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COLORADO VIEWS ON FEDERAL AGRICULTURE AND RURAL POLICIES: THE 2007 FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MARCH 12, 2007

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COLORADO VIEWS ON FEDERAL AGRICULTURE AND RURAL POLICIES: THE 2007 FARM BILL

Monday, March 12, 2007

U.S. SENATE,
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Brighton, Colorado

The Committee met, pursuant to notice, at 1:20 p.m., in the Waymire Dome Facility, Adams County Fair, Hon. Tom Harkin, Chairman of the Committee, presiding.

Present or submitting a statement: Senators Harkin and Salazar.

Senator SALAZAR. We are running a little bit late but we are ready to get started and I am going to have the Governor of the great state of Colorado, Bill Ritter, welcome Senator Tom Harkin and this Agricultural Committee Forum here today, so, Governor Bill Ritter.

Governor Ritter. It is my pleasure to just have an opportunity very quickly to speak to you. We just spoke with Senator Harkin and I have to get back to the Capitol now for a meeting at 1:30, so I'm running a little late.

I really want to express my appreciation on behalf of the State of Colorado for Senator Harkin agreeing to hold a Field Hearing here in Colorado, where we can articulate some of the issues and some of the struggles that we have had.

In my discussions with Senator Harkin, we just talked about the things that have happened in southeast Colorado and the kind of really disasters that the farmers and ranchers down there have faced, some of the ways that the Federal Government may help. But, what we do know about Senator Harkin is that he had a long history. In fact, he has had 32 years on the Senate Agricultural Committee and such a long history of working on behalf of people who are ranchers and farmers in the United States of America, he really deigns us—with his presence here he deigns us with a great honor. So, let us give him a big hand, thank you, and have a great conversation this afternoon.

Thank you, Senator Harkin.

Senator SALAZAR. We are going to start in just a few seconds here. Let me just introduce Representative Kathleen Curry. Kathleen? Where are you? She is back there somewhere. Give her a round of applause.

Let me just say at the outset, I am going to make few quick comments and then turn it over to Senator Harkin, the Chairman of

the Senate Agricultural Committee to open up the hearing. We will hear from the witnesses. That will be short statements.

We have two panels—let me start over. The program here for this afternoon is, I am going to make a few comments, open it up, turn it over to Senator Harkin and then we will hear from the first panel for, I think, three, four or 5 minutes each. Then we will have a short break. Then we will have a second panel to continue to give us some more information.

Before I make my opening remarks on this hearing, what I want to do is, I want to recognize Senator Tom Harkin again as we begin this hearing in Colorado. He has been a part of writing the last seven farm bills we have had here in the United States of America. And, as we write this farm bill now in 2007, it is important to be looking to the future in terms of how we revitalize rural America and the opportunities that we have.

And there is no one better, frankly, to lead us in that effort in the U.S. Congress than someone who has farming in his blood; who is a fourth generation Iowan; who still lives in the same house that he was born in; and who has been a champion of agriculture all across the nation. And who, today, is holding the first hearing on the 2000 farm bill that we are holding as an agricultural committee and he decided to hold that here in an Colorado as opposed to anywhere else in the nation. So, I want to present Senator Harkin.

Just a little gift so, hopefully, he—I know he will never forget us because he chose us first to hold his hearing here across the country—but it is a book of photographs of Colorado, one that was put together by the famous nature photographer, John Fielder. It is called "Mountain Ranges of Colorado" by John Fielder and has his signature and some other things on it. So, Tom, thank you for being with us.

Chairman HARKIN. Well, thank you very much.

STATEMENT OF HON. KEN SALAZAR, A U.S. SENATOR FROM COLORADO

Senator SALAZAR. Let me just open it up by saying this. I want to want to welcome the Chairman and the ranchers and farmers of the rural communities who are here today. Last year I held a number of different sessions across Colorado in about nine different communities to listen to the farmers and ranchers of our state about what issues they were most concerned about in terms of agriculture. It has always been my view that Washington is a long ways from the people who are actually affected by the policies that are actually written there. And the best way that you can write a bill that has the kinds of implications that the national farm bill does, is to go out and listen to the farmers and ranchers and those who are involved in the business and are most affected by those policies.

So, today is a beginning of Senator Harkin's effort in this Congress to write the 2007 farm bill. But what we really want to do today is, we want to hear from all of you who are here. There are a number of different things that are very important to us as we move forward, and I am sure we are going to get into those as we move forward with the panel. So, with that I will turn it over to my chairman, Senator Tom Harkin.

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

Chairman HARKIN. Well, thank you very much. I guess the first thing I have got to do is bang the gavel and say that the Committee on Agriculture, Nutrition and Forestry will come to order. And, I want the record to show that the gavel was hit before Senator Salazar spoke, OK? I mean we actually got into official session before you spoke. I am sorry I did not do that before. And you can all laugh at that if you want, anyway.

But, it is just great to be here. I want to thank Roxy Elliott, the Adams County current facilities technician for helping us here. I want to thank the Adams County Commissioners for hosting this. Commissioner Larry Pace. Is Larry Pace here? Right over here. Larry, thank you very much. And also Skip Fisher. Let's thank them both for helping us get this arranged here today. Thank you both very much.

Of course, I want to thank Governor Ritter. I know he had to return back to the statehouse. And also our Ag Commissioner Stulp who is here. We just had a press conference. Representative Curry, who is the chair of the House Agriculture Committee.

Now, I have a Representative Sonnenberg. Is Representative Sonnenberg here? Well, thank you for being here. Representative Sonnenberg is here. Thank you.

And I have a Trent Bushner, Yuma County Commissioner. Where's Trent Bushner? Back here at the left. Thank you for being here, Commissioner.

Well, I am going to ask consent that my statement just be made a part of the record. We are running behind time. You don't need to hear from me; I need to hear from you. I just want to say that we have—Senator Salazar and I worked together getting this farm bill together. It is going to be aggressive, progressive. It is going to look to the future. A lot of new things in there. We are going to move energy, big time, and cellulose. We are going to do a lot of things in rural development area, also in conservation.

But, I would have to say that the core—the core mission of our farm bill is to promote profitability and income potential in agriculture. And that means all our farmers and ranchers. That means specialty crops. That means everybody that is in production agriculture.

So, we need to do that and how we do that? We are going to be looking at how we address the next 5 years. But just keep in mind that our National Security demands that we get off of that oil pipeline; that we quit importing so much of our energy.

We put the first ever energy title in the farm bill in 2002 when I was chairman at that time. And we put it in on the Senate side and we held it, and it has formed the basis for us moving ahead in getting our energy needs from our land in this country. And we have to do that. So, aside from just food and fiber, we are going to be looking at fuel as a part of our farm bill.

So, I just wanted to mention that. There are a lot of other passes of our farm bill, everything from specialty crops, to conservation, to all the things that are going to be done. I was looking at Colorado and I said, "Colorado? Great diversity. Everything from fed

cattle, to dairy, to sheep, to lettuce, to sugar beets, potatoes and peaches. You cannot get much more diverse than that." So, Colorado, aside from being ski country, is also farm and ranch country. And you could not have a better spokesman for your interests and a better fighter for you interests than Senator Salazar and I am just proud to have him on our Agriculture Committee.

And with that, we will turn to our first panel. Now, all of your statements—and I read a lot of them last night—I had your initial statements. So they will be made a part of the record in their entirety. If there are one or two things that you want to see this farm bill do, let us have it in about 5 minutes, if you can. And then I'd rather just have questions. I am sure that Ken would like to ask, and I would like to ask.

STATEMENT OF JOHN R. STULP, COLORADO COMMISSIONER OF AGRICULTURE

Mr. STULP. Thank you, Senator Harkin. I, too, join the rest of agriculture in Colorado welcoming you and our good Senator Salazar for this hearing today. And I hope we have a good conversation about what we think is important in the upcoming farm bill. And we certainly appreciate the time and effort you have spent over your career on working for agriculture across this great country.

As you pointed out, Colorado has a wide diversity of products that we produce, and we are quite proud of it. So, there is not an aspect of the farm bill that does not impact producers here one way or another.

Now, we do not grow rice, cotton and peanuts, but Bob Sakata is working on bananas, I think. We do have a lot of entrepreneurs and the fact of agriculture is changing in Colorado. But there are some things that are still very important, as agricultural producers deal with the weather on a regular basis. And one of the first things I would like to see in the new farm bill is a more permanent disaster mechanism.

We have just experienced a horrendous blizzard in southeastern Colorado. It may be the worst one in a hundred years. And we will have other disasters. We have disasters throughout the nation, as I know you well know. But we do not have a good mechanism to help livestock producers at this point.

We have been frustrated by the fact that the USDA has been trying to apply a crop loss formula for a livestock disaster, and it just does not work. So, we need a permanent type of legislation to protect those producers that beyond their own ability need some assistance from the government.

Another thing that I would like to visit with you about today is the specialty crop issues that are coming up in the new farm bill. We have a number of vegetable and specialty crop and fruit growers in Colorado and I do not think they are looking toward the traditional type of commodity program. But, they need additional support in areas of research and market development, and that research includes some disease control and some research at our land-grant institutions. So, I urge you to take a strong look at the needs of specialty crop producers.

There are some issues around the allowance in the new farm bill of whether fruits and vegetables would be allowed on traditional

commodity lands. I think we need to be very careful with that because we would not want to jeopardize one industry at the expense of another one.

I have always appreciated your support for the renewable energy sector of our agricultural industry in the United States, and it has really taken off here in Colorado, too. We have seen a tremendous result in the price of corn, if you are a corn farmer, in the improved prices, as we produce a very clean product and help defer our need on foreign oil. It came at a good time because our energy prices in agriculture have also sky-rocketed.

And our livestock industry, too, has been hit with these higher commodity prices as well as higher fuel prices. So, it is important that we try to develop new markets for our beef and our livestock producers that they too can afford these higher costs of energy.

I have always pointed out to people that it is unfortunate in agriculture that we become somewhat cannibalistic and that one element of agriculture tends to feed off of another element of agriculture. And when you look at the take-home cost of food today, consumers are the best fed and, perhaps, the cheapest fed consumers in the world. So, it is important that we keep providing that and we do that through profitability that you so well pointed out.

One last point on conservation. You have done a great job in conservation. We need to re-look at the CSP program to make sure it fits eastern Colorado, or all of Colorado, and that it is adequately funded. I think USDA spent more funds on advertising than they have on putting it in the ground. And so I urge you to take a strong look at that.

And, again, I thank you for coming here and listening to our concerns. We pledge to work with you and Senator Salazar as you go forward with this new farm bill.

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

Chairman HARKIN. Commissioner Stulp, thank you very much.

Let us go on down the panel here. Mr. Kent Peppler, the Rocky Mountain Farmers Union.

STATEMENT OF KENT PEPPLER, PRESIDENT, ROCKY MOUNTAIN FARMERS UNION

Mr. PEPPLER. Chairman Harkin, Senator Salazar, I am honored to have been asked here today to testify on the upcoming farm bill.

