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REGIONAL FARM BILL FIELD HEARING: ANKENY, IOWA

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

Monday, July 24, 2006

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REGIONAL FARM BILL FIELD HEARING: ANKENY, IOWA

MONDAY, JULY 24, 2006

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Ankeny, IA

The Committee met, pursuant to notice, at 9:10 a.m. on the campus of Des Moines Area Community College in Ankeny,

Iowa, Hon. Saxby Chambliss, chairman of the committee, presiding.

Present: Senators Chambliss, Harkin, and Grassley.

OPENING STATEMENT OF HON. SAXBY CHAMBLISS, A U.S. SENATOR FROM GEORGIA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. Good morning. First I would like to thank our panel members who in a lot of instances have traveled great distances to be here. We appreciate very much you taking time to come share some thoughts with us, as we look forward to moving ahead with writing the next Farm Bill. I, first of all, want to say to Greg Martin, the Vice President of Des Moines Area Community College, how much we appreciate your hospitality here. I understand that your President, Mr. Denson, is away because he's having a grandchild and that's the best reason for him not to be here. And I say that as a grandparent myself. So we do thank you on behalf of the Senate Ag Committee for your great hospitality. What a great facility to have this in—beautiful campus as we came in, too.

And I'm pleased to be back in Iowa. I've been here on a number of occasions, primarily to go pheasant hunting with my good friend, Tom Latham from up in Alexander. And I just want you to know as a member of the Senate, I'm traveling to Iowa to request of Senator Harkin and Senator Grassley. I am not running for President.

[Laughter.]

The CHAIRMAN. I may be the only member of the Senate not running. But I am here, because we're going to talk about agriculture, this morning. I am particularly pleased to be here with my two good friends, Tom Harkin and Chuck Grassley.

You know, the Ag Committee has always been a very bipartisan committee. And Tom and I have had a great working relationship. We have different interests, obviously from an Ag perspective, but he has been very supportive of me, and my interests, and likewise, I have of him. But the most important thing is that we both believe in a strong agricultural America. It's the number one industry in

our country. It's the heart and soul of the economy of our country, and as we move into the writing of the next Farm Bill, you're going to hear us talk a lot about agriculture now becoming a National Security issue.

So to Tom and to Chuck, both of whom have been my great friends, I say thank you for letting me come to Iowa. You know, Chuck and I have gotten to be very good friends over the years and I know him just like the folks in Iowa know him. He's prone not to spend a lot of money wherever he goes. He reads used newspapers. He's so cheap.

[Laughter.]

The CHAIRMAN. And when I was coming in from the airport last night, I asked Keith, I said now, where are we staying? Please tell me that Harkin picked out the hotel and not Grassley.

[Laughter.]

The CHAIRMAN. Otherwise, I would have been in a camper on the lake somewhere. Chuck is a great American and thank goodness he is as fiscally responsible as he is. Being Chairman of the Finance Committee, that's where we need him.

We are holding today our fourth field hearing. We have previously held hearings in Georgia, Missouri, and Pennsylvania. We leave here to hold four more hearings in Oregon, Nebraska, Montana, and Texas. These hearings are intended to provide farmers, ranchers, and family foresters an opportunity to directly share their thoughts with the committee on the direction of the next Farm Bill. By the time we have finished the field hearings the committee will have a thorough record to guide us, as we write the legislation that ultimately sets our farm policy for the next several years.

Iowa is part of the Bread Basket of America. Your state is well known for it's more than 20 million corn and soybean acres in production, 16 million hogs, and a multitude of ethanol plants. Yet, Iowa is not blessed with the ability to produce cotton and peanuts, like we are in Georgia and I thank the Lord for that.

However, even though you may not know it, cotton actually plays a very important role right here in Iowa. At the John Deere Plant not too far from here, the plant's 1,400 employees recently celebrated the 1 millionth engine that rolled off the assembly line. This engine was put into a brand new cotton picker. Forty-five percent of this plant's production is cotton pickers and most of that heads to the Southeast.

Another bit of good news from Iowa, just last week the Senate passed the Water Resources Development Act that will authorize the construction of seven new locks on the Upper Mississippi River. This will keep American agriculture products competitive in the world market and provide jobs for thousands throughout the region.

I know that the corn and soybean grower associations and the Iowa Farm Bureau have worked to see this legislation passed for 6 years. It's taken a long time, but we ended up with a good bipartisan bill that addresses water infrastructure and environmental restoration needs.

I'd like to thank the witnesses here today for taking time to provide testimony and answer our questions. And again, to my col-

leagues and my friends from Iowa, Senator Grassley and Senator Harkin, thank you for hosting us in your wonderful state and for your work of the Senate Agriculture Committee on behalf of all agriculture.

Again, I want to thank President Rob Denson for the use of this facility. And last, I want to recognize Ellen Huntoon with Senator Harkin's Iowa stay. Without Ellen, this hearing would not have been possible. So to Ellen, we thank you very much for all of your hard work in putting this together. Now, let me turn to Senators Harkin and Grassley for any opening statements they would like to make. Senator Harkin?

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

Senator HARKIN. Well, thank you very much, Mr. Chairman for coming to Iowa to hold this hearing here. In the interest of full disclosure I do want you to know that I reciprocated. You've come here to Iowa to hunt pheasants. I've gone to Georgia to hunt quail. So your quail's pretty good eating, but so is our pheasants and come back again this fall. We'll have plenty of corn fed pheasants. Just don't go to South Dakota to hunt pheasants. They got sand fed pheasants out there. We have corn fed pheasants here.

But, I'm also pleased that we're joined by Senator Grassley. It's nice having two Iowans on the Agriculture Committee, like Congressman Boswell from the House, and Iowa Secretary of Agriculture Patty Judge, and many others in the audience, and on the panels.

Farmers in all of rural America face some real challenges ahead. Primarily, because of stronger competition and increasingly global economy, or the world is flat as Tom Friedman said. And I think the future holds tremendous opportunities for agriculture in rural communities. That's why I'm optimistic about the future of rural America. We continue to lead the world in productivity, Ag productivity across the board. We're now just at the beginning of a whole new world of biotechnology, bio fuels, bio-based products, farm based renewable energy.

I think our biggest challenge for the next Farm Bill is a bold and creative vision for U.S. agriculture. One that promotes diversity, enhances profitability, protects the environment, encourages rural economic development, and a quality of life in rural America. The Farm Bill is called upon, both to deal with the immediate challenges that we face and look farther ahead to build and respond to this vision. It's critical to our children and our grandchildren.

The Farm Bill needs to promote a better and broader based farm income, rural economic growth and jobs, conservation of natural resources, Ag productivity, trade. And as I said, it needs to help preserve and in fact, improve the unique quality of our rural way of life.

Overall, I think the 2002 Farm Bill has worked well for farmers in rural America. I'm proud of what we accomplished in that legislation. Yet, we are continually called upon to deal with changing circumstances, new information, new perspectives. Our farm in rural policy has evolved over time and it will undoubtedly continue

to do so. So farm commodity programs will continue to change. We may or may not have a Global Trade Agreement within the next few months. I hope we do. However, it's clear our international commitments and responsibilities make change inevitable.

Also here at home, the commodity programs are being more closely scrutinized and reexamined. So, there will be changes. Now, that doesn't mean we can't provide Federal Assistance. We can still have a good system of income protection with counter- cyclical functions. Support to conservation, farmer owned value ad adventures, rural development, farm based renewable energy in agriculture research are all allowed under our Trade Agreements, present ones, or anything on the horizon.

So we made some progress in those areas in the 2002 Farm Bill. Unfortunately we've lost much of the funding we dedicated to them, because of the Federal Budget situation. The Conservation Security Program, for example, has been cut way back and we simply have to regain some of the ground that we've lost since 2002.

As the Chairman has noted, we will also examine in the future the nutrition program's part of the Farm Bill in a future hearing. And we're going to hold some more hearings on rural economic development. We should address in the next Farm Bill the dramatically changing economic structure of agriculture and agricultural markets. We have to make sure that USDA has adequate authority and that it's enforcing the law to keep those Ag markets fair and honest.

So again, I want to thank all of you who are here, especially those of you who have come a great distance and for your excellent testimony. I spent a lot of time yesterday on airplanes and sitting in airports, because of weather. So I had the chance to read all of your testimonies. I want you—I made enough notes on your testimonies to keep my staff busy for a long time getting the information.

Let me again thank Greg Martin, the Vice President of DMACC and for hosting us here. Jack Payne, Vice Pro-host of extension representing ISU. Where's Mr. Payne? I know he was supposed to be here. Well, maybe not here yet. I also want to introduce the first person I'd ever worked for in Congress, and the author in 1968 of the Wholesome Meat Act, which really did so much to make sure that knowing we had wholesome meat, that the consumers of America knew that they could rely upon clean wholesome meat when they went to the store to buy it. I think it has done wonders for our whole economy, and he's been a farmer all his life, and he's still with us, and that's our former Congressman Neil Smith right up here. Congressman Smith.

[Applause.]

Congressman HARKIN. Thank you. I want to thank the Iowa corn growers, the Iowa Soybean Association, Associated Milk Producers for the food and beverages outside. I want to mention that after this hearing, the three of us, or four of us, well, anyone that wants to go. We're going to go to the Kum and Go Station right up the street here for a little bit of filling up the Iowa Corn Growers vehicle with E–85 and talk a little bit about the future of E–85 before we have to get to the airport to take off. That will be right after the hearing. We'll be down there. You're all welcome to that.

Let me ask one other question. We have a deaf interpreter here and I'm going to ask her to ask, does anyone need interpreting services? Is there anyone here who needs to have an interpreter? If not, I will thank the interpreter for being here and excuse her at this point in time then.

And last let me introduce for brief comments and a welcome, our Iowa Secretary of Agriculture, Patty Judge.

[Applause.]

STATEMENT OF HON. PATTY JUDGE, SECRETARY OF AGRICULTURE, STATE OF IOWA

Ms. JUDGE. Thank you, Senator. And this is very extemporaneous; because when I came this morning I was not aware that I was going to speak to you. But it is very nice to be able to be here this morning to see so much interest in the formation of the next Farm Bill, to see so many people in the audience that are known in Iowa as leaders, people that have opinions and ideas and are here to share those with you.

We believe, of course, that agriculture not only is today's leading industry in Iowa, but it will be the leading industry in Iowa in the future. We have a big stake in making certain that the next Farm Bill is done correctly. We understand the challenges. We understand the pressures and those are issues that have to be worked through.

Agriculture is not one size fits all and we are very much aware that what works in Iowa may not work in the Senator's area of the country. So, you gentlemen have a lot of work ahead of you. We did a pretty good job last time and I hope that we'll do that again.

I would like to say that if I were here and able to give testimony today that I would say let's be sure that we don't forget the needs of the environment. We really must take in consideration working to make certain that we are protecting the water, we're protecting the soil, and that farmers have some help doing that. That costs money. That digs into the bottom line and we have to make certain that those resources are there for them to do the job that they want to do. Because I want to say very clearly, farmers are good stewards and they want to be good stewards in the future.

And finally, I'm glad you're going to fill those vehicles up, Senator, before you take off. We believe very firmly here in Iowa that we have a great opportunity in the arena of renewable energy: ethanol, soy diesel, wind energy. Those are things that are just now taking their place in our state economy and we need to be certain that we continue to nurture those farmer-based industries.

I wish I could stay all day. I can't. I've also got to make a trip to Washington today. I sit on a Homeland Security Commission that is meeting and of course, that is vitally important to us, and I hope that also is part of your Farm Bill discussions, because the protection of agriculture and agricultural interest needs to be taken into account.

So, you've got a big task. I think you're up to it. And good luck and I'm sure you'll have a good session today.

The CHAIRMAN. Thank you very much.

Ms. JUDGE. Thank you.

The CHAIRMAN. Have a safe travel.

Ms. JUDGE. Thank you.

The CHAIRMAN. Thank you very much.

[Applause.]

The CHAIRMAN. And I'd like to recognize and ask to make a few comments, the Congressman who represents this district in which we now sit, Congressman Leonard Boswell. Leonard?

[Applause.]

STATEMENT OF HON. LEONARD BOSWELL, CONGRESSMAN, THIRD CONGRESSIONAL DISTRICT OF IOWA

Congressman BOSWELL. Well, thank you Senator Saxby, I appreciate having you here and Senator Grassley. We work together in the House. I've noticed we have—where did these peanuts come from?

The CHAIRMAN. Display those prominently there, Leonard.

Congressman BOSWELL. George peanuts.

The CHAIRMAN. We need some of those Iowa.

Congressman BOSWELL. We have a supply of those in the cloakroom in Iowa, in the House of Representatives. So thank you for keeping those—that supply there.

I look around the audience for the first time I guess, since I've come in, the great turn out. I appreciate that. Last Saturday, John Hall who I think is in the audience, works for me and our State Director, we went up to Marshall, Minnesota for a hearing. I'll be very interested to see how we pick up on matters here, as we did there. It's a very, very important time. So, I appreciate being here and having a chance to say a couple remarks.

I know from my own hands-on experience as a farmer and et cetera as many of you that I recognize in the audience feel the same thing, we have to make a profit. We have to cash-flow. Those of us who went through the farm crisis not too many years ago, know how—what it means to go to the bank, and sit down, and work out your cash-flow statement. We understand that. And so, we have to keep that mind. And the Chairman mentioned Ellen for doing her good job of setting this meeting up. She and I stood—she was representing Senator Harkin—he was there a number of times too. But we stood in some communities where the bank closed during the Agriculture Crisis and it's like having a death in the family. And some of you understand that. You were there, too. And I'm not here to discuss that. I just want to make the point that agriculture has to cash-flow. We have to have a profit.

Now, in the world economy, it's very important. We're a great producer. We all know that, so I won't speak to that, but it's important that we be productive and do it in a reasonable way. It's also very important to our security. I just think about that. I could talk on that for quite a little while. It's extremely important to our security in our state or country that we have available, and reliable, and safe food. And so, that's all-important.

We're into an energy time of energy crisis. I was just telling Senator Harkin I filled up my little puddle jumper airplane yesterday, and it doesn't hold a lot of gasoline, but it cost me $283 dollars and I thought wow. And the farm truck, I filled it up over the weekend and I think it cost me $75 dollars to fill it up. So there's—this is—it's a concern out there for the farmers going to the field, or under

combines to put the crop in, to take care of it, and take it out. It's a very big part of it. So—but, we're in a positive time with that and so I hope there will be an energy title that will address that. Because we, in this state, have lead out in alternatives and we know how to grow it out of the ground and then we know how, also to process it, and make it work, and provide the energy we need. Not only in the farm machinery and vehicles around the farm, but also for everybody else, include heating homes. So it's a big thing.

So, I'll close with this. I know that it's my opinion the current Farm Bill is working. I would be interested how the discussion might go, that maybe we need to keep it going until these trade talks get settled, so we don't get caught in the crossfire on that situation. So it'll be interesting what we say here today.

Our Chairman Goodlatte from the House raised a question in Marshall on Saturday. With the situation with budget and so on, what if we had to make a choice, farmers, between Direct Payment LDP, or counter-cyclical? And it was a quite interesting discussion. They seemed to hold up direct payment there, in that meeting, as most desirable. But I'll also give credit to the corn growers and soybean growers, at least and a couple others. No, we want to keep all three. And I understand that too. But that might be something worth thinking about, because we have a terrible deficit situation.

So with that, I, again, thank you for being here. I see many of you in the audience that have a lot of appreciation for farming is important. I guess I'd say this in closing, Mr. Chairman We could stand—we could use a few more farmers in the Congress, as we try to keep this bit that's going called agriculture. I appreciate your being here and I'm going to take one package of peanuts and take my place.

Senator HARKIN. Again, I just want to thank you, Mr. Chairman for being here today. And really for being an outstanding Chairman and I say that in all candor and all truthfulness. I couldn't ask for a better Chairman of the Agriculture Committee. Well, unless I was the Chair.

[Laughter.]

Senator HARKIN. I'm just kidding. Couldn't ask for a better Chairman. You've been extremely fair and open in all of our dealings. It's just been a great relationship. Your staff has been wonderful to work with and our staff. And I just think it's a mark of Saxby's real interest in agriculture that he's taking these hearings all over America. Believe me, I think Chuck and I both know the demands on our time as Senators. It's incredible and to go to Pennsylvania, to Iowa, to Missouri, Oregon, all the places he's taken the Ag Committee, I think it really speaks very highly to the fact that he is focused on this Farm Bill. And Mr. Chairman, I just want to thank you for that. Having served as Chairman during the last Farm Bill, myself, all I can ask is may God grant you patience. It's going to—it takes a lot of patience to get through this, but I know you're going to do it and I just offer you whatever help and support that we can give you from this side. Thank you very much.

The CHAIRMAN. Well, thank you, Tom. You've been a great shotgun rider and we look forward to moving ahead with this over the next several weeks and months.

Now, my good friend Chuck Grassley, Chuck, again, I'm pleased to be in Iowa.

STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Yes, and we're glad to have you here and thank you for coming. As Tom has said, and thanks for all the witnesses, these and the ones on the second and third panel, I'm not going to read my long statement, because it is long. But I want to highlight some things. Number 1, is to highlight the fact that as we consider the next Farm Bill, as has been the case with most Farm Bills, we have to think about having an environment so that the next generation of young people will be able to farm, as well. And with a son and a grandson in our family farming operations, I appreciate how difficult that is. But I also appreciate how important the farm program is to making that happen.

We traditionally look at the Farm Bill as farm safety net, but connected with it are issues about—that I'm interested in and other people as well, opportunities that a Farm Bill brings up to make sure that we have more competition in agriculture and to limit concentration and consolidation within agriculture. And one of these issues is, not only the issue of whether or not 10 percent of the largest farmers ought to get 72 percent of the benefits out of the farm program, which I think is ridiculous, but also to make sure that we keep a political environment in Washington where the public at large, meaning those in New York City, as well as Iowa are going to support a Farm Program or we're not going to have any Farm Program. And farm programs are really under scrutiny now in Washington, D.C. not just because of the 10 percent of the farmers getting 72 percent of the benefits. But just recently in three different programs that are in the Farm Bill, I would hold up the Washington Post, July the 18th: No Drought Required for Federal Drought Aid. An article about abuse of the Farm Program, from July the 19th: Aid to Ranchers was diverted for big profits, tons of powdered milk ended up on the market. And then, Farm—on July the 2nd: Farm Program Pay one and three tenths Billion Dollars to People Who Don't Farm. So, we're under scrutiny and the point is to make sure that we're able to keep the Farm Program for the benefit of farmers and the good of America.

Another one from July the 3rd: Growers Reap Benefits Even in Good Years. So it's very much an issue that we have to be cognizant of, as we write the next Farm Bill to make sure that the Farm Bill is for farmers and for farmers that need the safety net, and not for just a few. So the next Farm Bill, will obviously entail a look at all of these abuses and a look to make sure that the Farm Program is directed toward those who need the help.

And also of interest to me, on a second point, and also an interest to the Agriculture Committee, but secondary to my committee, because the Finance Committee has jurisdiction over all international trade and that is something that Congressman Boswell and others have alluded to, to make sure that we have a trading environment where we have market access. And one of the major issues in Geneva right now is to make sure that we do not give up anything on our Farm Program without having market access. And that market

access is basically the figure of the United States having an average of 12 percent tariffs. The world average on agriculture tariffs of 62 percent, hence, foreclosing of markets, opportunities for our farmers, they having market opportunities in the United States, and getting that 62 percent down closer to our 12 percent, and making sure that we have a level playing field for farmers.

Of Chairman of the Senate Finance Committee, I have told our negotiators don't bring an agreement to my committee that is not going to have market access, because we're not going to even bother to look at it. We're not going to give up any of our safety net, until we get a level playing field for American farmers.

And then last, I would just emphasize a couple things that have already been said and there's no sense of my saying it twice, or three times. But the point of value added agriculture, rural economic development, so that we broaden opportunities for farmers here. Not only for the benefit of American agriculture, but for the benefit of the entire economy that's very closely tied to agriculture as the foundation of our State's economy. Thank you.

[The prepared statement of Senator Grassley can be found in the appendix on page 50.]

[Applause.]

The CHAIRMAN. Thank you, Senator Grassley. We will now move to our first panel: Mr. Keith Sexton from Rockwell City, Iowa, representing the Iowa Corn Growers Association; Mr. Ron Heck from Perry, Iowa, representing the Iowa Soybean Association; Ms. Charlotte Ousley of Alexandria, Indiana, representing the Canned and Frozen Food Growers Coalition, accompanied by Mr. Steve Smith; and Mr. Bruce Brockshus of Ocheyedan. I hope I got that right. Representing the Associated Milk Producers, Inc.

Ladies and gentlemen, we are pleased to have you all here. We are happy to submit your entire statement for the record. I would ask that you keep any opening comments to 3 minutes. Thank you and we'll start with you Keith.

STATEMENT OF MR. KEITH SEXTON, REPRESENTING THE IOWA CORN GROWERS ASSOCIATION, PRESIDENT AND FARMER, ROCKWELL CITY, IOWA

Mr. SEXTON. Thank you, Senators, for this opportunity to present input on the 2007 Farm Bill from the Iowa Corn Growers Association and our 6,000 farmer members.

ICGA started nearly 2 years ago, looking at the 1902 Farm Bill for modifications to enhance long term profitability for producers. This morning, I will mention four of the issues we wish to see debated: First, the commodity title. We believe that a safety net based on revenue rather than price has significant advantages especially for new entrants into farming. We are aware that talk of a revenue program immediately brings visions of unilateral cuts and support that would remove bargaining chips from our negotiators at WTO talks.

Idaho Corn Growers support a revenue program that can provide the same, or a higher, level of support as we currently have. Yet, the slight modifications could provide a WTO compliant, but still very effective safety net. This type of program can work with nearly any crop and should eliminate the need for disaster payments.

At our corn grower—National Corn Grower Policy session, a couple weeks ago, the vote to focus on such a revenue based program passed with an overwhelming 75 percent majority. This illustration graphically depicts when producers receive payments under both, a revenue base and a price-based system.

The advantage of a revenue based system over the current LPD and counter-cyclical program is simple. Benefits are received when they are most needed—years of reduced crop income. Farmers' support for retaining the current programs likely come from those producers with substantial equity who feel that sticking with the current program is just plain easier. Given our organizations long terms vision and desire to see beginning farmer coming into our production industry, we come down firmly on the side of a revenue program.

Item 2, we think the direct, decoupled payment program should be continued pretty much as is, with the delivery of these payments modified, so at least part of them could be targeted towards activities that will help improve the farm, it's management or rural communities.

Item 3, the Farm Bill must contain a strong conservation title. The current title includes a number of programs and I will mention two of them. The CSP Program has a worthy intent of rewarding the best and incenting the rest. However, funding cuts have drastically changed the program.

We realize there is insufficient funding to provide acceptable payments to all target producers, but the program is now implemented in such a manner that it is not as useful as envisioned. If CSP could be revised to adequately fund more farmers on a more consistent less restrictive basis, this program should be continued in the next Farm Bill.

Also, we believe the EQIP program provides an essential service of assisting producers, especially livestock producers, with installing the structures necessary to help meet clean water guidelines and it should be continued.

Item 4, we think there's an overwhelming need to discuss capital gains issues during the Farm Bill debate even if there is no tax title. There are two reasons: First, 1031 exchanges artificially increase the value of farmland and consequently farm costs to farmers. Second, there should be a viable alternative for farmers to transfer control of assets to the next generation of producers during their lifetime rather than through their estate by which time that next generation is nearing retirement age.

Other topics are addressed in my written text. And thank you for this opportunity to comment on behalf of the Iowa Corn Growers Association.

[The prepared statement of Mr. Sexton can be found in the appendix on page 56.]

The CHAIRMAN. Thank you. Mr. Heck?

[Applause.]

STATEMENT OF MR. RON HECK, IOWA SOYBEAN ASSOCIATION

Mr. HECK. Good morning, Mr. Chairman, and Members of the Committee. I am Ron Heck, a soybean and corn farmer from Perry, Iowa and at current Iowa Soybean Association Director. I am a

Past President of the American Soybean Association and served on their Board of Directors, until last week.

I must say I don't deserve your praise for traveling a great distance. I ate breakfast at home, got in my car, and arrived early. I appreciate you traveling to Iowa to be here for the hearing today and it's always a pleasure to see Iowa's two Senators on the Ag Committee. Thank you.

Mr. Chairman, soybean producers in the Midwest, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill and would support extending current programs.

Unfortunately, the current budget baseline may not accommodate expected outlays based on current support levels. Budget factors alone are likely to force Congress to look at changing the current farm program in the next year's Farm Bill.

A second reason to look farm programs is the potential for additional WTO challenges of the current program. We are watching the current WTO negotiations which I understand, did not go well in yesterday's talks. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, and that world class exporting developing companies be subject to similar production subsidy disciplines.

To explore alternatives, ASA organized a Farm Bill Task Force last year, which has been working with other farm organizations to look at so-called Green Box programs that would be considered non-trade distorting under the WTO.

The draft results of this analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. Neither ASA nor any other organization participating in this analysis has endorsed the revenue guarantee concept. We are working to have recommendations to put forward to the Committee sometime this fall.

Mr. Chairman, ASA is also very supportive of proposals to strengthen the conservation, energy, research, and trade titles in the 2002 Farm Bill. ASA urges Congress to authorize and fund a bio diesel energy program in order to compete with imports of already subsidized bio diesel that will undermine the U.S. industry since the imports are eligible for our tax incentives.

We are concerned by recent actions that have depleted funding for conservation and research programs in order to pay for disaster assistance, or to cover budget reduction commitments. ASA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could now be farmed in an environmentally sustainable manner. Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

Thank you again Mr. Chairman, for the opportunity to appear today.

[The prepared statement of Mr. Heck can be found in the appendix on page 60.]

The CHAIRMAN. Ron, thank you very much. Ms. Ousley?

STATEMENT OF MS. CHARLOTTE OUSELY, CANNED AND FROZEN FOOD GROWERS COALITION; ACCOMPANIED BY: MR. STEVE SMITH

Ms. OUSLEY. Mr. Chairman, Member of the Committee, my name is Charlotte Ousley. Together with my son, Jay, we farm 270 acres of processing tomatoes in Elwood, Indiana. We rent nearly all the land we farm.

My husband, Herb, tragically was killed in a farming accident in September 2003. Since his death, Jay and I have made every effort to keep our traditional family farming operation viable, in spite of incredible obstacles we encountered as a result of the massive extension of the Fruit and Vegetable Planting prohibition contained in the 2002 Farm Bill when soybeans became a program crop.

Operating as sole proprietor for over 40 years, my husband maintained all ASCS reporting under his name. Shortly after his death, I contacted FSA for clarification about the status of the producer history that my husband worked his whole life to accumulate. I had no reason to believe anything other than Herb's history, as a tomato producer would transfer to my son and me. This producer history is essential under the 2002 Farm Bill for us to rent the land needed for annual production, since processing tomatoes and good management practices require rotations, unlike traditional cash grain crops grown on farms in our area. Our principal landlord possesses farm history so we could continue to produce on that land, but that farm alone is not enough and must be supplemented with other rental land to support the size of operation required to be financially viable.

Because Herb possessed producer history, he was always allowed to rent the land he needed rental land from friends and neighbors to supplement our primary landlord's acreage.

Needless to say, I was shocked when FSA informed us that my husband's producer history had been lost with his untimely death and cannot be transferred to his widow or his son. As a result, we have found it increasingly difficult or impossible to find enough land on our annual basis that will accommodate our contractor's requirement of a minimum 3–year land rotation for production for processing tomatoes.

The negative effects of the widely expanded reach of fruit and vegetable prohibitions are for the most part, limited to producers in the Midwest. This is because of double-cropping exclusions afforded to southern states and the fact that program acres are concentrated in the Midwest, and not so much in the West.

Reliance upon producer history as a basis for continued fruit and vegetable production is simply inadequate. Not only for producers' history not transferable between husbands and wives, it is not transferable to the next generation of farmers desiring to enter fruit and vegetable farming and maintain the traditions established by generations of family farms. Fruit and vegetable growers

have safely fed this nation with an abundant supply of nutritious and affordable canned goods Family farmers presently are not free to run their businesses in the most efficient fashion because of the inability to transfer producer history. The next generation of farmers needs to be protected and preserved.

The solution to these problems is simple: allow fruits and vegetables to be grown on program acres by taking an acre-for- acre reduction in program payments. I ask for NO subsidies on our production. I do not want to receive government payments; I simply want the opportunity to grow tomatoes. Even if my neighbor decides, they simply are restricted from renting land to me for fruit and vegetable production under current law and still maintain their program eligibilities. My husband could, but my son and I are prevented from doing that.

Thank you for allowing me this opportunity to tell you my story. If you have technical questions beyond how this has affected my son and me, Steve Smith from Red Gold here with me, and can help shed a wider insight of the industry. Thank you for allowing me this opportunity to tell you. I appreciate Senator Harkin when this issue for submerged. And now, I respectfully request the Committee's inclusion of the language in the next Farm Bill, which will correct these unfortunate inequities. Thank you kindly.

[The prepared statement of Ms. Ousley can be found in the appendix on page 63.]

The CHAIRMAN. Thank you very much. Mr. Brockshus?

STATEMENT OF MR. BRUCE BROCKSHUS, MILK PRODUCERS, INC.

Mr. BROCKSHUS. I appreciate the Committee's invitation for me to come here today and present my views on dairy in regards to the 2007 Farm Bill. My name is Bruce Brockshus and I'm a dairy producer from Ocheyedan, Iowa, and a member of the Associated Milk Producers Board of Directors representing the more than 4,000 dairy farmers in the Upper Midwest which collectively owns 13 manufacturing plants, four of them here in the State of Iowa.

My wife Sue and I, along with two sons have gradually expanded our dairy to its present size of 325 cows. Growing with us is AMPI, the manufacturing co-op in which we are stakeholders.

But as members of this Committee, you understand the challenges faced by Upper Midwest dairy producers. There are fewer cows, fewer dairy producers, fewer manufacturing plants.

To reverse this trend we must have a sound dairy policy that will encourage both producers and their co-ops to invest in infrastructure. Dairy producers need the price support system. In fact, that is AMPI's top priority for the 2007 Farm Bill.

Let me share four ways to strengthen the existing program. First, we need to increase the support price. The current $9.90 support price is inadequate and has not been changed since the 1980's.

Second, we must have a support price system that works as Congress intended. The USDA's Commodity Credit Corporation must increase the milk price equivalent it is paying to remove products from the open market. Because of increased manufacturing costs, the manufacturing make allowance in the support program yields

as much as $1 dollar less than the Congress intended when enacting the support program.

Third, we must provide counter-cyclical payments. AMPI and the Midwest Dairy Coalition believe the Milk Income Loss Contract is needed to give producers a better chance of surviving for the market collapse, at least in the 2.4 million pounds as is presently allowed under the law.

Finally, we must manage dairy import products to make support price effective. The CCC should not be buying the world's milk surplus under our support price system.

I ask you to consider these four points and know that a minimum price assurance is needed for a product that is perishable and demands a large, long-term investment to produce. In addition, the USDA, at the request of AMPI and several other co-ops, held hearings in January to review the make allowances in the Federal order Class III and IV formulas. Testimony at this hearing was overwhelmingly supported the need for emergency action on this issue.

However, the USDA has not only not acted to announce—not acted on this, they have announced plans to reconvene public hearing sometime after September. Such a delay will have negative long-term impacts in the Midwest dairy industry.

We ask you to urge the USDA to immediately adopt, on an interim basis, updated make allowances based on the January hearings. This is not an extraordinary request as the USDA has frequently implemented changes to the order system on an interim basis.

The points I have raised today are tightly intertwined. Both involve the USDA—asking USDA to update manufacturing make allowances that will make the price support and the Federal Order System more realistic and effective. I hope this hearing will be a significant step in engaging policymakers and industry stakeholders in discussion focused on a strong dairy industry.

Thank you for the opportunity. I'll be happy to answer your questions.

[The prepared statement of Mr. Brockshus can be found in the appendix on page 74.]

The CHAIRMAN. Thank you very much, Mr. Brockshus and all of our witnesses. Mr. Brockshus, I'll have to tell you that I got a call about 12:30 this morning, after I got here, from Secretary Johann's who is over in Geneva right now. And I told him where I was and he said, well you know I grew up on a dairy farm in Iowa and I got a lot of kinfolks back there. So to all of his cousins who may be listening on our website, or be here today, your cousin, Secretary Johann's is doing a heck of a job and ya'll gave him very good training on a dairy farm right here in Iowa.

I have a series of questions that I'm asking in every hearing as we get around the country, that I want to go to commodity folks, to Keith and to Ron. And we'll direct these first few to you. And I would ask that you be as brief as possible in your answers, so we can make this record.

First of all, how would you prioritize the Farm Bill programs generally and the commodity titles specifically? How would you rank the relative importance of the Direct Payment Program, the

Marketing Loan Program, and the Counter-cyclical Payment Program? Keith? Mr. SEXTON. Well, Iowa Corn Growers would rank the commodity title as the most important. The second level of importance would be conservation, rural development, trade, and then research. Third level would be credit, energy, and miscellaneous, then followed by forestry probably bringing up the rear just because of where we're located.

Relative to the commodity title, because of the consequences of not being in WTO compliance, we would probably rank under the existing Farm Bill, the Direct Payment as most important and the Marketing Loan which is the most egregious, under WTO as the least important. And were cut should be make first.

But more importantly, we support as I mentioned in my comments, a revenue program that would replace the marketing loan and counter-cyclical payments.

The CHAIRMAN. Mr. Heck?

Mr. HECK. Certainly the commodity payments that we have now are of extreme importance to us in the Farm Bill. We recognize the problems with the WTO. As it currently stands, if the current system would be allowed to continue the Direct Payments are most beneficial to landowners and those people who are paying for land. The Marketing Loan is the most important for the farmers who are on the land, but also causes the most trouble with the WTO. And the Counter-cyclical is somewhere in between those.

I agree with Keith that moving to a revenue based program that solves the WTO problem might be the system we are forced to go into and it could be acceptable too. It might be a very good system.

The CHAIRMAN. OK. We can expect an effort to further reduce payment limits in the next Farm Bill. Do payment limits need to be modified in the next Farm Bill and why? Keith?

Mr. SEXTON. Well, this is one area that's probably the most contentious of the whole Farm Bill within our association. We do come down when the dust clears on the side of meaningful payment limits. And when I say meaningful, I mean that having a payment limit on marketing loan gain is not meaningful if it can be circumvented with commodity certificates or loan forfeitures.

I guess we feel that as operations grow there is a point that is reached when the operation should no longer need government support.

Mr. HECK. Both of the Iowa Soybean Association and American Soybean Association support the payment limits that are currently in the 2000 Farm Bill. I personally, I have a problem with the payment limitations. When families want to work together it's difficult to find business structures that will work when a group of relatives want to work together. I would like to see some more work on the definitions of what constitutes a person. Some of my relatives believe they are persons. They work full time on the farm, but yet don't have a separate limit.

The CHAIRMAN. OK. The DOHA round of negotiations seeks to provide additional market access for U.S. agriculture goods in exchange for reductions in domestic farm payments. How important are exports to the future of farmers?

Mr. SEXTON. Iowa Corn Growers believe that exports are extremely important to Iowa producers, whether they realize it or

not. Not only are corn and soybeans exported, and if fact right now, one reason why they think that maybe a lot of farmers see decreased value in exports, is because the ethanol industry is consuming more corn—as much or more corn than exports.

However, we need to keep in mind that the value added crops are processed into meat and one of the bi-products of ethanol production is DDG's, and both meat and DDG's are exported. So from that respect they're very essential.

Mr. HECK. Exports are still vital for U.S. agriculture. Our productivity continues to increase faster than our population. Exports may very well become more important in the future than they are now. That's why we're so closely watching the WTO round and insisting on market assess.

