-based farm with an emphasis on plant diversity, soil health, and wildlife restoration. I am very interested in enrolling in the CSP and look forward to the opportunities it affords not only to maintain and improve my conservation farming system, but also to participate in its on-farm demonstration and monitoring and evaluation components. Then the target watersheds are announced, and I am out of luck – my watershed is not chosen. Despite the law's clear requirement for an accessible nationwide program for top-notch conservation systems, I am left out.

Or maybe I luck out and my watershed is chosen, but now I have to contend with prescribed "categories" of farms that will be used as a ranking system to decide who gets in, this despite the law's clear prohibition on ranking or competitive bidding systems. On closer examination, the "categories" as determined in Washington, D.C. appear to favor undiversified, input-intensive commodity crop production systems of the type that are part of the cause of major water quality problems in Iowa and all the way to the Gulf of Mexico and which do little for wildlife or biodiversity. Even for soil quality, the top priority chosen by USDA for their CSP categories, emphasis is given not to farms that have obtained the most positive net results, but to those who, however poor their starting

point, are trending in a positive direction. I am left scratching my head – how did a program designed to reward top conservation performance and the most beneficial farming systems get so distorted? Has special interest politics so poisoned the premier conservation agency that it is willing to surrender basic principles of sustainability?

Now let's suppose, since I have already shifted from crops to grass-based dairying, I am nonetheless able to enroll by coming out on top under the criteria for pastures. What now? For base payments, the program is offering payment rates reduced by 90 percent of what the law mandates. As a member of the Iowa State Technical Committee, we were sent a short list from headquarters of conservation practices that will qualify for cost-share payments under CSP, with the maintenance and management payments for existing practices touted during passage of the farm bill limited to certain structural and vegetative practices. And, according to the proposed rule, whatever cost share is available for new practices will be reduced to far lower than normal levels. So far it's looking like a program on the cheap and a program to restrict options and farmer innovation.

But perhaps the enhancement payment feature of the program payment structure will come to the rescue. Perhaps, but so far USDA has released virtually no information about how enhancement payments will work, with no substantive information in the proposed rule and scant information even to the State Technical Committees. On one happy note, the agency has released a template for "management intensity" factors which could provide a big assist to enhancement payment formulas, especially if states are allowed to establish increasing degrees of management intensity for progressively higher payments. While I am pleased to say the Iowa STC CSP Subcommittee is hard at work trying to develop a good set of enhanced payment priorities and payment rates, I am also fearful the recently released "enrollment categories" and prescribed "conservation activities" from the May 4th Federal Register notice may be an indication that now headquarters has other plans. Hopefully the conservation "activities" proposed for eligibility criteria are not intended also to serve as enhancement activities.

It is my strong hope the entire payment structure will be revised to provide reasonable payment rates with good incentives for the most sustainable conservation and production systems. The 90 percent reduction factor should be eliminated, and care should be taken to ensure that pastured cropland is not discriminated against in the payment formula. Modest management and/or maintenance payments should be made on the full range of high priority conservation practices that are keys to solving the priority resource concerns. Enhancements payments under the first enhancement payment factor should be based as much as possible on performance outcomes and relative degrees of management intensity, and should be linked whenever practicable to on-farm research and demonstration or on-farm monitoring and evaluation efforts.

Now let's say for the sake of argument I have enrolled and implemented the CSP conservation plan and received payments. At the end of my first five year contract I am ready to re-enroll. The law clearly gives the farmer in good standing the right to renew the contract every time it is set to expire. But wait. USDA has instituted a watershed rotation plan and my watershed will not be open again for enrollment for another 4 years.

I am out of luck. My right to remain in this program has been taken away. In equivalent commodity program terms, this is like saying despite the fact that I have base acres and despite the fact the program is ongoing, I can only participate sporadically based on the whims of a rotating participation plan.

I hope you will agree this plan is untenable. Congress specifically mandated that CSP is an uncapped, entitlement program, first in the 2002 Farm Bill and again in the 2004 omnibus appropriations bill. By advocating for a budget cap on CSP, and then presuming to write a rule premised on its own desire and advocacy for a cap, the Administration is violating the letter of the law and attempting to rewrite the 2002 Farm Bill. I urge this Committee to use its full weight and influence to correct this situation, or I fear the extreme conflict between statute and rule will result in an appointment with the federal court system and all the needless time and delay that would entail. In the meantime, U.S. farmers and the public will be denied the substantial benefits that will be reaped from full-scale implementation of the CSP.