My name is Kent Peppler and I am President of the Rocky Mountain Farmers Union. We are a general farm organization that represents about 25,000 family farmers throughout the states of Colorado, Wyoming and New Mexico. I also farm full time 30 miles north of here at Mead, Colorado. I was on the Farm Service Agency State Committee during the Clinton administration. And I am currently representing National Farmers Union on the Agriculture Trade Advisory Committee in the Bush administration.

Later on in my testimony, I will give the bullet points on exactly what types of programs Rocky Mountain Farmers Union is going to support, but right now I would like to talk about what the No. 1 issue is within the farm bill conversation.

The No. 1 issue is money. It is imperative to the future of the economic health of rural America that Congress and the administration invest the proper amount of resources in the family farm agriculture in small town America. We are the key to National Security, energy independence, and we are the moral and ethic fiber that made this country great.

At the National Farmers Union, we have committed significant time and money to researching the different farm bill proposals, and I am here to tell you that no matter how you crunch the numbers, a baseline or below baseline farm bill will not work. If we have a baseline farm budget, young people will continue their mass exodus from the heartland; small rural towns will continue to have tumbleweeds blowing down Main Street; and this country will become dependent on foreign sources for food, just are we are currently relying on oil.

This is not a pay-as-you-go situation. If rural America is to survive, we need at least the 2002 budget, and more.

The members of the Rocky Mountain Farmers Union have asked me to relate to all of you what we will support in the upcoming debate. Obviously, we support protection of the safety net. It is true the commodity prices are high now, but history has proven to us that this, too, will pass. And when it does, we will need a strong counter-cyclical mechanism, plus the current fixed payment to allow us to be viable.

Rocky calls for a farmer-owned commodity loan or strategic biofuel feedstock reserve. Our members believe it is time for a permanent disaster program. That includes livestock. We have a disaster every year and it wastes our time, it wastes our legislators' time, and it wastes the taxpayers' money for us to continually have to go back and fight for this disaster aid.

We support fully funding conservation programs, such as Senator Harkin's CSP program. It is amazing to me that we left $23 billion on the table in the last farm bill and somehow we did not get the conservation programs properly funded.

Rocky Mountain Farmers Union whole-heartedly believes in the development of renewable energies. This may be the most exciting technology for the sustainability of family farm agriculture that we have seen in a generation.

We believe in a trade title that promotes, not just free trade, but fair trade. We support strong public research and urge the finalized funding for the greenhouse complex at the USDA Research Center in Akron, Colorado.

Rocky urges continuation of the crop insurance program with 100 percent coverage, just like we have on our homes and our vehicles. And in times of multiple-year disasters that our APH yields never fall below FSA county average yield.

Rocky Mountain Farmers Union supports rural development programs. We support payment limits; we support current sugar programs; we support full staffing of the Farm Service Agency; we support a dairy program that increases the viability of family sized producers.

We support a National Organic Certification Costs program and we absolutely support food nutrition programs and urge Congress to make rural healthcare an issue.

In conclusion, I would like to thank you again for allowing me to testify. The world has spun around many times since we developed our last farm bill. I believe that history has proven that the sustainability of family farm agriculture is the linchpin to the future success of our great country.

God Bless America.

[The prepared statement of Mr. Peppler can be found on page 61 in the appendix.]

Chairman HARKIN. Thank you very much, Mr. Peppler.

I did not say this earlier. These lights and green, then yellow. When it hits red, that is 5 minutes. So far, we are doing pretty good.

Mr. Alan Welp, State Director of the Colorado Sugar Beet Growers. Welcome, Mr. Welp.

STATEMENT OF ALAN WELP, STATE DIRECTOR, COLORADO SUGAR BEET GROWERS

Mr. WELP. Mr. Chairman, welcome to Colorado.

The Colorado Sugar Beet Growers look forward to working with you and your committee on developing the sugar provisions for the 2007 farm bill. We support the structure of our current U.S. sugar policy. And we continue to work to enhance the current program and to make our program more predictable.

There are six observations I would like to make. First, I am a shareholder of Western Sugar. We are a very young co-operative whose shareholders carry substantial debt from our purchases of our factory in 2002. We are currently struggling to maintain acres, due to the high prices of corn and the low prices of sugar. We have not had a support rate increase for 20 years. Yet, our prices for our fuel, fertilizer and virtually all other inputs have risen dramatically. This problem needs to be addressed in the new farm bill.

Second. Our prices have plunged since last summer when USDA announced in July a commitment to import 250,000 tons of sugar from Mexico, and an additional 250,000 tons of sugar from our WTO trading partners. This significantly oversupplied our market. Mexico has a short crop this year and does not have the 250,000 pounds of sugar to import to us, so they are buying sugar from their neighboring countries so that Mexican sugar can be shipped into our market. The bottom line is, Mexico is shipping us sugar that they don't have and we don't need. That just is not right.

This also calls into question whether Mexico will live up to its NAFTA obligation and will there be a level playing field for American sugar farmers in our own markets and in the Mexican market.

Third. USDA proposes to retain the basic structure of our existing policy and continue to run it at no cost to the taxpayer. We agree. We should use the taxpayer dollars wisely. We do object to USDA's request that it be given sole discretion to reduce domestic sugar production without parameters or guidelines.

Fourth. Large food manufacturers are lobbying Congress to eliminate the no-cost sugar policy. They want a $1.3 billion a year plan built around sugar subsidy checks—a plan that sugar farmers strongly oppose.

Fifth. Everyone asks about making ethanol from surplus sugar. We view this as a limited option to be used for the simple purpose

of disposing of surplus sugar because of excessive imports. Now, this will take some time to develop and additional incentives will be required.

Finally, as the WTO negotiations continue, our farmers are deeply concerned that the developing nations that produce and expert 75 percent of the world's sugar, not plagued by the same trade rules that we do, we ask that you continue to watch these negotiations closely and not allow American producers to be put at a disadvantage.

Thank you for the opportunity to testify, and our industry looks forward to working with you.

[The prepared statement of Mr. Welp can be found on page 82 in the appendix.]

Chairman HARKIN. Well, Mr. Welp, I thank you for a very concise and very well delineated problem that we have in sugar. I will have more to say about that later.

Mr. Dusty Tallman of the Colorado Wheat Growers. Mr. Tallman.

STATEMENT OF DUSTY TALLMAN, COLORADO WHEAT GROWERS

Mr. TALLMAN. Thank you, Chairman, members of the committee. We appreciate you holding the meeting here today, and we appreciate Senator Salazar and all the work he does for agriculture and what you both do for agriculture. It is important to most of us in this room.

Unfortunately, Colorado has had somewhat of a drought the last 10 years. Six out of the last 10 years, we have had below-average wheat crops. And I guess something that has not been mentioned so far, we do support a disaster for the 1905–'06 years and I know that you both have been working on that very hard and we hope that can continue and that we can get that done in the next month or two.

As far as the farm bill and disaster payments over the last 5 years for many of us in the room, that is what has kept us in business. And even with that, we have been using quite a little of our equity just to continue farming. For many of us, it is getting to the point that we cannot go on too much longer. So, we do have a few suggestions of improvement, I guess, on the 1902 bill.

We think direct payments are still, by far, the best way to go. We think in wheat's case, they should be increased—and I don't want to speak for the other crops—but a fairly significant increase for wheat. I think in the written testimony, we talked about how we came up with the figure we came up with. We also see a similar increase in our target price. In the 1902 farm bill, when the discussions came between the House and the Senate to conference the bill, wheat lost about 74 cents for a little bit, and then 62 cents in the end. We lost quite a little of our target price at that time.

We see an increase in our target price. We have not used the counter-cyclical payment at all, partially because we have had small wheat crops and the price has been high. So, it has worked. It has worked the way it was supposed to.

But, I think increases in the direct payment and also increases in the counter-cyclical, for the wheat, at least, would strongly help

eliminate the need for disaster bills. I do not think it will ever eliminate completely the need for disaster, but I think it would help.

Crop insurance has been a very, very effective tool for us to try and preserve some of our income but, as was mentioned before, when you have six out of 7 years of below-average crops—we have people, I think I have a field actually that has been so dry that my APH is cut by two-thirds and my crop insurance rate has doubled. So, I am paying twice as much for one-third of the insurance I was buying five or 6 years ago.

We need to continue to work on that, and that is one of the reasons we suggest a higher direct payment. We think if we can have a higher direct payment, it covers some of that 25 to 35 percent that we cannot afford to buy. We cannot afford to buy much over 60–65 percent insurance in eastern Colorado. So, a larger direct payment and a larger counter-cyclical target price would help fill that void we cannot insure.

As far as conservation title, we thought it was a wonderful thing last time around. We still do. And I guess I would echo the thoughts that it needs to be fully funded; it needs to be available to every producer. Quite often, when you start getting environmental points and ground bid in by environmental points, the front range along the mountains here gets higher points than we do, just because they have more pressure from urban development. And we need to make it available so it goes clear out to the eastern plains and western Kansas and all across the country.

It has been mentioned about a permanent disaster bill. As far as wheat goes, we have not decided. We cannot decide if that is a good thing, a bad thing—I guess we need to see some more information. It would ease the pressure on trying to pass disaster, but I do not know how you would ever decide how much to fund it with. So, that is still a little up in the air for us.

Energy is very important to wheat, as it is to all of agriculture. Not only do we pay more for everything that we use energy for, but the promise of ethanol is out there and I think wheat can benefit from that, also.

As far as the WTO negotiations, I would suggest that we go ahead and write a farm bill we think is the best for the producers and not worry too much about what WTO is. If we negotiate things away before we write a new farm bill, then we will not have anything to negotiate about and they will find something else they do not like.

Payment limitations? I guess I cannot oppose payment limitations, but I sure would hope that if we increased direct payments and target prices, we could increase payment limitations, or at least package them somehow different. It has been very unfair to wheat producers who use only the direct payment, that is the lowest payment we have. And it has been kind of tough on us.

Last, I would say that we provide the safest, most reliable, most affordable food supply and we need to continue to do that and not become reliant on foreign countries.

Thank you, very much.

[The prepared statement of Mr. Tallman can be found on page 78 in the appendix.]

Chairman HARKIN. Well, thank you, very much, Mr. Tallman.

And now, Dr. Gary Peterson, Head of the Department of Soil and Crop Sciences at Colorado State University. Dr. Peterson.

STATEMENT OF DR. GARY PETERSON, HEAD DEPARTMENT OF SOIL AND CROP SCIENCES, COLORADO STATE UNIVERSITY

Mr. PETERSON. Thank you for the opportunity to testify regarding the new farm bill. Today I am representing the College of Ag Sciences and the Colorado Agricultural Experiment Station, which is housed at Colorado State University. I would like to bring just a few points to your attention, many of which you are already aware.