The CHAIRMAN. Should an increase in conservation or energy programs come at the expense of commodity programs?

Mr. SEXTON. It—we think that the commodity—current commodity programs, if cuts are in fact imposed upon us, that conservation and energy programs should be the beneficiary of those cuts and pick up the slack—or the funding that was cut from those programs.

We think that increased funding for energy programs; vital energy products will gain support of the American consumers. And in fact, it is a very important to all American consumers. And as was mentioned earlier, it's important to our National Security.

Mr. HECK. I would say that this is not necessarily a choice we have to make. And if we do have to make it the commodity title is still extremely important, particularly, if the WTO talks fall apart for some reason. We still face international trade restrictions in subsidized products. And the purpose of the commodity title is, at a large part, to address those disadvantages that we face.

On the other hand, it is entirely possible that the energy part of the Farm Bill could be used as an offset with a larger domestic energy market. The commodity safety net may not be triggered as often.

So I'm not sure it's an either/or choice. I think we can work to find a way to maintain both a safety net, and increased conservation, and energy at the same time.

The CHAIRMAN. Thank you. Ms. Ousely, in your testimony you mentioned the impact planting flexibility restrictions have had on your ability to grow tomatoes here in the Midwest. You mentioned S. 1038 as a proposed solution which allows fruits and vegetables for processing to be grown on program acres, in return for an acre-for-acre reduction in program payments. Do you believe the farm service agency has the expertise and the resources to adequately enforce such a proposal that applies to processed rather than fresh market fruits and vegetables? If this proposal is adopted and not enforced appropriately, how would this impact the market for fresh fruits and vegetables?

Mr. SMITH. Mr. Chairman, we believe that the impact on fresh fruits and vegetables would be minimum as evidenced by the fact after the 1996 Farm Bill was put into place, that there was no problems with distortion between the fresh and process markets. Those markets are distinct and different. Under the 1996 Farm Bill when soybeans were not a program crop, the available acres were

there for all fruit and vegetable growers to produce in basically, unlimited amounts; and yet no market distortion was observed.

So we think that under the Senate Bill 1038, that those market distortions would not come about, and that the acre-for- acre reduction actually proposes a budgetary savings, according to the CBO. So we can actually help save a little bit of money in the way that it works.

As far as the FSA is concerned, currently under the structure, the FSA has an enormous workload to keep track of producer histories and farm histories, and with extra recombinations in tearing apart of farms for no other reason than to try to be able to accumulate acres on a particular farm where fruits and vegetables can be grown.

And so, we actually think that it would reduce the workload for the Farmer Service Agency.

The CHAIRMAN. OK. As we think about this in the next Farm Bill, I know this is going to be a very contentious point. I just—I want to give you the benefit of my thought in this, because I do, have a dog in this fight. We grow a lot of vegetables, as you know down our way. And what I hear from my fruit and vegetables growers is, that look, basically what you want—what we want you to do is to leave us alone. Don't let the government come in looking over our shoulder. We're not asking for any money, other than continue to do research from a fruit and vegetable standpoint. But we don't want the price cabbage to go to $20 dollars a box and all of sudden everybody that was growing soybeans at home, puts that soybean acres into cabbage production for the next year and opts out of the soybean program. And then the next year, cabbage goes to $2 dollars a box and they opt back in to the soybean program.

This is going to be a real dilemma for us as we talk about this during the preparation for the next Farm Bill. So we're sure looking to ya'll for some help there.

Mr. SMITH. Could I comment on that?

The CHAIRMAN. Absolutely.

Mr. SMITH. One of the big differences between the fresh market, fruit and vegetable production, and processing which is the reason Senate Bill 1038 only refers to processing, is because these market distortions that you just spoke about, are limited from the processing side, because you only produced a processing crop when there is a market demand as for that contract.

For example, a farmer in Indiana would not just go out and say soybeans are a little bit cheap this year, so I'm going to produce processing tomatoes. They would only produce processing tomatoes if they had a contract to do such a thing. Whereas in the fresh market world, it's typically smaller acreage, someone will set up a fruit stand. There's no organized limitations about what production would be.

And so, we believe that the differences between the fresh market industry and the processing industry will self-take care of that situation, because you will not go produce extra cabbage for processing, unless a processor has contracted you to do that.

The other thing on that is that the flow of product between the processing industry and the fresh marketing industry is—— effectively has a barrier, because of differences in varieties. For exam-

ple, the fresh market tomato industry would not even recognize what we do in the processing tomato industry, and so the varieties will not transfer back and forth.

And there's one other ironic benefit of the Senate Bill 1038, and that is, that it actually creates a barrier for the fresh market folks from a protection standpoint in the fact that if were—certified your land for processing production and then tried to sell it on the fresh market, since it was certified as processing, you would then be in violation. Because you sold it as a fresh market and not as a processed commodity, so there is an actual barrier being raised between the fresh market and I think it's processing with Senate 1038.

The CHAIRMAN. I look forward to telling Patrick Mabley you explained that well.

Mr. SMITH. Thank you.

The CHAIRMAN. Mr. Brockshus, currently, only dairy producer cooperatives have the ability to forward contract with their members. Does forward contracting provide producers with an additional risk management tool to manage price and income volatility in the marketplace? And should this option remain available only to dairy producer cooperatives, or should processors and non-cooperative dairy producers also be able to utilize this risk management tool?

Mr. BROCKSHUS. I believe it does provide some benefit. But it kind of goes back also to the Class III prices that are set on the Board of Trade, are effected to buy our make allowances. Which if the make allowances are understated, those Class III prices are overstated. It disadvantages the manufacturing co-ops in that market. And it's difficult to determine what that actual market is, but yes obviously forward contracting is a way of stabilizing the market somewhat.

The CHAIRMAN. All right. Well, how about the part of it that I asked, relative to co-ops being the only entity able to utilize that now? Should we extend that to every dairy producer, whether he's a member of cooperative or not?

Mr. BROCKSHUS. Well, I guess I don't see a problem with anybody forward contracting. Many of the forward—many of the contracts—well, there are two ways that we do—that we can contract. As a member of a co-op we can contract through our co- op who has arranges for us, that has done a contract. Or, as far as I know, that anyone would be able to go on the Board of Trades to do that.

The CHAIRMAN. OK. Senator Harkin?

Senator HARKIN. Thank you very much, Mr. Chairman and I thank you, those questions, I know you asked it of all the panels. This is a good basis for us on which to proceed. I just have a couple of questions that I'm going to ask every panel. Just a little bit—I'm sorry. Am I on now? I also have a question I'd like to ask every panel. So those that are coming up can think about it.

In this testimony, we'll have a witness coming up later on one of the panels—Ron Rosmann. I read his testimony yesterday and one of the things that struck me is that he said that we now have twice as many farmers over age 65, as under 35. And half of all our farmers are over age 55. So my question for you and the next panelists, do our present Federal Agriculture Policies help, or hinder young people who want to get a start in the business wheth-

er it's in crops, livestock, dairy, poultry, vegetables, fruits, whatever? That's one.

And second, what are the most important things that we should do in the next Farm Bill, if we want to foster opportunity for the next generation in agriculture? Just your—whatever thoughts you have and if you think of more later on, send them into me, but Keith?

Mr. SEXTON. We think that by being able to have a revenue based commodity title that it would help bring young people into production agriculture. Because they would be assured and their bankers would be assured that there would be some additional revenue support in years of low crop revenue, which is not necessarily the case with the current program.

We also think that by being able to target some of the direct payments to a variety of programs, such as value added investments that it may help young producers who are—actually, they would already be in production agriculture. But it may help them participate a little bit more in value added aspects of farming.

And I think probably the greatest thing we could do to help new entrants would be review the capital gain structure. As I mentioned earlier, we think the 1031 exchanges artificially inflate the value of farmland, which consequently raises the cash rents. And also, by—if we have some mechanism where older farmers could transfer their control of the operation to the next generation rather than going through an estate without a large capital gains penalty, that it would help facilitate young farmers having an interest in coming in to agriculture.

Senator HARKIN. Very good. Ron?

Mr. HECK. Yeah, absolutely. On the last point for example, my grandmother is willing to sell to me, but she can't. I want to buy her land. She wants to sell it to me, but we can't do it. That's an excellent point.

The CHAIRMAN. Why is that?

Mr. HECK. Capital gains tax.

The CHAIRMAN. Oh.

Mr. HECK. And then second, my son-in-law is home working today, so I could be here. I can't help him start farming, because we are thrown together with one payment limit when we do that. So all I can do is give my operation to him. I can't help him go out and get established on his own. As soon as we share equipment or money, we run into person definition problems. So that is an impediment.

Another impediment is that the overall return for assets in agriculture is generally smaller than the interest payments. So if a young man can't borrow money and make it pay, because the return is lower than the interest payments, and his family can't help him because of person definition problems, how would he get started then?

Senator HARKIN. In your area of vegetables.

Mr. SMITH. Senator Harkin, we appreciate that question, because it speaks at the very heart of Ms. Ousley testimony was concerning the role of the FSA rules about fruit and vegetable production. While the other panelists have talked about hindrances to transfer to the next generation, it's mainly a tax situation where portions

of the family farm would be removed, because of estate taxes. In the situation with the fruit and vegetable restrictions, this is actually a barrier to young people becoming producers in a diverse agriculture. And I noticed that both yourself and Senator Grassley mentioned diversity a better and broader agriculture base critical to our children and grandchildren. And Senator Grassley, the next generation of farmers and we want to broaden opportunities. The restriction of fruit and vegetables production actually eliminates the possibility of another generation taking over a fruit and vegetable operation.

It's that way, not only in our particular industry of processing tomatoes, but the sweet corn people in all the Midwestern states—green beans, peas, pumpkin, they all suffer the same problems. When the ability to actually rent ground is limited, unless you have your own personal producer history. And so, for that reason, that's a—you're question speaks to the very heart of our issue, and as what Charlotte has tried to describe upon the death of her husband.

Senator HARKIN. The dairy side.

Mr. BROCKSHUS. It's interesting that you would pose that question. It's one of the things that some of the organizations I belong to struggle with a lot. Now in our area, there are a number of young people that would like to get into dairy. The problem is they can't afford a new facility and the old facilities have been basically, allowed to depreciate out by the present owner. If there was some way to incent that producer, if he doesn't have a son that's willing to come up, they depreciate it out. If we could incent that producer to keep that facility viable, so it's salable at the time of his retirement instead of junk, we would have much better opportunity to bring young people in at a size of operation that they could afford to operate.

The other—you know major expansions are done by the—— by larger operators that are well funded and you know on maybe the mid-sized farm, which I guess I consider myself, then you run into some of the capital gains issues, also.

Senator HARKIN. Uh-huh (Affirmative).

Mr. BROCKSHUS. But I don't have the silver bullet for that, but it's a major problem for getting young dairy farmers started.

Senator HARKIN. Well, I think that's the only question I'll ask of this panel in the interest of time, but I hope others think about it. Some of the responses obviously are areas that are outside our jurisdiction. You know, capital gains and state taxes and things that are outside the Farm Bill jurisdiction.

I want to look at things that what do we need to do in other areas? I mean, as you know, more into alternative crops for energy production. Is there some avenue there for young people that might be able to get in? What do we need to do in terms of beginning farmer programs that we've tried to have in the past? I think they've worked somewhat. Maybe somewhat they haven't. Longer term, lower interest rates, as you point out, return on investments lower than the—the return is lower than the interest rates. Are there areas of specialty crops and things like that—bio-based, we're going to see more demand for bio-based products in the future? So is there—are there niche areas there where a young person could

get started and perhaps start small and still expand and grow in the future, like many of our older farmers have done in the past? These are the kind of things that I'd like to get answers to from all of you, and the rest of you here in the audience, and the panels that have come up.

While I appreciate what we got to do on capital gains, and the state taxes, and things, that's just not something we can deal with. But what else can we do within the jurisdiction that we have? I thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Well, we got the man that can handle capital gains, and state tax. He's right here, Tom. Senator Grassley?

Senator GRASSLEY. I've got some answers, and then I don't have answers, too. But since so much of this discussion, particularly the last series of questions have involved S. 1031, estate tax, capital gains, and stuff like that, maybe I ought to take advantage of this opportunity, instead of asking questions, to encourage greater participation by the panelists and organizations in this effort with my committee.

I would point out and I hope this isn't just a Grassley approach to young people getting started farming, but it's something that I've seen over three generations in our family. Or, I guess if you consider my dad, it'd be four generations. It may not have been true when my dad started farming, but at least when I started farming, it seemed like you needed three things. One, obviously a banker. Number 2, maybe the previous generation leaving some money in the family farming operation, maybe in the way of land and cash granting, things of that nature. And thirdly, not all farm income. I remember spending 10 years on an assembly line while I started farming, in order to get a family farming operation going. When my son started farming 22 years after I did, he worked for another farmer, so non-farm income. I left my investment in the farming operation. And number 3, he had a banker. And when my grandson is in a very low level now, starting into that farming operation, you know he's got some non- farm income. In fact, his new wife's is working off the farm. He has—obviously, has to have a banker. And there are some generations of capital left in the farming operation before. So I don't know whether things have changed much in the last 40 years or not, or are any tougher. They probably are tougher, because of the price of farmland and all that. But maybe on a proportionate basis, they might not be a lot tougher. But—so that's the way I look at it. Now, maybe you'd say Grassley, you'd be a better farmer if you spent all your time farming. But if I spent all my time farming, I wouldn't be farming.

[Laughter.]

Senator GRASSLEY. So with that thought in mind, this—— we've looked into 1031s in our committee. You know originally you think; well you just ought to repeal it. But then you look at the history of it; it's been on the books since the 1920's. It serves some purpose. It's only been within the last few years we've been hearing something about it. It's been connected mostly with agriculture.

So we're looking at where there are abuses of it. And maybe that's not the only place to zero in, but we have found some places where the light kind of changes, really haven't and then the light kind of changes and tightening that down to some extent. And if

you have any thoughts on that, I'd invite you to contact Elizabeth Paris of the Finance Committee Staff.

On a state tax we're within one vote of getting a bill through the Senate on a state tax, that would have a $5 million dollar exemption stepped up basis, 15 percent of rate between there and $30 million dollars, 30 percent rate above $30 million dollars. That would take care of 99.7 percent of the estates. And I think that would take care of the situation for most family farmers, not all of them, but most of them. One vote short in the U.S. Senate getting that passed.

The repeal of it, we couldn't get passed. That was—we were four votes short. I guess, three votes short of accomplishing that. I have great deal of sympathy for the capital gains issues that you brought up to start young people into farming. The problem is when you change the capital gains tax; you don't do it just for agriculture. You do it, to some extent, with—and it's very difficult. We were trying to make just a small farmer and small business exemption from all estate tax with—still maintain the estate tax. Senator Lincoln worked hard on that. And it was just very difficult to find a description that would work. That wouldn't be a statutory nightmare to enforce. But we're still looking at some things we can do in that area.

I think all my questions have been asked. So I think, just make that comment. I thank my colleagues for covering all the areas of questioning that I was going to cover.

The CHAIRMAN. Thank you and let me thank our panelists. And Senator Harkin raises a very good question there. The average age of a farmer in my state is about 58 years of age now. And my son-in-law is the exception; Joe has come back to their family farm and is enjoying working with his dad on that farm. But we sure don't have a lot of incentives to bring young folks back to the farm. I go back to this engine that was made here, that was put in this John Deere Cotton Picker, it was manufactured right down the road by Deere, right here in Ankeny. In the article in the Des Moines Register, on June the 7th, it says that the cotton farmer who purchased this machine paid $340,000 dollars for it. Now, that's one cotton picker and that's all that machine can do is pick cotton. You can't afford that kind of machine without payment limits. You can't, as a young farmer, jump in, buy land, buy tractors, and buy a $340,000 dollar cotton picker.

And I'm not sure what the answer to it is, but I look forward with working with Senator Harkin and Senator Grassley to make sure that we establish some policy that will be long term policy, so that when Chuck's grandchildren and my grandchildren decide they want to come back to the farm, at least they'll have the option of doing that. And it's going to be very difficult.

But again, to this panel, thank you very much for being here. We appreciate your attention and the great testimony you have provided to us.

We'll move now to our next panel, which—we're, going to take a little break right now though, aren't we? Yeah, we're going to take about a 10–minute break and then we'll come back.

[Recess].

The CHAIRMAN. We're pleased to welcome our second panel here today. First of all, Mr. Craig Hill of Milo, Iowa, representing the Iowa Farm Bureau Federation; Mr. Chris Petersen of Clear Lake, Iowa, representing the Iowa Farmers Union and the National Farmers Union; Mr. Ron Rosmann from Harlan, Iowa, representing the Sustainable Ag Coalition; and Mr. Paul Johnson from Decorah, Iowa.

Gentlemen, we are pleased to have you all hear, this morning, and we look forward to your comments. And we'll start with you, Mr. Hill.

STATEMENT OF MR. CRAIG HILL, IOWA FARM BUREAU FEDERATION, MILO, IOWA

Mr. HILL. All right. Thank you. My name is Craig Hill. I'm a family farmer from Milo, Iowa. I farm about 1,200 acres in corn, soybean rotation. We have a few pheasants, too many deer, and I also have a farrow-to-finish hog operation with about a 200 sow herd. On behalf of the Iowa Farm Bureau Federation, my Farm Bureau members, myself, my family, I want to thank you for this opportunity to talk about the 2007 Farm Bill.

Our farmers are interested in earning a fair wage for their labor and an adequate return on their capital investment. Iowa farmers would likely agree that the perfect vision of agriculture would include a level playing field, a chance to compete in open markets where there are no such things as tariff barriers, export subsidies, currency manipulations and perhaps, even without domestic supports. This seems like the perfect goal for the 21st century. However, the reality is, this concept is just beginning to materialize.

Trade Ambassadors representing the United States recently laid a bold proposal before our partners in the WTO. To date, our WTO counterparts deny their own Ag policy shortcomings and insist that the only path to freer trade is one that requires the United States to unilaterally disarm. This concept is flawed. As a farmer, it troubles me greatly to imagine implementation of such a one-sided policy.

Until WTO negotiations yield real market access and material gains in net farm income we need to continue with an effective safety net that provides support in times of low income. Iowa farmers firmly believe that this safety net should be consistent with our international trade obligations that are spelled out in the current WTO agreement. But to be clear, I feel that the next Farm Bill should be extended and extend to the concepts of the Food Security—or Farm Security and Rural Investment Act of 2002 until a new WTO agreement is reached. Our negotiating position in the WTO can only be weakened by moving away from farm policy that has largely worked.

Farmers will be willing to move away from amber box policies when WTO negotiations yield economically proportionate increases in market access and reductions in foreign export subsidies. I will repeat that. When the negotiations yield economically proportionate increases in market access and reductions in foreign export subsidies. If this occurs, amber box reductions should be replaced with an equal increase in green and blue box eligible programs. Greater emphasis could be placed on working lands conservation,

direct payments or enhanced crop insurance as we've heard about revenue assurance today. Iowa farmers are optimistic about the future of agriculture in this great State of Iowa. We'd rather rely less on government and increasingly more on the strong markets. Recent growth in renewable energy markets is strengthening rural Iowa one community at a time. Perhaps it will help us take us more toward a vision of agriculture where markets provide ample opportunities. Until that occurs, the safety net provided by the Farm Bill of 2002 remains a necessity.

On behalf of myself, Farm Bureau members, I want to thank you for this opportunity to address the panel. I look forward to working with you as we consider the next Farm Bill.

[The prepared statement of Mr. Hill can be found in the appendix on page 79.]

The CHAIRMAN. Thank you very much. Mr. Petersen?

STATEMENT OF MR. CHRIS PETERSEN, IOWA FARMERS UNION AND THE NATIONAL FARMERS UNION

Mr. PETERSEN. Thank you, Chairman Chambliss and Senator Harkin, for bringing this hearing to Iowa. Thank you, Senator Grassley, for being present. And Representative Boswell and all the people out in the audience, greatly appreciated by Iowa Farmers Union. I am an independent family farmer. I have been in Farm Bills. I don't know how many of them—a lot of them and we need to change some things. That's for sure. And basically, I am part of a shrinking pool of independent family farmers across America and I speak with the best interest of all these producers from the heart.

We as family farmers, when we own the land and the animals, we are by far better stewards of the earth and the animals. We can do a better job than anybody raising food. And stirring from this proven structure of family farms spread all out across the United States, independent family farm agriculture jeopardizes national strategic security, Homeland Security, Antiterrorism Protection, the environment, and rural economic development, food safety, food quality, and now energy independents. The family farm structure has worked for decades. Actually, since this country came into being. It's a very good structure. We have never went hungry in this country.

So as a hog producer and in relationship to family farm agriculture, I was very disappointed that the final version of the 2002 Farm Bill did not include a full a competition title. I believe addressing anti-trust, restoring competitive markets, and including a competition title in the next Farm Bill is a must to addressing what I see as the big problem in agriculture and the resulting symptoms.

Without competitive markets, independent producers like me will continue to be pushed off the land or turned into low wage employees by—as an example, corporate industrialized animal agriculture. I encourage the Committee to include a strong competition title in the next Farm Bill.

And you guys, I won't go through all of that. It's in my written testimony. But as a—you know, I just want to reinforce—the enforcing the Sherman Antitrust Act, Packer Stockyards Act. All these issues are very, very important, and another one in addition

to competitive—anti-competitive markets. Most contract producers are bound by clauses in their contracts that prevent them from pursuing legal redress. I'm talking about the contract growers of livestock. And I could go on and on here, but I want to emphasize family farm agriculture. We've had some good things in Farm Bills, but it's not quite working what we want out of it. Thank you.

[The prepared statement of Mr. Petersen can be found in the appendix on page 81.]

The CHAIRMAN. Thank you. Mr. Rosmann?

STATEMENT OF MR. RON ROSMANN, THE SUSTAINABLE AG COALITION

Mr. ROSMANN. Good morning. My name is Ron Rosmann. Along with my wife Maria and our three sons, we operate a 600–acre certified organic crop and livestock farm near Harlan, Iowa. We have a stock cowherd of 90 cows and 50 sows in a farrow-to-finish operation. Maria operates our private label organic meat business under the label of Rosmann Family Farms.

I testify today on behalf of the Sustainable Agriculture Coalition, a network of farm, rural, and conservation organizations. I am also associated with the Organic Farming Research Foundation, the Practical Farmers of Iowa, and the newly formed Iowa Organic Association.

I will speak this morning about the areas of the Farm Bill that I have worked the most closely with: research, plant and animal breeding programs, beginning farmer programs, conservation, and payment limitations.

I last testified about a Farm Bill in the 1990's. A lot of good outcomes have emerged since then for both sustainable Ag and organic Ag. Thank you, Senators, for your efforts to make that happen. So much more needs to be done, however.

Organic Ag markets have grown at a remarkable rate of 20 percent annually over the last 10 years. Consumer demand is far outpacing supply. We are beginning to lose organic markets to foreign competition because of our failure to fully endorse organic Ag. We should set an ambitious goal—to supply 10 percent of our Nation's food supply from organic farms within 10 years and then develop the good policy to help achieve it.

In that context, then, I would like to comment on the Research Title. Federal Ag research dollars dedicated to organdies is disproportionately low in relation to the organic industry. Only since 1998 has it been funded at all. A framework of fair share funding of organic research calls for at least a 5–fold increase, to at least $25 million or more dollars annually.

Since 2003, I have been in a part of a national steering committee for Seeds and Breeds for the 21st Century, which is an initiative to re-invigorate public plant and animal breeding capacity. We are encouraged by the Senate language that directs the Department to establish a specific category of grant application requests for classical plant and animal breeding.

The most needed but often ignored question related to the Farm Bill is asking where the next generation of farmers is going to come from. Will they come from family farmers, or will mega farms and corporations be in control? Our second oldest son graduated from

Iowa State this past winter and has chosen to join the farming operation with us. We are delighted, but also realize farm succession and farm entry has become increasingly difficult.

We desperately need the Beginning Farmer and Rancher Development Program that was passed in the last Farm Bill. Sadly, your House counterparts stripped the funding. I urge you to right this wrong and to launch this program.

It is worth noting that the Organic Valley Cooperative to which we belong, the average age of the farmer is 45 years of age. One of the best ways to create opportunities for beginning farmers is through the Conservation Security Program. CSP should be fully funded and available to everyone who qualifies. CSP should provide the foundation for an overhaul of our agricultural entitlement programs.

You are probably thinking how are we going to pay for these proposed programs and the ones that have not been fully implemented or funded? Well, I believe there should be strict farm program payment limitations with the savings going to help support the programs that I have mentioned.

Current farm programs reinforce declining rural communities. It is no wonder that rural decline in commodity program payment concentrations go hand in hand. Farm programs help mega farms drive family farms out of business by bidding land away from. As long as these farms are promised more government money for every acre they add, virtually all farm payments will be bid into higher cash rents and land purchase prices.

It's interesting to note that 81 percent of farmers nationwide in the last Farm Bill, including 70 percent of southern farmers, support effective targeting of payments to small and mid-size farms. While I would hate to see something other than a strong national payment limit standard, if it takes a dual standard to save family agriculture in the heartland, than perhaps that must be done. Any dual standard would need to include comprehensive across the board closing of loopholes to ensure that meaningful limits apply at some level to all commodities. And it would have to achieve proportionate savings across commodities.

In closing, I would like to say please say no to extend the 2000 Farm Bill beyond its 2007 expiration. It provides money, but no solutions, short-term survival, but little vision for the future. It is continuing to destroy family farming and sapping the lifeblood out of rural America. We can certainly do better than that. Thank you.

[The prepared statement of Mr. Rosmann can be found in the appendix on page 86.]

The CHAIRMAN. Thank you. Mr. Johnson?

STATEMENT OF MR. PAUL JOHNSON, DECORAH, IOWA PRODUCER

Mr. JOHNSON. Thank you, Senator Chambliss, and Senator Harkin, Senator Grassley. It's good to have you here with us today. Last night I went on line and Googled a air photo of my home place and your home place in Southern Georgia just to see how we compared. And I—the maps I put in front of you and we look very similar. We look—we have land that is very, very similar. So as we travel around the country and as you look down over the country,

I think you'll realize that we probably have as much in common as—or even more in common when it comes to land and the care of land, than we have peanuts and corn, perhaps or something to argue about. But we have a lot in common.

All water that falls in Georgia, just about all of it falls through farms. All the water that falls in Iowa falls through farms and it's going to be clean if farmers make it so, it won't be otherwise. Conservation programs are so very important for this.

When I looked at the maps and I saw your home place and mine, I realized that—or I thought what if in the 1930's we had not put together our conservation programs? I have a feeling we wouldn't be farming in my home place nor in yours today, without that.

So I guess the one point I really want to stress, is the importance of conservation on private lands. Eighty-eight percent of the precipitation in this country falls on private lands and we've got to take good care of it.

We often look at the commodity programs and we forget that good water and the quail and pheasants are commodities as well. They're not on the Chicago Board of Trade, but nonetheless, we and the American public need them and want them, and so do our children. And so, as you deal with this Farm Bill I would urge to put that No. 1 and other good things will follow. There isn't a person in this room that doesn't believe that conservation is extremely important on our farmlands. And yet, it always seems to be No. 2 or No. 3 and I would urge you to rank it up there as No. 1.

The second thing I'd like to mention is that fact that over the years, we've had a lot of good programs to help fix problems that we've caused on land, whether it be soil erosion, or loss of bio-diversity, or things like that. We've had very few programs, almost none that reward farmers for good stewardship right up front. The Conservation Security Program is the very first real strong program to do that. And I want to really urge you to support it as much as we possibly can. Keep working on it. Make it simpler. It tends to be somewhat complex, but every farmer that I've talked to that has had any knowledge of it, really wants that program. And as we look to the future, I think it is a very, very important part of our toolbox.

We have a number of other programs and I don't think we need to invent a lot of new ones. I think that whether it be the Wetland Reserve, or the Conservation Reserve, or buffers, or you could go down the list, we have a good set of tools. The Conservation Security Program gives us the opportunity to take that toolbox to the farmer or to the rancher and utilize it.

Very quickly, a third issue that I'd like to mention is the issue of energy and the importance of agriculture in energy. We in Iowa today are moving very, very rapidly into bio-fuels and I think that's great. But I would urge us to look at where we are today as a first generation and start looking to the future. And that means putting a lot more money into research, into looking at ways in which we can produce ethanol, for example from perennial poly cultures rather than from strictly an annual row crop.

So I would urge you to take this seriously. This will be a very important part of our future; one that I think that American agriculture could really help us with.

[The prepared statement of Mr. Johnson can be found in the appendix on page 98.]

The CHAIRMAN. OK. Gentlemen, thank you very much. Mr. Hill, how would Iowa farmers in your opinion, prioritize Farm Bill programs generally in the commodity title—same question I asked earlier, how would you rank the relative importance of the direct program, marketing loan program, counter-cyclical payment program?

Mr. HILL. Well, I think that—you know considering what we're talked about with the WTO or we can think about those other titles of the Farm Bill, not just commodity title—Title I. There's a lot of opportunities to take advantage of in those other titles.

In the Commodity I Title, specific to your question, I think the direct payments are needed to be kept. I think the direct payments—Ben Greenbox for one. Also, they could be tied to risk management. Now, there's a lot of private tools. There's RMA reinsured tools through the USDA that farmers can purchase. And that direct payment can go a long ways toward risk management solving some of those concerns.

The CC payment, I would be probably the one that I would first discard. It's difficult and cumbersome to calculate what the benefits will be as the year progresses. The marketing loan is pretty precise. It gives a marketing plan some precision in knowing what harvest prices could be expected. It makes it easy for lenders to anticipate. So that's how I would rank them, direct first to be saved and then of course, the marketing loan gains, and third being CC payments.

The CHAIRMAN. We heard from the soybean and the corn folks from this part of the world relative to exports, but from an overall Ag perspective and coming Farm Bureau, how important are exports to agriculture here in Iowa?

Mr. HILL. Well, tremendous. The last 15 years, I think 30 percent of our net farm receipts have been derived from an export. Iowa's the second most export dependent state in the country. I'm a producer of pork. An illustration on my own farm in 1994, I recall the time when we did not have any exports of pork. In 1994 we passed that threshold and we began exporting pork. And I think today we're about 12 percent of our production is exported which amounts to about $22 dollars on every pig. Now, that's more than the profit margin. So exports are critically important to Iowa.

The CHAIRMAN. OK. Mr. Petersen, should an increase in conservation in our energy programs come at the expense of commodity programs?

Mr. PETERSEN. In certain instances, yes. Energy independent is very important. So yes, commodity programs are also important, but we need to look at ways to reward the farmer for taking care of the land, passing it down to the next generation. I believe it's an investment in this country by the taxpayers when you tie environmental issues like keeping the land—you know, up to par for production for the next generation to feed ourselves. And so, yes, that's very important.

And as I said, commodity programs are important, but we have to get a price, and I mean a price out of the marketplace here. As what's going in Congress, Senator Grassley holding up those news-

papers, we're under the microscope and we need to clean up the Farm Bill, and the waste in it, and get some money to the family farm producers that need it while we hopefully, get competition and break down these monopolies. So the farmer can get a price out of the marketplace with some assistance from the Federal Government tied to conservation, taking care of the land. I think it's the only way we have to go in this country if we want to keep localized family farm agriculture alive and thriving.

The CHAIRMAN. Mr. Rosmann, I'm curious. What all crops do you produce on your farm?

Mr. ROSMANN. Somewhat very typical. You know I was a conventional farmer the first 10 years, from 1973 to 1983, until we started pursuing this kind of agriculture. So we raise corn and soybeans, but mostly for human consumption, soybeans for soymilk and soy tofu. We also grow flax for flax oil production, barley and oats as a soil—you know, with legumes for soil conserving crops, because crop rotations are very important to help with our soil fertility and minimize soil loss. So you know, we really are looking at the long-term sustainability. And we also have 90 Red Angus cows and 50 Berkshire Cross sows, and I think that—those are the main crops.

You might be interested in noting that some of our white corn goes to make organic vodka down in Kentucky. If you're interested, I could arrange to get a bottle to you sometime.

The CHAIRMAN. You—yeah, Chuck makes me drink ethanol in Washington.

[Laughter.]

The CHAIRMAN. Maybe we could mix them. I spent a week at Ron's——

Mr. ROSMANN. Well, that's sort of the same thing you know, only a little more concentrated.

The CHAIRMAN. Should Congress shift funding from land retirement programs to working lands programs or visa versa to achieve a better balance among them?

Mr. ROSMANN. Oh, I'm sorry. Could you repeat that question please?

The CHAIRMAN. Should Congress shift funding form land retirement programs to working lands programs or vice versa to achieve a better balance among them?

Mr. ROSMANN. I believe there's some merit to that in terms of working with changing the whole structure to reward the good stewardship of the land and farming the land. You know, we desperately need production because of the world increase in population. But we need to do a better job of taking care of the land that we have had in production and that we've taken out of production to put into CRP.

You know, a lot of that CRP land should never have been in row crops, for instance. It should be livestock grazing of some kind, or in bio fuels now. So, there needs to be a balance I think. But you know, until we look at this whole commodity structure of who gets subsidized for what, and replace that with some sort of conservation green payment, I don't know. I think we're only working around the edges you know and not doing enough.

The CHAIRMAN. Let me ask that same question to you, Mr. JOHNSON.

Mr. JOHNSON. I was hoping you would. I think we need to look at land retirement programs a little differently than we have. They came into existence primarily as supply control programs if you go back to 1985 in the Farm Bill then. And so, we expected of farmers that they set aside this land. Not farm it. It's always bothered me that that means—or that's the major program we've had. We've told farmers that if you don't farm, you're a good farmer—or a good conservation farmer essentially. And if fact, it's put whole communities out of business in some cases.

We need to look at land retirement as one of the tools. And it should go all the way; it seems to me, from setting aside completely to some partial use perhaps and not just in disasters. I don't think we've used our imaginations very well in that regard.

But we should also look at land retirement programs as producing things, as well. I can't stress enough the importance of looking at good conservation and the results of good conservation producing commodities, as well. Whether it be clean water, or wildlife, pheasants, and quail if you will, or bio- diversity in general. There are so many things that could come off of that land and if we enter a contract with a farmer to set aside for 10 years or 5 years, it shouldn't be just OK, leave it alone. Plant it in grown grass and walk away. But rather, produce conservation commodities from it.

I think we have the knowledge or we could certainly gain the knowledge to get a much greater abundance of good off of retirement—land that we retire if we start looking at the results of good conservation as commodities, as well.

And remember it's—there's no world marketplace for that. That's why the world trade talks allow us to do it. But yet, there are terrific markets here at home. I think the average American would much rather—would look much more favorably on farm programs if he or she realize that we're getting better water because of the way we're doing it, or we're getting better air quality, or we're getting more pleasing landscapes, things like that.

The CHAIRMAN. Given the budget restraints that we are now working under, where should we in this next Farm Bill focus our resources from a conservation standpoint?

Mr. JOHNSON. Well, I'd like to—I hate to see that dilemma that you're in, you know we are giving in American tax dollars about $13 to $14 dollars per acre on public lands to care for those lands. That's our parks, and our forests, and so on. And I am in no way saying we should take from that. We probably should give more to that. And yet when it comes to our private lands which are 75 percent of our land in this country and the richest part of it at that, we're putting less than $2 dollars an acre it when you look at all of our conservation programs.

So I—then we're faced with the dilemma. Do we take it from out traditional food and fiber commodity programs? And I think we need to make a very strong case for the fact that, America cannot be healthy unless private lands are healthy, and that that is every bit as important as public lands.

Again, I do not want to be quoted as saying we should take from our public lands. I just came from the boundary orders in Minnesota and I can tell you it was good. But we need to get the American public to understand that it's the American farmer that we

use the conservation carpet on which we stand. And we are not going to have clean water, or good air, or bio-diversity in this country unless it's the American farmer who produces it. And that can't just happen. We need to reward them for it.