Among the major issues that need to be changed to bring the CSP plan into harmony with the statute and congressional intent are the following:

- removal of provisions to limit participation to particular, rotating watersheds;
- dropping plans for a ranking system of farmer "categories" to determine eligibility and in its place developing a system to determine the minimum conservation and environmental threshold for participation in the CSP;
- establishing the conservation and environmental threshold based on total resource management and overall performance-based outcomes, not on single resource measurements of change at the margins;
- switching back to a continuous sign-up process, a procedure which not only would be farmer and customer-friendly but would also help spread the technical assistance workload over a broader timeframe;
- revision of the base, cost-share, and enhanced payment structure so the program offers genuine cost-share assistance plus authentic stewardship incentives and payments for conservation benefits currently being delivered;
- equitable treatment of resources of concern such that tier one and two participants may choose from among major, actual resources of concern for their farm and locality, all tiers must reach the relevant resource management system (RMS) quality criteria within the contract period, and no participant is required, as a condition of eligibility, to have already fully achieved the relevant RMS quality criteria;
- explicit incorporation of the statutory provision for enhanced payments for resource-conserving crop rotations, managed rotational grazing, and conservation buffers;
- removal of the prohibition on contract renewals and incorporation of the statutory mandate that contracts in good standing are renewable at the option of the producer;
- removal of the provision for enforcing CSP requirements on land for which no CSP payments will be made;

- inclusion of a direct attribution of payments provision to prevent payment limitation abuse; and
- inclusion of a more complete range of NRCS-approved conservation practices as well as interim practices and pilot-testing of new, innovative practices.

We do not believe the law allows USDA to select contracts from some eligible producers, while denying CSP contracts to other eligible producers. USDA should set reasonable eligibility standards, set a high environmental bar, and approve all submitted CSP Plans that meet those standards. Budget control should be accomplished by running a program with integrity, including a high conservation and environmental bar for entry and a comprehensive conservation planning and implementation basis for participation in the program, not through arbitrary limitations and restrictions. Many elements of the CSP statute which, properly followed and incorporated into the rule, help provide for a cost effective program. For instance:

• The CSP is the first USDA conservation program to require, by law, that participants achieve resource management system quality criteria for resources of concern and, at the highest tier, a full resource management system.

• The CSP has the strongest environmental screening criteria compared to any similar program that has come before it, and the Department can improve these criteria dramatically by accelerating movement toward performance-based measures and by adopting high minimum requirements.

• The CSP correctly emphasizes management practices and a systems approach, which also help maximize conservation and cost-effectiveness. The CSP also requires that least conservation alternatives be pursued, and it prohibits payments for equipment and nonland-based structures unless they are an integral part of the conservation system and essential to achieving the conservation purposes of the plan.

• The CSP limits assistance per farm with tight per farm payment limitations, prohibits payments for high cost animal waste structures and equipment for CAFOs, prohibits payments for basic conservation compliance measures on highly erodible cropland where already required by law, and prohibits payment on newly broken out cropland

• The Department can take additional steps to maximize conservation and limit budget exposure by developing a sound means of establishing resources of concern, setting a high bar for participation, and requiring cropland participants to utilize diversified, resource conserving crop rotation and other high impact, high pay-off conservation farming systems at the tier II and III levels.

With adequate implementation and full funding, the CSP can foster a shift for all of US agriculture toward a more sustainable path. The public investment in the CSP will pay big dividends by fostering substantial net public benefits in the form of healthy and stable soils, cleaner water and air, greater biodiversity, better wildlife habitat, increased carbon storage, and restored and enhanced wetlands and prairie. By taking a conservation

systems approach rather than a single practice approach, by requiring that real resource problems be solved to a sustainable use level, and by emphasizing cost-effective management practices, resource enhancement, and monitoring and assessment, the CSP marks the most comprehensive and rigorous federal agricultural conservation incentive program to date. CSP payments, capped at a modest amount per farm per year and fully compliant with our international trade obligations, are also a model for the type of farm program that will garner and maintain public support.

My view from the farm is that this is far too important a program to the future of U.S. agriculture to get it wrong. Please help get it back on the right path. Continue to retain the full-scale program by defending this Committee's decision to fund the CSP through the Commodity Credit Corporation and by keeping the CSP out of the appropriations bill. And urge the Department to act quickly to revise the proposed rule to bring it into accord with the law and the vast majority of public comments.

Thank you for the opportunity to present my views. I will be happy to try to answer any questions you may have.

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