First off, publicly supported Ag research and extension has resulted in significant increases in productivity of farms and ranches and low-cost, safe, nutritious food for the consumers. That has been brought out many times. And recent study shows that the annual return on investments in Ag research is 35 percent per year. Most of us would like to make that kind of money.

So, Colorado State University strongly encourages increased support of Ag research and co-op extension to land-grant universities, especially in regard to formula funds. We have had level formula funding and, with inflation, that has really eaten into the effectiveness of that money. And, I want to speak to formula funding in the sense that it is the way that we have an infrastructure for research. And it is the way we can conduct long term research. When we talk about cellulosic energy and we talk about removing crop biomass, what are the effects of that on soils? You cannot find that out with a 3–year grant. So, even though we really also like competitive grants, we think that formula funding is a key thing for not just Colorado State University, but all land-grant universities.

Regarding competitive grants, NRI has been a really good thing. It also is underfunded. Our scientists now are writing proposals and roughly 8 percent of the proposals they write are funded. And it is not because they are poor proposals, it is because there is just not enough money. That is probably not news to you.

Also, ARS, which is another part of USDA, really needs support. We have many collaborative projects between land-grant universities and ARS—the work at Akron; the work at Ft. Collins; the works in Ames, Iowa, with the National TILF Lab those people are cooperators, and as we talk about reorganization, we want to make sure that no partner is damaged here—when we talk about how ARS fits into the funding. These collaborative projects are very important.

In summary, everything in agriculture is changing fast. And, I guess because I am getting older, I think it is changing faster than some other people and our rural communities are in need of help. So, investing public funds in research that will benefit those rural communities and Ag in general, is really something the country needs.

I thank you for the opportunity to address both of you today.

[The prepared statement of Mr. Peterson can be found on page 69 in the appendix.]

Chairman HARKIN. Thank you, very much, Dr. Peterson.

And now we go to Mr. Alan Foutz, Colorado Farm Bureau. Mr. Foutz, welcome.

STATEMENT OF ALAN FOUTZ, COLORADO FARM BUREAU

Mr. FOUTZ. Good afternoon, Senator Harkin. It is indeed a pleasure to welcome you to our great state of Colorado. As you indicated in your opening, it is a tremendous agricultural state and we appreciate your being here. It is also a pleasure to be with Senator Ken Salazar. Senator Salazar, I am sorry I did not get to see you last week. I was pretty busy while I was in Washington, but I will be there the next time around.

Senator SALAZAR. (inaudible) second tier.

Mr. FOUTZ. I sent the second tier, that is right.

Senator SALAZAR. I gave them equally a hard time that I give you.

Mr. FOUTZ. I heard that, too.

Colorado Farm Bureau does represent 28,000 families here in the state of Colorado and we are pleased today to have some time to spend with you.

We do support extending the concepts of the 2002 farm bill into the next farm bill. However, we do feel that changes will be necessary and if there are changes that do happen, we think consideration should be given to green box compliant compensation programs, particularly for fruit and vegetable growers.

We think we need to work some more on some working land conservation programs and strengthen our revenue-based, safety net program, direct payments and our commodity loan programs.

As we looked at the USDA proposal that we began to see earlier this year, we find that the budget for that is some $10 billion less than what was budgeted in the 2002 farm bill, and that greatly concerns us. Even if we take one step further and look at the CBO estimates that just came out this month, that is something that is significantly less than what was even proposed in the USDA proposal. So, we are very concerned about the amount of money that is being proposed for this next farm bill and the impact that has on commodity programs and on our disaster assistance programs.

The recent USDA proposal calls for moving away from a countercyclical program to a revenue-based program that is responsive to actual conditions and still provides a strong safety net. Colorado Farm Bureau supports that concept. Farmers really need the help when Mother Nature deals them a blow and today's loan deficiency payment programs, and so forth, just simply do not do that. When prices are high, payments are low; when prices are low—it just does not work very well. So, we think we need to have some revisions there.

One of the things we would like to see and have a discussion about is on payment limits. American Farm Bureau has taken the stand, and continues to take the stand, that we would not like to see payment limits. We think, if you are in agriculture, you are in agriculture, regardless of the size of operation you have. So we would really not like to see payment limitations.

In addition, USDA has proposed to eliminate a provision in the current law governing how farmers organize their operations—

known as the three-entity rule—and Colorado Farm Bureau opposes that proposal, as well.

The USDA proposal would increase the acreage limit on Wetlands Reserve Program from 2.3 to 3.5 million acres. Colorado Farm Bureau does support the Wetlands Reserve Program. The program, however, should include a buy-up clause that would allow producers to remove those areas from the program. In addition, authority for the Federal Government to purchase permanent easements under the program, we think, should be terminated.

The USDA proposal also calls for continuing the Conservation Reserve Program at the current acreage limit. We support that concept and we support continuing the CRP program. We do feel, however, that it is important that tenant farmers' rights be protected in that program. Reasonable limits on participation should be included to protect the economic stability in individual counties or regions. We have seen that there have been negative impacts there with the CRP program in our state.

The administration's proposal also includes more than $1.6 million in the renewable energy funding. We support renewable energy funding all the way from the ethanol programs with corn and cellulosic projects and so forth. We really do think that the future of agriculture is probably part of that and based in that.

I could continue on several other issues, Senators, but I think I am going to stop here and thank you for being here with us today so we could have this discussion.

Thank you.

[The prepared statement of Mr. Foutz can be found on page 48 in the appendix.]

Chairman HARKIN. Mr. Foutz, thank you, very much.

Thank you all, very much. You are very concise and, as I said earlier, well-delineated statements. I appreciate that, very much.

One of the themes that came through to me from everyone who spoke was this problem with disaster payments. Let me point out something here. In 2003, it was the first time ever—first time ever—that we took money out of agriculture to pay for a disaster. It never, ever happened before. I, and others, fought it like the dickens. We did not win, but we got the money put back.

Then, when we got the money put back, they came back the next year and took it out again. So, what we have lost is about $4 billion that was taken out of conservation to pay for disaster. As I said, that has never happened before. Think about it this way: It would be like us going to New Orleans and saying, "Well, you had Katrina. It is a bad disaster. OK, we will give you all this money, but we are going to take it out of your highway funds. We are going to take it out of your education money. We will take it out of your Medicare. We will just take it out of Federal money that goes to your state." We do not say that to anybody. No disaster—whether it is a hurricane, a flood, fires, droughts, whatever. Freezes. We have never ever said that it has got to come out of agriculture. We treat it as a natural disaster just like everything else.

So, I want to make that point because we are going to work very hard in the farm bill to see what we can do to stop that from ever happening in the future. We should never allow any administration to come in and take money out of agriculture to pay for a disaster.

So, that has kind of put us down. Put us down about $4 billion right there and, as pointed out, USDA's budget is down about $10 billion. Actually, we are down about $23 billion in agriculture from what we were allowed to spend.

OK, I just need to make this point very clearly. I was chairman for the last farm bill. We were given a budget. We stayed within that budget. But, because of higher crop prices, good conditions, we didn't have to pay out all that money, so we saved the taxpayers 23—well, actually about 18—it was about $4 billion, as I said, that they took out of conservation, then about another $18 to $19 billion that we did not have to spend. But, we could have spent.

So, the thing about this way—we were very successful; we saved the taxpayers money; so now, we are getting penalized for it. I know that may sound familiar to a lot of you. But, we should not be penalized because we need this now for energy security; we need to put money in for our National Security purposes; we need to make sure that we respond to changing crop climates and things in this country; we need to make sure that we have a strong conservation program; and to make sure, as some of you have mentioned, our crop insurance program needs to be tinkered with a little bit to make sure that people can have coverage so that they do not get in the position that some of you mentioned where your productivity goes down and your costs go up. And that does not make any sense whatsoever.

But, I just wanted to thank all of you for your input and for your statements, especially on research, Dr. Peterson. You are right. We need to fund research more, especially in the areas of energy and also specialty crops. More and more people in this country want specialty crops. We have to figure out how we can produce them, where we can produce them, and how we make it profitable for those who grow our specialty crops.

And, last, I will just say this about fair trade—and that gets into the sugar business, too. I am all for fair trade and living up to our WTO commitments. Now, it was said by one of you that we should go ahead and write a farm bill and forget about WTO. I wish I could do that. I cannot. Under the Constitution of the United States—you can read it, it is in the Constitution—treaties are the supreme law of the land. It is in the Constitution. And we have a treat obligation, like it or not. And I may not like it all that well. I have to be cognizant of that. So does Senator Salazar.

So, we do have to understand that we have WTO obligations and that we will have to draft our farm bill accordingly. Now, one of you mentioned looking at green box payments. Those are exempt under WTO,

Now, the other thing we are going to fight very hard to do is, we are going to fight very hard to ensure that our programs for energy production—for cellulose energy production, wind production and things like that. And that will be in the farm bill, by the way—that those are also WTO compliant. Since we are not exporting it. We are using it here. It has nothing to do with trade. So, it also ought to be exempt from WTO. And we are going to fight very hard to make sure that happens, also. To make sure that they are input.

We are also looking at conservation. Some of you mentioned the CSP program, how we can use that again as it was intended as a

national program, not based on watershed. To make it a national program to get to every farmer. I do not care what you produce—whether it is lettuce, or cabbage, or corn, or cattle, or hogs—whatever it might be. Whatever you are producing, you should be eligible for CSP payments as long as you are a good conservationist; as long as you protect the soil and the water wildlife habitat.

So, those are just some of my thoughts, listening to that—I do have questions, but guess I used up all my time talking. But, thank you, very much, for your input into this farm bill. It is going to be a tough bill to write with the constraints of the budget that we have. I have no doubt that we will do all right, we will meet our obligations and we will most ahead aggressively.

With that, I will turn to my good friend, Senator Salazar.

Senator SALAZAR. Thank you, very much, Senator Harkin. Let me first say to the panelists, I very much appreciate the excellent testimony that you provided here, as well as the written reports that you provided to us, our committee and our staffs. I have an opening statement, but as Senator Harkin did, I, too, will submit that for the record, so I can ask at least one question. I also would like to say, just at the outset, that there are a lot of important things we are going to do in the Congress this year, ranging from what happens in the whole field of National Security and what happens with military and Homeland Security legislation that we are working on now. How we move forward with the issue of a new energy security future for our nation; how we deal with other very difficult issues, such as immigration. There are those issues that I am sure we will work on.

But, one of the things that will be as important, to my mind, will be what we do with this 2007 farm bill in making sure that what we are doing is supporting the food security of our nation—as those of you, I think most of you have been in my office at one time or another—you have seen the sign on my desk that says, "No Farms, No Food." And I think it is important for us to keep reminding the world about the food security of or country.

Let me ask a question relating to energy. And, I have about three or four questions for each of you. But, what I am going to do, because I will not have the time is, I am going to submit those questions to you and your organizations and I would ask that you respond back to those questions.