So I would strongly resist this argument that it has to be one or the other. If you look to the future, it seems to me that our one hope for maintaining strong taxpayer support for rural America is to produce more and more conservation commodities.

The CHAIRMAN. Senator Harkin?

Senator HARKIN. Thank you, Mr. Chairman. I want to get back to the question I asked the other panel about beginning farmers. But as long as we're on conservation, and it has some connection also with maybe beginning farmers too, in this way. Obviously entering a whole new era of bio-fuels and bio-based economy. Not just fuels—ethanol and bio-diesel, but bio-based products. Making things from starches, for example, that replace everything from—a lot of things from plastic plates and stuff, to solvents, to all kinds of different things—hydraulic fluids made from soil oil, grease.

So I'm wondering about this in terms of also connecting with conservation. You said a lot of land shouldn't have been put away on CRP because it should've been farmed in the first place. But there's a lot—because we base CRP that every county had to have some, there's some land in CRP that's good producing land. But what if we were to—and we know that we can take CRP land and we can grow conserving crops on it, the most popular being switch grass right now.

We had a project down in Southeast Iowa. Leonard Boswell and I were involved in back when you represented that area down there and we had that switch grass operation down there and John Deere made equipment for it. And we proved that you could raise switch grass on CRP land. It's a perennial crop. You cut it once a year. You don't have to fertilize it very much and you can keep the CRP land, but you can get crop off of it for energy production.

So what I'm thinking about, is you're thinking about commodities, Paul Johnson, you said about thinking of conservation as producing commodities. Well, how about thinking of conserving lands where you might be able to produce certain bio-based—certain crops that are convertible into bio-based products and yet, still keep the land conserving. Is that another way of which we might be able to focus some of our scarce dollars in that kind of an area? And I'd just ask all of you to think about that? Craig?

Mr. HILL. OK. Well, I think you're right. And in Iowa that CRP totals about 5 percent of our land. And if we targeted those specific areas that were erosive or needing of retirement, it may only be one or 2 percent of that land. And so much of that could be brought back into production and still adhere to some of our environmental standards that we have.

Right now, with this explosion in bio-energy we're harvesting embryos. You know, like the corn seed and the soybean seed, and we're processing it and extracting oil energy. But the future will be biomass, cellulosic materials, whether that's five years or a 10–year transition, I don't know. But we can only grow so much energy harvesting embryos and maybe that's 10 or 12 billion gallons. But we could go to 50 or 60 billion gallons if we use biomass—switch grass.

Senator HARKIN. That's right.

Mr. HALL. Other products. So that really is the future and some of those commodities that we grow, the biomass commodities are very sustainable for soil, erosion soil control, and et cetera.

Senator HARKIN. Chris?

Mr. PETERSEN. Thank you, Senator Harkin. Yes, I agree with that as long as it doesn't affect our pheasant population too much. Having said that, this land can be utilized again, in energy independents. We need to do things like this. And it's going to put money into the farmers' pockets, number 1. You know in corn and all of these products going into ethanol, switch grass, some of these other types of crops you get so much more energy out of them. So you know, the name of the game here is achieving energy independence as much as we can. So, I totally agree with that.

And again, this would tie into what I believe is a lot of the problems in Iowa of getting beginning farmers started farming. You know this should give them more money, you know to work with. And you know, this is still only one of the very few occupations I know that, gee, go to town and get a job. You know, if you can't get price out of the marketplace your product and that don't work send your wife to town and get the health insurance.

And you know we have to get away from that. And the last thing I want to see with beginning farmers is them turned into contract growers who basically get a wage for raising somebody else's livestock. The family farm is all about independence. That's what's working this country. Also, low interest loans for beginning farmers. That's crucial. True value adding where a rightful share of the value added money gets back to the family farmer, whether he's a beginning family farmer or an established farmer.

Again, competition title—money—a price. We need a price. We've got to get a price.

Senator HARKIN. By the way, you know we had to have a competition title in the Senate Bill.

Mr. PETERSEN. Exactly.

Senator HARKIN. Senator Grassley supported that, we supported that. We lost it in the House, that's the problem. Ron?

Mr. ROSMANN. I've got two thoughts on this. First, you know we have to have the infrastructure be willing to work with some of the bio-fuels. You know we've got all this interest now with this first generation of ethanol plants. But I think, you know they need to recognize that there are some inefficiencies with using just corn. They need to look at the whole corn plant and you know—or some crop residues. And then what Paul was saying, you know looking at switch grass and other more efficient bio-fuels. But you know the present oil industry negotiates with the ethanol folks——

Senator HARKIN. Uh-huh (Affirmative).

Mr. ROSMANN. – to decide how many gallons become 10 percent ethanol.

Senator HARKIN. Yeah. I guess what I'm reaching at in this question Paul, is that—is there an opportunity—we've put the first energy title in the Farm Bill last time, so we can build on that. Is there an opportunity to use that energy title as the basis for more bio-based products, coupled with conservation, and the Conservation Security Program that also answers another part of the prob-

lem that I wanted to ask you about; and that is getting funds to young beginning farmers to get them going. Can you kind of pull all that together? Do you see a synergism to use 50–cent word I guess on that, yes?

Mr. ROSMANN. Well, I think there's terrific opportunities there. Imagine a—of Iowa, in the future, where a part of our land and we're always, I think, going to be producing some of the traditional commodities, but a part of it, at least, is now in a complex of plants, what's called a perennial poly culture. Perennial meaning we don't have to plow the land every year. And if fact, if we don't, then the soil is completely occupied with roots. You can add your animal manures to that land and it does not leach through, and out, and into the Gulf of Mexico. So that has certainly a benefit. And you could do that with a simple plant such as switch grass. But you could also do it with a complex.

Iowa was once a tall grass prairie state. Today it's the most endangered ecosystem in our country. We have almost no tall grass prairie left today. There were 100's and 100's of species occupying an acre of land when we first started plowing this ground. I'm not suggesting we'll get back there, but we certainly can have a complex.

We farmers have a tendency to want to simplify the earth and simplify the land. And one crop we can handle that or one plant, for example. And we are really good at it. Take a look at the average cornfield out there today. You won't see a more proud crop.

On the other hand I think if we set our minds to it, we could add a lot more diversity to the landscape. That brings back bio-diversity. It brings back wildlife. It brings back better water quality. And if we put that into the mix of our national system of fuels and of plastics, and things like that, I think for the first time, we really do have an alternative crop. And we've been talking about that forever, haven't we? All we need is an alternative crop. It used to be Belgian endive. Remember that?

Well, here's one that will really work. But we're going to have to really focus on it I think.

Senator HARKIN. Well again, a bottom line is profitability. I mean, as long as you can do it and still maintain a profit.

Mr. ROSMANN. But once the American public realizes all the benefits that are coming off of that land, I think of course, it's up to us to convince them that it's worthwhile doing. But I think it'd be a lot easier than the course that we're now on.

Senator HARKIN. I used up all my time. So I won't go on to the second—did—Ron, did you have one last——

Mr. ROSMANN. Well, I was just going to say I could envision where farmers have a whole farm plan in the CSP and a portion of that could be devoted on their steeper slopes highly erodible land devoted to what you're talking about. That you know, as part of their whole farm plan, part of it would be bio- fuels.

Senator HARKIN. Well, we're going to move ahead aggressively in cellulosic conversion. That's kind—that's your next generation. I just talked to a scientist last week, who told me that they're making great breakthroughs in cellulosic conversion into ethanol. Switch grass, as you know, about an acre of switch grass has about as much protein as an acre of soybeans, twice as much energy as

an acre of corn. Now, we're going to use corn as ethanol, because we have the—and it's getting more efficient too, by the way. It's getting very much more efficient. But the cellulosic conversion of that could lead to again, utilizing some of this land that, as I've said, every county has got to have CRP. Well, I don't know that that's really necessary. I mean, some of the highly erodible land you need it, but some of this other could be used for some of this other production perhaps.

Thank you. I—again, keep in mind my other question, so if you want to write me or something like that about getting young people in. How do we get young people going in agriculture? I've used up my time, Mr. Chairman, on other things.

The CHAIRMAN. Senator Grassley?

Senator GRASSLEY. I'd like to ask Mr. Hill and Mr. Petersen if their organization supports the revision of the caps, so we have a hard cap, so that there can't be legal subterfuge of those caps? And right now, the figure floating around Washington is $250,000 dollars, which probably most Iowan's think is too much. But regardless of the figure, you know the approach that we're using whether it's a $250,000 or some other figure in that neighborhood, do the Farm Bureau and do the Farmers Union, and NFO support that? And anybody else that wants to answer, but I think it's more the general farm organization?

Mr. HILL. Senator Grassley, you know my difficulty in answering that question. The American Farm Bureau does not subscribe to payment limitations. It's not been a policy of the American Farm Bureau to support payment limitations. However, the American Farm Bureau did support the 2002 Farm Bill and the $360,000 dollar limits that are there. So, we do have support for that measure.

Iowa Farmers however, and we've taken this policy from Iowa to the American convention year after year, do believe there should be further constraints on the limitations—or on the payments to farmers. And what that number should be, maybe it's $250,000, I don't know. You won't accomplish much though; by just setting a limitation without enforcing and making certain that it's done that way. And that's probably more important than setting the limit, is making sure that there is a true limit.

Senator GRASSLEY. That point—the latter point is well taken and I agree with you. Mr. Petersen?

Mr. PETERSEN. Yes, Senator Grassley. Yeah, we support caps. We believe they should be a lot lower than $250,000. We believe a good component of good farm policy is to have more farmers on the land, not less. You know this kind of reflects on the concentration issues. And as I spoke earlier of all the competition stuff in this Farm Bill and our State Board, we voted on a $100,000 dollar cap. It's what we felt was the best for rural Iowa. And personally, I have no problem with big farmers farming a lot of land. But what's in the best interest of this country number 1, and rural communities. If these guys want to farm all this land, welcome to capitalism. Go talk to your bank.

Senator GRASSLEY. Go ahead.

Mr. HILL. I'd just like to comment briefly. If we take the savings from having strict caps and put them into beginning farmer initiatives as the tradeoff, well then we are addressing two problems

with one solution. Because if we continue to go down this same road, there are not—there's not going to be a next generation of family farmers. There just plain isn't. The entry rate is so small and because of this, we're seeing all these complicated corporate farms entities move in right into Shelby County, for instance. So, it's very real. It's happening and you know, unless we do something quickly, you know time is—— you know, been running out for quite some time to reverse these things. These 30–year trends really, since I came back and started farming in 1973, and Earl Butts said, farm fence roll to fence roll. You know, it's been happening.

Senator GRASSLEY. Uh-huh (Affirmative). The next issue I bring up and this will be my last one, is—it was going to be what if the WTO trade talks fell through. But I see from our email that they announced this morning that they were going to be suspended. So the question is now, if they—and I guess according to what I'm reading, it's very pessimistic about whether or not they'll come up and particularly, with the President's authority, to negotiate trade running out next July. And if we're going to do something, we have to do it well before July.

Then, what would suggest, Mr. Hill or Mr. Petersen, would be our attitude toward reducing barriers to trade now if the DOHA Round is not going to be successful?

Mr. HILL. Well, with a lack of a DOHA agreement, I think we do have to maintain the Farm Act that we're working with currently. I would like to think prospectively about a day when we did have market access and we've talked about that. I think there's grand options for us in the other titles of the Farm Bill, to work for farmers. But until the concessions are made by the Europeans and that's what it boils down to. I mean, you've mentioned it yourself, Senator. Sixty-two percent of the tariffs posed on U.S. goods and 12 percent that we impose on others is quite a difference.

There's great opportunities for Iowa with regards to bio- energy, and with livestock, and the crops that we grow. But 95 percent of the world's customers are outside of our boarders. And until we can accomplish that problem, I don't know that we can look forward to new policy positions.

Senator GRASSLEY. Mr. Petersen?

Mr. PETERSEN. Thank you, Senator. National Farmers Union, we're a strong position of fair trade. And yeah, you know we have to reduce barriers, and this, and that, and grow trade. But I think it's very clear now that trade and exporting are a way to prosperity is not quite working the way we envisioned it.

And the WTO, who's benefiting off all this so-called free trade or trade? You know I make the comment that the WTO is not part of the U.S. Congress. I believe it's Congress's charge regardless of the outcome of the WTO to take care of our form of agriculture and our producers first. And I believe the wrong—— one of the things about market barriers and market access in other countries, the last thing I want to see is massive—goes to the food sovereignty issues, that massive amounts of family farm producers in other countries being forced off the land.

Look what's going on in Mexico, with NAFTA. You know, and then you know it ties into the immigration problems and all that. All these people that were sustainable in their own countries pro-

ducing food, they were doing something. They were busy. They were contributing to their country's better health. And so, trade's a very tricky issue. The WTO's a very tricky issue. And bottom line, we have got to take care of ourselves first.

Senator GRASSLEY. Unless somebody else wants to comment, I'll yield now.

The CHAIRMAN. OK. Well gentlemen, again, thank you very much for being here. Thanks for your very splendid testimony. We look forward to staying in touch. We'll take one more 10–minute break as our next panel comes forward.

[Recess].

Senator CHAMBLISS. We're very pleased to have on our third panel; Mr. Bill Scheitler from LaMars, Iowa representing the Iowa Cattlemen's Association, Mr. Eric Nelson from Moville, Iowa representing R-CALF, USA, Mr. Jim Dean from Oskaloosa, Iowa representing the United Egg Producers and Mr. Steve Kerns Clearfield, Iowa representing the Iowa Pork Producers Association.

Gentlemen, welcome, we look forward to your testimony and Mr. Scheitler, we'll start with you.

STATEMENT OF MR. BILL SCHEITLER, PRESIDENT, IOWA CATTLEMEN'S ASSOCIATION, LAMARS, IOWA

Mr. SCHEITLER. Thank you, Mr. Chairman. Mr. Chairman and members of the Committee, thank you for the opportunity to present our ideas on the 2007 Farm Bill from the perspective of the members of the Iowa Cattlemen's Association and many other Iowa cattle producers. My name, as you said, is Bill Scheitler, I'm a cattle producer from northwest Iowa and I'm currently President of the Iowa Cattlemen's Association.

As the nation's largest segment of agriculture, the cattle industry is focused on; continuing to work toward agriculture policy that minimizes direct Federal involvement, supports the reduction in the Federal deficit, preserves the right of individual choice in the management of land, water and other resources, provides an opportunity to compete in foreign markets and does not favor one producer or commodity over another.

For the U.S. beef producer, we believe trade is the single most important issue affecting the cattle industry today. Iowa cattle producers are strong believers in international trade. We support aggressive negotiating positions to open markets and to remove unfair trade barriers to our products. We also support Congressional and regulatory action to address unfair international trade barriers that hinder the exportation of U.S. beef.

The Iowa Cattlemen's Association supports sanctions against Japan due to unreasonable hindrance of our U.S. beef exports. In trying to deal with and mitigate the effects of animal health emergencies in our business and trade, we believe in participating in a privately held animal identification system. That system now exists and is under the administration of the U.S. Animal Identification Organization. It is administering an animal movement data base that has the ability to work with animal identification service providers across the country to collect animal movement data and serve as the single point of contact in the event of an animal health emergency.

The Iowa Cattlemen's Association has provided an electronic identification program for mid-western producers for the past eight years. The ICA program was the first in the country to include EID as part of the states brand law as a legal form of identification. One concern we have about the USDA National Animal Identification System is that it is not moving at a pace it should be. Currently the NAIS system in this country is just treading water. We want it to progress faster. The NAIS program may need some impetus as to encourage more participation.

Conservation and the environment are also an important issue. Our livelihood comes from the lands, so careful land stewardship not only makes good environmental sense, it is also fundamental to keep our industry strong. One program cattle producers value and participate in across the country is the EQIP program. A problem encountered with EQIP is that by arbitrarily setting numerical caps that render some producers eligible and others ineligible, the success of the program is somewhat limited.

Other programs many cattle producers would like to enroll in to reach environmental goals includes the CSP and the CRP. However, to enroll, producers must stop productive economic activity on the land enrolled. We must support the addition of provisions in the next Farm Bill that would allow increased managed grazing on land enrolled in the CRP.

In terms of energy, we believe the Farm Bill can help to provide research funding for integrated production systems and innovative business models to manage risk and attract new capital. Due to the construction of many new ethanol plants in Iowa and the coal products that are a high source of good protein livestock feed, the Iowa cattle industry is poised at a brink of major expansion. Energy policy that provides research funding and supports renewable fuels, such as ethanol, will help young people enter agriculture, improve our local economies and revitalize our rural communities.

Thank you very much for your time today.

[The prepared statement of Mr. Scheitler can be found in the appendix on page 101.]

Senator CHAMBLISS. Thank you. Mr. Nelson.

STATEMENT OF MR. ERIC NELSON, DISTRICT 7 DIRECTOR, R-CALF USA, MOVILLE, IOWA

Mr. NELSON. Good morning, Chairman Chambliss, Ranking Member Harkin and Senator Grassley. I'm Eric Nelson, District 7 Director with R-CALF USA and along with my wife, Carol, and our five children; we own and operate a beef feedlot along with a cow-calf and farming operation near Moville, Iowa in Woodbury County. I appreciate the opportunity to provide comments on the development of the 2007 Farm Bill.

We believe the Farm Bill should make progress in five key areas; honest competition in the domestic livestock market, animal health and safety, consumer information, international trade and the development of initiatives to sustain a more prosperous and competitive cattle and beef sector.

As our sector faces many challenges, the Farm Bill should contain a separate beef and cattle chapter encompassing each of these issues. My entire testimony addressing these issues has been sub-

mitted to the record and during my remaining time, I will present facts on competition in the marketplace.

Consolidation in the meat packing industry has grown at an alarming rate over the past few decades, as have abusive contracting practices. Concentration among meat packers has more than tripled since the late 1970's, and today just four packing companies control more than 83 percent of the beef industry.

While the meat packing industry has seen dramatic consolidation, packers have also increasingly use non-traditional contracting and marketing methods that further erode the selling power of cattle producers. Such methods include; purchasing cattle more than 14 days before slaughter or packer fed cattle, forward contracts and exclusive marketing and purchasing agreements.

Together the four largest packing companies employed such forms of captive supply contracting methods for a full 44.4 percent of all cattle they slaughtered in 2002. That figure is for a whole year, but if packers acquire large amounts of supply in advance for one timeframe, damage can be done. As recent as this past February, there were nearly 4 weeks without a cash market in my part of the world. As the packers had acquired enough inventory in advance through forward and formula contracts with many of these cattle coming from Canada. And when trade did resume, the market had lost nearly $10 a hundredweight.

The impact of packer concentration and abusive contracting practices is also evident in the declining share of each beef retail dollar that actually reaches producers. With the producers' share of each retail dollar earned on beef being 47 cents in 2005, down from 56 cents in 1993. Slaughter cattle I am selling now are bringing about $1,000 a head and take about 16 months of care and feed to get them to that point. After a packer buys that same animal for $1,000, roughly in the next week, the packer and the retailer resale that same animal for $2,100. The Farm Bill should ensure that anti-trust and competition laws are effectively and vigorously enforced.

In closing, I would like to mention a few issues that are in dire need of being addressed before the 2007 Farm Bill due to potential delays. First, there was a precipitous drop in the U.S. fed cattle prices that began in late January of this year and continues through today despite widespread reports of tight supplies and strong beef demand, demonstrating the need to immediately preauthorize livestock Mandatory Price Reporting in accordance with recommendations recently made by the GAO. We support the recommendations proposed by Senators Grassley and Harkin and trust that transparency in the market can be improved by expanding and strengthening mandatory livestock price reporting as quickly as possible.

Second, the current import and volatile market situation highlights the need to implement the 2002 mandatory country boards and labeling law as soon as possible. It breaks my heart that as a producer, we can produce the best product in the world and then have U.S. consumers buying Japanese or Argentine beef, all the while paying top dollar, thinking it's U.S. beef. With importers pocketing huge profits.

Next, we can immediately increase packer competition and limit concentration by passing S. 3519, the Agriculture Small Business Opportunity Enhancement Act, which would allow interstate sales of state inspected meat and poultry.

Finally, as we push to reopen our export markets to U.S. beef, we must remember that the customer is king and allow individual packers to voluntarily test for BSE. The future of the cattle industry will be bright as long as the needs of independent producers are watched out for. Thanks for allowing me to provide input at this important hearing.

[The prepared statement of Mr. Nelson can be found in the appendix on page 111.]

Senator CHAMBLISS. Thank you. Mr. Dean.

STATEMENT OF MR. JIM DEAN, FREMONT FARMS, OSKALOOSA, IOWA REPRESENTING UNITED EGG PRODUCERS

Mr. DEAN. Thank you, Mr. Chairman. I am Jim Dean of Fremont Farms in Oskaloosa, Iowa. We are egg producers and we very much appreciate the chance to testify before the Committee on the—and offer some ideas on the 2007 Farm Bill.

I am honored to testify on behalf of United Egg Producers. UEP is a cooperative whose members independently market about 90 percent of the nation's eggs. Since 1968, UEP has provided leadership in the U.S. egg industry, not only performing the functions of a trade association, but also providing a number of other services, including facilitating the trading of eggs, and arranging direct export sales and overseas—to overseas customers.

The U.S. egg industry generates several billion dollars a year in cash farm receipts and creates jobs and economic opportunity in rural America. There is some egg production in nearly all states, but about half of all layers are in five states; Iowa, Ohio, Indiana, Pennsylvania and California. The next five largest states are Texas, Nebraska, Florida, Minnesota and Georgia. These top 10 states account for nearly three- quarters of the laying hens in the country. Our industry is honored that six of the 10 states are represented by this Committee.

U.S. table egg production for 2005 is 213 million cases, 70 percent were sold into retail stores, 31 percent destined for breaking and further processing as food ingredients for other value-added uses. A little more than 8 percent was sold to food- service outlets and other institutional users. Under 1 percent was exported, but the industry is somewhat more export-dependent than implied by this statistic, which does not include exports of further processed eggs.

The egg industry neither receives nor seeks direct income or price supports. However, our industry has several concerns that we hope you will consider addressing in the 2007 Farm Bill. The remainder of my testimony will cover these specific points.

Avian influenza—we ask to provide in the Farm Bill that indemnities for LPAI are to be paid at 100 percent of the properly assessed production value of any birds that must be destroyed and should also cover expenses involved in the vaccination, cleaning, disinfections and other measures that state or Federal officials may require to be taken by production of an outbreak.

Controlling LPAI is directly relevant to our efforts to prevent high-path avian influenza. Low-path viruses can mutate and in the past have mutated into highly pathogenic forms. The largest previous outbreak of high-path avian influenza in the United States was in the northeast in 1983 and 1984 involved in a virus that started low-path and mutated into high-path.

Also that we ask that in the—as far as the flock identification and National Animal Identification System, that we'd protect the identities as much as possible for the protection of information submitted by producers under the NAIS system. Also, we request that in the 2007 Farm Bill authorize a program to research on air emissions mitigation technologies, emphasizes on on-farm applications, with particular attention to the technologies' efficacy in reducing emission rates, operational feasibility and affordability.

And finally, UEP asks the members of the Committee to oppose the inclusion of any provisions in the Farm Bill that would harm our industry. For example, legislation has been introduced in the House of Representatives that would require all Federal food procurement to be conditioned on animal welfare standards, specified in the text of the legislation, not through any objective scientific procedure.

In the case of egg—in the case of the egg industry, the legislation appears to require all Federal purchases to be limited to cage-free or free-range eggs and similar production systems. As an organization, we are not opposed to those systems, and indeed some of our members operate them. But eggs produced in this way are typically two to three times as expensive as conventional produced. The result of the legislation—not just for eggs, but for milk production.

In conclusion, as an Iowan, I am proud to be part of U.S. agriculture in this new century. I am also honored that this Committee came to Iowa for this hearing. Coming from a variety of states, you are well aware of producers' concerns about similar—are similar across the country. We look forward to working with the Committee on a sound—on a sound forward- looking farm policy for coming years. Thank you.

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

Senator CHAMBLISS. Thank you. Mr. Kerns.

STATEMENT OF MR. STEVE KERNS, REPRESENTING IOWA PORK PRODUCERS ASSOCIATION, CLEARFIELD, IOWA

Mr. KERNS. Chairman Chambliss, Senators Harkin and Grassley, welcome. Thank you for the invitation to this hearing. My name is Steve Kerns; I'm the immediate past President of the Iowa Pork Producers Association and a current Chairman of the Public Policy Committee. I'm a pork producer from southwest Iowa in Clearfield.

As you know, pork producers are generally not the largest recipients of any of the Farm Bill provisions. However, we do have many policy implications which could be discussed and therefore, we would follow the Farm Bill discussions closely on behalf of our members.

One issue that should not wait until next Farm Bill is MPR. Currently the Mandatory Price Reporting system for livestock has lapsed and negotiations are ongoing between the Senate and the

House over the new language. The Iowa Pork Producers Association is on record favoring the Senate version over the House. I thank the Senate, and especially Senators Harkin and Grassley, for their work on this issue and urge the Congress to adopt the Senate version as soon as possible. This issue is too important to wait for the next Farm Bill consideration.

What livestock producers need is more transparency in the marketing process. We don't need to know the price each producer received for his livestock, but we do need to know how the prices are settled and negotiated, are compared to the rest of the market.

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

Packers and Stockyards is one area of that competition which needs attention. It needs to be revised. The OIG report on GIPSA noted that change is needed within the agency. Senate Bill 2307 is a good start at this process. This bill would authorize USDA to establish an Office of Special Counsel whose sole responsibility will be to investigate and prosecute law violations. Based on the OIG report, Senate file 2307 adds important provisions and improvements to this current process.

Packer feeding and contracting in agriculture is becoming more commonplace. In Iowa, our Attorney General has been negotiating with individual processors to resolve legal challenges to Iowa' packer feeding laws. Many of the agreements between the AG and individual firms discuss contracting issues. One provision important to producers is the state in which the legal challenges are resolved, also known as venue. It makes sense to most producers that the state in which the production takes place should be the state where legal disputes are resolved. This is important for both production contracts and marketing agreements. In Iowa, most packers involved with negotiating with the AG, have this language in part of their agreement with the state of Iowa.

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

Federal renewable fuels targets should result in putting more grain into ethanol production and this could impact the price of corn and or feed costs. We are hearing more and more from pork producers concerned about the price and availability of grain for livestock feed. Therefore, we continue to advocate safety values in the national policy, which allows for suspension of mandated programs when feedstock supplies are low.

Furthermore, more research needs to be conducted to evaluate the consistency and nutritional value ethanol by- products in order to develop feeding recommendations for livestock. Under the Conservation title, Congress should modify the EQIP program to be more usable to pork producers. Second, unless done beforehand, Congress should clarify that animal manure was never intended to be a hazardous waste.

Third, the 2002 Farm Bill included a new Conservation Security Program, which was a step in the right direction and needs further consideration and funding. And finally, various conservation programs have assisted farms in reducing soil erosion on farms, not much is known about a concentrated or coordinated effort to target and solve water quality issues within an entire watershed. We should begin to evaluate a watershed approach to agricultural water quality impacts. Several Federal agencies and their programs could be targeted to pilot watersheds, with cooperation of the area farmers and other landowners.

We can envision combining the strengths of individual programs within on watershed called the solar and water quality. This could include programs like GRP, CRP, CSP, EQIP and WREP. While even these combined programs cannot be expected to solve all pollution events, coordinating and concentrating these programs could have a big impact on one watershed.

Furthermore, it would be a new cooperative approach with potentially more success than the traditional carrot and stick approach.

Thank you for considering our thoughts.

[The prepared statement of Mr. Kerns can be found in the appendix on page 127.]

Senator CHAMBLISS. Gentlemen, thank you all very much. You mentioned Mandatory Price Reporting and we have been working to get Mandatory Price Reporting reauthorized but frankly, we have run into some significant roadblocks, which actually arose from concerns right here in Iowa.

Currently, the program's working on a voluntary manner, as you know. However, many folks want to see this program reauthorized, and because it is a law that has expired, as Chairman of the Ag Committee, I think it's incumbent upon me to push this forward to hopefully get it reauthorized. The House has reauthorized a package that had several changes in it that were recommended by several national livestock groups, and frankly, my two friends here—and I don't have dog in this fight, so I can talk about this—my two friends here decided that was not the way we needed to go and the Senate bill reauthorized the bill—the law as written for a 1–year period of time, the House is 5 years—the bill that we authorized—— reauthorized had no changes in it.

So, we're at loggerheads right now as to whether or not, No. 1, and changes ought to be made, second whether it ought to be for 1 year or 5 years and we have not been able to make any headway whatsoever. So, Mr. Scheitler, Mr. Nelson, Mr. Kerns, let me ask you three gentlemen just to comment on this. What do we need to do, because I would like to get this done? You all tell these two guys what they need to do, so we can do.

Mr. SCHEITLER. Mr. Chairman, we're very fortunate to have these two gentlemen representing us.

Senator CHAMBLISS. Boy, if that's not a political answer——

Mr. SCHEITLER. We truly want do reauthorization of Mandatory Price Reporting. There's no question about it and I really believe that we've got the two best-qualified individuals at this table to work that out if it needs to be some sort of compromise. Under no circumstances should it be put off. If anything it should be refined,

implemented right away and hopefully more detailed and better price reporting.

Senator CHAMBLISS. OK. Mr. Nelson.

Mr. NELSON. I haven't actually read the legislation and I'm not sure really where the holdups are, but I know we're more than willing to do anything that we can behind the scenes to try to push this piece of legislation through, it is very critical. Giving the examples that I stated with some of the goings on in the marketplace today, we need to be able to have that transparency and follow the current state of the markets.

Senator CHAMBLISS. Mr. Kerns?

Mr. KERNS. Yes, I think you know our position. We fully support the Senate version. We've worked with Senators Harkin and Grassley and we appreciate what they've done to make the bill more transparent. But the House bill doesn't—little to solve the transparency of problems that were existent and are existent with the current bill. Therefore, we feel provisions need to be made adopted fairly quickly.

Senator CHAMBLISS. OK, and for 5 years?

Mr. KERNS. I believe that we could—we need livestock price reporting forever. I mean, I think that we can have maybe for 1 year if that's what's necessary to get it implemented and reauthorized right away. Five years would be better. But, I think the fact that we need mandatory livestock price reporting in place——

Senator CHAMBLISS. But if we can get the bill right, I don't think there's a problem whether it's 1 year or five years. One year basically was to try to get us to a point where we could get some input from a GAO report. So, that's not really fair.

Last, Mr. Dean, in your testimony, you mentioned some measures the egg industry is taking to address animal welfare standards, particularly United Egg Producers certified program. How does this program go above and beyond the animal welfare standards, which are already in place?

Mr. DEAN. What we did was put a group from academia together, from the scientific community together, and had them do studies and research for us. We've taken our cage density to a different level. We're using sound science in our program rather than other situations and right now, 90 percent of the industry is on that type of program where we use sound science to try and come up with the needed benefit—welfare benefits for the animals.

We don't necessarily agree with the free-range concept. It's a practice that's used but that then can lead into issues with avian influenza, where they can go and intermingle with migratory birds and ducks and so we don't necessarily feel that's a wise approach to take to in the industry. Europe has gone into certain countries have actually banned cages completely. The scientific community will tell you that banning cages is not the way to go and not in the best for the animals and the livestock.

Senator CHAMBLISS. OK, Senator Harkin.

Senator HARKIN. All right, thank you very much Mr. Chairman Let me first thank you all for being here. I'd get back to Mandatory Price Reporting thing that Senator Grassley and I have worked together on, in harmony on this thing.

As you know, we ask for a GAO study of this. We've got the GAO study; we ask only that the findings of the GAO basically, be incorporated in what we propose. We are at a sticking point with the packers right now. One of the GAO findings was that we needed to have compliance reports and how they were complying with this. The packers are objecting to that and we're trying to find some way to work that out now. Because we expressly put in our bill that it couldn't include proprietary information. They were concerned about that, well, we agree, we don't want proprietary information, what we do need to know, whether or not they are complying and what the patterns are and that type of thing so that we have some basis on which to know, whether they're doing the thing right or not.

Well, that's just where we are. I don't know where we go from here and what kind of compromise we can work out, but so far, we're sort of at loggerheads on that. The bill isn't worth anything unless we have compliance reports and compliance audits that we know to go in and check on them—on these packers and, well, I don't know how we're going to be able to work it out. But, we're working on it. I didn't mean to get off on all that, now. But it was a big issue there on that.

Country of origin labeling. Now, are you in favor of country of origin labeling and I just want to ask Mr. Nelson that, too? I mean, you know, we had in our bill it was supposed to be implemented by 2004 we're now 2006, we're 2 years past that and we can't seem to quite get it done yet.

Mr. SCHEITLER. That's correct, Senator. Actually the Iowa Cattlemen's Association has policy supporting mandatory country of origin labeling. But, we currently have some problems with the bill at hand. We believe that it should include all species of animals and the meat derived from it and also it should include the meat at retail level in food service. The current bill probably would only cover 30 to 40 percent of the meat that's sold in this country and I think that if we were to encompass all meat and actually the food and the meat at retail level and food service that is currently the policy of the Iowa Cattlemen's Association.

Senator HARKIN. You say the present bill would only cover 30 to 40 percent of all the meat involved.

Mr. SCHEITLER. Yes, it does not cover any meat that is handled through food service or the restaurant industry or anything like that. It basically—the only products that are covered are whole muscle meat in the meat case. If it's been processed in any way shape or form, it does not pertain to that meat.

Senator HARKIN. Mr. Nelson.

Mr. NELSON. Yeah, R-CALF's position is, you know, we're definitely in favor of mandatory country of origin labeling and he does speak correctly there, that it's mainly at the retail meat cases where the rule, as it's written, would take effect. And we think that's great; let's get it enforced. If it needs to be enhanced and expanded, then maybe let's do that down the road, but there's been, obviously, numerous years of foot dragging in trying to get this bill—law implemented.

Senator HARKIN. Pork Producer, Steve.

Mr. KERNS. Well, Iowa Pork Producers Association delegates strongly endorse mandatory country of origin.

Senator HARKIN. Country of origin labeling, yeah. And Mr. Dean, I don't know if you have a dog in this fight.

Mr. DEAN. No.

Senator HARKIN. Really, you don't have one on that. Concentration issues—avian flu, I did want to touch on that a little bit with you, Mr. Dean. The issue of low pathogenic avian influenza and the indemnity issue—I wear another hat in the Senate and that is on the Health Committee—Health Committee and we're looking a lot at this whole avian flu and what we need to do to beef up our, no pun, what we need to strengthen our public health infrastructure to get ready for this.

A lot of it is overlooking the animal side of this. And so it's become apparent to us on the health side that we need to do something to protect in terms of the low pathogenic that can mutate into the high pathogenic, I'm getting really into the weeds here on this. But would you, again, for the record tell us what you believe we ought to do on the animal side in terms of indemnification for flocks with low pathogenic avian influenza.

Mr. DEAN. Right now there is no provisions for indemnification of low-path avian influenza.

Senator HARKIN. Why is that a problem?

Mr. DEAN. Well, low-path can mutate into high-path.

Senator HARKIN. If it's low-path, it doesn't harm anything, does it? I mean——

Mr. DEAN. You run the risk of—where you run the risk is you do not know when or that it's going to mutate and low-path, there's very few clinical signs when you have low-path avian influenza and we would be in favor of testing flocks for low-path and we feel that it's—strongly that it's a big enough issue that they could turn high-path at any point in time and then once they turn high-path, they're so highly contagious that like, in the state of Iowa that's got 51 million chickens, you could virtually wipe out the entire industry before you could quarantine it and stop it. So, the only way, I feel, that we can at least get a handle on it, is eliminate it at the low-path level before it does mutate.

Senator HARKIN. And if there are not indemnification fears, then people won't report.

Mr. DEAN. People aren't going to be prepared to test their flocks and aren't going to be prepared to eradicate and eliminate the birds.