Let me just focus in on the question of energy. Huge issue. It is a big wave. It is coming across Colorado. I want Colorado to become very much the renewable energy capital of the world. Senator Harkin gave us 4 hours of his time this morning to tour the National Renewable Energy Lab, and I think he and I both came away impressed with some of the advances that are being made in technology. My question to each of you—and if you will take 20 seconds to answer it apiece—is this: How do we make sure that it is the farmer on the ground that ultimately benefits from this renewable energy revolution that we are seeing that is going to be pushed forward because of the national security, environmental security and economic security reasons and values that we are trying to protect here? How can the farmer with a small bio-diesel project or with some other cooperative project—how can we bring those benefits of this renewable energy revolution to rural America?

So, if you will take 30 seconds apiece and we will try to get to you one at a time, starting with you, John.

Mr. STULP. I have never answered anything in 30 seconds. I will try.

I think we have got to look at the Tax Codes and how the different credits for renewable energy are applied, and make those credits marketable. So, when you have a small producer—whether it is bio-diesel, ethanol, or wind—that oftentimes they do not have the tax liability and they need the ability to market those tax credits so they can turn them into cash. I think that is one thing that comes to mind.

Senator SALAZAR. OK. Mr. Peppler?

Mr. PEPPLER. Well, I think as we go into this exciting new renewable energy situation, I think we need to have our eyes wide open and be flexible on things. And, I think as we start these programs, we need to call on our farmer organizations and talk with the grassroots people and be able to amend and adjust these things as we go through them.

Senator SALAZAR. So, maintain some flexibility. Mr. Welp?

Mr. WELP. Yes, sir. With the new technologies that are going to be coming forward, there is a whole frontier in front of us on renewables. How to get it into farmers' hands, that remains a very good question. I guess technology at the former level on production and how to produce for the ethanol market.

Senator SALAZAR. Mr. Tallman?

Mr. TALLMAN. I guess, actually in my mind, we are benefiting fairly significantly right now, because they are using so much corn in the ethanol business that it has kept the wheat price high. And sunflower price in our country—the bid on sunflowers is very good this year. So, I think it is actually benefiting us right now, indirectly. I think research is probably as important as anything else. We hear about switchgrass and other crops that will grow in eastern Colorado without irrigation. I think that would be very important to help us become energy-independent on the farm, too.

Senator SALAZAR. Mr. Peterson?

Mr. PETERSON. I would think an educational program so that the farmer would understand that the productivity of their land could be affected by what they remove. It is important to return carbon to the soil. So, if the cellulosic energy is just removal of corn stalks, that could be really bad for Colorado soils. So, some caution about how we actually derive the cellulosic energy.

Senator SALAZAR. Alan?

Mr. FOUTZ. You know, I would agree with all of the comments made here. There is one thing I think we need to look at very seriously—organizationally—and that is, we are asking our members to be something than a producer of food and fiber. And for most farmers' ventures, that is a deep-set feeling. And we are asking them to be producers of energy. So, I think we have got a lot of work to do—not the mechanical issues—I think we have a lot of work to do to change the philosophy of how we do agriculture today.

Senator SALAZAR. One of the concerns I have is—I am an unabashed advocate for what we are doing with efficiency and renewable energy and new technologies and will be for my seats on the

Agricultural Committee, Finance Committee and Energy Committee, and hope to push that very hard over the next 2 years. But, I also do not want to see this new wave that is coming across America, essentially only benefit Wall Street and those who can afford to put together the $100 million packages.

So my question that I am going to keep trying to explore is, how do we get these opportunities down on the farm? How do we create, for example, a co-op among three or four farmers for a maybe a biodiesel refinery that can provide the diesel, the fuel supplies, for those farms? How do we do the same thing with respect to the wind energy that is being produced so that we can have the kinds of credits and incentives that allow us on any particular farm, perhaps, to take advantage of some of the wind technology that is now being developed and extensively deployed across the country?

So, how we get these benefits down to the farmer level is a big question for me. I want your help and continuing guidance on this issue as we move forward.

We have lots of other questions but, I think—Mr. Chairman, it is about three o'clock and we have one more panel to go.

Chairman HARKIN. I am told we have a little bit of time, if I might just ask two kinds of questions. One general. I am going to go down the line, just like Ken did.

We see the aging of agriculture in America. I see it in my state—all over rural America. The average age of our farmers and ranchers are getting older and older. Our small towns are drying up. And what do we do? What do we need to do?

If we are going to look at this farm bill which addresses economic development, addresses the structure of agriculture—but looking at the future—what should we be looking to develop as future opportunities for young people—or anyone for that matter who wants to get into farming or agriculture or live and work in rural America? I know that is broad, but I am just trying to get some of your best thoughts. I mean, we have got to do something to revitalize rural America as a place for young people to live and work and raise their families. And we need to find some way for them to get into agriculture. The cost now to get in is just almost exorbitant.

What should we do? If we are looking at that down the pike, what should we be looking at in the farm bill?

Commissioner?

Mr. STULP. I think the one thing that I would characterize that will attract people into agriculture would be profitability. The problem that we have had over the last several decades—it may be even more than that—is a lack of profitability. So, we have seen a greater concentration—in my own farming operation—we are farming over the tops of probably of probably 40 or 50 homesteads that were started by the Homestead Act back in the early part of the last century. And it was because of a lack of profitability that those people left. And we have seen that decline in production units going to larger ones. And if the smaller operator is to succeed, or a young person going into agriculture is going to succeed, they have to be able to make a profit.

Chairman HARKIN. Mr. Peppler?

Mr. PEPPLER. Well, I agree with Commission Stulp. Profit is obviously the No. 1 issue. But, I think we also need to look at rural

America from the social side, also, and rural development. We have to maintain the standard of living that is equal to, or better than, our urban cousins'. We need to look at healthcare. We need to look at public schools. We need to look at quality of life issues within our small communities, including churches, healthcare and schools.

Mr. WELP. I do have two sons who are very interested in coming back into farming, but they have seen how, in the last six or 7 years, that the operation has struggled due to drought in Colorado and then the low prices. And their other concern is our water here in Colorado. So it goes back to profitability—eliminating the drought would be a good idea.

Mr. TALLMAN. I guess profitability would be No. 1 with probably anybody. I think it will attract people to come to the farm, if they see that they can make some money. The problem that we have got in eastern Colorado is, we don't have many young people to stay there. You were talking about your hometown last night—we are the same way. We have gone from 400 kids in school—K–12—to about 180 I think it is right now. So, we don't have many kids to even draw from. So, we're going to have to draw young people from the cities to come out there and I think the way to do it is show them they can make some money and that it is a great way of life. You are your own boss out there. You have your own hours. You work real hard when to and you can take some time off when you do not.

Chairman HARKIN. Mr. Peterson?

Mr. PETERSON. My remarks are related to profitability, but just a little broader. There are a lot of opportunities in jobs where people live in rural communities and then serve agriculture. One of the problems we have is that the starting salaries of people that graduate from the College of Ag Sciences, is quite a bit lower than for engineering. And it is simply because that agriculture is not profitable enough to pay the salaries that some of these people need. So, it really goes back to opportunity and money.

Chairman HARKIN. Thank you, very much. Mr. Foutz?

Mr. FOUTZ. Well, obviously I would have to say that profitability is probably the major issue. I had two children that decided not to come back to the farm. They like to live in the Denver and Cheyenne area. And I think part of that is not necessarily profitability, but it is also as someone else said, and that is the social activities that take place in a rural community. So, one of the things that we need to do is to somehow have a stronger rural development program so that we can offer services and activities in rural communities that we do not currently have. That would include healthcare and all of those sorts of things that just are not there today.

Chairman HARKIN. Well, I have just added that—I had just marked it off. Everybody said profitability, but I agree with Mr. Peppler and Mr. Foutz. You can have a lot of profitability out there, but if you do not have decent healthcare in rural America, if you do not have the schools where your kids do not have to ride an hour on a bus every morning in the dark and back home in the dark—if you have got decent shopping, churches—the kinds of things that make for a social infrastructure, you can have a lot of profitability and people just will not do it.

So, I think you are all right. We have got to have profitability in there, but we have to think about rural economic development and how we do other things—provide for other incomes. Broadband technology, things like that in rural America to get those kinds of rural jobs out there for people.

Did you have anything, Ken, that you wanted to follow up?

Senator SALAZAR. (inaudible).

Chairman HARKIN. I think we had better move on. Thank you all, very much, for being here. We have finished our panel on time. I was told to finish by 2:10 and that is where we are. So, I thank you, very much for your input.

I just conferred with my boss and he said that we are not going to take a break, we are just going to move right into the second panel. So, I would like to call up our second panel here—as soon as I find the list—Mr. Roger Mix, Mr. Randy Loutzenhiser, Mr. Terry Fankhauser, Mr. Doug Zalesky and Ms. Kathy White.

Thank you, very much. Now, we turn to our second panel. We have a mix of different people and different interests here. I think, again, just to show the breadth of what we do in agriculture. We will do the same thing: the green light will come on, you have got up to 5 minutes, if you just begin, give us your best points and what you think you want us to do in the farm bill, and then we will open it for discussion afterward.

If we have any time—excuse me, I am losing my voice, darn it—if we have any time before we have to rush to the airport to catch the last flight back to Washington, I would like to open it for any questions or comments from the audience. So, I am going to try to do that. I always like to do that and I will see if I can do that here.

First, we will go to Mr. Roger Mix, of the Colorado Potato Administrative Committee. And, again, all of you. We have your testimonies and we have made them a part of the record in their entirety. If you would just sum it up in 5 minutes, we would appreciate it.

Mr. Roger Mix.

STATEMENT OF ROGER MIX, COLORADO POTATO ADMINISTRATIVE COMMITTEE

Mr. MIX. Thank you. Good afternoon, Mr. Chairman and Senator Salazar. I am a third-generation farmer from Center, Colorado, in the San Luis Valley, the south central part of the state. My family farm produces certified seed potatoes and malting barley. Currently, I am a Director on the Executive Committee for the National Potato Council, and a board member on the U.S. Potato Board.

I am extremely happy to be here to have the opportunity to speak to the specialty crop title in the farm bill. Fruit and vegetable and tree nut production accounts for over $35 billion in farm gate value annually, or 30 percent of the farm cash receipts on an annual basis. The specialty crop industry is an important sector of the United States agriculture deserving full and equal consideration as other agricultural sectors in the farm bill. In these numbers, potatoes represent 10 percent of that total.

Speaking for the potato growers, we are not interested in direct program payments, but the type of fund we want to see in the farm

bill is designed to build our long-term competitiveness and ensure sustainability for our industry.

Some of the key priorities I would like to go over with you right now is nutrition programs, fruit and vegetable accessibility to school children; to comply with increased consumption of fruits and vegetables in the dietary guidelines; research is another one. We need significant increases in the amount of investment in specialty crop research.

Another priority is state block grants. We need to expand this program because state departments of agriculture are in tune with the diverse needs of their growers to know what specific investment will increase specialty crop competitiveness.