Senator HARKIN. I think that's a very important point. Steve Kerns, just one last thing on pork production that you mentioned about your concern about ethanol and about the amount of corn that we're taking for ethanol and the fact that the by- products are, of course that the dried grains are OK for cattle, but not too good for pork; two interesting things, as you know, we're doing some research at Iowa state on that and we need to put more money into that research.

But I ran into an individual last week who's putting money into research and claims that they, and he's a scientist that they're going to be able to take hog manure and make it into ethanol. Now,

you've probably have heard about that, but another cash crop for the State of Iowa.

Well, thank you all very much, gentlemen, thank you for being here today and your testimony.

Senator CHAMBLISS. Senator Grassley.

Senator GRASSLEY. Yeah, on a couple of issues that some of the panelists brought up about concentration and animal i.d. We're going to have an opportunity in this committee on Wednesday, we have the new Undersecretary for Marketing and Regulatory programs, Bruce Knight coming before our Committee and we'll have a chance to press him on those issues and I intend to do that.

In regard to, you know—it was kind of an if question—— if we had a DOHA round or where we were headed in a DOHA round, which we aren't going to have now, but for Mr. Scheitler, what do you believe should be the highest trade priorities that we have since 10 percent of our beef is exported, it's a very—I'm sure it's a very big issue for your organization.

Mr. SCHEITLER. It certainly is, Senator. To be honest about it, trade negotiations in getting our beef export market opened up had been quite frustrating and I don't need to tell you that. At some point in time, we have to address this, probably I believe in a more forceful manner. We do need to—and we do support some sort of trades, sanctions or retaliation against the Japanese.

Clearly that's not a food safety issue, it's a political issue and we need to address that as that. I mean, world trade especially in the beef industry's extremely important. And, it seems the more we give, the less we get when it comes to negotiations especially with the Japanese. We can agree to about anything they want to at some point in time, but they always seem to come along with another factor or something to keep that market from opening.

To be quite frank about it, we're getting frustrated, that marked needs to be opened up and they need to realize that we're not going to stand for it as a public and a cattle industry in this country.

Senator GRASSLEY. And Mr. Nelson, you spoke some in your testimony about allowing voluntary BSE by U.S. packers, I presume that's a Creekstone issue?

Mr. NELSON. Correct.

Senator GRASSLEY. Which I have written to the Department of Agriculture about it. Based on supporting that, what effect do you think that private testing would have on domestic and foreign beef meat markets, would it provide U.S. supplier with a greater ability to compete in the market.

Mr. SCHEITLER. We believe that it would, when foreign countries have asked to, you know—as a condition of making beef purchases, if the beef was accompanied by a test, then they in fact would be purchasing beef and they're not today, we think that it's done great harm to our industry. In a normal year you mentioned that 10 percent level of exports of our beef, but in the last year it was down closer to 4 percent and at the same time we're continuing to import at about 18 percent of what we consume in this country.

So, when we lose, even just 1 percent of the export, it depresses our beef price here domestically by about 1 percent. So, the net swing is at about—we have about 10 percent lower market level for live cattle due to the reduction in beef exports.

Senator GRASSLEY. I have no further questions.

Senator HARKIN. I want to follow up on one thing in both your testimonies, Mr. Nelson, Mr. Scheitler. It seems that in your testimony, Mr. Nelson, you are capital but more, obviously, more concerned about the concentration issue. Seems to me that Mr. Scheitler then you were in your testimony, I could be misinterpreting that.

Mr. Nelson pointed out something interesting in his written testimony, he said the share—the producer's share of the beef market has gone from 56 cents a dollar in 1993 down to 47 cents last year. To me, that's alarming, so if we continue on that path, we just can't continue on that path, so I'm perhaps concerned about this concentration issue, too and this is a kind of a question I wanted to ask and I lost my point in your testimony. But the fact that if packers were so concentrated in packers bill that they can use imports then, you see, and they can use imports to keep down the price to our local producers. Then, it takes away more and more share of the consumer dollar from our producers. And I just wonder if you could address yourself to that, it's a concern that I have on the whole concentration issue.

Mr. SCHEITLER. Yes, Senator I'd like to. There's no question about the fact that anything that would reduce the farmers share or the cattlemen's share, concerns us greatly, there's no question about that. On the same token, we need, and I think as you have proven with this packers and stockyards issue and stuff that we have, and I want to thank you, by the way, for your efforts in that.

We need more enforcement, we need agencies and we need PNS to be effective in what they do. We would, obviously, prefer to have many more packers, many, many more packers. And, yet reality tells us that that's difficult, but at the same time, it's very important to see to it they are not abusing the system and that is partly what PNS was designed to do.

Senator GRASSLEY. And we do need to enforce it, thank you for that. Mr. Nelson, anything else on that?

Mr. NELSON. I would actually like to relate it to your question about, how do we bring young people back into agriculture? If we have a competitive beef industry—cattle industry in this country, it's not an integrated industry to this—to date. Although, there are integrators that would like to vertically integrate the cattle production end of the business.

You can go to counties in Iowa that have eight or 10 times more cattle than other counties and those counties are very prosperous and they have a large population of young people that are involved in agriculture. So, I don't think we can have one without the other. You know, we've got tremendous opportunities with distillers, grains here in Iowa to enhance cattle production. But, if we don't competitive markets, I think we'd just be kidding ourselves and kidding the young people to want to get them back involved in the cattle business without providing them competitive markets to be able to market their products.

Senator GRASSLEY. Mandatory pressure point transparency, transparency, transparency. Thank you all, thank you Mr. Chairman

Senator CHAMBLISS. Thank you, let me just make a quick comment relative to this issue of exported beef to Japan, there are not two stronger supporters of U.S. beef than Senator Grassley and Senator Harkin. We have had several different meetings within the Ag Committee with the Japanese Ambassador. We have strongly emphasized to him that we are not going to let this arbitrary decision on their part continue on.

You're exactly right, this is not a food safety issue. This is a health issue and if it were a food safety issue, the Japanese would not be eating their own beef, because they've had 26 cases of BSE that they've discovered in Japanese calves and we've got one, and that was a cow that came here from Canada.

So, let me just say that these two guys, along with all members of the Committee are really working hard to make sure that we get that market reopened or we're going to look very strongly at the imposition of sanctions against the Japanese.

And last, let me just say country of origin labeling is an issue that has been very controversial for some time. It sounds like it ought to be a very easy provision to implement, but Mr. Scheitler, I'd go back to the example of a cow that came down through Canada for the last couple of months to Mr. Nelson's feedlot. That cow was a product of a heifer that was born in Mexico that was sold to a producer in Canada and that heifer was artificially inseminated by a bull from Argentina.

Now, where the heck is that beef coming from? So, it's a—— it's not an easy issue to deal with even at the retail level. But, we're going to keep working at it and you all could not have two better people working for you on the Senate side than these two guys.

I want to thank the witnesses—all the witnesses for their testimony today as it helps us prepare for the reauthorization of the Farm Bill. I encourage anyone, any of you who are interested in submitting a written statement for the record, to visit the Committee's website, which is agriculture.senate.gov for details. We can accept written statements up to five business days after this hearing.

Thank you for your interest in agriculture policy. This hearing is now adjourned.

[Whereupon, at 12:21 p.m., the Committee adjourned.]

APPENDIX

JULY 24, 2006

Statement
Senator Charles E. Grassley
Farm Bill Field Hearing in Iowa
July 24, 2006

Good morning, everybody.

I want to welcome the Chairman to Iowa and thank him for holding this field hearing today on the next farm bill. Plus I want to recognize all the witnesses and thank them for appearing before us today.

I'm proud to be the Senate's only working family farmer, but it is a little disappointing to be the only one.

As a family farmer with a grandson who wants to farm, I have a unique interest in agriculture policy. If we don't empower the next generation to get involved, Iowa will suffer economically and socially.

My goal is to encourage our children and grandchildren to work in agriculture. So the question I ask is how can the farm bill empower the "next generation" to participate in agriculture?

In my opinion, the farm bill, which has been traditionally been construed as a "farm safety net," should also provide new opportunities for competition and limit concentration and

consolidation.

So let's get into the most controversial topic I will raise this morning–that is trying to put a 250,000 dollar hard cap on farm payments.

I want to be clear I support farm programs. But I have yet to be convinced that 72 percent of farm program payments are supposed to go to only 10 percent of our nation's farmers.

I have been trying to fight large scale subsidies for more than 30 years. If you look into the Congressional Record from the late 70s, you will see that then Congressman Grassley was arguing for a $50,000 limitation.

More than 72 percent of payments go to only 10 percent of our farmers. That imbalance is drawing more and more scrutiny from Americans from both rural and urban areas. People across the country recognize the importance of family farmers to our nation, and we need to provide an adequate safety net for those farmers. But, if we continue on this track we're going have problems getting a farm bill passed in the future.

The Washington Post has been running articles over the past couple of weeks examining the abuses related to farm programs administered by USDA. The article references individuals who do no farming at all receiving over $1.3 billion in subsidies since 2000.

Federal farm program payments to large-scale operations are

also in part influencing land prices in Iowa. Those prices make it almost impossible for the next generation to buy land. Instead land investors from outside of Iowa are snatching up prime land.

During the next farm bill I will continue to address placing a hard cap on farm payments.

While payment limits is the front burner issue for me at the moment, I also want to talk about other topics this morning because I know we have many interests represented here today.

Not only do I serve on the Agriculture Committee, I serve as the Finance Committee chairman with jurisdiction over taxes and international trade.

It's hard to overemphasize the importance of trade for U.S. farmers. About one-third of U.S. acres are planted for export. Agricultural exports account for approximately one-fourth of U.S. farm cash receipts.

But we can do better. High tariffs imposed by other countries greatly restrict market access abroad for U.S. agricultural products. The average allowed global tariff on agricultural products is around 62 percent. In contrast, the average agricultural tariff of the United States is just 12 percent.

The current situation clearly puts U.S. farmers at a disadvantage.

The best opportunity we have to put U.S. farmers on a more

level playing field is through the Doha Round of the World Trade Organization. Through the successful conclusion of these negotiations, American farmers will have improved access to the markets of the other 148 member countries of the WTO.

But some major breaks must be made in these talks, and soon, or the WTO negotiations will come to a halt.

The bottom line is that these negotiations must result in major tariff reductions. Any new WTO agreement that doesn't provide significant new market access opportunities for U.S. farm products must be rejected. A "Doha light" agreement is out of the question. I wouldn't let such an agreement come before the Finance Committee for a vote.

It's also important that we continue to open markets at the bilateral level.

Since the passage of Trade Promotion Authority in 2002, Congress has passed implementing bills for trade agreements with eleven countries. These trade agreements, when taken together, mean real gains for U.S. farmers. I'll be working to see that two new trade agreements, with Peru and Colombia, are implemented during the coming months.

I know today we are primarily examining the Commodity section and touching on Conservation, but energy and rural development issues will be vital for our economy in Iowa and for the rest of the country.

Many family farms have at least one spouse who works off the farm to get by.

There will be an increased need for innovative ways of providing public services to sparse populations, as well as new ways of integrating agriculture into changing rural economies.

Rural development programs should help small communities work together to bring forth new opportunities and solidify existing businesses. Entrepreneurship is widely recognized as a key to rural revitalization.

Just a real quick note, My Entrenet developed at the University of Northern Iowa provides a holistic approach that integrates advanced technologies to link geographically isolated entrepreneurs that only helps the entire community.

We need to make sure that loans and loan guarantees for renewable energy sources are available in the next farm bill.

We have already witnessed the development of a tremendous revenue stream and employment base due to the establishment of biomass, ethanol, and bio-diesel plants in Iowa due to legislation passed through my Finance Committee. Any additional support will further solidify the future of renewable fuels.

There are many inherent virtues in producing our own domestic energy from renewable resources. It's good for our environment. It's good for our national and economic security.

It'll provide an economic boost for our rural economies. And perhaps most importantly, it will ensure a stable, secure, domestic supply of affordable energy.

Already, our farmers and ranchers are working hard to use their resources to produce electricity from wind, biomass and other agricultural wastes.

In addition, corn, soybeans and other crops are being used to produce transportation fuels like ethanol and biodiesel.

There is real recognition that if rural communities are doing well then the surrounding farmers prosper.

I look forward to hearing the testimony from the witnesses and look forward to working for Iowa's future in the next farm bill.

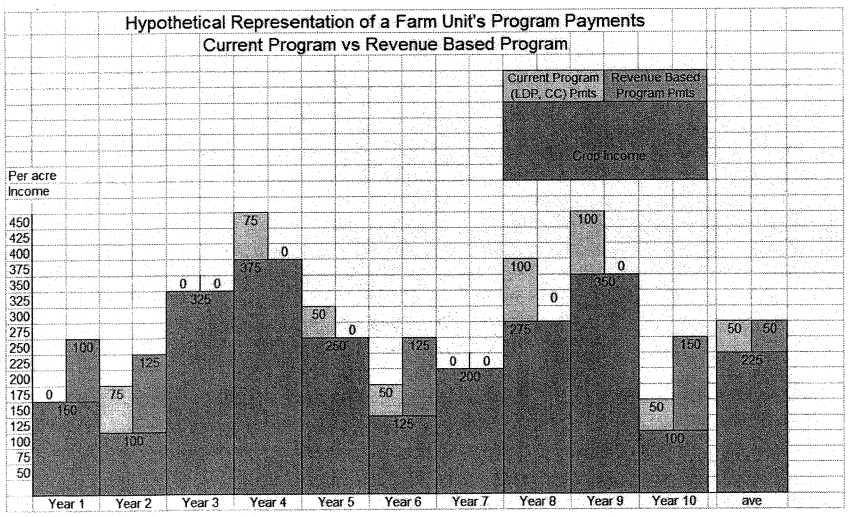
Thank you.

Testimony of Iowa Corn Growers Association
Keith Sexton, President and farmer from Rockwell City, Iowa
July 24, 2006

Thank you, Senators, for this opportunity to present input on the 2007 Farm Bill from the Iowa Corn Growers Association and our 6,000 farmer-members.

Approximately 2 years ago, our association started identifying and discussing ways the Farm Bill could be improved for the 2007 authorization. Our association's mission is *"Creating Opportunities for Long-Term Iowa Corn Grower Profitability"*. Therefore, ICGA was looking for modifications that would provide long term benefits to American agriculture rather than just asking for "continuation of the same and more is better." In that search, we identified three major items we want to be included in the debate, as well as some additional suggestions.

First, we would like a commodity title that is based on revenue rather than price to ensure a true safety net that provides farm security but also targets payments in the years that farmers most need them. The attached chart illustrates how the two types of programs would compare in timing for delivery of benefits. In 2005, with good growing conditions, my crop revenue was similar to that of Year 8. My friends in the eastern part of Iowa, where dry weather caused yields--and crop revenue--to be reduced by approximately 40 percent, more closely identified with Year 6. The downfall of a price based safety net is that benefits are not directed to those suffering financial losses. In fact, with our marketing loan program, the more yield hardship a producer has, the less program support there is for them. Last year I was able to collect an LDP on 200 bushels per acre corn yield whereas my friends in the drought area not only suffered less crop revenue, they were only able to collect an LDP on only 120 bushels per acre.



If we were to develop a farm program in a country where farmers are just beginning to produce more than needed for self-sufficiency, it is doubtful we would advise a program similar to what ours has evolved into. We would probably construct one that would payout when a producer's net income drops below a percentage of normal. Factors such as price, yield, and expense would be components. We would try to base the reference and trigger calculations on local conditions rather than national, but not so individually tailored that an individual farmer could significantly and/or fraudulently influence them.

Among farmers, there are two sides in this debate. New entrants into production agriculture who typically have limited equity, and their lenders, would probably prefer receiving program benefits when there is reduced revenue; established producers--many of whom view this farm bill as the last one during their tenure as primary decision maker--probably prefer a continuation so they will not have to familiarize themselves with a new program. Given our mission statement and desire to see young entrants start farming, we come down firmly on the side of a revenue program.

Specifically, our first major item is that we support a revenue program utilizing a basic level of support that can be classified as WTO green box, and also an additional level of support classified as WTO amber box. This type of program could be constructed to provide the same, or higher, level of support that we currently have; or it could provide a less expensive, yet still very effective level of support depending on how much money Congress allocates. If a Doha round WTO agreement is reached that reduces our amber box limits, the second level of support could easily be reduced and a third level added that would fall under the "new" blue box classification to retain support at or near current levels. This type of program can work for nearly any crop--not just the current program crops.

Second, we think the direct, decoupled payment program should be continued in substantially its current form. This will allow continuity with the current program, resulting in less confusion for everyone, as well as providing a WTO green box program--provided the fruit and vegetable planting restriction is eliminated. We would like to see the delivery of those payments modified, however, so at least a portion of them could be targeted toward a menu of activities that would help improve the farm, its management or the rural communities. Such activities could include investment and participation in value-added agricultural enterprises; on-farm conservation projects; additional risk management activities; and/or farmland value enhancing efforts. A potential delivery mechanism could be income tax credits against qualifying Schedule F expenses.

Third, the Farm Bill must contain a strong conservation title. There are a number of beneficial conservation measures, but I will discuss two today. The current CSP program has a worthy intent of "rewarding the best and incenting the rest." However, funding cuts have drastically changed the program except for those who, for either personal preference or economic reasons, are already utilizing conservation measures at a relatively high level. We realize there is insufficient farm bill funding to provide acceptable payments to all producers the program was designed to reward. However, because funding is so limited, only a few watersheds qualify for entry into the program each year; and within those watersheds a relatively small number of producers meet the qualifications of eligibility for payment at levels sufficient to entice signing

up for ten years under relatively restrictive guidelines. If CSP could be revised to adequately fund more farmers on a more consistent and less restrictive basis, this program should be continued in the next farm bill.

The EQIP program does a good job of assisting producers, especially livestock producers, with installing the structures necessary to help meet clean water guidelines. We think it is essential to continue assisting livestock producers meet those mandated guidelines. Livestock consumes the grain and the DDGS co-product of ethanol production; after being digested, nutrients are left behind to return to the soil to help raise grain the next season for livestock feed and ethanol production. ICGA recognizes the importance of livestock to the booming renewable fuels industry and also recognizes how key that sector is to the agricultural nutrient cycle.

There are some other issues we wish to have the 2007 Farm Bill address:

1. We think there is an overwhelming need to discuss capital gains tax issues during the Farm Bill debate even if there is no tax title. There are two reasons: (a) 1031 exchanges seem to be artificially increasing the value of farmland and consequently land costs to farmers; (b) it would be desirable to have a viable alternative that allows farmers to transfer control of assets to the next generation of producers during their lifetime rather than through their estate when that next generation is nearing retirement age.

Current capital gains tax rules stifle the younger generation from entering production agriculture by artificially driving up land costs and consequently land rents. The 1031 section of the tax code is widely used because many sellers of assets with large capital gains prefer to pay a premium over market price to allow them to postpone paying capital gains tax, rather than to pay the tax on the gain. In the case of farmland, there is a minimal amount of farmland for sale being chased by an abundance of 1031 exchange monies. Therefore farmland prices, and consequently farm rents, are being driven much higher than productive value justifies. In fact, at Iowa State University Extension meetings for landowners, the message is that cash rents should no longer be a function of land values.

Under current law, the only way to unconditionally transfer land to others without being subject to capital gains taxes is for it to pass through an estate. This causes farmland--and to some degree, entire farming operations--to be transferred to children who themselves are nearing retirement. This accumulation of land in the hands of those who have little reason to leverage the asset for maximum economic activity works to the detriment of agricultural entrepreneurialism and rural prosperity.

2. Trade. Many think that with the volume of corn used for ethanol production catching up with the volume being exported, trade and trade agreements will be of less importance to agriculture. We absolutely do not agree. Not only is the value of our livestock exports increasing rapidly, there are more DDGS resulting from ethanol production than our livestock sector consumes, and they need to be exported to keep ethanol production costs in line. It is essential that we have a strong trade title to the Farm Bill, to continue to improve market access for farm products.

3. Research and Energy. We think that with the expected upcoming demand on agricultural commodities, research for agriculture is vital to being able to feed and fuel the world's population in the future. Research to increase the efficiency of extracting energy from agricultural production and rural areas is so expensive, and the benefits so widely utilized, that a national source of funding continues to be necessary.

Cellulosic ethanol (particularly from switch grass) seems to be the "darling" topic of domestic renewable energy conversations. We believe the demand for ethanol will be great enough in the future that other feedstock options besides corn will need to be utilized. Our members believe they and their fellow farmers will be able to efficiently produce many of these feedstocks. However, we think it is important to recognize that extracting energy from corn is an existing, viable method. A portion of the research dollars available for renewable energy should be devoted to the feedstock already at the refinery, so even more energy could be derived from corn ethanol.

4. Rural Development. We think vibrant rural communities are key to maintaining a desirable agricultural production sector. Without fully functional rural communities, families will not want to stay in rural areas. That would open the door to multi-national corporations controlling much of production agriculture. In addition to the current rural development programs, we would like to see a portion of the direct, decoupled payments of the commodity title be targeted, in part, to rural development activities as explained previously in these comments.

Thank you for the opportunity to comment on behalf of the Iowa Corn Growers Association.

STATEMENT BY RON HECK
PAST PRESIDENT, AMERICAN SOYBEAN ASSOCIATION

before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Ankeny, Iowa
July 24, 2006

Good morning, Mr. Chairman, and Members of the Committee. I am Ron Heck, a soybean and corn farmer from Perry, Iowa. I am a Past President of the American Soybean Association and served, until last week, on the ASA Board of Directors. I very much appreciate the opportunity to appear before you today.

Mr. Chairman, soybean producers in the Midwest, as well as other regions of the country, support the safety net we now have under the 2002 Farm Bill. Most soybean farmers would also support extending current programs when Congress considers new farm legislation next year.

Unfortunately, the current budget baseline for farm program spending declines over the next ten years, and will probably not accommodate expected outlays based on current support levels. We would need additional funding – as was made available in 2001 for the 2002 Farm Bill – in order to extend existing programs. Given the outlook for Federal budget deficits – as opposed to surpluses – in coming years, we will be fortunate to keep the funding level we have. And after facing cuts in the agriculture budget last year, we can expect Congress to consider further reductions in spending after the elections this Fall. So budget factors alone are likely to force Congress to look at changing the current farm program in next year's farm bill.

A second reason we need to look at alternatives to the current farm program is the potential for additional WTO challenges of current programs. We are familiar with the results of Brazil's case against the U.S. cotton program last year. In order to avoid sanctions, the U.S. will need to change the Direct Payment program to eliminate the planting restriction on fruit and vegetable crops. Also, both the Marketing Loan and Counter-Cyclical Programs were found to cause "serious prejudice," and could be subject to other cases for other crops, including soybeans.

We also are watching the current negotiations on a new WTO agreement. Last October, the Administration offered to make a 60 percent reduction in outlays permitted under the most production and trade-distorting programs, including the Marketing Loan and dairy and sugar price supports, and a 53 percent overall reduction in all trade-distorting programs. ASA and other farm organizations are insisting that importing countries make equally aggressive reductions in their tariffs, including on soybean and livestock

products. If an agreement is reached and approved by Congress next year, we will need to make major changes in current farm programs.

Given these uncertainties, ASA's policy on the 2007 Farm Bill is that: 1) there be no further cuts in the CCC budget baseline for agriculture spending; 2) that farm programs not distort planting decisions between crops; and, 3) that future programs be WTO-compliant, to avoid challenges like the cotton case. To explore alternatives, ASA organized a Farm Bill Task Force last year, which has been working with other farm organizations to look at so-called Green Box programs that would be considered non-trade distorting under the WTO.

The results of this analysis indicate a variety of options that would guarantee 70 percent of historical income and still be WTO-compliant. These options include basing the guarantee on whole farm vs. specific commodity income, looking at using either net or gross income, and guaranteeing income for only program commodities, for program crops plus horticultural crops, or for all crops plus livestock. The cost of these options varies considerably, from $3.3 billion per year to guarantee 70 percent of gross income on a whole farm basis for only program crops, to over $10 billion per year to guarantee 70 percent of net income for specific commodities for all crops and livestock.

Neither ASA nor any other organization participating in this analysis has endorsed the revenue guarantee concept. Instead, we are now working with other groups to see how a revenue guarantee could be combined with one or several other farm programs to create a more effective safety net for producers. These could include crop insurance, permanent disaster assistance, and the three main components of the current farm program – the Marketing Loan, Direct Payments, and the Counter-Cyclical Program. We are working to have recommendations to put forward to the Committee sometime this Fall.

Mr. Chairman, ASA is also very supportive of proposals to strengthen the conservation, energy, research, and trade titles in the 2002 Farm Bill. We are particularly interested in looking at programs that would support soybeans as a source of renewable energy, and to promote domestic biodiesel production through the Commodity Credit Corporation (CCC). The CCC has operated a bioenergy program since 2001, providing payments to biodiesel producers who utilize domestic feedstocks such as soybean oil. This program has facilitated expansion of domestic biodiesel production, but the program sunsets after 2006. Therefore, ASA urges Congress to authorize and fund a biodiesel bioenergy program. A CCC biodiesel program is justified because imports of already- subsidized biodiesel will undermine the U.S. industry since they are eligible for the tax incentive too. A higher premium should be placed on domestic biodiesel production and expansion. The prospective cost of a biodiesel program could be offset by reduced CCC outlays under the soybean Marketing Loan and Counter-Cyclical Programs.

With regard to conservation and research, we are concerned by recent actions that have depleted funding for these programs in order to pay for disaster assistance, or to cover budget reduction commitments. ASA supports increased funding for conservation payments to producers on working lands such as through the Conservation Security

Program. We also believe that a significant number of acres currently locked up in the Conservation Reserve Program could be farmed in an environmentally sustainable manner, given the enormous increase in no-till farming practices that have been implemented over the past 10 to 15 years. Finally, we strongly support maintaining funding for trade promotion activities under the Foreign Market Development and Market Access Programs, and for international food aid.

Thank you again, Mr. Chairman, for the opportunity to appear today.

Testimony

Charlotte Ousley

President, Ousley Family Farmers, LLC, Alexandria, IN

On Behalf of Canned-Frozen Food and Growers Coalition

Senate Agriculture Committee Farm Bill Field Hearing

Ankeny, IA,

July 24, 2006

Mr. Chairman, members of the Committee, my name is Charlotte Ousley. Together with my son, Jay, we farm 270 acres of processing tomatoes in Elwood, Indiana. We rent nearly all of the land we farm.

My husband, Herb, tragically was killed in a farming accident in September 2003. Since his death, Jay and I have made every effort to keep our traditional family farming operation viable, in spite of incredible obstacles we encountered as a result of the massive extension of the Fruit and Vegetable Planting prohibition contained in the 2002 Farm Bill when soybeans (oilseeds) became a program crop.

Operating as a sole proprietorship for over 40 years, my husband maintained all ASCS reporting under his own name. Shortly after his death, I contacted FSA for clarification about the status of the producer history that my husband worked his whole life to accumulate. I had no reason to believe anything other than Herb's history as a tomato producer would transfer to me and my son. This producer history is essential under the 2002 Farm Bill for us to rent our needed land for annual production, since processing tomatoes and good management practices require rotations, unlike traditional cash grain crops grown on farms in our area. Our principal landlord possesses farm history so we could continue to produce on that land, but that farm alone is not large enough and must be supplemented with other rental land to support the size of operation required to be financially viable.

Because Herb possessed "producer history," he was always able to obtain the needed rental land from friends and neighbors to supplement our primary landlord's acreage.

Needless to say, I was shocked when FSA informed us (a copy of the FSA letter is Attachment A) that my husband's "producer history" had been lost

with his untimely death and could not be transferred to his widow or his son. As a result, we have found it increasingly difficult or impossible to find enough land on an annual basis that will accommodate our contractor's requirement of a minimum three-year land rotation for production of processing tomatoes.

While Red Gold, with whom we contract, has temporarily waived this requirement for us, the sound reasons for requiring land rotation for vegetable crops will soon reduce our yields and cause higher expenses of crop protection sprays and put us at threat of becoming financially incapable of continuing tomato production. We are not out of business yet, but our inability to rent adequate rotational land due to farm bill restrictions will force us to get out of the tomato business -- something we have spent our entire lives depending upon for our livelihood.

It was the will of Congress in 2002 to further extend the necessary safeguards contained in the 1996 Farm Bill for traditional feed grain producers by implementing a similar program for oilseed production by adding millions of acres into program crop status. Immediately after passage of the 2002 Farm Bill and prior to implementation by USDA,

potential consequences of the new program were brought to light by the wider group I am here representing today, the Canned-Frozen Food and Growers Coalition.

The negative effects of the widely expanded reach of fruit and vegetable prohibitions, are for the most part, limited to producers in the Midwest. This is because of double-cropping exclusions afforded to southern states and the fact that program acres are concentrated in the Midwest, and not so much in the West.

For this reason, Senators Harkin and Lugar authored a letter (Attachment B) to the Secretary of Agriculture recognizing the "unintentional consequences" brought about by the inclusion of oilseeds as a program crop and the negative impacts this would have on fruit and vegetable producers in the Midwest. This letter was jointly signed by 19 legislators from both houses of Congress in a bipartisan effort to request rulemaking considerations that could offset these negative impacts. Those requests went unheeded.

I am here as a witness to the unexpected consequences of the 2002 Farm Bill. The restriction of planting fruit and vegetables on program acres was a

negotiated solution to concerns by other segments of the industry. There are those who would say that adequate protection was provided to Midwest fruit and vegetable producers in the 2002 Farm Bill in response to the expanded program acreage. These provisions have caused my family, and others, undue financial stress.

Reliance upon "producer history" as a basis for continued fruit and vegetable production is simply inadequate. Not only is producer history not transferable between husbands and wives, it is not transferable to the next generation of farmers desiring to enter fruit and vegetable farming and maintain the traditions established by generations of family farms. Fruit and vegetable growers have safely fed this nation with an abundant supply of nutritious and affordable canned goods Family farmers presently are not free to run their businesses in the most efficient fashion because of the inability to transfer producer history. The next generation of farmers needs to be preserved.

In addition, local FSA offices are burdened with extra administration requirements in tracking producer history and farm history, as farms are

combined or broken apart, often only for the purposes of trying to work around planting restrictions and making land available.

The solution is simple to these problems; allow fruits and vegetables to be grown on program acres by taking an acre-for-acre reduction in program payments.

Not only does this fix the problems caused by the 2002 Farm Bill, the Congressional Budget Office says this will actually be a budgetary savings.

These consequences of the fruit and vegetable restrictions are real and getting worse as time goes by. I have a deep faith in our government that they did not intentionally mean to bring to an end our family's tradition of raising tomatoes. Surely this was not a planned event. However, that is exactly what will happen if provisions are not included in the next Farm Bill to allow growers such as my son and me, to be able to rent land and continue our farm livelihood.

We ask for NO subsidies on our production. I do not want to receive government payments; I simply want the opportunity to grow tomatoes.

Even if my neighbors desired, they simply are restricted from renting to me land for fruit and vegetable production under current law and still maintain their program eligibility. My husband could, but for some reason I just do not understand, my son and I are prevented from doing that.

Thank you for allowing me this opportunity to tell you my story. I respectfully request the Committee's consideration of the language contained in S. 1038, which would correct the unintended consequences outlined herein.

ATTACHMENT A

Madison County Farm Service Agency
1917 University Boulevard, Anderson, IN 46012-5103
Phone: (765) 644-4249 TDD#: (317) 290-3343 Fax: (765) 640-9029

November 7, 2003

Charlotte Ousley
2742 W 1025 N
Alexandria, IN 46001-8403

Dear Ms. Ousley,

We regret to inform you that since the passing of your late husband, Herb Ousley, all of the producer history that he carried toward being able to plant fruits and vegetables on contracted base acres has been lost.

Producer history is calculated using planted fruits and vegetables during crop years 1991-1995 or 1998-2001. Each individual that had a share in the fruit and vegetable crop receives credit for their share of producer history (1-DCP Amend. 3, par. 477 D). As an example, Bill and Tim are tomato growers that farm on 50% - 50% shares. In 1998, 1999, 2000, and 2001, 200 acres of tomatoes were planted and split 50% - 50% between Bill and Tim. In 2001, the same 200 acres were planted; however, Tim had 25 acres of tomatoes that he did not share crop with Bill. In order to calculate the producer history you would do the following:

Crop Year	Acres Planted to Tomatoes
1998	200
1999	200
2000	200
2001	200
1998 through 2001 annual average plantings	200 (800 / 4)
Bill's share (producer history)	**100** (200 * 50%)
Tim's share (producer history)	**100** (200 * 50%)

Unfortunately, only producers that were recorded as having a share of the crop on the certification forms (FSA-578's) can receive producer history for the planted crop. Since only Herb Ousley was listed (as receiving 100% share), none of the producer history can be carried forward to any member of your family that wishes to continue with the farming operation.
If you have any questions regarding this matter, or if I can be of further assistance, please feel free to contact our office during the normal business hours of 8:00 a.m. until 4:30 p.m., Monday through Friday.

Sincerely,

Erin Hreskowsky

Erin Hreskowsky
County Executive Director
Madison County Farm Service Agency

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The U. S. Department of Agriculture (USDA) regulations prohibit discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability,

Congress of the United States
Washington, DC 20515

July 16, 2002

The Honorable Ann Veneman
Secretary of Agriculture
14th and Independence Avenue, S.W.
Washington, DC 20250

Dear Secretary Veneman:

We are writing today to express our views about a provision in the newly enacted Farm Security and Rural Investment Act of 2002 (FSRIA) that prohibits the production of fruits and vegetables on farm program base acreage.

The 1996 farm bill gave farmers unprecedented freedom to plant most commodities, except for fruits and vegetables. The law prohibited the planting of fruits and vegetables on farm program base acreage except in regions with a history of double-cropping or on farms with a history of producing fruits and vegetables. Under these exceptions, producers were permitted to produce fruits and vegetables on base acreage but were required to forgo farm program payments on an acre-for-acre basis. Under the 1996 bill, USDA decided to levy a large financial penalty on farmers who violate the prohibition, the size of which varies from case to case depending on the gross market value of the fruit or vegetable planted and the farm payments made on the base acreage involved. Producers must forgo farm payments for many years to fully pay the penalty.

The FSRIA continues the fruit and vegetable production prohibition with only minor changes, mainly changing its focus from the act of planting to the act of harvesting. While this sounds like a continuation of the status quo, we assure you, it may not be, depending on how USDA decides to implement the provision. The FSRIA will have the effect of greatly expanding the amount of acreage on which the prohibition applies. Under the 1996 bill, farm program base acreage consisted of acreage historically devoted to wheat, feedgrains, cotton, and rice. The FSRIA adds soybeans and other oilseeds to this list of program commodities. Economists at the Food and Agricultural Policy Research Institute (FAPRI) estimate farm program base acreage under the new farm bill will increase by nearly 58 million acres nationwide, a 27 percent increase. Following a one-year transition, the fruit and vegetable prohibition will extend to all these additional acres beginning with the 2003 crop unless they are exempted by the limited exemptions mentioned above.

In recent years, Midwestern growers have increased production of vegetables for processing, such as tomatoes, usually through a contractual arrangement with a local food processor. Though most such growers are farm program participants, they were able to increase

vegetable production without penalty by utilizing cropland that otherwise would have been devoted to soybeans, a non-program commodity under the 1996 farm bill. This activity, entirely consistent with the market-oriented principles of the 1996 farm bill, has helped meet consumers' growing demand for fruits and vegetables and has helped producers diversify their farming operations beyond traditional row crops. Both Midwestern producers and processors are poised for continued growth in the future. Unfortunately, the FSRIA threatens to eliminate that growth.

The double-cropping exemption we made reference to earlier is generally not available in the Midwest. As a result, once farm program base acreage has expanded to include soybeans and other oilseeds under the FSRIA's base updating process, most Midwestern farmers' ability to produce fruits or vegetables will be severely limited to no more than their recent year history of such production. Expansion beyond such history will be very difficult.