International trade is a big priority for us to increase access to foreign markets through addressing the trade barriers we face involving sanitary and phytosanitary issues. And of particular interest to Colorado is the Mexican market, which has already been opened, but we need to extend that market past the 26 kilometers. Also, a market is a Market Access Program.

In conservation, a critical issue for Colorado and the western United States is a sustainable use of ground water and surface water for irrigation. Increased funding for the Conservation Reserve Enhancement Program is necessary to assist watersheds for Colorado and in the San Luis Valley.

The last point that I would like to bring up is the great importance to the specialty crop producer is the need for continued restrictions on planting flexibility that prevents fruits and vegetables from being planted on program crop acreage. To allow subsidized farmers and land to compete with unsubsidized farmers would be an inequitable and market destroying practice.

Again, thank you for the opportunity to testify today. Thank you.

[The prepared statement of Mr. Mix can be found on page 59 in the appendix.]

Chairman HARKIN. Thank you, very much, Mr. Mix.

And now we turn to Mr. Randy Loutzenhiser I hope I pronounced that right—Executive Director of the Colorado Conservation Districts.

STATEMENT OF RANDY LOUTZENHISER, COLORADO ASSOCIATION OF CONSERVATION DISTRICTS

Mr. LOUTZENHISER. Yes, you did, Chairman Harkin. Mr. Salazar, thank you for the opportunity to testify before you here today.

My name is Randy Loutzenhiser and I am a dry-land and irrigated producer from eastern Colorado in Kitt Carson County and the Past President of the Colorado Association of Conservation Districts, and currently continue to remain as a Director to that board.

We have heard of the different scenarios with regard to the climate here in Colorado, that it has brought in the past six to eight to 10 years. And we understand what the Ag economy has been like. Some of the things that we have not mentioned here today are the regulatory burden that gets placed upon agriculture, as well as the socio and political burden.

I am going to take my comments in this direction right now. We have been in this drought; we have been burdened by the economy as agriculture producers; and I look at the conservation aspects

here in Colorado and can stand upon this statement. In the past five to 7 years this drought has gone on, we have not had the erosive forces of nature that was seen back in the 1930's. I guess it is just a compliment that I would like to make toward private land owner-land stewardship throughout the years and what we have learned over time.

Therefore, the preface to my comments is, and the foundation of this is the fact that we have established a very good baseline utilizing conservation program efforts and would continue to ask that we place an emphasis upon conservation in the upcoming farm bill.

What does conservation bring to the citizens of the United States, to the citizens of Colorado? Well, certainly cleaner water through buffers, rangelands and CRP. We have arrested the soil erosion issues. Yeah, we continue to see soil particulate matter in the air, but not like, as I said earlier, what we did in the 1930's. It is a pathway to open space for the habitat caretakers for wildlife. We assist in the mitigation of critical species habitat. We can provide mitigation for greenhouse gas issues. We can provide sources of energy, both renewable and bio. And, then, bottom line, we are the providers of food and fiber.

Going into the conservation programs, I first want to start out with the Conservation Reserve Program. There are going to be pressures upon this program, and one of those pressures is the resulting higher commodity prices and the alternative energy demand. Because of the higher prices, it is going to be interesting to see how FSA will continue to structure their rental rates to keep those lands in the CRP. Certainly in Colorado, in the arid climate, I think it is going to be interesting to see what type of role we will play in cellulosic energy production. Or, maybe in other words, would we be better off looking at possibly transitioning these CRP lands to a different type of working land, and that being a rangeland, particularly on Class 4 lands and higher? And transitioning those lands into a Managed Grazing Program under easement?

In consideration of the farm bill, we also need to look at maybe utilizing CRP as an emergency-type tool that can be used in years of drought to give rangelands rest and utilize CRP lands for livestock production.

The Conservation Security Program. I believe it is a brilliant program in concept and, certainly, as we look into the farm bill, maybe we need to be looking at setting the criteria for standard minimum qualifications at a high level and offer a single-tiered approach for acceptance into this program. The program needs to be streamlined.

The Environmental Quality Incentives Program. We need to maintain the local work group latitude and area program input to adequately and fairly address conservation needs of USDA customers locally, regionally and statewide. This program should be a resource driven, locally led effort with sufficient flexibility to identify local priorities. I would ask that we give consideration to rangelands and water quantity as EQIP priority issues.

The Conservation Technical Assistance Program is also another area that we need to continue to provide strong support in order that we can not only get the conservation programs—those Federal programs—on the ground, but also that we can supply that tech-

nical assistance to those who go it alone without Federal assistance.

Thank you.

[The prepared statement of Mr. Loutzenhiser can be found on page 51 in the appendix.]

Chairman HARKIN. Thank you, very much, Randy.

And now we will turn to Mr. Terry Fankhauser, Executive Director of the Colorado Cattlemen's Association.

STATEMENT OF TERRY R. FANKHAUSER, EXECUTIVE DIRECTOR, COLORADO CATTLEMEN'S ASSOCIATION

Mr. FANKHAUSER. Thank you, Chairman Harkin. Thank you, Senator Salazar, for giving us the opportunity to present testimony today.

I am Terry Fankhauser. I am the Executive Director for the Colorado Cattlemen's Association, filling in for our president today, who is in the midst of calving.

I would like to point out that I think all ten titles of the farm bill do deal with profitability. I am a perfect example of that profitability as I am sitting here today as an executive director of an association, as opposed to a beef producer from Kansas and Colorado. We do operate a family farm and ranch in both states, but because of profitability, I (inaudible) farm income, it seems.

The views I express today are based off member-voted and past policies of the CCA. We are a 140–year-old organization, the oldest cattlemen's organization in the nation. I believe the 2002 farm bill, which continued the "freedom to farm" emphasis, was a step in the right direction by allowing ranchers and farmers more leeway in choice of management objectives which best suit their individual operations, as opposed to what they could or should not grow in order to qualify for a government program.

We have talked about natural disasters. Colorado has experienced significant natural disasters in the form of blizzard, drought, wildfire, things along those lines. We do have to answer this with a comprehensive-type program that is creative in solutions to assist farmers and ranchers in rebuilding their operations following disasters without greatly increasing the cost of government.

In general, we do not need programs that become an opportunity to create inequities between neighbors. They should not become opportunities for a producer to have income over and above the possibility in a normal year.

In Colorado, nearly one-half of the land mass, 33,000,000 acres, is owned and managed by agriculture producers. These working landscapes truly are the front lines of conservation. Farms and ranches provide vast acreages of wildlife habitat, open space and viewsheds.

When implementing conservation initiatives, consider doing everything we can to keep working lands in working hands. The CCA founded the first cattlemen's Conservation Land Trust in the nature that offers conservation easements that keep working lands in working hands. Two of the programs that are used in these voluntary conservation agreements are the FRPP and the GRP programs. We support those programs. There are additional modifications that we have outlined in written testimony that can be added

to those. But they are programs that have worked very successfully in this state.

I also want you to know that cowboys understand that farm policy is not just about cows. We realize there is a bigger picture for this committee to paint. For example, CCA is supportive of efforts to use agriculture in production of renewable energies. Production such as those using farm products to produce ethanol and bio-diesel are quite probably good ideas. CCA is supportive of ethanol production, even though it is raising the market price of corn, a major feed resource for cattle feeding.

CCA hopes that the committee will review the entire litany of circumstances and implement a holistic program or holistic programs that do not segment agriculture from each other. Significant research is available from our land-grand universities and should be utilized.

It would be most helpful if a farm bill would enhance our market access and ability to compete internationally by not creating more programs that must be reviewed for compliance by the WTO.

CCA wishes that we could be more helpful in suggesting other alternatives to this farm bill, but one thing we can certainly say with a matter-of-factness, what should not be included in the farm bill is telling producers how to treat animals. It is my understanding that a variety of animal rights organizations are very interested in this farm bill.

It is in our best interests as producers to keep those animals healthy and happy, and to provide them the best of environments. It is the only way that we do remain profitable.

In summarization, I would like to cover just a few more points. Keep extraneous issues out of the farm bill. Focus on improving existing titles. Focus the 1907 farm bill toward agriculture, not in trifling with animal rights issues. Increase the efficiency in funding of the conservation programs that keep working lands in working hands. Promote private public initiatives as opposed to government mandates and increased subsidies. Preserve the right of individual choice of land management for water and other natural resources. And, finally, work to enhance out market access internationally.

Thank you.

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

Chairman HARKIN. Very good. Thank you, Mr. Fankhauser.

Now we turn to Mr. Doug Zalesky, President of the Colorado Independent Cattle Growers.

STATEMENT OF DOUG ZALESKY, PRESIDENT, COLORADO INDEPENDENT CATTLEGROWERS ASSOCIATION

Mr. ZALESKY. Thank you, Chairman Harkin, Senator Salazar. I appreciate the opportunity to be here today to represent the members of the Colorado Independent CattleGrowers Association and to provide comments on the 2007 farm bill.

In our written testimony, we offered several areas that we would like to see addressed in the 2007 farm bill. I am just going to highlight about three of those areas.

The first is the area of market competition. And Chairman Harkin has introduced legislation that would certainly improve com-

petition in the livestock marketplace and ensure fairness and transparency in the sale of agricultural commodities.

The Competitive and Fair Agriculture Market Acts of 2007 proposes a series of changes that would curb unfair and deceptive market practices. Market concentration has systematically undermined the viability and profitability of independent cattle producers by denying them fundamental transparencies in key pricing mechanisms that create a healthy competition and healthy markets.

An accepted economic theory indicates that competitive marketing conditions begin to erode once a four-firm concentration reaches 40 percent of the marketplace. Today, just four packing companies control more than 83 percent of the cattle processing in the United States.

While concentration has accelerated, the meat packing industry is increasingly using non-traditional methods of contracting and marketing methods that further undermine the selling power of light cattle producers. These anti-competitive practices place cattle producers at grave risk, which is evidenced by the continued decline of producers' share of each retail beef dollar.

The 2007 farm bill, we hope, would provide for effective and vigorous enforcement of antitrust and competition laws. I would submit to you today that more than evidence has been gathered proving GIPSA's failure to aggressively enforce current laws and the written testimony we submitted earlier cites study after study that exposes GIPSA's dismal performance.

Chairman Harkin's bill would certainly address these crucial issues and provide for a rolling back of bureaucratic layers, streamlining the enforcement process and it brings competition issues to the forefront, which they need to be brought to that point.

A second issue is on Country Of Origin Labeling. As you well know, COOL was mandated by Congress in the 2002 farm bill. But despite broad public support, implementation has been continuously delayed and under current circumstances is not scheduled for implementation until 2008.

Senate Bill 4004 introduced by a number of senators from Montana, Iowa, New Mexico and North and South Dakota and Wyoming, would accelerate that implementation. Similar legislation has also been introduced in the House and we think that the farm bill should include language that would restore labeling by moving the implementation date as close as possible to the original date.

In addition, the 2007 farm bill, we hope, would ensure that mandatory labeling is administered in a simple and most cost-effective manner for producers, while providing the full scope of information to the consumer. USDA's approach to mandatory labeling has been one of resistance and the agency's initial plans for implementation have been unnecessarily burdensome.

CICA fully supports immediate implementation of mandatory Country Of Origin Labeling and we urge the members of the Senate Agriculture Committee to do everything in its power to ensure the law is implemented efficiently, effectively and immediately.

The last area I am going to highlight is trade. Several others have talked briefly about trade and its impact on agriculture. While we understand that farm bills do not typically address U.S.

trade policy, we think it is important that during the 2007 farm bill debate that we explore more consistent policies for cattle and beef trade.

Current trade policy has significant and lasting impact on cattle producers. It is imperative that the health and safety standards be harmonized globally in these trade policies and that further trade liberalization without implementing safeguards for perishable products like beef and cattle will further erode the markets for our domestic industry. Unfortunately, the safeguards that were directed by Congress in the Trade Act of 2002 to protect perishable products like beef are being compromised by the U.S. Trade representative, putting U.S. cattle producers at more disadvantage.

Again, I appreciate the opportunity to be here this afternoon and provide comments on behalf of our members. Thank you.

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

Chairman HARKIN. Thank you, very much, Mr. Zalesky.

Now we turn to our last witness, who is Ms. Kathy White of the Colorado Anti-Hunger Network. Ms. White, welcome to the committee.

STATEMENT OF KATHY WHITE, COLORADO ANTI-HUNGER NETWORK

Ms. WHITE. Thank you, Chairman Harkin and Senator Salazar, for the opportunity to speak today on behalf of the Colorado Anti-Hunger Network about the importance of the nutrition title of the farm bill.

Our top priority for the 2007 farm bill is a strong nutrition title and improvements to the Food Stamp Program in three broad areas: adequacy of benefits; access; and eligibility.

To give you a little background about the Food Stamp Program in Colorado I think will help you see how it is an important program for families, for farmers, and for Colorado's economy. Each month, more than 250,000 Coloradans use food stamps to help purchase food for a more nutritious diet. Eighty percent of the recipients are families with children; the remainder are primarily seniors and persons with disabilities.

The average benefit in Colorado is small, like the rest of the nation, about $1.19 per meal. But even that amount helps families stretch tight budgets and use other resources for sky-rocketing utility bills, rent, medical care and other basic needs.

Altogether, in 2006, food stamps helped put over $323 million back into local Colorado communities, as recipients purchased food from their local supermarkets, farmers' markets, and neighborhood grocers.

In Colorado we have learned first-hand, unfortunately, the importance of the Food Stamp Program when our new Public Benefits computer system went on-line and thousands of families were unable to access food stamps. We saw food pantries around the state buckle under the increased demand for food assistance, and that experience has taught us that our private and non-profit sectors simply cannot do it alone.

What is more, the Food Stamp Program is a model of efficiency. More than 98 percent of benefits go to eligible households, accord-

ing to the GAO. And while, in Colorado, we have had some problems recently with our error rate, that is mostly due to the computer program that we implemented and not to the Food Stamp Program overall. So, we would look to the USDA for more oversight in the 2007 farm bill for computer programs in other states.

By all accounts, the Food Stamp Program is an effective and important anti-hunger and anti-poverty tool for Colorado, but it can do more. The following needs must be addressed in the 2007 farm bill.

First, we must improve access to the Food Stamp Program by providing additional resources to streamline systems, simplify program rules and expand education and outreach. In Colorado, only 56 percent of eligible families receive food stamps and the participation rate for eligible working families is even lower. We normally hover below the 50 percent participation rate.

Second, we believe it is imperative that Congress improve the adequacy of benefits. The minimum benefit is so low that it creates a disincentive for eligible people to navigate the complicated application process. One Food Bank provider serving the Colorado Springs area found that the average monthly benefit lasted a family only 2 weeks; but the application took 8 hours and three trips to the Food Stamp office to complete.

Moreover, the benefit continues to erode for many Food Stamp recipients due to the unchanging standard deduction. The standard deduction should be indexed to inflation so that $1.19 does not lose purchasing power every year hereafter.

Third for the Food Stamp Program, we should build on the progress made in the 2002 farm bill, thanks mostly to Senator Harkin, and restore eligibility to certain needy groups such as legal immigrants, and unemployed childless adults. We can and should do more for these folks who are playing by the rules.

Our member organizations also ask that Congress direct USDA to revisit how volunteer hours can be used by non-profit agencies as a match for Food Stamp nutrition programs. At the present time, only public entities, like Colorado State University, can use volunteer hours as an in-kind match. While those entities do not often take advantage of the allowance, non-profits who are experts at recruiting and training volunteers and maximizing public dollars certainly could.

As to other areas, we ask that Congress re-authorize and strengthen both the Emergency Food Assistance Program and the Commodity Supplemental Food Program. Congress could enhance the TEFAP program by increasing food purchases and providing a floor for bonus commodities similar to the fiscal year 1901–'02 level.

And, finally, the CSFP program is a nutrition program in Colorado that meets the unique needs of many seniors who, typically, would not apply for food stamps. Congress should simplify the program by allowing all clients to qualify at 185 percent of poverty and develop a senior pilot program to see if our aging seniors across the country could benefit from this program in other states.

Thank you, very much, for your time. And we look forward to working with you in the future.

[The prepared statement of Ms. White can be found on page 84 in the appendix.]

Chairman HARKIN. Thank you, very much, Ms. White. And since you were last, I will start with you. I just have one question I want to probe with you a little bit.

We had this put on us several years ago and we were going to address it in the last farm bill but we did not but we are looking at it now. And that is one of the things you mentioned. You state that Congress should consider restoring benefits to unemployed childless adults who currently are limited to just 3 months of food stamp receipts every 3 years. That is in the law now.

You tell me a little bit more about this group of people that you know here in Colorado, what kinds of challenges they face. Specifically, why do you believe we should change the program regarding their food stamp eligibility?

Ms. WHITE. Well, these are primarily individuals who are willing to work but have low education and skills. They cannot quickly find a job and have not been offered a Work Fair job or training opportunity by the state. It also includes people who have recently lost their jobs due to downsizing in Colorado. We have unbelievable job loss—one of the highest in the country during the recent recession—and cannot find employment in the area, which we did see during the most recent recession.

So, we would like to see less harsh rules taken to these families who are really struggling and are willing to work but just having a hard time getting back up on their feet.

Chairman HARKIN. What would you like to see? Would you like to have it 3 months every year? If you were writing it, how would you write it?

Ms. WHITE. I do not really have a specific proposal. I think that they should be eligible similar to other unemployed families or low income families. But, again, we have not really talked about specific proposals. I can certainly get you information about that in the future.

Chairman HARKIN. Well, give us that, because that is one area that we looked at a little bit in the last farm bill. We did not address it, but I think there is a lot of pressure building to do something about that group of people.

Ms. WHITE. Especially since the last—since the last recession we really did see a lot of people lose jobs all across the state and really have a hard time finding adequate jobs and jobs that pay the same amount of money.

Chairman HARKIN. Uh-huh.

Ms. WHITE. We are replacing jobs now, but a lot of those jobs are much lower-paying than the ones we saw before.

Chairman HARKIN. How do you feel about food stamp recipients using EBT cards at farmers' markets?

Ms. WHITE. We support that. And I think there is a pilot program in Colorado to do that and we are fully supportive of that.

Chairman HARKIN. I think that is one area that we are going to look at really expanding, also.

Just for your information, in Iowa last year, we gave about a hundred of these remote controlled reading apparatuses just to farmers who bring produce to farmers' markets. So, people on food

stamps—by the way, it is not food stamps, it is an EBT card now———

Ms. WHITE. Yeah.

Chairman HARKIN [continuing]. They can go and buy fresh produce or meat or whatever—chickens, eggs, whatever—at the farmers' market and the farmer can just swipe that card and it would deduct it right then. It was remote controlled. And we found that the people that use these, once they found out that they could go to farmers' markets, would then go there. So, I am happy to hear you say that you would support something like that. Because we found it to be very beneficial, in my state, anyway.

Conservation. Mr. Loutzenhiser. I just want to ask you, on the Conservation Security Program. When we first drafted this legislation, we put it in and it was a national program. The administration then put it on a watershed basis. Do you feel that the watershed rotation for enrollment has promoted conservation, or would you prefer doing away with it? By the way, I might just add the administration's farm bill proposal now has done a complete 180 and they want to do away with that. Is that what you would like to see happen?

Mr. LOUTZENHISER. Yeah. I believe that that would probably be the best thing to do, because to me the watershed or that type of selection for this program can create some different inequities. And I might have some people who would disagree with me. But certainly, when you start talking a program that is supposed to reward the best for the conservation efforts that they have done and there is a minimum entry level into that program. And then you begin to recognize it on a watershed-by-watershed basis and a three-tiered basis, as well as put a ranking system———

Chairman HARKIN. Yeah.

Mr. LOUTZENHISER [continuing]. On that

Chairman HARKIN. Uh-huh.

Mr. LOUTZENHISER [continuing]. You could fall into meeting the minimum eligibility but not get accepted into the program simply because you did not rank as high as someone else.

Chairman HARKIN. Right. Well, believe me, we are going to work hard on changing that and any other suggestions you have on that, please let us know.

Mr. LOUTZENHISER. OK.

Chairman HARKIN. Mr. Zalesky. I want to ask you about Country Of Origin Labeling, which you say you support or your organization supports?

Mr. ZALESKY. Yes, sir?

Chairman HARKIN. Again, as you know, it was supposed to go into effect in 2004. It was put off till September of 2008. Is it your organization's position that you would like to stick with that date? In other words, to have it come into effect in September of 2008?

Mr. ZALESKY. We would certainly like to see it in effect by that time, yes, sir. If not sooner.

Chairman HARKIN. OK. Anybody else have any thoughts on that issue at all? Mr. Fankhauser?

Mr. FANKHAUSER. We would support that as well. We support a mandatory Country Of Origin Labeling Program and implementa-

tion as soon as possible, the least cost effective way, possibly claim standard based. I know some of those discussions are going on.

Chairman HARKIN. OK. All right. Well, again, there is really probably nothing that we can do in the farm—it is going to go in September of 2008. There may be some attempts to put that off, but I do not think they will be successful. But there will probably be some attempts to do that.

I see my time has run out. I will yield to Senator Salazar.

Senator SALAZAR. Thank you, very much, Chairman Harkin. Let me ask a question of each of you and then we will just go down the road and each of you can respond.

First, Roger, in terms of the specialty crop title. I was impressed by the statistics that you had, which is 30 percent of our agricultural production really is related to specialty crops. And I know down in our valley, potatoes are a big deal and lettuce and a few other things. Then, on the western slope, obviously peaches and pears and a whole host of other things that come from the western slope. What are the two things that would be most important to you that we get done in this farm bill with respect to specialty crops?