We do not think the Congress intended that the FSRIA result in such a massive expansion of the 1996 law's prohibition on fruit and vegetable production. After all, program participants under the 1996 farm law were free to shift acreage between fruits and vegetables and oilseeds, without restriction or penalty. With respect to this issue, we ask that you implement the FSRIA in 2003 and beyond in a manner that is more consistent with the 1996 farm bill. For example, fruit and vegetable production could be permitted on only the increase in a producer's base as long as the producer forgoes farm program payments on such acreage on an acre-for-acre basis. We request that this change be made as part of the final regulation implementing Title I of the FSRIA.

If USDA implements Title I of the FSRIA with the above-mentioned change, the fruit and vegetables production prohibition would still apply to pre-FSRIA base acreage. This brings us to the size of the USDA-established penalty for violating the production prohibition. We believe the penalty is far larger than necessary to ensure producer compliance and has been unfair to farmers who have unintentionally violated the fruit and vegetable production prohibition. We request that the size of penalty be reduced to a more reasonable level.

In closing, allowing fruit and vegetable production on only the increase in base acreage in exchange for forgoing farm payments would continue the fruit and vegetable production prohibition in a manner that is consistent with the 1996 farm bill. We believe that this is what the Congress intended with respect to this issue. In addition, this change will help make the new farm bill more equitable and more market-oriented at no additional cost to the taxpayer.

Thank you for your time and attention to this most important issue.

Sincerely,

	Ben Hill
Mark Souder	John A. Boehner
Donald D. Fenger	Herb Kohl
Greg V. Ustrovich	Mike Oxley
Ernie Boyle	Peter G. Fitzgerald
Dan Burton	Chuck Grassley
Jay Inslee	John Hostettler
Peter J. Visclosky	Chris Shays
Steve Ryan	

Statement of Bruce Brockshus
Ocheyedan, Iowa

before the
U.S. Senate Committee
on Agriculture, Nutrition and Forestry

July 24, 2006
Des Moines Area Community College
Ankeny, Iowa

I appreciate the committee's invitation for me to come here today and present my views on dairy in regards to the 2007 Farm Bill. My name is Bruce Brockshus and I'm a dairy producer from Ocheyedan, Iowa, representing the more than 4,000 dairy farmer members of Associated Milk Producers Inc.

When preparing my remarks for you today I thought of the movie Field of Dreams, a movie that oftentimes illustrates Iowa for those outside of our borders. In that movie actor Kevin Costner is consumed with possibility, envisioning a ballpark carved out of a cornfield. In northwest Iowa where my family and I operate a dairy farm, we also see that possibility—in the form of cows rather than corn.

My wife Sue and I, along with our sons Jason and Travis, incrementally expanded our dairy to 325 cows. Growing with us is AMPI, the cooperative in which we are stakeholders. With four manufacturing plants in Iowa and a total of 13 across the Midwest, dairy farm families such as mine have made a long-term investment in the infrastructure of this industry.

Together, AMPI members are producing more than 5 billion pounds of milk with sales annually exceeding $1 billion. And for more than 35 years we've been marketing much of that milk in consumer-ready packaging, offering a complete line of dairy products to the retail, food service and food ingredient markets. We believe that by building and operating modern production and manufacturing facilities, using current technology and benefiting from economies of scale, we can compete with the very best throughout the nation.

But as members of this Committee, you understand the challenges faced by Upper Midwest dairy producers. There are fewer cows, fewer dairy producers and fewer manufacturing plants. This region has lost market share to our western counterparts.

To reverse the overall trend we must follow Mr. Costner's lead and establish both a strong backstop and a level playing field. That's what I want to talk to you about today.

Let's begin with a strong backstop. Just as a baseball field needs a fence to prevent the ball from being thrown outside of the playing area, dairy producers need the dairy price support system. It keeps us in the game. That's AMPI's top dairy policy priority for the 2007 Farm Bill. Let me share four ways to strengthen the existing program.

First, we must increase the support price. The current $9.90 support price is inadequate, unchanged since the 1980s.

Second, we must make the support price system work as Congress intended. The USDA's Commodity Credit Corporation (CCC) must increase the milk price equivalent it is paying to remove dairy products from the open market. Because of increased manufacturing costs, the manufacturing make allowance in the support program yields about $1 dollar less than Congress intended when enacting the support program.

Third, we must provide a countercyclical payment. AMPI and the Midwest Dairy Coalition believe the Milk Income Loss Contract (MILC) is needed to further complete the backstop and keep us in the game. The dairy price support program alone is inadequate. When combining the MILC program with the dairy price support program, producers have a better chance of surviving a market collapse—at least on their first 2.4 million pounds of milk as allowed under the MILC guidelines.

Finally, we must manage imported dairy products to make price supports effective. Products such as butter, cheese and milk powder have been subject to

tariffs for as long as we've had price supports. The problem is dairy proteins which are entering the United States through trade loopholes, displacing domestically produced milk. AMPI has worked closely with the Midwest Dairy Coalition and the National Milk Producers Federation to close those loopholes through legislative action. The CCC should not be buying the world's milk surplus under our dairy price support system.

As you consider those four points, know that we are not asking for a dairy price support system that enhances prices and is a catalyst for increased production. The system should prevent the collapse of milk prices to a level that cannot financially sustain an average dairy farm. It should provide long-term stability and minimum price assurance for a product that is perishable and demands a long-term investment to produce.

As an Upper Midwest dairy producer I do not expect special treatment. I just want a fair chance to stay in the game. In addition to that backstop, a level playing field is needed. Right now we do not have that.

Just as the USDA is not adequately administering the dairy price support program, it is not responding to the dairy producers' plea for updated manufacturing make allowances in the federal milk marketing order system. This lack of administration puts all producers whose milk is used for manufacturing—that's nearly the entire Midwest dairy industry—at a disadvantage. Let me explain.

The current make allowances are based on industry manufacturing cost data from the late 1990s. If the costs of making such products as cheese and butter are not accurately reflected in the federal order system, dairy farmers and their manufacturing plants are at risk. With more than 85 percent of this regions' manufacturing infrastructure owned by dairy farmers, this is a big deal.

AMPI was one of several cooperatives that requested the January 2006 hearing to review make allowances in the federal order Class III and IV formulas. Testimony presented at the hearing overwhelmingly supported the need for emergency action on this issue. The USDA, however, recently announced plans to reconvene the public hearing sometime after September 2006 in order to collect more data.

Given the complexity of this subject, this timetable will not allow for the implementation of a new make allowance until well into 2007. Such a delay will have a negative, long-term impact on the Midwest dairy industry. The pace at which we lose farmers and plants will quicken.

We ask you to urge USDA to immediately adopt, on an interim basis, updated make allowances based on the data submitted at the January 2006 hearing. This is not an extraordinary request as the USDA has frequently implemented milk order amendments on an interim basis.

As a dairy farmers and cooperative member, the points I've raised today are tightly intertwined. Both involve asking the USDA to update manufacturing make allowances that will make the dairy price support and federal order system more realistic and effective.

I hope this hearing will be a significant step in engaging policy makers and industry stakeholders in a discussion focused on building a strong dairy backstop and leveling the playing field. The challenge will be transforming our words into ideas into action.

I want to thank the Committee for having this series of field hearings. I will be happy to answer any questions, or provide any additional information you might want.

Statement to the United States Senate
Committee on Agriculture, Nutrition and Forestry
Ankeny, Iowa
July 24, 2006

Good Morning Senators,

My name is Craig Hill. I am a family farmer from Milo, Iowa. I farm 1,200 acres of corn and soybeans in rotation while producing pork from farrow-to-finish with a herd of 200 sows. I am actively involved in the Iowa Farm Bureau Federation. On behalf of the Iowa Farm Bureau Federation and my family, thank you for this opportunity share my thoughts on the 2007 farm bill.

All farmers are interested in earning a fair wage for their labor and an adequate return on their capital investment. Iowa farmers would likely agree that the perfect vision of agriculture would include a "level playing field" or a "chance to compete in open markets" where there are no such things as tariff barriers, export subsidies, currency manipulations and perhaps, even without domestic subsidies. This seems like the perfect goal for the 21st century. However, the reality is, this concept is just beginning to materialize.

Trade ambassadors representing the United States recently laid a bold proposal before our partners in the World Trade Organization. To date, our WTO counterparts deny their own agriculture policy shortcomings and insist that the only path to freer trade is one that requires the United States to unilaterally disarm. This concept is flawed. As a farmer, it troubles me greatly to imagine implementation of such one-sided policies.

Until WTO negotiations yield real market access and material gains in net farm income we continue to need an effective safety net that provides support in times of low income. Iowa farmers firmly believe that this safety net should be consistent with our

international trade obligations as spelled out in the current WTO agreement. To be clear, I feel that the next farm bill should extend concepts of the Farm Security and Rural Investment Act of 2002 until a new WTO agreement is reached. Our negotiating position in the WTO can only be weakened by moving away from farm policy that has largely worked to smooth the ebbs and flows in commodity prices.

Farmers will be willing to move away from "amber box", policies when WTO negotiations yield economically proportionate increases in market access and reductions in foreign export subsidies. If this occurs, amber box reductions should be replaced with an equal increase in "green and blue box" eligible programs. Greater emphasis could be placed on working lands conservation programs, direct payments or enhanced crop insurance programs.

Iowa farmers are optimistic about the future of agriculture in our great state. We would rather rely less on government programs and increasingly more on strong markets. Recent growth in renewable energy markets is strengthening rural Iowa one community at a time. Perhaps it will take us more toward a vision of agriculture where markets provide ample profit opportunities. Until that occurs, the safety net provided by the farm bill is a necessity.

On behalf of myself and Iowa's Farm Bureau members, thank you for this opportunity to address your panel. We look forward to working with you as you consider the next farm bill.

Iowa Farmers Union

Testimony of Chris Petersen

Before the
U.S. Senate Agriculture Committee

Concerning
2002 Farm Bill and Future Farm Policy

Monday, July 24, 2006
Ankeny, IA

STATEMENT OF CHRIS PETERSEN
PRESIDENT, IOWA FARMERS UNION
BEFORE THE U.S. SENATE AGRICULTURE COMMITTEE
2002 FARM BILL
JULY 24, 2006

Thank you, Chairman Chambliss and Senator Harkin for holding this field hearing and providing me the opportunity to testify before your committee regarding the 2002 farm bill and future agriculture policy. My name is Chris Petersen; I serve as the president of Iowa Farmers Union, in addition to my family farm operation in Clear Lake, Iowa. I have been involved in production agriculture in varying degrees for 35 years including commodity crops; presently my wife and I maintain a 30-sow Berkshire herd; produce 400 pigs a year, all of which are sold locally or to niche pork companies. Also, we raise and sell beef to local consumers, raise vegetables for area restaurants, and produce and sell hay commercially.

Over the years I have participated in many farm bills and their components, including the 2002 Farm Security and Rural Investment Act. I am part of a shrinking pool of independent family farmers across America and speak with the interests of independent family farm food producers in mind. Corporate American agriculture seems to be doing quite well in terms of its economic stability; my goal today is to address the economic interests of independent family farm food producers, who founded this great country. Every politician, voter, taxpayer, environmentalist, consumer, and the list goes on.....need to realize independent family farmers are by far the best stewards of the land and animals. The independent, localized family farm structure has a proven track record of success in America. Straying from this proven structure jeopardizes the United States' national strategic security, homeland security, anti-terrorism protection, the environment, rural economic development, food safety and food quality, and now energy independence. Federal agricultural policy that prioritizes the interests of independent family farm food producers is vital to not just us as producers, but to our country. It is my hope the committee will keep that in mind as it works to prepare future policy.

As a hog producer, I witness the challenges of an anti-competitive marketplace. I went through the 1998 price collapse of hog markets as a 3000 head farrow-to-finish producer and paid severe economic consequences. Since that market collapse, I have asked elected officials and others why our government has failed to step up to the plate and take action to prevent future tragedies. It was very disappointing the final version of the 2002 Farm Bill did not include a competition title, which was part of the Senate's farm bill. I believe addressing anti-trust issues, restoring competitive markets and including a competition title in the next farm bill is a must to addressing what I see as one of the biggest problems in agriculture.

Without competitive markets, independent producers like me will continue to be pushed off the land or be turned into low-wage employees by corporate industrialized animal agriculture. I encourage the committee to include a strong competition title in the next farm bill, which should include but not limited to, a ban on packer feeding, reauthorization of an improved mandatory price reporting program and require USDA to

start doing its job by enforcing the Sherman Anti-Trust Act and the Packers and Stockyards Act. I would go further in asking the committee to re-vamp and update anti-trust and competition laws to the 21st century, in order to reflect today's current practices. However, the laws will be of no use if Congress does not mandate that USDA enforce them. In addition to anti-competitive markets, most contract producers are bound by clauses in their contracts that prevent them from pursuing legal redress. In the best interests of contract growers, a ban on mandatory binding arbitration should be included in a competition title.

Conservation programs received more attention and emphasis in the current farm bill. It makes sense to me that producers who are good stewards of the land receive some credit and incentives for participation in conservation programs. More importantly, I believe it is critical that financial resources are made available to producers for past conservation investments and crop rotations and those producers receive due recognition for not planting the whole farm to crops covered by traditional farm bill commodity programs. I fail to see the logic in promoting increased conservation practices and programs while Congress will not fully fund the programs.

Conservation incentives should be continued and expanded in the next farm bill. Increasing conservation programs is not only a financial benefit to me as a producer, but rewards society as a whole by improving the environment. Efforts must be made to improve program payment limitations, if future federal farm programs are to prioritize the interests of independent producers. The agriculture economy and rural America's economic health is much better off with more producers, not just a handful of huge operations- as is the case currently.

One program authorized in the 2002 Farm Bill that producers and consumers have been denied is mandatory country-of-origin labeling (COOL). I am not sure how to convey to you my frustration that the current farm bill mandated COOL to be enacted by 2004 and yet it continues to be delayed at the behest of packers and processors that have a few members of Congress in their pocket. I am proud of the products that I produce on my farm and want consumers to be able to know where the products they buy in the grocery store come from—whether it is myself or another proud farmer from the United States or whether it is an imported product. I think the proof is there that COOL works, with seafood at my local grocery store now carrying a COOL label. Consumers are still buying, retailers are still selling and fishermen are still catching seafood. The sky didn't fall when COOL went into effect for seafood and it won't fall when it is implemented for other commodities.

The food purchase choice is still up to the consumer but at least it will be an informed choice with COOL. Survey after survey show both consumers and farmers want COOL to be implemented now. When was the last time you purchased a non-food item and were unable to determine where that item was manufactured? I want to know where the food I buy for my family comes from, and I resent the fact that the program to make that happen was approved but has still not been implemented. Country-of-origin labeling needs to be funded and implemented now and not further delayed.

I believe we need to cap federal agricultural subsidies to a certain size of farm including non-recourse loans; a strategic farmer-owned grain reserve should also be established. While the counter-cyclical program works in terms of providing a market safety-net for producers, it doesn't address the cause of low market prices. Producers today are receiving the same market price for their commodities as they were 30 years ago, yet our cost of production is not the same as 30 years ago. The next farm bill should address the cause of low market prices, not just the symptom. In the current farm bill a savings of more than $13 billion was realized, but we can do better by utilizing common sense in farm bills. Seems to me, there are a bunch of entities farming the farmer and lobbying the government for cheap grain, which should not be continued in the next farm bill.

Not only should the future farm bill contain an energy title to build upon the progress already made in the renewable fuels arena, but it should also promote exploration of the unlimited potential that exists in alternative sources available to rural areas such as wind and solar energy, with localized ownership participation a must for rural economic benefit. Harnessing these renewable energy resources and mandating their increased usage is a step in the right direction of changing the paradigm of our current petroleum-dependent society.

Many rural parts of our country have struggled and continue to struggle due to devastating weather-related disasters. Some weather-related disasters are not dramatic enough to make headlines, but typically cause as much damage, if not more, than the disasters that do make the nightly news. Just because it is not in the news, doesn't mean that devastation caused by multi-year droughts do not have a profound negative impact on rural communities and producers. Instead of making producers and their bankers rely upon the political winds in Washington for disaster relief, it makes more sense to include a permanent disaster program in the next farm bill that mitigates losses not covered by traditional crop insurance or other programs administered by USDA.

I encourage the committee to take a look at the big picture and historical data to quantify the huge negative economic impact non-competitive markets and devaluation of our commodities have on rural America's economy. Government farm payments do not, and should not, make up for the loss of our markets -- forcing producers to depend on their mailbox as opposed to the marketplace for their living. I had to stop selling hogs to the packers, and quit selling feeder pigs to my neighbors because they had to sell out because the hog market was completely consolidated and fair markets compromised after 1998 price collapse. This is all evidence it's time we implement a rural community revitalization program that fosters rural entrepreneurship and small businesses development to localize food production and consumption, which gives farmers more positive economic options.

A part of the competition question also involves trade and trade policy. What happens to my market price when our trade surplus turns into a trade deficit? How do I know if my competitors from importing countries are required to meet the same strict environmental and labor standards? Our current free trade agenda does nothing to level the playing field or provide opportunities for me to make a profit from the market. Trade is a good thing,

but will not work in the long run if fairness issues are not addressed during negotiations. Where are the World Trade Organization talks headed? I believe there is a lot of merit in extending the current farm bill until we see what direction trade talks take and what final agreements are hammered out.

As a country, we need to deal with a mounting federal budget deficit. USDA Secretary Mike Johanns says agriculture cannot be excluded from pitching in. I agree that the federal government needs to stop bleeding red ink, but who decided that rural America and farmers and ranchers have to jeopardize their futures to pay for a mess we did not create? I am upset that Congress cut $3 billion dollars from farm programs, which is 9 percent of all the cuts enacted, yet agricultural spending is less than 1 percent of all federal spending.

I hope some of my suggestions have been helpful or at least simulated some thought. Thank you for this opportunity to testify; I would be happy to answer any questions you might have.

SUSTAINABLE AGRICULTURE COALITION
110 Maryland Avenue N.E. Washington, D.C. 20002 www.msawg.org
Phone 202.547.5754 Fax 202.547.1837

STATEMENT OF RON ROSMANN

to the U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

FEDERAL FARM BILL FIELD HEARING
Ankeny, Iowa

JULY 24, 2006

Ron Rosmann
Rosmann Family Farms
1222 Ironwood Road
Harlan IA 51537-4102
Phone: (712) 627-4653
Fax: (712) 627-4674
Email: ronrosmann@fmctc.com

Good morning Mr. Chairman and Members of the Committee. Thank you for this opportunity to testify on the 2007 Farm Bill. My name is Ron Rosmann. Along with my wife Maria and our sons, (ages 24, 22, and 20) we operate a 600-acre certified organic crop and livestock farm near Harlan, Iowa. We have a stock cowherd of 90 cows and 50 sows in a farrow-to-finish operation. Maria manages our private label organic meat business using the label of Rosmann Family Farms and markets primarily in Ames, Des Moines, and in western Iowa.

I am testifying today on behalf of the Sustainable Agriculture Coalition[i], a network of farm, rural, and conservation organizations who come together to formulate practical, effective approaches to agricultural problems. It is also my pleasure to be associated with the Organic Farming Research Foundation[ii], the Practical Farmers of Iowa[iii], and the Iowa Organic Association.

I will speak this morning about the areas of the Farm Bill I have worked the most closely with the last ten years -- research, plant and animal breeding programs, beginning farmer programs, conservation, and finally payment caps and program alternatives to enhance farm family income.

I have not testified at a congressional hearing about a Farm Bill since the late 1990s. In reviewing that testimony it quickly became apparent to me that a lot of good outcomes have happened since then for both the sustainable and organic agriculture movements. Thank you, Senators, for your efforts in helping to make that happen. But there is much more that needs to be done.

For instance, organic agriculture markets have grown at a remarkable rate of around 20 percent every year over this last decade and it appears that growth is not going to slow down any time soon. Unfortunately consumer demand is far outpacing supply. We are beginning to lose markets to foreign competition because of our failure to promote organic agriculture. We should set an ambitious goal -- to supply 10 percent or more of our nation's food supply from organic farms within ten years – and then develop good policy to help achieve it.

In that context, then, I would like to comment on the Research Title. I realize it is perhaps more common to discuss commodity or conservation payments first, as if there were "farmer" programs and then just everything else in a farm bill didn't have much to do with farmers. But in a very real sense our research policies and programs help determine what kinds of farms and rural communities we will have in the future and help determine whether we solve the pressing agro-environmental and rural economic problems of today or whether we fail to do so. So I can think of no more important subject with which to begin my remarks.

Federal agricultural research dollars dedicated to organics is disproportionately low in relation to the size of the organic industry. Only since 1998 has organic research been funded at all, and it currently receives far less than a proportionate share of federal agriculture research dollars. In 2004, 3.1 percent of the USDA gross outlays of $2.5 billion were used to fund research and education. Of this $2.5 billion, only about $10 million (0.4 %) went to organic-specific research.

In 2004, the Agricultural Research Service spent about $3.5 million on organic-specific projects, or about 0.35 percent of ARS annual expenditures. A framework of "fair share" funding of organic agricultural research, based on the organic share of U.S. food sales, calls for at least a 5-fold increase in ARS resources explicitly allocated to organic. Moreover, if we are going to grow the organic sector and make better use of its ability to solve environmental problems and help moderate-scale family farms prosper, then we need to be working toward a much larger increase.

In 2005, I was a grants selection panel member for the CSREES Integrated Organic Research and Extension Initiative. The paneled reviewed 81 proposals requesting $39 million. We were only able to fund about 8 proposals for a total of around $4.6 million, the total amount available from farm bill and appropriations resources. This amounted to only about a 10 percent success rate for getting funded compared to 19-29 percent funding rates for other comparable grants programs at the CSREES. The 2007 Farm Bill should greatly expand the resources available to this program. It is also important for the extension component of the program to be strengthened and for the program to keep its own identity and not be incorporated into the National Research Initiative.

In 1990, Congress determined that the Sustainable Agriculture Research and Education program should be funded at no less than $60 million a year, consistent with recommendations from the National Academy of Sciences. Since it has come into existence, the SARE program has consistently won awards for being a model USDA program, with strong farmer participation, practical, outcome-oriented research results, a cost-effective regional delivery system, and great customer service and public outreach. Yet, despite these accolades, Congress has never provided more than $18 million for the program, and, sadly, the current appropriation is several million dollars lower. I would challenge the Committee to find creative ways to re-orient farm bill policy and funding allocations so that programs like SARE and the Integrated Organic Program do not continue to be so seriously under-funded.

Since 2003, I have been on the national steering committee for an effort known as "Seeds and Breeds for the 21st Century." This effort centers on a national initiative to re-invigorate public plant and animal breeding capacity and development. Research dollars for classical plant breeders have declined significantly. We desperately need to support the development of public varieties that meet the needs of organic and sustainable agriculture. Molecular technologists in the lab, with little or no experience in the field, are replacing breeders with phenotypic selection skills and adaptation in the field with genetic diversity and farming systems in mind. I am encouraged that the Senate Appropriations Committee has approved report language this year that "directs the Department to establish a specific category of grant application requests for classical plant and animal breeding to foster more diverse, energy efficient, and environmentally sustainable agricultural systems" and that a Government Accountability Office inquiry has been requested by Senators Harkin and Kohl. The 2007 Farm Bill should build on this foundation to address the renewal of public plant and animal breeding and germplasm conservation in a serious way.

Perhaps the most needed but often ignored question related to the next Farm Bill is asking where the next generation of farmers is going to come from. Is it going to come from family farmers or is it going to be controlled by mega farms and corporations? Our second oldest son graduated from Iowa State University this past winter and has chosen to join the farming operation with us.

We are delighted, but also realize farm succession and farm entry has become increasingly difficult.

We desperately need the Beginning Farmer and Rancher Development Program that Congress created in the last farm bill. Unfortunately, precious time has been wasted. The Senate wisely funded the program with significant farm bill dollars in the 2002 bill, thanks to the leadership of Senators Harkin, Lugar, and Grassley and with support from the entire Committee, but that funding was stripped out of the bill when you met with your House counterparts. In the interim period between farm bills, no funding has been provided. I urge you to right this wrong and to launch this program with solid funding in the next Farm Bill so we can begin to address the aging of American agriculture and barriers to entry in a serious manner.

Either as part of the Beginning Farmer and Rancher Development Program or separately, we need to create a Beginning Organic Farmer/Rancher Program that would offer training and extension services to those wanting to begin farming or ranching organically. It is not true that young people do not want to farm but it is true that the economic barriers of conventional agriculture have made it very difficult to do so. Some barriers faced by new farmers using conventional systems may be less prohibitive for beginning organic farmers, but new organic farmers have their own obstacles, including difficulty in finding transition land, difficulty obtaining appropriate crop insurance, etc. I hope that whatever program or programs come out of the 2007 Farm Bill will be targeted in part to address issues that are faced by beginning organic farmers and ranchers.

I am the treasurer for the newly formed Iowa Organic Association. One of our immediate goals and programs will center on finding ways to support beginning and transitioning farmers to organic agriculture. We hope to be working in concert with Iowa State University, the Practical Farmers of Iowa and the Iowa Department of Agriculture and Land Stewardship in this endeavor. If you as our elected officials are truly serious about the future of family farming, you will make this a national priority. The "farmer" replacement rate has fallen below 50 percent; there are twice as many farmers over 65 as under 35 years of age, and nearly one-half of all farm operators in the US are over 55 years of age.

The future health and vitality of agriculture and the food system will depend on public policies that encourage a new generation of farmers and ranchers to work in agriculture. The last three farm bills and the 1992 agricultural credit act took important strides in creating policies and programs to serve beginning farmers. The beginning farmer loan fund set-asides and targeting provisions in place since passage of the 1992 Act should be maintained. The Private Land Contract pilot program should be turned into a regular, ongoing nationwide program. The last farm bill's authorization of loan guarantees on state "aggie bond" first time farmer loans should be matched by a parallel tax reform provision to remove the current tax code prohibition on USDA loan guarantees in conjunction with "aggie" bonds.

The positive movement made in previous bills should be consolidated and accelerated, however. The 2007 Farm Bill should include a major, cross-cutting, multi-title new farmer and rancher initiative that addresses in a comprehensive fashion the needs of beginning farmers and ranchers. The "New Farmer" initiative should provide beginning farmers and ranchers with tools they need to get started in agriculture and to be good stewards, to be innovative and entrepreneurial, and to be better able to respond to the rapidly changing demands of the marketplace. I encourage you to thoughtfully consider the New Farmer and Rancher Initiative being proposed by the Sustainable Agriculture Coalition and other farm groups for inclusion in the next farm bill.

One of the best ways to both create opportunities for beginning farmers and improve conservation and agriculture's environmental performance is through the Conservation Security Program (CSP). The CSP should be fully funded and treated like commodity programs and other programs that are available to everyone who qualifies rather than limited to specific watersheds. The eligibility threshold for getting into the program should be set high, with strong, positive natural resource and environmental outcomes to be achieved through participation. If the bar to participate is high, but the program is available on a regular, continuous basis and farmers are encouraged to create sustainable conservation plans that meet or exceed NRCS standards as a result of their participation, I believe the program will achieve more environmental benefits than any in the history of our nation's working lands conservation programs.

I also would emphasize the fairness issues at play with the CSP. Our watershed has not been selected as an important watershed even though nearly all of the land in it is considered highly erodible. Keeping us locked out is unfair. But it is not just the lengthy watershed rotation process that is wrong. Our farm has been a model for conservation for over 65 years. One of the primary reasons is that we have maintained diverse, resource-conserving crop rotations and stayed with a mixed crop and livestock operation. Yet our commodity program subsidies have been less than half of our neighbors every year over those 65 years precisely because of the diverse crop rotations and livestock that have yielded significant benefits for the natural resources and environment. It is high time there was a farm/conservation program for producers like us.

There need to be corrections to the CSP rules in order to prioritize rather than penalize basic sustainable and organic practices such as crop rotations. A diversity index should be added to the program rules. In implementing CSP, USDA has appropriately stressed soil quality considerations, but it urgently needs to adapt the Soil Management Assessment Framework for CSP to do a better job in calibrating the program to soil quality improvements and to remove inappropriate barriers to participation among diversified sustainable and organic producers. Also, USDA should provide a clear, farmer-friendly means by which producers will be able to simultaneously certify eligibility under the National Organic Program and be determined eligible for enrollment in the Conservation Security Program at the 'tier three' level, addressing all resources of concern. USDA promised to do this when it issued the proposed rule and then the interim final rule, but has still not done so.

CSP has key strengths as a conservation program. It rewards farmers who have established and are maintaining farming systems, management methods, and conservation practices that increase environmental benefits. If implemented correctly, the CSP can provide payments to farmers and ranchers based on how intensively they protect and enhance all the natural resources related to their operation, rather than directing the program to minor improvements on large acreages, with significant environment and resource problems left at best only partially addressed.

Beyond its benefits as a mainstay of our conservation program toolkit, it is my strong opinion that CSP should provide the foundation for an overhaul of agricultural entitlement programs. Farmers should be rewarded for being good stewards, not polluters, energy wasters, or over producers of generic commodities that bring less on the world market than the cost of producing them. I would venture a strong hunch that a program geared to environmental protection and a more sustainable agriculture will generate far more public support than what we have today.

Financial incentives and easier accessibility to conservation programs should be made available to beginning farmers and ranchers. One example would be to offer immediate upfront or advanced payments to beginning farmers and ranchers through multi-year contracts entered into for conservation programs such as CSP, WRP, CCRP, and WHIP. Another option would be to offer a financial incentive such as a 25 percent bonus for beginning farmers and ranchers to develop whole farm/ranch conservation plans under EQIP and CSP.

I agree wholeheartedly with the view that there should be strict farm program payment limitations, with the savings going to support proven entrepreneurial initiatives, value-added agriculture, and beginning farmer programs. Instead we have been getting farm bills that provide money but no solutions, short-term survival, but little hope for the future. Commodity program reform in my view is long overdue.

A primary objective of farm policy should be to foster genuine opportunity for modest-size family farms to earn decent incomes that enable them to contribute to building strong communities. In contrast, current farm programs reinforce declining rural communities, and it is no wonder that rural decline and commodity program payment concentrations go hand in hand. Farm programs help mega farms drive family farms out of business by bidding land away from them. The effect is particularly pernicious on beginning farmers who have few assets to use as a financial base in bidding for land against heavily subsidized mega farms. The programs do little to support the income of farm operators except on land they own. As the long as aggressively expanding mega farms are promised more government money for every acre they add, virtually all farm payments will be bid into higher cash rents and land purchase prices. As long as we

squander billions on such dubious purposes as helping mega farms drive land prices up family farms out, little money will be left to invest in programs that offer a future to rural America.

According to an Extension Service poll taken prior to the last farm bill, 81 percent of farmers nationwide, including 70 plus percent of southern farmers, support effective targeting of payments to small and mid-size farms. I strongly support the efforts of Senators Grassley, Dorgan, Harkin and others to bring about fundamental change by lowering limitations and closing the loopholes that make farm programs a mockery of good government. We cannot wait any longer and lose the next generation of family farmers.

While I would hate to see something other than a strong national payment limit standard, if it takes a dual standard in order to save family agriculture in the heartland, than perhaps that must be done. Any dual standard would need to include comprehensive across the board closing of loopholes to ensure that meaningful limits apply at some level to all commodities. And it would have to achieve proportionate savings across commodities.

Other efforts to reduce land and rent prices and restore a more level playing field will need to include tax reform to remove incentives that favor investors and wealthy farmers over those of more limited means. Another part of an agenda for reform would include a major initiative to support new processing and marketing infrastructure improvements to support mid-sized farmers who are no longer going to survive by growing for raw commodity markets and therefore need viable alternatives. The Value-Added Producer Grants Program championed by our Iowa Senators is one very important piece of such an initiative, and should be continued and expanded in the next farm bill. Another track that needs to be added is support for the development of value chains that include mid-sized farmers as strategic partners in growing and marketing differentiated, value-added food products to customers who are demanding foods that have superior taste, health and nutritional qualities from family farms that adhere to sound social and environmental principles.

We also need a fuller complement of organic programs to achieve the goal of bringing supply in line with rising demand. Under current crop insurance rules, organic farmers are doubly

penalized. They are forced, unfairly, to pay a premium surcharge. Should they be hit be drought or flood, however, they are paid at conventional prices, far below the organic price. A "pay more upfront, paid less if disaster strikes" policy is untenable and must be changed in the next farm bill. For all diversified producers, including organic, it would also help a great deal to have a whole farm revenue insurance option, such as Adjusted Gross Revenue or AGR-Lite, available on a nationwide basis rather than restricted to small geographical areas. The farm bill should also extend and enhance the National Organic Certification Cost Share program created in the last farm bill. In addition, an organic transition program is needed to help provide conservation payment support to farmers making the transition to organic.

Of course, all the support in the world to cultivate new markets and new entrepreneurial opportunities will do little good if we continue to have weak to non-existent enforcement of our nation's fair trade and fair competition laws. Increased market concentration and abusive market practices, coupled with dramatic decreases in the number of firms providing agricultural inputs such as seed and breeding stock, is diminishing the capacity of U.S. farmers and ranchers to meet diverse and emerging markets for food and fiber both domestically and internationally. I applaud Senators Harkin and Grassley for introducing the Competitive and Fair Agricultural Markets Act of 2006 and hope it will become the basis of a strong competition title in the upcoming Farm Bill.

There is a school of thought on the approaching rewrite of the farm bill that says given budget and world trade pressures and difficulties in the farm economy, we should basically extend the current farm bill for as very long as possible with at most minor changes. I would challenge that school of thought. I believe we can and should embrace serious reform and new initiatives to promote family farms, small communities, and vibrant rural economies while producing healthy food and a healthy environment. I am convinced public policies can be improved to support these goals and that farmers will respond positively to new choices. We can do far better than retreat to short-term status quo survival options that keep us limping along but provide no real solutions to the environmental, structure of agriculture, competition, and rural economic problems we face. In my estimation, the next federal farm bill will be an excellent place to start on real, forward-looking solutions. We can and should make a very significant down payment

on a new generation of farm and food policy, and we should grasp that opportunity now, with a new farm bill upon us.

In 1997, I closed my testimony with these remarks. I believe they are just as important today as they were then. "Owning and working the land is something that many of us are willing to sacrifice a great deal for. It goes to the very heart of why America was formed as a country and a sovereign nation. As wealth, farming and land ownership continues to be placed in the hands of fewer individuals, this fundamental right continues to be further eroded. We are becoming weaker as a nation because of it."

Thank you again for the opportunity to testify.

[i] The **Sustainable Agriculture Coalition (SAC)** represents grassroots farm, rural, and conservation organizations from across the country that advocate for federal policies and programs supporting the long-term economic and environmental sustainability of agriculture, natural resources and rural communities. SAC policy is developed through four participatory issue committees: Research and Extension; Farming Opportunities and Fair Competition; Conservation and Environment; and Marketing and Rural Development. Member groups include Agriculture and Land Based Training Association, American Natural Heritage Foundation, C.A.S.A. del Llano (Communities Assuring a Sustainable Agriculture), Center for Rural Affairs, Dakota Rural Action, Delta Land and Community, Inc., Future Harvest/CASA (Chesapeake Alliance for Sustainable Agriculture), Illinois Stewardship Alliance, Innovative Farmers of Ohio, Institute for Agriculture and Trade Policy, Iowa Environmental Council, Iowa Natural Heritage Foundation, Kansas Rural Center, Kerr Center for Sustainable Agriculture, Land Stewardship Project, Michael Fields Agricultural Institute, Michigan Agricultural Stewardship Association, Midwest Organic and Sustainable Education Service (MOSES), The Minnesota Project, National Catholic Rural Life Conference, National Center for Appropriate Technology, Northern Plains Sustainable Agriculture Society, Ohio Ecological Food and Farm Association, Organic Farming Research Foundation, and the Sierra Club Agriculture Committee.