That is my question to you. Think about it for just a minute and then give me a 30–second response.

And then, Randy, to you, in terms of the CRP program, one of the concerns that I have heard in places like Kiowa County and other places is that we are having a negative impact on rural communities because you have absentee landowners in Dallas and Chicago and New York who come in and essentially buy these lands and the revenue stream goes to help those communities and make people there wealthier and the consequence of that is that the local drug store and the local shops really do not have the economic vitality and maybe we ought to make some changes on that. That is certainly something I think I have heard from the Cheyenne County Commissioners and the Kiowa County Commissioners.

So, do you have any thoughts on how we might be able to do that, Terry, with respect to the comment that you made on a disaster program and wanting to move forward and try to create—I think you said a permanent disaster program but being cognizant of the budget issues—how would we move forward on that?

And, Doug, with respect to you and Country Of Origin Labeling, it is a contentious issue. That is why, even though the law mandated it, it has not been implemented.

So, my question to you is, what are the benefits that would come about in terms of a faithful, honest effort in the implementation of COOL?

And then, to you, Kathy, you know sometimes when people talk about the farm bill, they do not realize that 50 percent of the approximately $100 billion that we spend on the farm bill will actually go into nutrition programs.

So, my question—I assume we are going to have a large portion of this farm bill going into the nutrition programs—give me two ideas on how we can make sure we are providing the most effective, accountable programs through nutrition in the farm bill that we possibly can.

So, Roger, why don't we start with you and we will just go down.

Mr. MIX. OK. Thank you, Senator Salazar. I think there are three important things that would probably impact the specialty things and that would be the research funds for both CSREES, which is more toward the breeding programs that is funded that we really need. There are programs going on and if that is cut back, these programs that have been funded will die out because there is no funding.

Along that same line is ARS research. Co-operators also cooperate with the university systems to do this kind of research. That is also needed for research on diseases, insects, different topics like that.

Another part of research would be the increase to keep the funding for the MAP levels. The United States Potato Board scores really high in that area, trying to keep our markets open that we do have. And that funding also goes toward opening markets.

So I think those three topics would probably be the high ones on the list.

Senator SALAZAR. Doug? Randy?

Mr. LOUTZENHISER. All right, thank you. When it comes to absentee land ownership of a Conservation Reserve Program lands, I think there comes a point when we have to look at the program and look at what the value to society that program has brought.

We need to realize that it has to have those protections that have been put in place with a method that guarantees those protections remain there. But we have to figure out in time a way to transition these lands back to working lands. Keep them under cover; keep them in a natural resource state that has brought all these environmental benefits, so that those benefits continue to be garnered by society.

I guess when I look at the situation of absentee land ownership, those lands might not even be getting managed. And the fact that if we can get them transitioned back into a working lands class via a transitional grazing program or—maybe the first step to doing that—when we look at our drought situation in Colorado, let's utilize these lands for an exchange-type program that would allow livestock producers in traditional cow/calf country to be able to come in and give their rangelands a rest and utilize those CRP lands and transition them so that over time, these lands can be put back into the grazing land structure.

That way, you begin to see a turn-back into the communities via some type of operational structure where you are buying inputs, again, within the community and those lands do not just sit there and remain stagnant. They have a productive value. Their resource base can be tremendous.

Also, you look at the cellulosic energy aspect of it, can Colorado be a player there? Time will tell and, certainly, these types of absentee landowner-type CRP lands need to have a serious look taken in that regard, too.

Senator SALAZAR. Terry?

Mr. FANKHAUSER. You know disasters are going to take place at any—I am going to speak specifically to the cattle industry. At any point in time in the United States in any year there will be a disaster in the cattle industry. So, we as producers, have to learn to plan for that, in part, and we are accepting that.

As we look through time in Colorado, in 2002 one of the best things we had available to us to recover from the drought was deferment of that income in livestock that we sold.

And there is a possibility to look at that creatively. As it stands right now, in the IRS Code you have to replace like-type animals that you liquidated. Why not allow—at least in the livestock industry usually in a disaster we are going to have increased purchasing of feed and things along those lines. Why not allow that funding to be deferred, but instead of replacing like-type livestock, be able to purchase feed with that deferred money? Then you do not see an actual cash outlay from the Federal Government. But what you do see is some incentives on a taxation basis.

Those are the creative type things that we would offer as possibly looking.

Senator SALAZAR. Mr. Zalesky? Doug.

Mr. ZALESKY. In relation to the benefit of the implementation of Country Of Origin Labeling, I would address two things. First of all, and foremost, we think that the consumer has the right to know where their food comes from. Unfortunately, at this point in time, consumers are misled by the fact that meat carrying the USDA label in the supermarket meat case, up to a fourth or a third of that is not U.S. grown beef. So, we think that is the first benefit.

The second is to be able to, as producers differentiate our product in the marketplace, which believe because it is the safest and highest quality beef in the world, it would increase the demand for our product and, thereby, increase profitability for our producers.

Senator SALAZAR. Mr. Chairman, I know my time is up, but could I have Ms. White go ahead and answer the question?

Ms. WHITE. Thank you, Senator Salazar. The two things that I guess we would recommend is to continue to simplify the program rules. The more complicated the program, the more (inaudible) for error. And continue to streamline processes. In the 2002 farm bill, there was a provision that reduced paperwork and office visit requirements for working poor households, but it failed to extend those improvements to households that included the elderly or disabled individuals. So, continuing to streamline and simplify the process would be very helpful, allowing participants to file over the phone, things of that nature.

And, second, I think maybe creating incentives to states rather than punitive measures, to help them meet efficiencies standards and streamline administration. That was they are able to—they have incentive to meet greater efficiency standards without harming clients. Merely punitive measures basically just roll forward onto the client, so we see greater hardships for hungry families.

Senator SALAZAR. If I may just—you do not have to answer this, but I would be interested in knowing what you mean by efficiency standards and examples of efficiency standards. You do not have to do that now, but it is something that I would be interested in hearing from you on.

Chairman HARKIN. Thank you, Senator Salazar. And I thank this panel, very much. We do have a little bit of extra time, so I am going to have an "open mike" session. Bob Sturm will take the mike from some place here down there. If you have a question, I

ask you to do it succinctly. State your name—let's see here. What are we supposed to say for the record? Oh, yes.

State your name, city and state. And if you represent an organization, say that. And just make your question as succinct as possible and we will try to respond. Or, if you have a statement, make it very succinct. And, again, I will limit it to just a couple of minutes to each one. But we do have about 10–15 minutes that we can entertain some comments or something from anyone in the audience that did not have a chance to say something.

Before we get to that, and before we close up, again, I want to thank some more people. Two valuable members of Senator Salazar's staff, Grant Lesley, your (inaudible) director who is back here; and also Valanna Wallach, who is the Denver office manager and scheduler for Senator Salazar, for getting us around and making sure we met our schedules. And Bob Sturm, who is right here, who is our Chief Clerk of the Senate Agriculture Committee for getting everything set up here, Bob.

With that, like I said, state your name, city, state and if you represent an organization.

Mr. FOY. My name is David Foy.

Chairman HARKIN. OK. You had better spell that for the recorder.

Mr. FOY. F-o-y.

Chairman HARKIN. OK.

Mr. FOY. Washington County Commissioner, and also the Chairman of the Progressive 15, which is a 15–county organization out in northeastern Colorado. A couple of things. No. 1 is: Under the CRP program there is the CRP program having wells retired along and adjacent to some of our streams. Those acres could have gone into a CRP-type program, except in Washington County, at least and surrounding counties, we are maxed out on those acres.

So, some sort of a program to compensate those farmers that have to shut down irrigation wells, not necessarily to retire the acres but to transfer those acres into dry-land production or cattle production.

Second is, thank you, very much for USDA rural development. I think that small units of government need to have a less match that they have to meet so that we can bring some of those society benefits that were talked about by the panel back into small communities. Some of those grants, we have to have matches for and we have to take a look at the match size so we can work—easily qualify for larger dollars.

And last, being from Washington County, I want to emphasize the USDA ARS Research Center at Akron. We gave a greenhouse that has been under construction for a long time. That greenhouse has not been fully funded. We need a plant breeder to talk about developing crops that we can environmentally inject into our local environment out if eastern Colorado to maximize that cellulose production.

Thank you.

Chairman HARKIN. Thank you, Mr. Foy.

Mr. SLUSSER. James Slusser from Colorado State University, the Ultraviolet Monitoring Program. I have a question directed to Senator Harkin. What do you think are the three most important re-

search areas that we ought to be looking at in terms of crop stress———

Chairman HARKIN. I am sorry. The three most important research for what?

Mr. SLUSSER. Crop stress.

Chairman HARKIN. Crop Stress?

Mr. SLUSSER. Yes. Abiotic factors and biotic factors that might affect plant growth.

Chairman HARKIN. I do not know that I am qualified to answer that. I mean, I am not a plant scientist. I do not know that—do we have some scientists around here to answer that question.

Senator SALAZAR. James, it would be good, given all the work that Colorado State University as an agronomy school, as an aggie school, in terms of what it has done, what your thoughts are in terms of what we might be able to do with that? What are the top three from your point of view?

Chairman HARKIN. Yes. You are the expert, not me.

Mr. SLUSSER. I think

Chairman HARKIN. If you do not know the answer to that question, I sure do not.

Mr. SLUSSER [continuing]. Extremes in climate, temperature, drought, ultraviolet light—I think we have to be aggressive in developing genomic modifications that will allow us to continue productivity.

Chairman HARKIN. OK. OK. I understand that.

Mr. SLUSSER. I did not mean to make this a loaded question without an answer.

Chairman HARKIN. No, I am just honest. I do not know the answer. But, I see what you are getting at, now. Yeah, we are doing research into plant genomes and how to—I mean, one thing that has already intrigued me is that there are plants in the world that utilize photosynthesis and use saltwater to do so, mangroves being one of the most prevalent. They grow in saltwater; they produce leaves. Coconut—palm trees—use saltwater, produce coconuts. So, if we can find the gene in those plants that tells that plant to separate the salt and everything else out and take the water—think about taking that gene and using that for plants that might grow crops in brackish areas, for example. Things like that in southeast Asia and places like that. Anyway, enough of that.

MR. Weibel. Hello, I am John Weibel. I operate a (inaudible) beef operation in northwest Colorado near Bags, Wyoming. In rural development, I know the U.S. Government is looking at shipping beef from state-inspected plants across state lines. That would greatly reduce our shipping expenses, our transportation costs, for beef and also enhance the local community. There are very few beef plants left around the country.

Also, another thing, we utilize interns to help with our labor pool and if the USDA could potentially set up an account for those interns that you pay them $1,000 per year for working with us, that can go to fund in the future when they decide they want to buy a farm. That might be something good for them.

Chairman HARKIN. That is a nice, good, valid suggestion. Thank you.