[ii] The **Organic Farming Research Foundation** is a non-profit whose mission is to sponsor research related to organic farming practices, to disseminate research results to organic farmers and to growers interested in adopting organic production systems, and to educate the public and decision-makers about organic farming issues. OFRF's integrated strategy of grantmaking, policy, and education initiatives and networking supports organic farmers' immediate information needs while moving the public and policymakers toward greater investment in organic farming systems. OFRF's policy program objectives are to ensure that the public and policymakers are well-informed about organic farming issues and to increase public institutional support for organic farming research and education funding.

[iii] **Practical Farmers of Iowa** (PFI) is a non-profit, educational organization whose mission is to research, develop and promote profitable, ecologically sound and community-enhancing approaches to agriculture. PFI carries out diverse programs to assist farmers with both production and marketing needs, to raise public awareness of where food comes from and how it is grown, and to educate youth about agriculture and the environment. PFI has emerged as a leader in science-based approaches to sustainable agriculture and in the creation of new marketing relationships that can more readily sustain family farms.

Testimony of Paul W. Johnson
to the U.S. Senate Committee on Agriculture, Nutrition, and Forestry.
Federal Farm Bill Hearing
Ankeny, Iowa
July 24, 2006

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Chairman Chambliss, Ranking Member Harkin, and members of the committee,

Thank you for this opportunity to share with you some of my thoughts on private lands conservation as you prepare for the 2007 Farm Bill.

Your task is immense. Agriculture and non-industrial private forestry determine the use of more than 65% of the land in the contiguous 48 states. This is America's most productive land, productive of food and fiber and increasingly of fuel as well. It is also our most productive land from a biological and hydrological perspective. Tens of thousands of wild plant and animal species call these lands home. More than 80% of the precipitation that falls on the 48 states each year is filtered, buffered, and partitioned into surface and groundwater on these lands.

In other words, if America's land is to remain productive and healthy and if our water is to be plentiful and clean, it is because our farmers make it that way. We often overlook the fact that the "conservation commodities" produced by America's private landowners - clean water, biodiversity, wildlife, clean air, pleasing landscapes – are every bit as valuable to Americans as the more traditional food and fiber commodities that our farm policy normally focuses on.

Our public lands, forests, parks, canyons, seashores, deserts, and wilderness areas are important and we should pay attention to them. But let me cut to the chase. The 2007 Farm Bill you will be drafting over the next year defines the single most important environmental and conservation program we have in our country. Environmental health depends on America's private landowners. The technical and financial assistance to these landowners that you will be considering will make all the difference between a land we can be proud of or a nation in trouble.

We have a lot to be proud of. Over the past 70 years, since the Dust Bowl disaster of the 1930s we've made great progress. The partnerships we forged then between Federal and State governments and private landowners have protected and enhanced agricultural productivity immensely. The additional tools provided to landowners since 1985 have given hope to those who see the potential for more than food and fiber production from our private lands. The Conservation Reserve Program, The Conservation Reserve Enhancement Program, The Buffer Initiative, The Wetlands Reserve Program, The Environmental Quality Incentives Program, The Grazing Lands Reserve Program, and now the splendid integrater of them all, the Conservation Security Program – these are programs Congress and the many good farmers, ranchers, and researchers you work with can be justifiably proud of. Fly over America today and look down. Everywhere, you will see the positive results of these programs on the land.

I have been away from the details of our conservation efforts for a few years now and so I'll refrain from specific suggestions on how they should be improved. No doubt you won't suffer from a dearth of ideas here. But let me briefly offer a few thoughts that I still feel qualified to comment on.

1. Reward good land stewardship. From the time I began farming more that 30 years ago, I've been concerned about the fact that we are often generous in offering first aid to abused land – often abused because of misguided commodity programs – and yet we've done nothing to reward those who have practiced good stewardship. These good stewards, who through their careful and thoughtful management practices, have delivered to the public clean water, beautiful landscapes, wildlife, biodiversity and improved soil for the next generation, often receive not even a 'thank you'. The Conservation Security Program, for all its growing pains, is a program that is finally doing this. Farmers want it. You should expand it. Ronald Reagan will always be honored for his call to Gorbachov to 'tear down this wall". You will be similarly honored if you can convince yourselves and colleagues and our President to "tear off this cap" on CSP and let the program bloom. Nothing will do more to improve private lands conservation than to support those who take good care of their land. You have the power to make this happen. Please just do it.

2. Produce more from our "land retirement programs". The bulk of our conservation efforts on private lands have consisted of what we call land retirement programs, i.e. we've told farmers "we'll support you if you don't farm". These programs, especially the granddaddy CRP, were originally established with commodity supply control in mind. It is good that they have slowly evolved into programs that recognize the value of "conservation commodities" that they can produce. We should continue to support research and experimentation in the management of these lands so that they can produce greater biological and hydrological benefits. When we enter into a "land retirement contract" with a landowner there should be a clear understanding that this is not just a retirement program for land and farmers. Clean water and Bluebirds and Big Bluestem are also commodities. In fact, they and their kin can be produced in profusion if we put our minds to it. The public will support us if we continue to shape these programs in this way.

3. The continuous CRP sign-up programs – buffers, filter strips, etc. – are popular, effective, and should be encouraged. Add partial field enrollments for assorted small pieces of land that when farmed cause undue environmental harm, and the programs will be even more effective. As an aside, it appears to me that the continuous CRP sign-up should once again be placed under the leadership of NRCS. It's a tool that needs to be used on a daily basis and the NRCS technicians are better situated to encourage its use than the Farm Services Agency.

4. Continue to support and improve EQIP. It's an important program for our working lands. I'd like to see us go back to targeting it somewhat. Although we sometimes caused some anguish by encouraging states and conservation districts to set priorities for its use, I believe that by doing so we got a better return on our investment and at the same time encouraged more "cooperative conservation".

5. Don't slight technical assistance. The jury is still out on private contracting for technical assistance. We should keep experimenting with it. One fact is clear, however. NRCS technical assistance is essential for successful private land conservation. There are few institutions that can boast a better record than the old SCS and its NRCS offspring. Unfortunately, because of the nature of their work, i.e. working quietly to support the private landowner, you won't find them boasting. They used to be called SCS, the Secret Conservation Service. Their new name is NRCS, the National Recognized Conservation Service. Recognized or not by the general public, they deserve your support. Double their numbers and there still won't be enough of them for the work that needs to be done.

6. Let me add a few comments on our national energy crisis. Agriculture is and will be impacted in a major way by this issue. You will be called upon to help deal with it. Here are a few suggestions:

a. Accelerate efforts for greater efficiencies. Encourage research and extension in more efficient tillage systems. Fine-tune recommendations on nutrient use. We are still grossly inefficient with both commercial fertilizers and animal waste applications.

b. Biofuels will be important as we deal with greater demand on our petroleum reserves. Although corn ethanol can help bridge to our future, I believe more sustainable cropping systems need to be developed – systems that Wes Jackson of the Land Institute in Kansas calls "perennial polycultures". Although corn ethanol will continue to be used as a fuel additive, there is no doubt in my mind that we have it in us to develop crops of mixed species of perennials that will lessen tillage and nutrients required. The sooner we get to these alternatives, the sooner our streams will run clear again and the Gulf of Mexico will once again become hypoxia-free.

c. It will take time to bring on the next generation of cropping systems for biofuels, but it should take no time for you to provide incentives for farmers to get involved in alternative renewable energy systems such as methane and wind. Encourage farmers to be innovative and they will be. Congress gave rural America the REC in the 1930s and sent power through the wires that lit up our farms and villages. If you are willing to provide technical and financial assistance and will encourage a distributive electric energy system, it won't be long before rural America uses those same wires to send power back to their city cousins.

7. There's one issue in closing that I'd like you to consider. In 1935, when the Soil Conservation Service was established, (in the middle of our nation's worst economic and environmental disasters) we had the decency and courage to share our newly developing conservation knowledge with fellow citizens around the world. We helped China develop its first soil survey in the 1930s. At the same time we assisted Latin American countries in establishing their conservation services. When Israel became a nation, one of our SCS scientists, Walter Loudermilk, led a group of our technicians to help the Israeli farmers set up their irrigation systems. For years after, it was said that Israelis were fond of telling us to "give us your Loudermilk not your powdermilk". We need to re-engage our people in overseas cooperative efforts. A great disappointment when I served as Chief of SCS/NRCS was that I could not convince our administration to re-engage in international soil and water conservation efforts. You will do a service to our country and to our world by renewing this proud effort.

I want to finish with a more poetic statement of where I began this testimony. The words come from my favorite conservationist, fellow Iowan Aldo Leopold. In a 1939 essay entitled "The Farmer as a Conservationist" he wrote " It is the individual farmer who must weave the greater part of the rug on which America stands. Shall he weave into it only the sober yarns which warm the feet or also some of the colors which warm the eye and the heart? Granted that there may be a question which returns him the most profit as an individual, can there be any question which is best for his community?"

Thanks again for the honor of being in your company today. I wish you well as your work to provide America's farmers and ranchers with the tools they need to make American agriculture strong and our land, water, and wildlife healthy.

Written Statement

on behalf of the

Iowa Cattlemen's Association

regarding

Discussion of the 2007 Farm Bill

submitted to the

U.S. Senate - Committee on Agriculture, Nutrition and Forestry

U.S. Sen. Saxby Chambliss, Chairman.

Submitted by

Bill Scheitler

President
Iowa Cattlemen's Association
and
Cattle Producer from LeMars, Iowa

July 24, 2006
Ankeny, Iowa

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

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

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

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

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

a) minimizes direct federal involvement;

b) achieves a reduction in federal spending;

c) preserves the right of individual choice in the management of land, water, and other resources;

d) provides an opportunity to compete in foreign markets;

e) and does not favor one producer or commodity over another.

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

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

Trade

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

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

Conservation and the Environment

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

The goal of conservation and environmental programs is to achieve the greatest environmental benefit with the resources available. One such program that achieves this

is the Environmental Quality Incentive Program or EQIP. Cattle producers across the country participate in this program, but arbitrarily setting numerical caps that render some producers eligible and others ineligible, limits the success of the program. Addressing environmental solutions is not a large versus small operation issue. All producers have the responsibility to take care of the environment and their land, and should have the ability to participate in programs to assist them in establishing and reaching achievable environmental goals. Accordingly, all producers should be afforded equal access to cost share dollars under programs such as EQIP. We appreciate EQIP availability for both feedlot and pasture renovations and improvements.

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

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

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

Activism

In addition to dealing with the misapplication of environmental regulations, our industry is also becoming more at risk from attacks by environmental and animal activist

and terrorist groups. Activist groups such as PETA and the Humane Society of the U.S. (HSUS), along with extremist groups such as the Animal Liberation Front and Earth Liberation Front, use extreme measures to try and force their views of vegetarianism and extreme environmentalism on others. Every person has a right to their own views, but to force their views on others using scare tactics, arson, and terrorism is unacceptable. It's not just the extremists, however, that threaten animal agriculture. All we have to do is look at the issue of processing horses for human consumption. All it took was a few celebrities, horse racing groups, and misinformed politicians to pass a law that banned the use of USDA funds to inspect horse processing facilities. The processing of horses is a regulated and viable management option that helps take care of unwanted or unmanageable horses. It would be preferable if there were plenty of people willing to pay for these animals and take care of them, but there are not. Instead, a group of activists have pushed their emotional views on others, and in return are running the risk of allowing more horses to starve or be mistreated, as well as putting companies out of business. This win gives activist and extremist groups a foothold to come after other species. It's no secret that groups, such as PETA, want to put the U.S. cattle industry out of business. It may seem far-fetched, but in today's society, the rural voice is quickly being lost. The Farm Bill should not be a platform for these activist groups.

Energy

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

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

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

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

Animal ID

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

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

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

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

Research

In regard to animal health emergencies, we see a need to keep a strong agricultural research component in the Farm Bill. USDA's research is critical in all

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

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

Taxes

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

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

Marketing Issues

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

Administrator's ability to comply with the OIG's recommendations and tighten up GIPSA's enforcement of the Packers and Stockyards Act.

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

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

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

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

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

Conclusion

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

END

Attached: Bio of Bill Scheitler, ICA President

BILL B. SCHEITLER

111 16th Street S.E.
LeMars, Iowa 51031
(712) 546-6840

County: Plymouth
Family: Wife, Judy, 3 children

Bill and his wife Judy, a registered nurse at Floyd Valley Hospital in Le Mars, have three children. Their oldest son, Bill, and his wife, Jane, live on the family farm. Their son, Richard, and his wife, Jennifer, live in Potomac Falls, Va. Their daughter, Jodi, and her husband, Matt, live in LeMars, Iowa.

Bill is a lifelong Plymouth County farmer and cattle feeder. He and his son farm approximately 1,400 acres, feed approximately 400 head of cattle and some sheep. Bill is president and chief executive officer of S & H Marketing Incorporated in Remsen, Iowa, an ag-consulting firm.

He is currently:

- President Iowa Cattlemen's Association
- International Marketing Committee at National Cattlemen's Beef Association
- Registered and Licensed Member of National Futures Assoc., Chicago, IL
- Agricultural Committee for the LeMars Area Chamber of Commerce
- Member Of Agricultural Advisory Committee for Congressmen Steve King
- Floyd Valley Hospital Health Advisory Committee, LeMars, Iowa
- Member Iowa Farm Bureau
- Member of the Iowa Society of Farm Manager's
- American Legion Member
- Remsen Lions Club Member
- Plymouth County Cattlemen's Association Member
- Past Cattlemen's Beef Board Member
- Past Representative to the U.S. Meat Export Federation
- Past Vice Chairman of the Budget Committee – National Cattlemen's Beef Association
- Past Chairman of the Iowa Beef Industry Council
- Past Chairman of Consumer Marketing Committee of Iowa Cattlemen's Association
- Past President Plymouth County Cattlemen's Association
- Past President local Lion's Club
- Past District Director for Iowa Lions

Comments on Renewal of the Farm Bill
Submitted by Mr. Eric Nelson, Moville, IA
on Behalf of R-CALF USA
To the Senate Committee on Agriculture, Nutrition & Forestry
Regional Farm Bill Hearing
Ankeny, IA

July 24th, 2006

The Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America (R-CALF USA) appreciates this opportunity to provide comments on the renewal of the Farm Bill through this submission by R-CALF USA member Eric Nelson of Moville, IA.[1] R-CALF USA is a non-profit association that represents over 18,000 U.S. cattle producers in 47 states across the nation, along with 60 state and local affiliates. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and feedlot owners. Various main street businesses are associate members of R-CALF USA. R-CALF USA works to sustain the profitability and viability of the U.S. cattle industry, a vital component of U.S. agriculture. The renewal of the Farm Bill presents an important opportunity to strengthen the cattle sector and create a competitive playing field at home and abroad for United States cattle producers.

I. Introduction

The cattle industry is the largest single sector of U.S. agriculture, and the continued health of the sector is essential to creating strong, thriving rural communities all across the United States. In the past decade, U.S. cattlemen and women have faced significant obstacles in domestic and international markets. Since 1994, more than 122,000 cattle ranches and farms have closed down or otherwise exited the beef cattle business.[2] During the same period, the inventory of cattle and calves in the U.S. dropped from 101 million to just under 95 million.[3] The renewal of the Farm Bill provides an important opportunity to reform U.S. agriculture policies to create a competitive playing field at home and abroad for U.S. cattle producers. Without independent and profitable cattle producers, an increasingly vertically-integrated cattle and beef

[1] Mr. Nelson can be contacted at 1514 Jasper Ave, Moville, IA 51039.
[2] U.S. Department of Agriculture, National Agricultural Statistics Service Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves*, 1994 – 2005.
[3] *Id.*

industry in the U.S. could dictate increased dependence on foreign beef supplies, thus raising beef supply and quality issues for U.S. consumers.

The Farm Bill should help U.S. cattle producers compete in honest and open markets and maintain their central role as the backbone of U.S. agriculture. In order to do so, the Farm Bill should make progress in five key areas: 1) honest competition in the domestic livestock market; 2) animal health and safety; 3) consumer information; 4) international trade; and 5) the development of initiatives to sustain a more prosperous and competitive cattle and beef sector. In recognition of the importance of our sector and the challenges it faces, the Farm Bill should contain a separate cattle and beef chapter encompassing each of these issues to ensure they receive the urgent attention they deserve and are addressed comprehensively.

II. Ensure Genuine Competition in the Domestic Cattle Market

Consolidation in the meatpacking industry has grown at an alarming rate over the past few decades, as have abusive contracting practices. Market concentration and packer-dominated contracting practices have systematically undercut cattle producers and denied them an honest price in a competitive market. Concentration among meatpackers has more than tripled since the late 1970s, and today just four beef packing companies control more than 83 percent of the industry.[4] This level of concentration far exceeds other industries, and the rate of growth in concentration is unmatched among other industries for which the Census Bureau collects such data.[5] Such a high level of concentration is indicative of a severe lack of competitiveness in the industry, given that most economists believe competitive conditions begin to deteriorate once the four-firm concentration level exceeds 40 percent.[6]

At the same time that the meatpacking industry has been consolidating dramatically, packers have increasingly used non-traditional contracting and marketing methods that further erode the selling power of cattle producers. Thus, while the meatpacking industry has become more integrated horizontally (through consolidation), it has also been increasing its vertical coordination through its contracting practices. Such methods include purchasing cattle more than 14 days before slaughter (packer-fed cattle), forward contracts, and exclusive marketing and purchasing agreements. Together, the four largest packing companies employed such forms of "captive supply" contracting methods for a full 44.4 percent of all cattle they slaughtered in 2002.[7] And use of these captive supply methods has been increasing rapidly, rising 37 percent from 1999 to 2002.[8]

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[4] J. McDonald et al., "Consolidation in U.S, Meatpacking," Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 785, February 2000 at 7 and M. Hendrickson and W. Heffernan, "Concentration of Agricultural Markets," University of Missouri Department of Rural Sociology, February 2005, available on-line at http://www.foodcircles.missouri.edu/CRJanuary05.pdf. (Hereinafter McDonald).

[5] McDonald at 7.

[6] "Economic Concentration and Structural Change in the Food and Agriculture Sector: Trends, Consequences and Policy Options," Report Prepared by the Democratic Staff of the Committee on Agriculture, Nutrition, and Forestry, United States Senate, Oct. 29, 2004 at 4 – 5.

[7] RTI International, "Spot and Alternative Marketing Arrangements in the Livestock and Meat Industries: Interim Report," Report Prepared for the Grain Inspection, Packers, and Stockyard Administration, U.S. Department of Agriculture, July 2005 at 3-15.

[8] *Id.* at 3-17.

Captive supply practices push risks of price instability on to cattle producers and hold down cattle prices.[9] As prices for cattle are artificially depressed and become more volatile, it is cattle producers who pay the price, even when broader demand and supply trends should be increasing returns to producers. The impact of packer concentration and abusive contracting practices is evident in the declining share of each beef retail dollar that actually reaches cattle ranchers. The rancher's share of each retail dollar earned on beef was 47 cents in 2005, down from 56 cents in 1993.[10]

In the Farm Bill, steps must be taken to guard aggressively against anticompetitive practices and protect producers from the abuse of market power. There are two key components to this strategy: 1) strengthening tools to combat excessive concentration and enforce existing competition laws in the meatpacking industry; and 2) improving regulation to prohibit unfair contracting practices that deny market transparency and reduce producer bargaining power in open markets.

The Farm Bill should ensure that antitrust and competition laws are effectively and vigorously enforced. Numerous studies have criticized the failure of the USDA's Grain Inspection, Packers, and Stockyards Administration (GIPSA), the Department of Justice, and Fair Trade Commission to work together more aggressively to scrutinize mergers and acquisitions in the industry and to pursue a proactive strategy for preempting and remedying anticompetitive practices.[11] In January 2006, the USDA's Office of Inspector General (OIG) found a broad range of management problems within GIPSA that have severely undermined the agency's effectiveness.[12] The OIG found that GIPSA's investigative tracking system for violations of the Packers and Stockyards Act was inaccurate and incomplete, that GIPSA's process for managing investigations was inadequate, that GIPSA left important policy decisions unmade for months and even years, and that previous recommendations from the OIG and the GAO to strengthen GIPSA had not been fully implemented. As a consequence of these failures, GIPSA has referred only one competition investigation to the USDA's Office of General Counsel (OGC) for follow-up since the end of 2002, and the OGC has not filed any administrative complaints against the meatpacking industry since 1999.

Urgent steps are needed to ensure the law is enforced effectively to combat concentration and anticompetitive practices. The structure of the enforcement agencies should be reformed to ensure that there is one central coordinating office which has the full authority needed to vigorously pursue enforcement actions and which can be held accountable by Congress for

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[9] *Id.* at 3-18 – 3-22 and John M. Connor, "The Changing Structure of Global Food markets: Dimensions, Effects, and Policy Implications," Paper Presented to The Conference on Changing Dimensions of the Food Economy: Exploring the Policy Issues, The Hague, Netherlands, Feb. 6 - 7, 2003 at 8.

[10] USDA Economic Research Service, "Beef Values and Price Spreads," available on-line at http://www.ers.usda.gov/briefing/foodpricespreads/meatpricespreads/.

[11] *See, e.g.*, General Accounting Office, *Packers and Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices*, GAO/RCED-00-242, Sept. 2000 and General Accounting Office, *Justice's Antitrust Division: Better Management Information Is Needed on Agriculture-Related Matters*, GAO-01-188, April 2001.

[12] USDA Office of Inspector General, *Audit Report: Grain Inspection, Packers and Stockyards Administration's Management and Oversight of the Packers and Stockyards Programs*, Report No. 30601-01-Hy (January 2006).

effectively enforcing the law. Agencies should report regularly to Congress on cases referred, pursued, and prosecuted. Market consolidation thresholds that trigger enforcement action should be established. Protections should be put in place to ensure that producers complaining of anticompetitive practices are not retaliated against by packers and processors. If needed, additional dedicated funding should be available to the agencies responsible for enforcement.

On the issue of market coordination and unfair contracting practices, the Farm Bill should strengthen the law in order to prohibit packer ownership, end captive supply, and guarantee a minimum open market volume. In addition, the law should require processors to bargain in good faith and prohibit other unfair contract practices by:

- Requiring a fixed base price in formula contracts and ban "tournament" or "ranking system" payments;
- Ensuring cattle purchase contracts include a clear disclosure of producer risks and duration, termination, renewal, and payment factors;
- Requiring contracts to be traded in open, public markets and prohibiting confidentiality clauses; and
- Improving termination and arbitration provisions to ensure cattle producers can retain and enforce their rights.

In previous comments R-CALF USA suggested that the Farm Bill should include language to strengthen Livestock Mandatory Price Reporting. However, the precipitous drop in U.S. fed cattle prices that began in January 2006 and continues through today, despite widespread reports of tight cattle supplies and strong beef demand, demonstrate the need to immediately reauthorize Livestock Mandatory Price Reporting in accordance with recommendations recently made by the GAO.[13] The U.S. cattle industry needs more accurate and complete market data and we urge the Senate Agriculture Committee to work to resolve the differences between the Senate and the House. We support the recommendations proposed by Senators Charles Grassley and Tom Harkin and trust that transparency in the market can be improved by extending and strengthening Livestock Mandatory Price Reporting as quickly as possible.

III. Safeguard Health and Safety

Following the discovery of a Canadian cow with bovine spongiform encephalopathy (BSE) in Washington State in 2003, more than 50 countries banned U.S. cattle and beef imports, costing the U.S. industry billions of dollars. The U.S. exported more than $3 billion in fresh, chilled or frozen beef in 2003, which fell to $0.5 billion in 2004 and $0.8 billion in 2005. Meanwhile, U.S. imports of fresh, chilled or frozen beef have risen since 2003. The U.S. imported $2.4 billion of fresh, chilled or frozen beef in 2003 and $3.3 billion in 2005. The result of declining exports and rising imports has been a significant trade deficit in fresh, chilled or frozen beef. The deficit totaled $2.8 billion in 2004 and $2.5 billion in 2005.

Closure of foreign markets is preventing a rebound in the domestic cattle sector at a time when such a resurgence would otherwise be expected, with growing domestic beef demand and the closure of the border to imports of cattle from Canada for much of the 2003 to 2005 period. Instead of the normal rebound in the cattle cycle, the loss of export markets and live cattle price

[13] Government Accountability Office, *Livestock Market Reporting: USDA Has Taken Some Steps to Ensure Quality, but Additional Efforts Are Needed*, GAO-06-202, Dec. 2005.

volatility are thwarting a full recovery in the domestic cattle and beef sector. Restraints in external markets are artificially reducing the size of the U.S. cattle industry, as imports are increasing and seizing a large share of domestic consumption.

- In 2003, all cattle and calf marketings totaled 56.8 billion pounds.[14] In 2004, the volume marketed fell to 53.8 billion pounds, and in 2005 it fell again to 53.1 billion pounds.[15]
- The number of cattle operations in the U.S. dropped from 1,013,570 in 2003 to 982,510 in 2005, and the cattle and calf inventory fell from 96 million head to 95 million from 2003 to 2005.[16]
- Overall U.S. beef production (domestic and export combined) declined 6 percent from 2003 to 2005 (by quantity).[17]
- From 2003 to 2005, production employment in the animal (except poultry) slaughter industry fell from 134,900 to 128,800 and production employment in meat processing fell from 96,900 to 93,800.[18]
- U.S. beef imports increased both in absolute terms and as a portion of domestic consumption from 2003 to 2005. Beef imports accounted for a higher portion of domestic U.S. consumption in 2005 (12.9%) than they did in 2003 (11.1%).[19]

Though some key export markets, such as Japan, have promised to loosen their import bans on U.S. beef, it is unlikely that this partial market opening will allow for the full resumption of previous export volumes. While the U.S. has struggled to negotiate even limited access for U.S. cattle and beef exports to foreign markets, the domestic market has been thrown open to a much broader range of imports from abroad. As a result, cattle and beef imports into the U.S. face lower standards than U.S. exports must meet overseas, giving foreign countries an excuse to keep their markets closed due to the potential risks posed by the lower health and safety standards the U.S. applies to its imports.

In the case of Japan, for example, USDA agreed to allow imports of Japanese beef with no age limits while securing access to Japan only for U.S. beef from animals aged 20 months or younger. The broad opening to Japanese beef makes the U.S. the only major beef-consuming country in the world to accept beef from a BSE-infected cattle herd – regardless of the scope of the disease problem in that country and without requiring the more stringent BSE risk mitigation measures recommended by the OIE (World Organization for Animal Health). This lack of a coherent BSE protection policy presents a major obstacle to United States cattle producers who seek to protect their herds from disease and market their high-quality product around the world.

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[14] USDA, *Meat Animals Production, Disposition, and Income 2003 Summary* at 1 (April 2004).

[15] USDA, *Meat Animals Production, Disposition, and Income 2004 Summary* at 1 (April 2005) and USDA, *Meat Animals Production, Disposition, and Income 2005 Summary* at 1 (April 2006).

[16] U.S. Department of Agriculture, National Agricultural Statistics Service, Agricultural Statistics Database, *U.S. and All States Data – Cattle and Calves.*

[17] U.S. Department of Agriculture, Production, Supply and Distribution Database, *Meat, Beef and Veal*, available on-line at http://www.fas.usda.gov/psd/ (hereinafter "USDA PSD Database").

[18] U.S. Department of Labor, Bureau of Labor Statistics, Current Employment Statistics, Animal (except poultry) Slaughter and Meat Processing, Production Workers, NAICS 311611, 311612 and 311613. While these numbers include other animal products such as pork and lamb, the decline in employment since 2003 contrasts markedly with steady or growing employment in these sectors over the previous ten years.

[19] USDA PSD Database.

The Farm Bill should lay out an aggressive, comprehensive global strategy for protecting the integrity of the United States cattle and beef supply. Ultimately, global markets for U.S. products will not re-open fully if U.S. health and safety standards, particularly import standards, are perceived as inadequate. The Farm Bill should direct USDA to engage with other countries to upwardly harmonize global import standards for beef. These standards must provide the highest level of protection for animal health and food safety and rely on sound science. The Farm Bill can ensure that USDA makes health and safety a top priority as it works to restore global export markets for U.S. beef by:

- Closing loopholes in the U.S. feed ban that were identified by an international scientific panel convened by USDA;
- Instructing USDA to adopt the most stringent BSE risk mitigation measures recommended for both imports and exports by the OIE pending an international agreement on BSE standards;
- Employing more FSIS meat inspectors to work the lines in the large processing plants rather than using HACCP inspection so that Specified Risk Materials (SRMs) and other prohibited cow parts are not entering the food system;
- Allowing voluntary BSE testing by U.S. packers; and
- Directing USDA to take the lead in bringing countries together to upwardly harmonize BSE standards that would allow trade of safe cattle and beef products to resume and prevent any further global spread of the disease.

A coherent, global approach to health and safety in the cattle and beef sector will protect livestock health, ensure that products coming into the U.S. face standards as high as U.S. exports face overseas, provide producers with certainty and predictability, and confirm for consumers at home and abroad that U.S. cattle and beef is among the safest, highest-quality product in the world.

Finally, while R-CALF USA agrees that animal identification can play an important role in controlling and tracking disease, it is absolutely essential that any mandatory animal identification system be fully funded by the government and implemented through federal, state and tribal cooperation. The Farm Bill should ensure that any animal ID system maintains current programs and leaves jurisdiction over such programs to the respective states. A federalized or nationalized animal ID system that ignores the role of states and tribal authorities will impose undue burdens on producers while providing limited protection to animal health and consumer safety. Any producer-related liability associated with animal ID must cease when the animal changes ownership as long as proper animal husbandry practices have been followed.

IV. Provide Information to Beef Consumers

Congress passed mandatory Country of Origin Labeling (COOL) for beef and other agricultural products in 2002. The American people in poll after poll support knowing what country their food comes from, and domestic producers believe that labeling provides an excellent opportunity for promoting high-quality U.S agriculture products. [20] Due to historical anomalies in country-of-origin marking rules and the marking practices of the Bureau of Customs and Border Patrol, beef and other perishable products are some of the few items

[20] *See, e.g.*, John VanSickle et al., "Country of Origin Labeling: A Legal and Economic Analysis," University of Florida Institute of Food and Agricultural Science, May 2003. (Hereinafter VanSickle).

consumers purchase in the U.S. that lack country of origin information.[21] The vast majority of other developed countries have already implemented country-of-origin labeling programs for such products, including beef.[22] The track record with fish and shellfish country-of-origin labeling proves that such labeling can be implemented to the benefit of both consumers and industry in the U.S. Unfortunately, despite broad public support and the proven success of similar programs, COOL implementation was recently delayed until 2008 due to widespread misunderstandings about the costs and benefits of COOL.

The Farm Bill should restore COOL by moving its implementation date as close as possible to the original date passed by Congress. In addition, the Farm Bill should outline an implementation approach that ensures COOL is administrated in the most simple and cost-effective manner for producers while providing the full scope of information to consumers contemplated in the original COOL law. The GAO and independent analysts have expressed concern that initial plans for COOL implementation outlined by USDA are unnecessarily burdensome and expensive, and could be simplified significantly.[23] In the 2004 interim final rule for country-of-origin labeling for fish and shellfish, there were significant revisions and simplifications to the labeling and recordkeeping requirements outlined in the initial proposed rule by USDA.[24] Cost-saving revisions that do not weaken the substance of the COOL law should be considered in any final implementing rules for COOL for beef.

Packers should be capable of identifying those animals exclusively born and raised in the U.S., whose meat qualifies for a "U.S." label of origin under COOL, without passing along undue additional costs and legal liabilities to producers. Current marking and sealed conveyance requirements for cattle imported from Canada and Mexico due to health and safety concerns, together with any necessary modifications to marking law and regulations which exempt imported cattle from regular import marking requirements, should be sufficient to ensure that packers have all of the information they need to comply with COOL without imposing additional burdens on cattle producers. Finally, the Farm Bill should establish technology grants for COOL-related or other meat traceability programs to facilitate their implementation.

V. Address Global Distortions in Cattle and Beef Trade

While the Farm Bill does not typically address U.S. trade policy, these policies have significant impacts on U.S. cattle producers, and it is therefore important that the Farm Bill examine whether U.S. trade policies are consistent with broader policy goals for the cattle and beef sector. The U.S. has not enjoyed a significant trade surplus in cattle and beef trade since 1997 in dollar terms, and the deficit in the sector has exploded over the past few years, hitting more than $3.3 billion in 2005. Given the supply-sensitive nature of the market for U.S. cattle, the growing trade deficit in both cattle and beef has a profound impact on the U.S. cattle industry. The lack of harmonization of health and safety standards outlined in Section III, above,

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[21] *See, e.g.*, General Accounting Office, *Country-of-Origin Labeling: Opportunities for USDA and Industry to Implement Challenging Aspects of New Law*, GAO-03-780, Aug. 2003. (Hereinafter GAO-03-780).
[22] *Id.*
[23] *See, e.g.*, GAO-03-780 and VanSickle.
[24] *See Mandatory Country of Origin Labeling of Beef, Lamb, Pork, Fish, Perishable Agricultural Commodities, and Peanuts; Proposed Rule*, 68 Fed. Reg. 61,944, Oct. 30, 2003 and *Mandatory Country of Origin Labeling of Fish and Shellfish; Interim Final Rule*, 69 Fed. Reg. 59,708, Oct. 5, 2004.

plays a large role in the loss of U.S. export markets. United States' competitiveness is also undermined by large subsidies and high tariffs on cattle and beef in other countries, while the U.S. market is one of the most open in the world and U.S. cattle producers receive no trade-distorting subsidies. It will also be important that USDA become more engaged in researching how exchange rates play into agricultural trade flows and monitoring the manipulation of exchange rates.

Congress outlined a number of steps that should be taken to eliminate the gross distortions plaguing global cattle and beef trade in the Trade Act of 2002.[25] There have been varying degrees of progress in meeting these objectives in ongoing negotiations at the World Trade Organization (WTO). In the Trade Act of 2002, Congress called for reduction of foreign tariff levels to meet U.S. levels,[26] which would require substantial reductions in beef tariffs by trading partners such as Japan and Korea. It is too early to tell whether this goal will be met in the Doha Round because of on-going discussions around the scope of carve-outs for sensitive products and the extent of tariff reductions, though negotiators have agreed in principle to a formula that would cut higher tariffs more steeply than low tariffs. Congress also called for the elimination of "subsidies that decrease market opportunities for U.S. exports or unfairly distort agriculture markets" in the Trade Act of 2002.[27] Significant progress has been made on this objective, as WTO negotiators have agreed in principle to eliminate export subsidies in agriculture by 2013 and called for substantial reductions in trade-distorting domestic support.

Finally, because of the limited time periods in which perishable products can be marketed, Congress also called for the creation of special rules on perishable and cyclical agricultural products such as cattle and beef and timely access for growers of such products to import relief mechanisms.[28] R-CALF USA is troubled by the possibility that the special safeguard for agriculture that currently exists for beef could be given up by the U.S. at the WTO without the establishment of special rules for perishable and cyclical agriculture as directed by Congress. Preserving the right of developing countries to employ the special safeguard for agriculture while eliminating the right to do so for developed countries such as the U.S. could result in a mismatch of market opportunities that puts U.S. cattle producers at a competitive disadvantage. While the U.S. has tabled a proposal for special rules for perishable and cyclical agriculture within the Doha Rules negotiations, the proposal excludes livestock and meat products.

There is no doubt that further trade liberalization without special safeguards will erode the market for the U.S. cattle industry. This could happen even in the absence of unfair trade practices. The U.S. Trade Deficit Review Commission noted, "Easy availability of imports can limit price increases either by expanding available supply or reducing the ability of businesses to raise prices in order to pass on increases in their costs."[29] This dynamic is particularly apparent in the cattle and beef industry, where, as former U.S. International Trade Commission

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[25] 19 U.S.C. § 3802.
[26] 19 U.S.C. § 3802(b)(10)(A)(ii).
[27] 19 U.S.C. § 3802(b)(10)(A)(iii).
[28] 19 U.S.C. § 3802(b)(10)(A)(ix) – (x) and (B)(i).
[29] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at 26.

Chairwoman Lynn Bragg observed, "The concentration of packers increases the packers' leverage relative to cattle producers, thus providing packers the ability to use imports to reduce domestic live cattle prices and/or prevent price increases."[30]

The International Trade Commission has confirmed the importance of the structure of the domestic beef market in determining the impact of trade on cattle producers. It stated, "market structure {of the cattle and beef industry} suggests that processors can eventually pass most, if not all, of any decrease in the price of wholesale beef that results from increased import access ... on to U.S. cattle producers in terms of lower slaughter cattle prices."[31] The Commission also noted the high sensitivity of cattle prices to increases in beef supply. The Commission stated that each percentage point of increase in beef supply was likely to translate into a decrease in live cattle prices of 2 percent.[32] Therefore, as the Committee considers what reforms to competition policy are needed to ensure that U.S. cattle producers receive an honest price in an open domestic market, it should also consider how these market dynamics interact with trade policy to impact the prices received by U.S. cattle producers.

In addition, the Farm Bill should create a global marketing information program – building upon existing data sources such as the FAO – to provide regularly updated information by country on commodity prices, supply and consumption trends, exchange rate impacts, and the dominant market shares of trading companies in order to help U.S. producers better target potential export markets. This need for better trade information was highlighted in the report of the bipartisan U.S. Trade Deficit Review Commission, which noted, "The growing importance of trade in our economy and the needs of government and businesses for information to be able to make good decisions make it essential that data on international trade in goods and services be relevant, accurate, and timely."[33]

VI. Support a Stronger, More Competitive Cattle and Beef Sector

The Farm Bill should sustain the cattle industry's health and competitiveness by removing impediments to growth and investing in strategic development initiatives. A number of new or expanded initiatives to strengthen and support the domestic cattle and beef sector should be considered in the Farm Bill, such as:

- An increase in direct purchases of beef in the school lunch program and stronger rules of origin for beef benefiting from the program;
- Federally-funded pilot projects on mini-packing facilities;
- Conversion of the Livestock Risk Protection pilot program into a permanent program with nation-wide coverage and sufficient funding to underwrite risk insurance for cattle producers;
- Grants, loans and loan guarantees for renewable energy and energy efficiency improvements, as well as financial assistance to cope with spikes in energy costs;

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[30] *Live Cattle from Canada*, Inv. No. 731-TA-812 (Final), USITC Pub. 3255, Nov. 1999 at 50.
[31] *U.S. – Australia Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, Inv. No. TA-2104-11, USITC Pub. No. 3697 at 41, fn. 1 (May 2004).
[32] *Id.* at 44.
[33] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report of the U.S. Trade Deficit Review Commission, Nov. 14, 2000 at ch. 7.

- Conservation programs that sustain wildlife and habitat as well as the rancher, and reward agricultural producers for taking measures to improve their land in a sustainable manner;
- Incentives and assistance programs for producer cooperatives and grower-owned value-added enterprises, research and development projects, and rural banking and economic development initiatives; and
- Initiatives to develop renewable energy sources, such as ethanol, soy diesel, juniper trees, wind, and poultry litter and rendered specified risk material.[34] Increased availability and use of these fuels can help grow and improve the livestock industry in the U.S. and create jobs in the U.S.

To increase the competitiveness and marketability of the U.S. cattle and beef, current law should also be reformed to allow for the interstate shipment of state-inspected meat. In addition, producers should have the right to vote on the beef check-off periodically in order to make sure it is being used to adequately promote their product and represent their needs, along with maintaining accountability to those who fund it.

VII. Conclusion

The Farm Bill presents an important opportunity to reform U.S. agriculture policy to level the playing field for U.S. cattle producers. A dedicated cattle and beef chapter in the Farm Bill should guarantee a competitive domestic market for cattle and beef, strengthen safeguards for health and safety, improve consumer information, address global distortions in cattle and beef markets, and establish new and expanded programs to support the continued vitality of the largest sector of United States agriculture.

[34] *See, e.g.*, 70 Fed. Reg. 58576, 58595 (Oct. 6, 2005).

Testimony of

JIM DEAN
UNITED EGG PRODUCERS

Before the

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
UNITED STATES SENATE

Ankeny, Iowa
July 24, 2006

Mr. Chairman, I am Jim Dean of Fremont Farms in Oskaloosa, Iowa. We are egg producers and we very much appreciate the chance to testify before the Committee on Agriculture, Nutrition, and Forestry to offer ideas for the 2007 farm bill.

I am honored to testify on behalf of United Egg Producers (UEP). UEP is a cooperative whose members independently market about 90% of the nation's eggs. Since 1968, UEP has provided leadership to the U.S. egg industry, not only performing the functions of a trade association, but also providing a number of other services, including facilitating the trading of eggs, and arranging direct export sales to overseas customers.

About the U.S. Egg Industry

The U.S. egg industry generates several billion dollars a year in farm cash receipts, and creates jobs and economic activity in rural America. Cash receipts at the production level are $4 billion to $5 billion a year. For comparison, cash receipts for the nation's turkey industry are about $3 billion, while the larger broiler industry has cash receipts of about $20 billion.

There is some egg production in nearly all states, but about half of all laying hens are in five states: Iowa, Ohio, Indiana, Pennsylvania and California. The next five largest producing states are Texas, Nebraska, Florida, Minnesota and Georgia. These top 10 states account for nearly three-quarters of the laying hens in the country. Our industry is honored that six of these 10 states are represented on this Committee.

During May 2006, our industry held just over 281 million layers for table egg production. Nearly 51 million of these were in the state of Iowa, which has expanded production rapidly in recent years to become the nation's top-producing egg state.

The nation's layer flock produced 76.859 billion table eggs in 2005, or 6.4 billion dozen. Industry statistics are often reported in cases (a case holds 30 dozen eggs). On that basis,

2005 table egg production was 213.5 million cases, of which about 60% were sold to retail stores, 31% were destined for breaking and further processing as food ingredients or for other value-added uses, and a little more than 8% were sold to food-service outlets and other institutional users. Under 1% were exported, but the industry is somewhat more export-dependent than implied by this statistic, which does not include exports of processed egg products.

Most newer egg operations are "in-line," which means that several henhouses are attached to a processing plant in which the eggs are cleaned, sanitized, graded and packed into retail cartons or onto flats, or in some cases broken and further processed at the same location. The industry also still has a significant amount of "off-line" production, in which eggs are produced on smaller individual farms and then transported to a central processing plant. Many of these "off-line" facilities involve contract production, but one of the chief structural differences between our industry and other poultry sectors is that contract production is much less common in the egg industry.

Our industry has enjoyed periods of profitability in recent years, notably during 2003 and part of 2004, but unfortunately there have been extended periods of losses as well. We are in one such period now, with producer egg prices having fallen off sharply after Easter. In late June, as reported by *Feedstuffs* magazine, large eggs in the Midwest were 39-41 cents per dozen delivered to store doors, more than 30 cents per dozen below their pre-Easter peak, more than 20% below the price a year ago and below anyone's cost of production.

Farm Bill Priorities

The egg industry neither receives nor seeks direct income or price supports. However, our industry has several concerns that we hope you will consider addressing in the 2007 farm bill. The remainder of my testimony will cover these specific points. In general, I ask you to keep in mind the importance of the livestock and poultry sectors to U.S. agriculture. Historically, farm bills have primarily been concerned with support for major crops, and we do not criticize the programs for these commodities. However, we believe a greater emphasis on the needs of livestock and poultry will ensure a balanced farm bill that addresses all the needs of rural America.

Avian Influenza

The media and the public have focused attention on the Asian H5N1 strain of highly pathogenic avian influenza (HPAI) or bird flu, and the federal government has expended major resources to prepare for a potential – but so far hypothetical – human pandemic. We commend the Congress and USDA for their efforts to stress facts over fear and perspective over panic.

Our industry has also tried to do its part. The overwhelming majority of the egg industry tests its flocks for avian influenza on a regular basis, through either company or state plans. Our industry is participating on several USDA task forces that are providing

advice to the Department on biosecurity, surveillance, control measures and other topics that will be critical if there is ever an outbreak of HPAI in a commercial flock. So far, the disease has *not* been found in the United States. Although it is quite possible that it will be found in the wild bird population, we also need to keep in mind that commercial poultry are raised in biosecure conditions that are designed to prevent wild birds and other vectors from carrying any disease into our flocks.

I also expect widespread participation in USDA's upcoming monitoring, surveillance and indemnity program for low-pathogenic avian influenza (LPAI). USDA is expected to publish regulations in the near future for this program, which will be operated by the National Poultry Improvement Plan, a public-private partnership led by USDA's Animal and Plant Health Inspection Service (APHIS). Like other poultry organizations, UEP has supported the development of the LPAI program.

Controlling LPAI is directly relevant to our efforts to prevent HPAI. LPAI viruses can mutate – and in the past have mutated – into highly pathogenic forms. The largest previous outbreak of HPAI in the United States, in the Northeast in 1983-84, involved a virus that began as low-path but mutated into a high-path form.

Only two subtypes of AI – those designated H5 and H7, a nomenclature which refers to the hemaglutinin protein on the surface of the virus – have ever shown the ability to become highly pathogenic. For that reason, USDA's LPAI program will only be concerned with H5 and H7 viruses.

Low-path AI can be present in a flock without obvious clinical signs. In contrast to HPAI, where egg production ceases and a very high percentage of a flock will die in a short period, LPAI does not necessarily involve large increases in mortality. It also presents no risk to human health. However, it is extremely important to control LPAI so that it does not have the ability to circulate and mutate into HPAI. From this perspective, it is critical to secure producer cooperation. Whether flocks are destroyed or vaccinated, it is absolutely necessary to take control measures quickly whenever there is an outbreak of LPAI.

The World Animal Health Organization (OIE) now considers H5 and H7 LPAI to be of special concern and includes them in the same chapter as HPAI. Our government has supported this change in OIE practice. Producers, too, recognize the need to act against LPAI. However, we also believe strongly that producers should be indemnified for the loss of birds and production in a LPAI outbreak, in the same way that indemnities are paid for HPAI and other serious animal diseases in other species.

We hope and expect that USDA's proposed regulation for the LPAI program will provide for indemnities at 100% of the value of any birds that must be destroyed, including the value of those birds' future egg production. We also anticipate that the regulation will indemnify the expenses involved in cleaning, disinfecting and other operations that are necessary in an LPAI outbreak. Unfortunately, in the past, some within the Executive

Branch have sought to reduce federal indemnities sharply for all animal diseases, and we cannot be certain that such proposals will not surface again.

Therefore, we respectfully ask Congress to **provide, in the farm bill, that indemnities for LPAI are to be paid at 100% of the properly assessed production value of any birds that must be destroyed, and should also cover expenses involved in vaccination, cleaning and disinfection and other measures that state or federal officials may require to be taken by producers in an outbreak.**

National Animal Identification System

Although development of the National Animal Identification System (NAIS) has primarily been motivated by diseases of beef cattle, the poultry industry will also be affected by the NAIS. A workable, nationwide system of identifying premises, animals and movements offers great potential to control and eradicate animal diseases, as well as to facilitate international trade.

UEP and other poultry organizations are active in a working group that advises APHIS on the NAIS. There is a consensus in both private and public sectors that commercial poultry should be identified on the basis of flocks. Clearly, identification of individual birds is neither necessary nor feasible.

Beyond that, UEP members share the concern expressed by many other agricultural producers that information supplied to the NAIS should remain confidential. All of us have become more sensitive in recent years to the potential threat of bioterrorism. We have also become aware of the threat to property and biosecurity posed by activist groups that engage in unlawful break-ins, targeting both laboratory and animal production facilities.

From that perspective, to make large amounts of information about site locations, population numbers and other parameters available to the public does not seem advisable. Yet we continue to hear concerns expressed that if the federal government has access to NAIS data – regardless of who controls the actual database – then the information may be subject to public release.

Obviously, NAIS data need to be available to state and federal authorities, and there are circumstances – such as in an actual outbreak – when some of the data probably would become public. However, we believe that producer participation in what remains a voluntary system will be quite limited unless Congress acts to protect the confidentiality of NAIS data. Therefore, **we urge the Committee to provide in the farm bill for the protection of information submitted by producers under the NAIS.**

Agricultural Research

Most recent farm bills have included a separate title devoted to agricultural research, and this reflects the critical contribution that research and extension activities have made to

our nation's ability to increase food production, enhance agricultural productivity and safeguard the natural environment. We encourage the Committee again to focus on research priorities in the 2007 farm bill.

Within the egg industry, we have found that agricultural research at both land-grant universities and USDA laboratories has helped us respond to all the critical challenges we have faced in recent years. USDA's world-leading expertise on avian influenza, for instance, has allowed us to formulate appropriate responses to the disease, and to demonstrate the safety of properly handled eggs and egg products. Similarly, the industry's Egg Nutrition Center has benefited from the collective advice of university experts on food safety in formulating and providing guidance to the industry about appropriate steps to control and eliminate food-borne pathogens.

The Committee may wish to consider devoting additional resources to agricultural research, in light of the high historical payoff from research that enhances productivity and protects natural resources. A strong emphasis on research that addresses the needs of livestock and poultry producers would likewise be most welcome, from our industry's standpoint.

We would also like to request the Committee's consideration of one area of environmental research that is of particular concern to the egg industry. Like other livestock and poultry enterprises, our members have witnessed increasing concern about air emissions from our operations. We have joined with other commodity groups in a consent agreement with the U.S. Environmental Protection Agency, under which our industry is assisting in the collection of accurate, reliable and representative data on actual emissions, so that any future regulatory actions can be based on sound information. Through the American Egg Board, our producers have contributed some $3 million of our own money to this research.

However, we would like to plan for the future as well as assessing the present. Producers need to know how they can mitigate air emissions, not just measure them. Fortunately, there are a number of promising technologies that may help us in this regard. Emission technologies include feed additives, manure amendments, housing design and configuration, and even bird genetics. There is an urgent need, however, to assess these technologies' effectiveness and cost on the farm, not just in the laboratory. In addition, there is a need for initial laboratory work on mitigation technologies as they emerge.

For this reason, we **request that the 2007 farm bill authorize a program of research on air emission mitigation technologies, emphasizing on-farm applications, with particular attention to the technologies' efficacy in reducing emission rates, operational feasibility and affordability.** We make this suggestion only on behalf of the egg industry, but research might be timely for several livestock and poultry species, and we would support the application of the program to these species as long as the organizations representing them concurred.

Avoiding Harm

Finally, UEP asks the members of this Committee to oppose the inclusion of any provisions in the farm bill that would harm our industry. For example, legislation has been introduced in the House of Representatives that would require all federal food procurement to be conditioned on animal welfare standards – specified in the text of the legislation, not through any objective scientific procedure. In the case of the egg industry, the legislation appears to require all federal purchases to be limited to cage-free or free-range eggs, or similar production systems. As an organization, we are not opposed to these systems, and indeed some of our members operate them. But eggs produced in this way are typically two to three times as expensive as conventionally produced eggs. The result of the legislation – not just for eggs, but for milk, beef and other animal products as well – would be either to increase federal procurement costs dramatically, or to reduce dramatically the quantity of animal products procured under federal programs.

We doubt that this Committee would welcome either outcome. At the same time, our fundamental objection to the legislation goes beyond the issue of cost: We believe federal food procurement standards should be built around product quality and food safety, not conditioned on essentially political judgments about appropriate animal care. We urge the Committee to oppose any efforts, which would most likely occur on the Senate floor, to add such provisions to the farm bill. Unfortunately, some animal rights groups are simply opposed to the livestock and poultry industries. Congress should be on the alert against policies advocated by these groups that seem moderate but are in fact aimed at the ultimate elimination of animal agriculture.

In fact, science and the marketplace are already addressing production practices so as to maximize both animal and human health in a commercially feasible manner. Some 87% of our industry has adopted the UEP Certified Program developed by an independent, unpaid scientific advisory committee that comprises experts in animal behavior, animal physiology and other disciplines. The committee's work has led to important adjustments in production practices but has reaffirmed the basic validity of conventional commercial husbandry techniques. The UEP program has been endorsed by the Food Marketing Institute and the National Council of Chain Restaurants and participants are independently audited by either USDA or a private firm.

Conclusion

As an Iowan, I am proud to be part of U.S. agriculture in this new century. I am also honored that this Committee came to Iowa for this hearing. Coming from a variety of states, you are well aware that producers' concerns are similar across the country. We look forward to working with the Committee on a sound, forward-looking farm policy for coming years.

ND: 4835-3234-6113, Ver 1

Farm Bill Considerations for Iowa Pork Producers

Presented by: Mr. Steve Kerns
Past President, Iowa Pork Producers Association
Chairman, IPPA Public Policy Committee

SENATE AGRICULTURE FIELD HEARING

The Honorable Senator Saxby Chambliss, Chairman
The Honorable Senator Tom Harkin Ranking Member
The Honorable Senator Charles Grassley
The Honorable Senator Ken Salazar

MONDAY, JULY 24, 2006
9:00 AM – NOON

DES MOINES AREA COMMUNITY COLLEGE (DMACC)
BUILDING SIX AUDITORIUM
ANKENY, IOWA

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

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

Issues which should not wait for a farm bill discussion:

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

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

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

General Farm Bill Considerations for Pork Producers:

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

Trade Promotion Authority (TPA):

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

Competitive Issues and the Farm Bill:

Packers and Stockyards Administration; One area of competition issues which needs attention is revised Packers and Stockyards laws. The OIG report on GIPSA noted that

change is needed within the agency. Senate Bill 2307 (Harkin, Enzi, Thomas, Grassley) is a good start at this process. This bill would authorize USDA to establish an Office of Special Counsel whose sole responsibility will be to investigate and prosecute violations on competition matters.

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

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

Packer feeding and contracting in agriculture is becoming more common place. In Iowa, the Attorney General has been negotiating with individual processors to resolve legal challenges to Iowa's packer feeding laws. Many of the agreements between the state and individual firms discuss contracting issues. Congress could also review agricultural contracting practices such as providing that unfair or deceptive practices by a person which affects the marketing, receiving, purchasing, sale or contracting of agricultural commodities would be prohibited.

Another provision important to producers is the state in which legal challenges are resolved, also known as venue. It makes sense to most producers that the state in which the production takes place should be the state where legal disputes are resolved. This is important for both production and marketing contracting situations.

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

Other Considerations - Revenue Assurance, Whole Farm Coverage:

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

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

Specific Consideration - Commodity Programs:

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

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

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

Special Consideration – Conservation Title:

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

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

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

We can envision combining the strengths of programs like the grassland reserve program (GRP), conservation reserve program (CRP), conservation security program (CSP),

environmental quality incentives program (EQIP) and the wetlands reserve enhancement program (WREP) into one watershed focused solely on water quality. While these combined programs cannot be expected solve all pollution events, coordinating and concentrating these programs could have a big impact within a watershed.

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

Thank you for considering our thoughts.

DOCUMENTS SUBMITTED FOR THE RECORD

JULY 24, 2006

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"Offering Hope, Healing & Understanding

July 26, 2006

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Clinical Supervisor
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A United Way
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Nutrition and Forestry
Room 328 A Russell Senate Office Building
Washington, D.C. 20510-600

RE: Comment on Upcoming Farm Bill

Dear Mr. Sturm:

Our agency serves northwest Iowans in 24 counties in northwest Iowa. This area, according to the U.S. Census 2002 has 20,902 farms with an average size of 424 acres. The average government payment per farm was $8,679.

In a statement issued in 2003 titled For I Was Hungry and You Gave Me Food, the United States Conference of Catholic Bishops (USCCB) reaffirmed its support for agriculture policies and programs that:

1. Promote rural development
2. Support family farms and efforts of farmers to establish co-ops and other cooperative ventures
3. Encourage wide diversity in farm ownership
4. Target subsidies to small and moderate-sized farms
5. Reward environmentally sound and sustainable farming practices
6. Promote research that helps small farms remain viable and agriculture-environmentally sound
7. Provide affordable insurance protection for crops
8. Promote competition so farmers receive a fair price for their products

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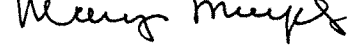
We propose the following:

1. Cap farm payments and close farm payment limitation loopholes which subsidize mega farms
2. Fully fund the Conservation Security Program; reward farmers who practice environmental stewardship as well as those making improvements; make conservation programs more available to beginning farmers, and reestablish limits on EQUIP payments
3. Restore funding for rural small business development
4. Provide capital and training for beginning farmers
5. Restore/fully fund the Sustainable Agriculture Research Education (SARE) program, the Value-Added Producer Grant Program, and the Farmers' Market Promotion Program.

We appreciate the opportunity to share our comments on farm and rural communities policy.

Respectfully,



Marilyn Murphy
Social Concerns Facilitator/
Rural Life Contact

Comments for the Record

From the

Corn Refiners Association

Regarding the

Senate Agriculture, Nutrition

And Forestry Committee

Farm Bill Hearing

Ankeny, IA

July 24, 2006

The Corn Refiners Association (CRA) submits these comments for the record in response to the Senate Agriculture, Nutrition and Forestry Committee Farm Bill hearing held in Ankeny, Iowa on July 24, 2006.

CRA is the national trade association representing the corn refining (wet milling) industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Corn refiners manufacture sweeteners, ethanol, starch, bioproducts, corn oil, and feed products from corn components such as starch, oil, protein, and fiber.

The CRA has no higher priority than the resolution of the longstanding high fructose corn syrup (HFCS) dispute with Mexico.

Toward that end, the CRA has concluded that the resolution of this dispute rests on the resumption of two-way trade in sweeteners between the United States and Mexico, as envisioned by the NAFTA. However, the 1.532 million short ton marketing allotment level for sugar that was established in the 2002 Farm Bill will enable only 276,000 short tons (approximately 250,000 metric tons) of imported sugar from Mexico after the U.S. WTO commitment is satisfied. The NAFTA allows for free trade in sugar in 2008, thereby rendering the 276,000 cushion under the existing marketing allotments for sugar imports from Mexico insufficient to resolve this dispute.

The CRA wishes to submit its position for the 2007 Farm Bill:

- The corn refining industry has an enormous economic stake in resolving the Mexico HFCS dispute, and has suffered through a decade of failed sweetener trade. It is important that two-way trade in sweeteners is restarted immediately and ultimately results in significant sales of our product to that market, as envisioned under the NAFTA.

- The marketing allotment is a barrier to sweetener trade with Mexico. If maintained in the next Farm Bill, it should not stand in the way of, or act as a limit to, full implementation of two-way trade in sweeteners with Mexico consistent with the NAFTA on January 1, 2008.

- The CRA will take more drastic measures regarding its position on the U.S. sugar program for the next Farm Bill, up to and including support for the total elimination of the marketing allotments or any aspect of the sugar program that jeopardizes full implementation of the NAFTA sweetener obligations, if the marketing allotment remains at its current level and Mexico's sugar imports are subjugated to it.

Background on the Mexico HFCS Dispute

In 1997, Mexico imposed preliminary, and later final, antidumping duties on U.S. exports of high fructose corn syrup. Both the World Trade Organization and the NAFTA dispute settlement panels found Mexico's antidumping investigation to be illegal. In January of 2002, Mexico lifted its antidumping duties on U.S. HFCS exports and instead imposed a 20% tax on all beverages sold in Mexico that are sweetened with HFCS. This tax closed the Mexican market overnight for U.S. exports of HFCS and bulk corn for production of HFCS in Mexico by U.S. owned firms. The WTO ruled issued a preliminary ruling on August 8, 2005, and later a final ruling on October 7, 2005, that the Mexican soda tax is a WTO violation. Mexico appealed the WTO ruling and the WTO Appellate Body ruled in favor of the United States on March 6, 2006.

On October 1, 2005, Mexico established a tariff rate quota of 250,000 metric tons of HFCS access for U.S. exporters. The CRA welcomed this TRQ as a first step in resolving the HFCS dispute, but continues to assert that significantly greater HFCS access to Mexico is necessary to rectify the near closure of the Mexican market for the past several years.

Since 1997, the sweetener impasse with Mexico has resulted in more than $4 billion in lost HFCS sales, both HFCS exports and U.S.-owned HFCS sales in Mexico, or in excess of 800 million bushels of corn production, including lost corn sales to Mexico intended for sweetener production. Each year that this dispute continues, the U.S. corn industry loses $944 million in HFCS sales to Mexico, which represents 168 million bushels of corn, and additional sizable losses to investments. Full resolution of the HFCS dispute with Mexico would result in a $0.06 per bushel increase in the price of corn nationally, or $0.10 per bushel in key corn states.

Thank you for the opportunity to submit these comments for the record in conjunction with the Senate Agriculture, Nutrition and Forestry Committee Farm Bill hearing.

National Family Farm Coalition

110 Maryland Avenue, NE Suite 307 • Washington, DC 20002 • (202) 543-5675 • Fax (202) 543 0978 • nffc@ nffc.net • www.nffc.net

Formal comments by George Naylor, president of the National Family Farm Coalition regarding the field hearing of the Agriculture, Nutrition, and Forestry Committee of the U.S. Senate at Ankeny, Iowa, July 24, 2006. (George Naylor, 712 S. Chestnut, Jefferson, Iowa, 50129, 515-386-5257)

I'd like to thank Chairman Chambliss, Senator Harkin, and Senator Grassley for attending the hearing in Ankeny, Iowa.

This is my thirtieth year farming the family farm near Churdan, Iowa, in Greene County. Senator Harkin has represented me in Congress all those thirty years, and I'd like to thank him particularly for his leadership during the farm crisis of the 1980's. I worked closely with Dixon Terry and Denise O'Brien, former presidents of the National Family Farm Coalition (NFFC) , along with farmers from across the country formulating what became the "Harkin-Gephardt Bill" or The Family Farm Act.

The Family Farm Act included provisions for real price supports adjusted for inflation that set a floor under basic program commodities and milk, thus requiring the purchasers to pay a fair price rather than have U.S. taxpayers provide farm income support like the current policy. It also included food security reserves and conservation set-asides. It also maintained Section 22 that allowed the Secretary to limit imports if they jeopardized the functioning of the price support system. Calculations at the time made by the Food and Agricultural Policy Institute (FAPRI) indicated a much better outcome for family farmers and consumers than the current policy found in the 1996 Freedom to Farm Act and the 2002 Farm Bill.

The key difference of using the non-recourse loan instead of the marketing loan is the source of diversified family farms disappearing as they've done from the Iowa countryside. The 1996 and 2002 farm bills sent a very clear signal to the vertically integrated industrial livestock corporations that cheap corn and soybean meal would be available to feed their livestock by the simple act of making a phone call to a commodity broker.

Now, thanks to this cheap grain regime, family farmers live in fear that a corporate hog or chicken confinement will be built next door destroying the healthful tranquility these farm families have known for decades.

No matter how large government payments are to farmers who raise corn and soybeans (and these payments have shrunk with inflation year by year, and don't

come close to making an equivalent value of cost of production), diversified family farmers are at a disadvantage because of the cheap feed for industrial livestock production. That's also the reason we see so many fields of corn and soybeans with little hay, pasture, or small grains. These soil conserving crops were common when family farms raised the livestock in this country.

We will not address the water and air quality crisis in Iowa or any other state until we end the madness of industrial livestock production, and this will only happen when the farm bill make sure this industry pays fair prices for the corn and soybean meal in their animal's diet. This has to be the goal of any future farm policy including the next farm bill: NO MORE confined animal feeding operations (CAFO's).

Let's also be very clear—the "market oriented" farm policy of the 1996 and 2002 farm bills followed the prescription of agribusiness economists that also eroded the price support features of the good Roosevelt-Wallace farm bills since 1953. We have the horrific type of livestock production and hollowed out farm communities precisely because the political clout of corporations like Cargill, Tyson, and Smithfield overwhelmed that of "the people".

Also, "market oriented" and the "free trade" philosophy incorporated in the WTO, NAFTA, and other trade agreements are one and the same—the enemy of family farm agriculture which is being replaced by mindless, inhumane corporate agriculture, not only here, but around the world. This is why arguments focusing on government payments rule the headlines rather than the prices of the commodities or cheap imports, such as Milk Protein Concentrate destroying the milk market.

I would like to invite the Senators to check out the website of the National Family Farm Coalition, www.nffc.net for further discussions and information on policy that supports family farm agriculture instead of corporate agriculture. A good source of information is from the Agricultural Policy Analysis Center at the University of Tennessee, www.agpolicy.org and reports by Tim Wise and associates at the Global Development and Environment Institute at Tufts University, http://ase.tufts.edu.gdae that show who really benefits from the subsidy system and that the oft repeated figure of 72% of government payments go to only 10% of the farmers is absolutely wrong. (My 470 acre corn and soybean farm falls near the 11 percentile).

The National Family Farm Coalition and its groups around the country will be glad to assist Congress in formulating new policy to reverse the horrendous and costly policy that moves us ever closer to the extinction of the family farm.

Thank you,
George Naylor
President of the National Family Farm Coalition

U.S. Senate Committee on Agriculture, Nutrition and Forestry

Committee Field Hearing in Ankeny, Iowa

Statement for the Record of the
Honorable Thomas J. Vilsack
Governor of Iowa

July 24, 2006

Agricultural policy, as reflected in farm bills every few years, has a profound impact on all citizens in the Midwest and is not restricted to those working on the land. In fact, while the farm bill addresses many issues important to the 3.1 percent of Iowans who farm, the farm bill can legitimately be called Iowa's Water Quality and Rural Development Bill.

The benefits of farm bill programs are reflected in better land stewardship, cleaner water and enhanced recreational and economic opportunities throughout the state. Indeed, the economic benefits of cleaner water are felt in every rural and non-rural community where enhanced recreational opportunities bring direct economic impacts to local economies. Environmental benefits to the farm sector ensure continued productivity. They are also felt far downstream where the decisions made by individual farm operators are reflected in water quality improvements, not only in Iowa, but into the Gulf of Mexico.

Recognizing the importance of the farm bill to our state economically, environmentally and socially, I recommend the following:

1. *Rural areas should be empowered to create and/or expand vibrant rural economies and improve their communities.*

   Farmers and rural communities need to be assisted with the necessary resources to encourage development of home-grown energy in the forms of wind, manure-generated methane, cellulose ethanol, etc.

   Opportunities for farmer- and rural community-owned enterprises should be developed and expanded. One way that can be accomplished is by adding value to farm commodities (meats, grain, produce, wood products, etc).

   Further, high speed internet access should be available to rural communities and farmers who would not otherwise have access in the near future.

2. *The farm bill should enlist the support of a growing number of urban members of Congress and their constituencies.*

   To do so, the new farm bill should have clearly stated objectives that provide the following benefits not only to the farm community, but to our society:
   a. Provide opportunities for entry level farmers;
   b. Conserve our soil, improve our water quality and provide wildlife habitat;
   c. Decrease our reliance on oil by conserving and developing energy on farmlands;
   d. Provide income support that accomplishes the stated goals rather than having unintended consequences such as inflated land values, barriers to beginning farmers and decreased commodity prices. Give consideration to separating income support from production; and
   e. Sustain viable rural communities.

   The 2002 farm bill contained 10 titles covering a wide array of topics. Any revision of farm policy should include a clearly written set of objectives as the basis for formulating individual programs. Such a set of objectives would also help communicate the significance of agricultural policy and programs to the majority of Americans not closely involved with agriculture or rural issues.

3. *Create a program that provides energy conservation and development based on perennial vegetation that also improves water quality, conserves soil and provides wildlife habitat.*

   Too often, programs focus on single issues and lose the opportunity to maximize public benefits from public funds. Energy and conservation are increasingly important issues to both the farm and urban public. A program that reduces energy inputs while providing energy outputs and other environmental benefits would have widespread support.

4. *The new farm bill should include effective commodity support caps and close loopholes to avoid the unintended consequences of the current farm bill.*

   A study by the Center for Agriculture and Rural Development at Iowa State University indicates that land values are inflated by 30 percent over expected values because of the commodity support payments. Land owners built this into cash rental rates resulting in difficulty for beginning farmers to compete with existing operations. Commodity support levels also encourage overproduction. When this happens, larger farms can exist based on volume of production, but the beginning farmer cannot.

   The often quoted statistic that 10 percent of farmers receive 74 percent of the commodity support benefits raises questions and concerns about the purpose and equity of the farm bill. There has been a significant dialogue over this issue and it is likely to be a major point of contention in the upcoming debate.

5. *Measures in the bill for conservation compliance should be more rigorously enforced than they are under current practice.*

   Conservation compliance has been a provision in all farm bills since 1985. The legislation was designed so producers receiving commodity support payments were obligated to meet a conservation standard on land they farmed. This is a win-win situation for both farmers and the public. A workable conservation compliance provision needs to be included in the 2007 farm bill and enforced.

6. *Create and enhance green payment programs that support agricultural producers who install practices to protect soil, improve water quality, provide wildlife habitat and conserve or produce energy.*

   This would be World Trade Organization compliant, and would provide badly needed financial support to U.S. farmers while protecting or improving natural resources for the American public.

7. *The 2007 farm bill should target at least one-third of the farm bill budget to the conservation title.*

   The 2002 farm bill conservation title made significant progress in addressing conservation needs as authorized. However, appropriations seldom met authorized levels. Equity issues with commodity title payments, World Trade Organization concerns, the federal budget deficit and changing public expectations reduced actual appropriations and will again be factors in the next farm bill.

   The 2002 farm bill authorized approximately 24 percent of the budget to the conservation title. Allocating one-third of the 2007 budget to the conservation title would represent a

modest reallocation of resources that is realistic in view of the issues identified above. It would also provide the technical assistance so badly needed by agricultural producers to install natural resource protection practices, to adapt to changing energy use and production of energy crops. The conservation title needs to provide flexibility at the state level in implementing programs as well.

There are many instances I could site where we have been able to achieve astounding environmental improvements, particularly in water quality, through the important tools that have been made available through federal farm programs in recent years. Let me highlight just one example that I think is particularly noteworthy.

The extreme northeast region of Iowa offers the unique feature of coldwater springs and streams capable of sustaining trout. Historically, these streams have offered "catch-and-release" opportunities for fishermen. The streams had to be stocked with trout because spawning conditions had degraded over the years.

Full partnerships with area farmers, utilizing many conservation programs available through federal farm policy, have helped create improvements to stream conditions and water quality to the point where we now have documented natural reproduction of trout on 58 different stream segments totaling more than 100 miles. In the 1970s, we were able to document natural trout reproduction on only six stream segments in Iowa.

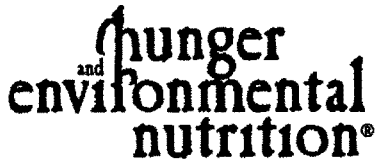
Success stories like this with our natural resources could not be accomplished in a state like Iowa where more than 90 percent of the land is in private ownership, without the interest and cooperation of willing landowners. Conservation programs through the federal farm legislation are key elements to being able to help both the agricultural community and the citizens of our state by fostering effective stewardship.

In 2005, Iowa led the nation in the production of pork, corn, soybeans and eggs, as well as acres in buffers and restored farmable wetlands. This relatively small Midwest state received the third highest cash receipts in the country for farm commodities – totaling $15.9 billion. With approximately 90 percent of Iowa's land mass in private hands, the 2007 Farm Bill has the capacity to provide the policy guidance and the economic incentive for Iowa farmers to conserve their soil, protect water quality, enhance wildlife habitat and provide for the recreational and economic revitalization of the state. While leading the nation in conservation, Iowa farmers can continue to produce food, fiber and energy.

Likewise, throughout the Midwest, the 2007 Farm Bill can be a force for revitalized rural economies and enhanced water quality reaching all the way to the Gulf Coast. The choice is ours. I ask for your thoughtful consideration and inclusion of the proposed plan of action by the Senate Committee on Agriculture, Nutrition and Forestry.

I close by citing this quote from President Franklin Roosevelt when he was advocating creation of the Soil Conservation Service during the Dust Bowl era of the 1930s: *"A nation that destroys its soil destroys itself."*

The same observation could be made today relative to water quality and to the social values that continue to make rural America very special national treasures for our country. I urge you and your colleagues to carefully consider these factors in your future discussions on this legislation so vital to the state of Iowa and its citizens.



March 1, 2006

To: Mary Pat Raimondi, Chair, Legislative and Public Policy Committee
Suzy Weems, Vice-Chair, Legislative and Public Policy Committee
Jennifer Weber, Manager of National Nutrition Policy

From: Hunger & Environmental Nutrition DPG Executive Committee
Angie Tagtow, MS, RD, LD, Chair
Helen Costello, MS, RD, LD, Chair-Elect
Barbara Hartman, MS, RD, LD, Past Chair
Joseph Bonilla, PhD, RD, Treasurer
Michelle Voelker, RD, LD, Secretary
Kimberly Prendergast, RD, Nominations and Awards Chair
Gaile Moe, PhD, RD, Newsletter Editor
Yvonne Greer, MPH, RD, CD, Professional Issues Delegate

Re: Recommendations for 2007 Farm Security and Rural Investment Act

Thank you for the opportunity to provide input on the 2007 Farm Security and Rural Investment Act. The HEN DPG Executive Committee has collected input from members regarding the upcoming reauthorization. We intend to continue these discussions with the Executive Committee and do plan to provide additional input to Ms. Lenihan and Ms. Raimondi in the upcoming months. This response is by no means as comprehensive as the Executive Committee would like as we are taking a comprehensive food system approach to the Farm Bill and not just focusing on Titles IV and VII. How does the farm bill affect dietetic professionals?

Little has been communicated to ADA membership regarding the Farm Bill. We propose to the LPPC and to the ADA Washington, DC staff that communication tools be developed that identify:

- The roles of dietetic professionals within programs that are affected by the Farm Bill,
- The impact the Farm Bill has on dietetic practice, and
- How the Farm Bill influences the global food system.

The HEN Executive Committee would be willing to partner with LPPC to develop these tools. Please let us know if you have additional questions and again, thank you for the opportunity to respond.

Title I. Commodity Programs
Income support for wheat, feed grains, upland cotton, rice, and oilseeds is provided through 3 programs: direct payments, counter-cyclical payments, and marketing loans. Support for peanuts is changed from a price support program with marketing quotas to a program with marketing loans, counter-cyclical payments, direct payments, and a quota buyout. To the extent possible, the sugar program is to operate as a "no net cost" program. A new dairy income support program is introduced.

> *HEN EC Response - This is the perfect opportunity for farm policy to match nutrition policy. Agriculture products supported by commodity payments do not match Dietary Guidelines or My Pyramid. Much of the commodity support goes to agricultural products used to feed livestock. Commodity programs do not support small diverse farms that provide communities with variety in the food supply. Small and mid-sized family farmers have been forced out of business as a result of overproduction of commodity crops. This sole influence has unraveled the fabric of rural communities across the US. Numerous studies demonstrate that supporting sustainable and local agriculture with the rich diversity of crops and livestock benefit the consumer and the community.*
>
> *If commodity payments were to continue, expanding the list of commodity crops to include specialty crops such as fruits and vegetables for human consumption would have a tremendous impact on the health of the US population.*

Title II. Conservation
The legislation emphasizes conservation on working land by increasing funding for the Environmental Quality Incentives Program and establishing a new Conservation Security Program, which pays producers to adopt or maintain practices that address resources of concern. Land retirement programs are expanded, placing particular emphasis on wetlands. Funding is expanded for farmland protection. A new Grassland Reserve is created to assist landowners in restoring and conserving grassland. A new provision aims at ensuring regional equity in conservation funding.

> *HEN EC Response - Farmland preservation and conservation programs must be strengthened in order for the land to continue to produce food for the generations to come. Many experts across the world agree that with the growing global population, current land available and use will be stressed to the extent of not being able to meet human needs. Land will continue to degrade as a result of continued reliance on herbicides and pesticides and further damaging soils and water supplies. This is a prime opportunity to reward and support good stewards of productive farmland and is reason to endorse this title, as sustainable production systems are the core of sustainable food systems.*

Title III. Trade
Programs are designed to develop and expand commercial outlets for U.S. commodities and to provide international food assistance. All trade programs reauthorized through 2007. New programs include the McGovern-Dole International Food for Education and Nutrition Program, the Biotechnology and Agricultural Trade Program that addresses nontariff barriers to U.S. exports, a Technical Assistance for Specialty Crops Program that addresses barriers affecting exports of specialty crops, and an online Exporter Assistance Initiative. A long-range agricultural trade strategy that identifies export growth opportunities is to be prepared.

> *HEN EC Response - From and international hunger perspective, ADA should encourage the US to share in the distribution of our wealth for all peoples, thus the McGovern-Dole International Food for Education and Nutrition Programs should be supported. However, as a result of overproduction of commodities, international food aid has not always benefited the recipient country due to internal political upheaval, transportation barriers, or policies preventing the use of genetically modified foods. The US has been criticized in recent years of dumping their overproduction commodity crops in developing countries in a gesture of providing food aid.*

Title IV. Nutrition Programs
Food Stamp Program and commodity distribution programs are reauthorized for 5 years. Reinstates food stamp eligibility for legal immigrants residing in the U.S. for at least 5 years, and for all legal immigrant children and disabled individuals. Includes provisions to simplify and streamline the Food Stamp Program. Increases funding for the Emergency Food Assistance Program. Modifies commodity distribution programs and encourages expanded use of fresh fruits and vegetables.

> *HEN EC Response - Nutrition education must be a priority within all of the nutrition and food assistance programs. The Food Stamp Program is the linchpin between mass hunger in this country and a modicum of nutrition security for the 24 million people it serves. The research has demonstrated that WIC and Food Stamp recipients receive more nutrients in their diets than their low-income counterparts who did not take part in the program. A greater emphasis needs to be made on outreach and marketing of these programs.*
>
> *Regulatory changes are needed that remove barriers for the working poor to apply for these programs and especially measures that increase access to services (access, documentation and verification, length of applications, etc.).*
>
> *USDA should provide more support finding solutions for EBT customers to use their EBT cards at farmers' markets, farm stands and community supported agriculture (CSA) venues. This would be consistent with the goals to provide higher nutrition security in low-income populations and directly benefits farmers by putting 100% of the food dollar in their pockets.*
>
> *School food programs should have greater flexibility to gain access to local food supplies. Specifically: 1) simplify regulations to allow school food programs to purchase*

food from local farmers, 2) make allowances for providing fair prices to farmers from schools procuring foods from local farmers, and 3) support the mandatory requirement for the local school wellness policy with funds to carry out the mandate and provide nutrition education in schools. In the 2002 Farm Bill it states "The Secretary is directed to encourage schools participating in National School Lunch...to purchase locally produced foods." This language should be changed from "encourage" to "require" where available. USDA would also need to support schools in changing their procurement processes.

Expand and strengthen the WIC Farmers' Market Nutrition Program and the Senior Farmers' Market Nutrition program. These programs provide a service to low-income communities consistent with the US Dietary Guidelines and benefit small farmers and communities. Many states are unable to offer WIC and Senior FMNP in all counties due to lack of funding. This denies access to thousands of low-income families. Flavor and freshness are key qualities that convince consumers to try fruits and vegetables. The program gives low-income families and seniors' access to nutrient-dense foods that many are unable to purchase in their urban and rural neighborhoods because conventional supermarkets have left these areas.

WIC serves over 8 million mothers, infants and children – nearly half of all America's infants and one-quarter of its children 1 to 5 years of age. However, the National Academy of Sciences has found that there is significant unmet need and eligible WIC families are unable to receive WIC services due to funding constraints and infrastructure limitations. Funding levels for WIC must continue to rise consistent with the rise in WIC caseload and food costs and should exceed $5.5 billion. This is critical in order to maintain current and anticipated WIC participation levels, prevent participation cuts and to respond to the increase in food costs. Capping nutrition services funding would further erode benefits and services for participants and damage effective state food and vendor cost containment measures. It is estimated that more than 800,000 women and children would loose benefits if caps of this sort were implemented. Additionally, additional funding should be allocated to support updated rigorous health outcomes research and evaluation further documenting WIC's success.

Community Food Security Programs helps to improve the sustainable of the food supply and funding for this program must be increased. This is the only grant-funded program that is capable of taking a community-wide approach to creating food secure and sustainable food systems. The outcomes from this research are instrumental with creating sustainable cultures. This portion of the bill should include sustainable agriculture. Sustainable practices can provide community food security and prevent many of the problems that the $5 million projects were intended to remedy.

Title V. Credit

Farm Service Agency (FSA) farm loan eligibility rules are relaxed to make more borrowers eligible for Federal farm credit assistance. Lending rules for beginning farmers and ranchers are modified to increase eligibility and provide more benefits. FSA lending procedures are changed to streamline delivery of farm loan programs.

Title VI. Rural Development
Provides funding for rural areas to undertake strategic planning, feasibility assessments, and coordination activities with other local, State, and Federal officials. Provides funding for the backlog of pending applications for water and wastewater programs as well as new funding for broadband Internet services, value-added agricultural programs, rural business investments, and training for rural emergency personnel.

> *HEN EC Response - This section should also include support for sustainable agriculture and crop diversification programs.*

Title VII. Research and Related Matters
Reauthorizes and establishes new agricultural research and extension programs. Extends previous funding provisions to fiscal year (FY) 2007, replacing dollar amounts with "such sums as are necessary to carry out" the research. Expresses the "sense of Congress" that agricultural research funding double over the next 5 years. Increases funding for the Initiative for Future Agriculture and Food Systems and increases program level from $120 million a year to $200 million annually in FY 2006. Establishes a biosecurity planning and response program. Establishes grant programs for biotechnology risk assessment research and biotechnology research on crops important for developing countries.

> *HEN EC Response - Research and education are critical to promoting a sustainable and healthful food system (production to consumption). A commitment to on-farm research in areas of sustainable agriculture, local/regional food systems and nutrition research is critical to the nations security. A healthy, well-nourished nation with a sustainable food supply and nutritional integrity is important for a strong and productive nation.*
>
> *Research and education must supported and strengthened especially for sustainable agriculture, risks of biotechnology, Cooperative Extension Programs, food safety and public health threats resulting from confined animal feeding operations such as viral and bacterial contamination and the overuse of non-therapeutic, non-essential uses of antibiotics in animals. There needs to be balanced and unbiased research of the human health and environmental effects of biotech/genetically modified agriculture products. Likewise, additional support is needed to research the human health and environmental impacts or organic agriculture (Title X).*

Title IX. Energy
Establishes new programs and grants for procurement of biobased products to support development of biorefineries; to educate the public about benefits of biodiesel fuel use; and to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems. Reauthorizes and broadens the bioenergy program.

> *HEN EC Response - Ethanol and biodiesel production may be a strategy for alternative fuel sources at the same time strengthening the price of corn and soybeans. Production plants in the Midwest do decrease transportation costs and fossil fuel use and may boost economic development within communities. However, the lack of environmental*

regulations from across states could further damage soil and water supplies. The focus on alternative energy sources needs to expand beyond biodiesel and ethanol and consider wind and solar energies.

Title X. Miscellaneous
Modifies crop insurance and organic agriculture programs. Includes new provisions on country-of-origin labeling, animal health and welfare, and some support for specialty commodities.

HEN EC Response - The $10-million pilot program created to increasing fruit and vegetable consumption and promoting healthy eating has been a huge success and should have increased funding to enable all children access to fresh fruit and vegetables in schools. This would establish healthier eating habits among children potentially decreasing the risk of overweight and the development of chronic disease (diabetes) during childhood (is this now in Title IV?).

The National Organic Certification Cost-Share Program should be expanded to enable more producers and handlers of agricultural products to obtain certification under the National Organic Program. An increase in the maximum Federal cost share may entice more farmers to transition to organic agriculture.

SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
FARM BILL REGIONAL HEARING
ANKENY, IOWA
JULY 24, 2006

STATEMENT OF IOWA DIETETIC ASSOCIATION

My name is Angie Tagtow and I am a past board member of the Iowa Dietetic Association (IDA). I am representing the 700 members of the IDA and the 65,000 members of the American Dietetic Association (ADA). IDA and ADA commend the United States Senate for conducting a series of hearings as part of Farm Bill 2007 development. In addition, to the regional hearings, we ask that you hold a hearing on nutrition – in particular nutrition research, education and extension efforts – as part of the Farm Bill reauthorization process.

ADA is the largest organization of its kind and it is guided by a philosophy based on sound science and evidence-based practice. IDA and ADA members are sought-out participants in domestic and international discussions as they work on nearly every aspect of food, nutrition and health. As such, we are familiar with the importance of all articles within the Farm Bill on USDA food and nutrition resources.

The public needs an uncompromising commitment from their government to advance nutrition knowledge and to help people apply that knowledge to maintain and improve their health. Millions of Americans benefit from USDA food assistance programs, but we still see hunger in the United States. Co-existing with hunger is a national epidemic of overweight and obesity. In fact, overweight and obesity is the largest manifestation of malnutrition and chronic disease in the United States today. We also know that American children, who are a key recipient of USDA assistance programs, are overfed but undernourished. Studies show their physical stamina and activity have declined and their health literacy and knowledge is limited.

To address this sad commentary on the nutritional status of Americans, we recommend that the Senate address five key nutrition goals in their Farm Bill proposal.

USDA's food assistance programs must be available to those in need and adequately funded. USDA's domestic food assistance programs affect the daily lives of millions of people. About 1 in 5 Americans is estimated to participate in at least one food assistance program at some point during the year. The Food Stamp Program is a key component of the Federal food

assistance programs, and provides crucial support to needy households. Food stamps reach those most in need. Most food stamp participants are children, with half of all participants under 18.[1] Households with children receive about three-quarters of all food stamp benefits. In addition, many food stamp participants are elderly or disabled.

Improving the nutritional status of Americans needs to rise in priority in food assistance programs, other food programs, and truly, for all Americans. A USDA study found a lack of several key nutrients in American diets, with nearly 93 percent of Americans having deficiencies in vitamin E. Americans also are not getting enough vitamin A, vitamin C or magnesium, according to the study. At the same time, consumers are eating too much of other dietary components. Almost 60 percent of the population consumes more than 10 percent of calories from saturated fat.[2] Approximately 95 percent of adult men and 75 percent of adult women exceed 2,300 mg of sodium per day.[3]

Increased investment in nutrition education and nutrition research is necessary and it must be sustained. If we expect consumers to take personal responsibility for making healthy choices, then we have a responsibility to make sure that they are adequately prepared. The government must invest in the nutrition research and nutrition education necessary to give Americans the knowledge and ability to make their own nutrition decisions. These nutrition recommendations and programs for the public must be based on sound science. Only the federal government has the public mandate and resources to carry out research on human nutrition needs and to develop dietary guidance that forms the basis for all federal nutrition programs. We believe federal research exploring the relationships between diet (particularly dietary patterns) and health is particularly important.

ADA is an advocate of grading the science behind recommended diets, nutrition guidelines and product label claims, and teaching consumers how to read, analyze and use that information. ADA has its own system of evidence grading that is serving as a model to government regulators and nutrition experts here and around the world. But information is not education.

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[1] U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis, Nutrition and Evaluation. *Characteristics of Food Stamps Households: Fiscal Year 2004,* FSP-05-CHAR, by Anni Poikolainen. Project Officer, Kate Fink. Alexandria, VA; 2005.
[2] Briefel RR, Johnson CL. Secular trends in dietary intake in the United States. *Annu Rev Nutr.* 2004;24:401-431.
[3] Institute of Medicine. Dietary Reference Intakes for Water, Potassium, Sodium, Chloride, and Sulfate. Washington, DC: The National Academies Press; 2004.

Labels and pamphlets alone do not lead to behavior change. People have to be taught, and their educational experience needs reinforcement. Nutrition education that works is a worthwhile return on investment. Economic Research Service scientists have studied the connection between nutrition knowledge and food choices with Americans.[4] They have learned that in socio-economically matched individuals, a 1-point improvement on a nutrition knowledge scale correlates to a 7-percent improvement in diet quality. In matched households, an improvement in the primary meal preparer's knowledge translates to a 19-percent improvement in household meal quality. Clearly, nutrition education is one key to nutrition health.

Our experience has shown that registered dietitians are uniquely educated and trained to help people learn and incorporate healthful habits into their lives. ADA works continuously to make it possible for more Americans to have access to dietetic services through private sector and public program coverage.

Having up-to-date knowledge of the nutrition composition of the food supply is essential for all of work in food, nutrition and health to bear fruit. Our food supply is changing in important ways over time, as are the types of diets that people eat. Farmers and consumers need to understand what those changes mean and our knowledge about food composition, the foods that Americans are eating and how overall dietary patterns contribute to health have grown outdated; some data series have lapsed.

Food security and food safety issues cannot be ignored. The traditional definition of food security has evolved beyond access to sufficient, healthy food and now encompasses an abundant food supply safe from intentional and unintentional contamination. Recent outbreaks of food and waterborne disease and threats of bioterrorism have focused attention on the safety of dmoestic food and water systems. The US government needs to play a proactive role in ensuring that appropriate food and water safety practices are implemented and followed and that research is conducted on possible future threats.

Conclusion

It has been more than a decade since Congress has made a comprehensive review of the nation's nutrition policies and programs. Discussions regarding USDA and nutrition typically focus on food assistance programs, but do not address the key underlying work being conducted by

[4] U.S. Department of Agriculture, Economic Research Service and Center for Nutrition Policy and Promotion. *USDA's Healthy Eating Index and Nutrition Information.* Technical Bulletin No. 1866, by Jayachandran N.Variyam, James Blaylock, David Smallwood, Peter Basiotis. Alexandria, VA; 1998.

USDA researchers throughout the United States that forms the basis for the Federal nutrition information and education efforts affecting every American.

Clearly, there is significant potential benefit in addressing food, nutrition and health issues now, before circumstances deteriorate, and to ameliorate human as well as economic costs. There will be market needs for healthful products and services that can help the public become more involved with their health and health care management. But there are roles that currently are not being effectively addressed and may rightfully need to be addressed by public policy.

We need the U.S. Senate to address the now out-of-date perception that a safe, affordable, varied supply of food necessarily leads to a well-nourished, healthy population. It is time to shift to a new paradigm that is founded on people being able and willing to choose healthy diets for themselves and their families.

We ask the Senate Agriculture Committee hold a hearing on nutrition – in particular USDA nutrition research, education and extension efforts – as part of the Farm Bill process. We stand ready to provide recommended topics and witnesses that can help illuminate the vital role the farm bill reauthorization process plays in nutrition and the health of Americans.

Sincerely,

Angie Tagtow, MS, RD, LD
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Iowa Society of American Foresters

July 30, 2006

Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, D.C. 20510-6000

Dear Mr. Strum:

These are formal comments for the Official Record on the Farm Bill field hearing – Heartland Region held on July 24, 2006 at Ankeny, Iowa from the Iowa Society of American Foresters. The Iowa Society of American Foresters (Iowa SAF) represents 100+ professional foresters who work for government agencies, universities and in the private sector promoting sustainable forestry on Iowa's private and public forestlands.

Forestland has always been a vital part of Iowa's rural economy. Iowa contains 2.7 million acres of forestland with 88% in private ownership. Iowa's working forests are owned by families who own them for a variety of reasons ranging from providing wildlife habitat to protecting natural resources for their children and grandchildren. Iowa's working forests provide employment to over 20,000 Iowans in the forest products industry worth over $1 billion to Iowa's economy. In addition, Iowa's forests protect our air, soils, water and create critical wildlife habitat.

Iowa's forests are facing pressures of land development parcelization along with increasing invasions from exotic pests and invasive plants. Today, in Iowa, forestland has a higher real estate value than prime farmland causing forested lands to be sub divided into smaller tracts complicating land management options, increasing wildland fire protection costs and decreasing the ecological values. In 1994, there were 55,000 private forest landowners in Iowa who owned an average of 38 acres, today there are 138,000 forest landowners who own an average of 12 acres. Today's forest landowners in Iowa are increasingly absentee and do not have agricultural backgrounds – needing technical assistance and guidance for sustainable forestry decisions.

Exotic and invasive species, whether insects, diseases or plants disrupt the natural regeneration and growth of native Iowa forests, controls are pricy adding up to millions of local dollars every year. Iowa forests are on the threshold of invasion from exotic insects of gypsy moth that threatened our oak resources and

emerald ash borer that could wipe out ash trees in natural and urban settings costing Iowans millions in removal and replacement costs.

The Iowa SAF believes that the Farm Bill is an important tool that can aid sustainable forestry on private lands across our state. We have used Farm Bill programs in the past, from Conservation Reserve Program (CRP) to Forest Land Enhancement Program (FLEP) to reforest and improve well-over 250,000+ acres over the past 10 years. But the demand for financial assistance far exceeds the current funding. We recommend the following considerations for Forestry efforts in the next Farm Bill:

- Continue the Conservation Reserve Program and expand the cap above current levels to enroll more highly erodible land into the program,
- Provide incentives to maintain existing CRP lands in permanent vegetation as approximately 65% of the current CRP contracts are expiring in 2007 and 2008,
- Work to clarify the support of private forestry incentives in the Environmental Quality Incentives Program (EQIP) and the Wildlife Habitat Incentive Program (WHIP) to make available adequate funds to meet and expand private investment in sustainable forestry,
- Make adjustments in the Conservation Security Program (CSP) to allow sustainable private forestry to be rewarded as other conservation practices in critical watersheds,
- Maintain a Forestry Title in the Farm Bill that provides needed resources for on the ground forestry accomplishments from reauthorizing the Forest Land Enhancement Program (FLEP) to $100 million over the next 5 years to establishing and funding a Forestland Reserve Program with long term easements for retention of private forests in critical watersheds, and
- Provide resources to match private investment in forestry biomass in the Energy Title to improve forest health, reduce wildfire danger and diminish our dependence on foreign sources of energy. Wood is a renewable resource and our innovative forest product companies in Iowa can expand energy production from woody materials.

Should you or any members of the Senate Committee on Agriculture, Nutrition and Forestry need further information, please feel free to contact me directly at my office at (515) 242-5966, my cell at (515) 249-2944 or my email at jewalkow@aol.com

Sincerely,

John Walkowiak, Chair-Elect
Iowa Society of American Foresters
5305 SE 9th St, Des Moines, IA 50315

cc: Senator Charles Grassley, IA
Senator Tom Harkin, IA

July 24, 2006

Michael R. Rosmann, Ph.D.
1210 7th Street, Suite C
Harlan, IA 51537

Mr. Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A Russell Senate Office Building
Washington, DC 20510-600

Dear Mr. Sturm,

Please accept these comments about the upcoming farm bill.

Farm policy should be designed to protect the most important assets in agricultural production: farmers, farm workers and resources (land, water, air) while enhancing U.S. competitiveness in global markets. Current U.S. farm policy is flawed in that it is tied to production that results in a disproportionate share of the benefits going to large producers and assists food processors who capitalize on subsidized prices by having to pay less for their raw materials.

If the U.S. is truly concerned about free trade and competitiveness in the global marketplace, commodity deficiency payments should be reduced over a period of several years until they are completely eliminated. Reduction of commodity deficiency payments makes sense from several perspectives,

First, reduction/elimination of federal commodity subsidies will enhance credibility of U.S. positions in World Trade Organization (WTO) negotiations in an effort to open up markets in countries that have resisted importing U.S. farm products because these countries feel that the U.S. has an unfair advantage by subsidizing the production of certain commodities. The U.S. is foundering in WTO talks mainly because of the subsidy issue, although other factors play secondary hampering roles in the U.S. negotiations.

Second, commodity price supports in the form of deficiency payments have not rewarded all producers equally; data in the 2002 Census of Agriculture indicate that very large producers have benefited the most and many farmers (more than 60%) do not receive any price supports for their products.

Third, commodity price supports have created an artificially high price for farm land and have encouraged some producers to "farm for the government;" reducing or eliminating federal price supports would bring land costs closer in line with the true capacity of the land to pay for itself through its useful production.

The question arises: What should be done with the federal monies that are saved by reducing/eliminating commodity price supports? The Bush administration and several

congressional leaders have recommended that the savings should be used to reduce the federal budget deficit. That approach does not strengthen agriculture, however. There are several circumstances that are created by the reduction of price supports that argue for redirecting the savings into helping the people involved in agriculture:

- Many farmers will need to make transitions in their farming practices (e.g., farm more efficiently, plant different crops, undertake different uses of their land to bring in income through alternative activities such as hunting/fishing businesses, shift to organic production, etc.) and financial assistance to make these transitions could be necessary in many cases or these farmers will not be able to survive economically.

- Some farm operations will not survive economically and these farmers will need to phase out their farming operations and change their careers; educational programs to retrain these farmers and farm workers and crisis counseling assistance to help them through the emotional turmoil of making these farming transitions are needed. The Farm Crisis of the 1980s taught us that economic strife is the primary cause of farmer suicide and violence if not addressed through employment programs and psychological assistance.

- Some of the savings should be redirected into making farming safer and healthier by addressing rising healthcare costs of agricultural producers. Farm families and farm workers who cannot afford healthcare insurance should receive cost shares for health insurance, agricultural health screenings to prevent health problems and employee assistance plans for farmers and their families much like farmers can receive cost shares for undertaking conservation practices such as installing terraces on erodable land. Farmers should receive cost shares for equipment rollover protection devices and practices that minimize such farm hazards as overhead electrical wires and unsafe manure storage installations.

- Some cost savings from the reduction of federal price supports should be put into research to understand why the behavior of farmers continues to be risky and to train professional healthcare providers about agricultural behavioral health. A National Center for Agricultural Behavioral Health is needed to focus on the most important ingredient in agricultural safety: the behavior of people engaged in agricultural production. None of the federally funded agricultural safety and health centers has as its main focus behavioral issues and behavioral healthcare.

- Cost savings also should be used to enhance conservation and safety of resources used in food production, such as increased incentives for erosion control devices, installation of filter strips to reduce runoff of fertilizers, manure and other pollutants into waterways that create dead zones where rivers enter the ocean and incentives for forested tracts.

- There should be provisions in federal agricultural disaster programs which include supports to farmers and their families for the emotional toll that accompanies

disasters. These supports should include assistance with farm crisis telephone hotlines, educational activities to help communities deal with mass disasters such as droughts, outreach worker services and behavioral health counseling assistance. These supports would go a long ways toward reducing stress-related worry and depression. In short, whenever a federal agricultural disaster declaration is made, these supports should be included, much like crisis counseling programs are included whenever large disasters such as hurricanes and terrorist attacks occur.

Lower prices for U.S. farm products will increase the U.S. share of global sales. Helping farmers become healthier and safer increases the likelihood of maintaining viable producers of U.S. food, fiber and renewable energy without jeopardizing U.S. trade negotiation positions.

These farm policy recommendations will improve competitiveness of U.S. farm producers in the world market, while putting the savings into programs that make farming safer, help preserve the health of farm producers, protect the environment and resources used in food production and help guarantee safe and nutritious food for consumers. If implemented, these recommendations will discourage the outsourcing of food production beyond the U.S. borders. Having healthy food producers and a sufficient supply of domestically produced food is in our own best interest.

Respectfully submitted,

Michael R. Rosmann

Michael R. Rosmann, Ph.D.

MRR/ls
cc: Senator Tom Harkin
at: http://harkin/senate.gov/contact/contact.cfm

Pennington Forestry Services penningtonforestry@msn.com
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July 30, 2006

Mr. Robert Sturm, Chief Clerk
U.S. Senate Committee on Agriculture, Nutrition and Forestry
Room 328-A
Russell Senate Office Building
Washington, D.C. 20510-6000

Mr. Sturm,

In am writing in response to the 2007 Farm Bill Hearing held on July 24, 2006 in Ankeny, Iowa. I was in attendance at the hearing and thought it was excellent, and very informative. Thanks also for opportunity to provide formal comment into the farm bill. The purpose of this letter is to provide formal comment for the official record.

As preface to comments, I am a forester and own a forestry business in Iowa. So, my comments regard forestry titles in the farm bill, as they apply to forestry in Iowa. I realize corn and hogs sometimes dominate but I am sure you realize that Iowa also has an excellent forest resource, with 2 million acres in woodland. These Iowa woodlands grow some of the best and most valuable walnut in the nation and Iowa has a big industry (veneer, lumber, gun stock, furniture, trim) based upon walnut.

I totally agree with elected officials' comments given at the beginning of the hearing regarding the 2007 farm bill needing to drive toward ---- 'competitiveness, stronger economics, rural business, cash flow/farm income, value added, world-trade, productivity, and conservation'. After a couple decades of farm policy drifting toward "non-commodity amenities", the 2007 bill is a good opportunity to drift back toward a balance with some new practices that preserve the economics of farming.

Therefore, I am requesting a forestry practice be added to the 2007 farm bill for Iowa titled "Walnut Establishment and Management". In past decades, there have been farm bill practices encouraging black walnut reforestation and these have won strong support from farmers. Walnut responds well to planting, grows fast in comparison to other tree species and, of course walnut has the highest wood value of all Iowa tree species. A lot of Iowa farm cash flows have survived rough times by marketing walnut growing in the back 40 wood lot. Another round of emphasis on walnut could be a good fit for the 2007 farm bill.

I offer the following points regarding how a farm bill title "Walnut Establishment and Management" could strengthen competitiveness, economics, industry, rural business, as well as conservation.

- Farm policy excels when ensuring long-term farm stability. Walnut is the premier long-term farm forestry product. Planting walnut now ensures abundant walnut resources 4 decades from now. Thinning and pruning in 20-year old walnut stands now ensures abundant walnut resources two decades from now. Research and mill studies on walnut being harvested now ensures total and efficient utilization of walnut resources, and can develop new markets, perhaps even global markets.
- Keeping a strong wood products industry in Iowa does more than anything else to keep forest land forested. Having strong future supplies of walnut in Iowa woodlands will keep this industry in Iowa.
- Forests produce clean water, wildlife and outdoor recreation. Establishing and managing forests of walnut gives these conservation benefits. Simultaneously, walnut forests give future economic benefits for Iowa farms.
- Riparian buffers can be excellent sites (soils) for walnut planting. A farm bill practice "Walnut Establishment and Management" could greatly complement Iowa's riparian buffer effort.
- Farm bill oversight was a subject in recent hearings. One such oversight concerns state and private reforestation nurseries. In the 80's, farm bills dwelt on increasing tree planting. State and private nurseries geared up and produced millions of seedlings for these farm bill tree plantings. Subsequent farm bills dwelt less on tree planting, which left some of these reforestation nurseries "high and dry", sometimes operating at less than capacity. A new emphasis on walnut planting could correct this oversight to better utilize the production capabilities of Iowa nurseries.
- Adding a new forestry practice in the farm bill would give a boost to the state District Forester and University Extension forestry field programs that steadily and efficiently promote the conservation and economic benefits of proper forestry to farm families. A farm bill boost to forestry programs is a timely idea, in my opinion and a new farm bill practice on walnut could provide that boost.

Thanks for this opportunity to provide formal comment into the 2007 farm bill, for the official record. Thanks for a very informative farm bill hearing in Ankeny.

Sincerely,

Steve Pennington

Steve Pennington

July16, 2006

Senator Harken,

I'm writing this letter in response to the 2007 Farm Bill. I'm concerned with the lose of 1.5 million acres of CRP in 1 year in IA alone. CRP has been a great asset to all Iowa residents from our farmers & business communities to outdoorsman and women. This lose of CRP will negatively impact our economy and our outdoors.

I am also concerned with the WRP budget cuts in IA. This once again effects IA in a negative manner. We have already lost 95% of Iowa's wetlands and can't afford to lose anymore. We need to increase not decrease our wetlands in Iowa.

Please help support our great state and increase our outdoor opportunities while keeping IA #1 in agriculture production. We need to increase our CPR & WRP programs in Iowa not decrease in order to donate our ground or money to any other state or project. Iowa farmers and ag workers need these programs. Our IA small towns to larger cities depend on the farmers making a living to support the rest of our state. Our wildlife and the health of the soil are also benefiting from these programs.

Thank you,

M Shawn Larison
5309 Hwy 75 N #46
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Dear Mr. Harkin and all US senators of the Farm Bill committee,

I am greatly displeased with Iowa's loss of 1.5 million acres of CRP. I am also alarmed to the undermined budget cuts placed on WRP. There has been only one time period in Iowa History where our states Natural resources have been manipulated, altered and out right Destroyed in the name of economic development. The time period was early 1900's to early 1920's, that Iowa saw the most drastic alterations to her native landscape. To this very day it's lasting effects have and continue to impact Iowa's natural resources, environment and the states status as one of the Nations most poorest in Water Quality. Also with that status as a state we have managed our resources to the effect that Iowa has drained 95% of her Native permanent Wetlands, plowed under 99% of her native tall and short grass prairie landscape, completely drained 100% of Iowa's seasonal or temporary wetlands. There is nothing in those statistics to be proud of no matter what level of government you work under.

With the loss of 1.5 million acres of Iowa CRP and with the budget cut applied to WRP, we once again find ourselves going back in History that has brought utter damage and destruction to our native natural resources. It again is in the name of economic development with the pressure coming from alternative Fuel and Big Ag industry. It is strange don't you think that it can take less than 20 years to destroy a states natural resources in a time period where technology was far less advanced but yet in all of the 80 plus years after the destruction of Iowa's native landscape and with far more technology advances we have and remain unable to restore and permanently protect those vital native resources that by large have greater importance to the overall heath of our states environment. The number one Key ingredient for life and survival is WATER and that being said Iowa is one of the poorest in the Nation. With current moves being made to put more land into production what does that say about the concerns or position you have on improving Iowa's water resources? What does it say about your commitment to restoring our vital elements that contribute to better water quality in Iowa? As a Constituent it is clear to me and many that what we hear out of Washington is all talk and no real solution to our problem. We see many of you cave in to special interest and the lobbying power of BIG Ag with complete disregard for conservation, restoration and preservation of our natural resources. Many of you have been consistent with one thing, SAY one thing and Do another.

I encourage you and others of the Farm Bill committee to show some sense of responsibility to the natural resources of Iowa that lay in utter devastation. I ask you and other Farm bill committee members to support stronger conservation incentives to CRP and WRP that supports and encourages better stewardship participation with in those conservation programs in Iowa. According to the WTO many nations are seeking to support reduction payments made to US farmers to put more of the US landscape back to its native landscape. This from what I read indicates a more open free market where other countries can compete with American production. I hope this adds to other options you will have at your disposal to support better and stronger conservation measures with in the US but most importantly in Iowa. I also am very interested in the Green payments and only hope that it to brings stronger incentives to restore and protect Iowa's native landscape. I strongly support and encourage a subsidy cap to all farms of 250K dollars. I encourage and strongly support higher conservation payments made to CRP & WRP participants with in Iowa's PPJV region and all of the Vital US side of the PPR.

I hope to speak with you and other Farm Bill committee leaders on the production and development of Ethanol in Iowa. I have some suggestions to this growing concern in Iowa. I am also the gentleman who rough drafted two proposal in Iowa this year. SF 2395 & SF 2155. Both of which Target and direct more Federal NAWCA funding to Iowa. I truly hope to sit down with you to discuss ethanol development and how it can provide support for conservation initiatives in Iowa.

Sincerely,

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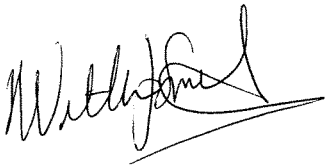

Organization affiliations or membership
Delta Waterfowl
Ducks Unlimited
Waterfowl Association Of Iowa
Illinois Federation For Outdoor Resources
Theodore Roosevelt Foundation
Iowa Outdoors

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