Ms. HENDRICKSON. I am Callie Hendrickson, Executive Director of the Colorado Association of Conversation Districts based in Grand Junction. The one thing that we would ask for is that we just be able to keep the locally led concept in the conservation title. One size does not fit all at the Federal level, so we would certainly like to keep that flexibility at the state and local levels.

Chairman HARKIN. Well, I think we both agree on that, and that is what we did in the CSP program, too, was to set up local levels on that, too. You are right about that, Ms. Hendrickson.

Mr. LOPP. Hi. My name is David Lopp. I am with the National Wildlife Federation and live in Boulder County. We have heard a lot of things today about how agriculture is one of the things that makes Colorado a great state. That certainly is true. Another thing really connected to agriculture that makes us a great state is our fish and wildlife populations and the great hunting and fishing opportunities associated with them.

That being said, I just want to urge you to really prioritize the conservation titles and funding for the conservation titles in these programs. We have heard great testimony about the benefits that that has had for farming practices. I would like to throw in there for wildlife and hunting and fishing opportunities as well.

Another specific thing I want to talk about is, we are on this leading edge of the bio-fuels and renewables. Revolution, I think you called it. And we certainly endorse that research into that. We want to make sure, though that in a rush to develop those opportunities that we do not sacrifice some of the conservation programs from a soil perspective and from and wildlife perspective.

So, that is just one thing that the National Wildlife Federation and a whole host of hunting and fishing groups we have been working with want to make sure that we would tell you.

Chairman HARKIN. I will just respond to that—I am a big supporter of the National Wildlife Federation, a hunter and fisherman myself—and I think there are some win-win situations out there with cellulose. For instance you can have things like prairie grass, switch grass, things like that that provide good nesting areas for wildlife but still, they are cropable and they are conserving in nature. So, there might be something there that everybody wins on this one. Thank you.

Mr. TRAVIS. Hi, I am Galen Travis. I am a farmer—part-time rancher and full-time farmer—from Burlington on the eastern slope. I have got three things I would like to bring up.

First of all, I would like to see any commodity-based payments or payment limitations, if so imposed—I think they should be indexed to inflation. I have not heard that. And as we continue through the years, as inflation increases, it is going to be very critical to us. Three dollar corn 20 years ago was a big deal. Three dollar corn recently has been good, compared to the last few years, but now, $3.00 corn—it is going to take that just to break even anymore. And I really think any monetary adjustments need to be made on indexing to the inflation factor.

Chairman HARKIN. Good.

Mr. TRAVIS. Second, in response to your question about how to keep young people coming back in and the overall answer was profitability—well, I agree with that, but from the aspect of guaran-

teeing profitability, I am afraid once you do that, the biggest operations, the big producers are going to come in and snarf up on that even more, still keeping it hard for young people to get in. I would like to see something in a tax incentive or some type of incentive for someone that is retiring to sell out to a new, young producer. Those sellers, I think, should have some tax incentives.

Chairman HARKIN. All right.

Mr. TRAVIS. And, third, just a question. What is the current status of the 1905–'06 disaster payments?

Chairman HARKIN. OK. Current status of the disaster payments is that we are working on a disaster package that, hopefully, we will put in the supplemental appropriations bill that we are going to be taking up very shortly, sometime within the next couple of weeks. And hopefully, we will have addressed that in the supplemental appropriations bill.

Now, I told—I guess I misjudged the time. I guess we have to be out of here in just about a couple of minutes. So, I am sorry—really quickly.

Mr. ELLIS. OK. Hi, I am John Ellis from Greater Metropolitan Niwot in Boulder County. I just wanted to give you an update on the farmers' market-EBT program that we have here in Boulder County, Colorado. We got a grant from the USDA last fall and we have been able to purchase 30 EBT machines for 30 different farmers' markets. We had a training session last Saturday and we are online. So far we have 21 markets signed up.

One thing I would like to get some support for is the farmers' market nutrition program, which has been cut at, I think, 30–some states. Colorado would like to get involved, but we cannot. So, if there is some way to get some more funding for that, it would be great to get the rest of the states involved. Thank you, very much.

Chairman HARKIN. Thank you. Next.

Mr. THORN. Hi, my name is Robert Thorn. I am an administrator at North Colorado Medical Center in Greeley, Colorado. First, I want to thank Senator Salazar for all his hard work last year in soliciting us to see how the Federal Government and the USDA can provide greater access to healthcare in rural communities. I heard on Panel I particularly today the healthcare issue brought up and I am encouraging both of you to please consider any future funding to the DLT program for Tell medicine to allow greater access to healthcare for rural communities. Thank you.

Chairman HARKIN. Thank you, very much.

Mr. BOWMAN. Good afternoon, I am Mike Bowman from Ray, Colorado, National Steering Committee for 25X1925. We thank you, Senator, for you and Senator Salazar's support of 25X1925. We are particularly interested in seeing Senate Concurrent Resolution 3 move through committee as soon as possible. I would also echo, from the National Steering Committee's perspective, a couple of things heard today: broadband deployment in rural America. It is the root of all opportunity. Both from a distributed generation perspective and bringing those social values back to the rural areas. And the increased funding for our land-grant universities. We believe that we have an opportunity to re-invent and help languoring universities become very significant as we create this 21st Century energy economy.

Chairman HARKIN. Thank you. I just want you to know, we put that broadband in the last farm bill—I put it in there and they goofed it all up and we are going to straighten it out.

Mr. EHRLICH. Hi, I am Jim Ehrlich from the Colorado Potato Administrative Committee and I really want to thank you for being here today.

My question is: What can we do, collectively—we are all here as a group representing agriculture. What can we do collectively to get more money into the farm bill? Because we are all competing for the same piece of the pie. What can we do to grow the pie?

Chairman HARKIN. Can I put you in charge of the Budget Committee?

Oh, let's take a last question, yes.

Ms. WALKER. Hi. I am Shirley Walker from Wheatridge, Colorado, and, being here for agriculture, I did not hear one thing—and maybe it is not part of this—but the National I.D.? Animal I.D.?

Chairman HARKIN. Animal I.D., sure.

Ms. WALKER. Is that part of this bill or is that something totally separate? Because that is going to affect everyone with their animals and all that.

Chairman HARKIN. It might be a part of the bill. I just do not know yet. I do not know what the House is going to do and I do not know exactly how it is going to fold into our bill. But, it is a problem—if nothing else from a National Security standpoint. Some kind of a comprehensive I.D. system is coming down the pike. I do not know how it is going to be.

My position is quite clear. It is that if we are going to have a comprehensive I.D. system, it is for the benefit of our country. It is for the benefit of National Security. If that is the case, then the cost of it should not be borne by the farmers. It ought to be just like the inspection service that we have now in our meat inspection plants and stuff like that is paid by all the taxpayers. So, if we do have that, it ought to be borne by the taxpayers of this country.

Thanks.

Senator SALAZAR. We are going to the airport and have a wheels up here in about an hour and a half. We have to go to the airport, go through security, get on a plane and get back to Washington to represent you on the farm bill and a whole host of other issues. But, let me just take a quick stab at just a few of these issues that were raised.

I know the issues on the South Platte and shutting down of the wells has caused a tremendous hardship here in northeast Colorado. It is an issue that we continue to work on and, hopefully, there will be some way in which we can find some relief. I think the EQIP program and other programs that are out there will, in fact, be able to—we will be able to find an avenue to help all those farmers that have been hurt by the shout down of the wells in that area.

Too, I think a number of the questions that were asked had to do with research. Whether it is on renewable energy or it is on how you maintain warehouse conditions and temperatures and lights in order to be able to preserve your potatoes or crops during the winter season, those are all based on how much research you are putting into agriculture. And, obviously, as we deal with this farm bill,

that is going to be one of the big questions. How much money are we putting into research? I am one of those people that believes if we are going to find solutions to the new frontiers for agriculture and for rural America, we ought not dis-invest in the research that is going to help us find those keys.

Let me just also say, I fully agree with Senator Harkin. On the conservation title, local-led is what makes the most sense. Obviously, the people on the ground are the ones who know the ground better than some bureaucracy in Washington or some place else.

Jim, you asked a question about dollars on the farm bill, that is something that is going to be negotiated out here, probably in the next several weeks, and we will know then what the size of the next farm bill is going to be. And then it is going to be work for the next several months as we try to move forward as some mark-up on the farm bill that then will be introduced.

Let me finally just say, I am very, very delighted that I am on the committees that I serve on in the U.S. Senate. There is not a day that I am out on that floor that I do not consider it to be a great privilege. In the entire history of this country, there have been only about 1800 people who have served as U.S. Senators—only 37 in Colorado—and I can tell you that among the 100 colleagues that I have, there are a handful of people who are really known as "senators' senators." These are not people who are—let me just say they are "senators' senators" because they are so good.

And when you look at someone like Tom Harkin from Iowa—maybe it was because he came out of some tough times. He raised five children in a two-bedroom home. Probably as he was growing up in Iowa, he probably never imagined that someday he would be a U.S. Senator and, yet, somehow his life has taken him to be a U.S. Senator and to serve all of this country now for 30 years in the House of Representatives and in the U.S. Senate.

And he is known among my colleagues as a "senator's senator" because of the high interest and expertise that he brings to agriculture. What he has done for this country in terms of healthcare. What he has done for education and educational opportunities for all people. What he has done with respect to dealing with some very difficult issues, like issues of disability.

And so, as your junior Colorado Senator here today, I would like you in joining me in giving a good round of applause to someone whom I respect from the bottom of my heart and that is my colleague, Senator Tom Harkin.

Chairman HARKIN. I have to adjourn this thing. Thank you. Thank you, very much. Thank you. Thank you all, very much. Thank you all, very much.

Of course, as chairman, I get the last word. And the last word is: Thank you, Colorado, for having the good judgment and wisdom to send such a caring, compassionate and tough fighter to the U.S. Senate like Ken Salazar. I cannot tell you how proud I am to serve with him and have him on the Agriculture Committee. He is just a valuable friend and a valuable resource for getting us to shape this new, forward-looking, bold farm bill that we are going to have this year.

Again, I want to thank Ken for inviting me to Colorado today. I am told every day is like this in Colorado. He tells me that. It hardly ever snows out here, he says.

But, it has just been a delight to be here. And thank all of our witnesses. I thank everyone for being here today. The hearing record will remain open for five business days for anyone who has additional views or comments to put into the record.

Again, I thank my good friend, Ken Salazar, for his leadership, for his friendship, and look forward to working with you, Ken, in getting a really good farm bill through.

Thank everyone who is here. Have a safe journey back home. The Senate Agriculture Committee will stand adjourned.

[Whereupon, at 3:15 p.m., the committee was adjourned.]

APPENDIX

March 12, 2007

Testimony Presented to
Committee on Agriculture, Nutrition and Forestry
United States Senate
March 12, 2007
Brighton, Colorado

Presented by: Terry R. Fankhauser, Colorado Cattlemen's Association
Prepared by Terry R. Fankhauser and Tom Compton, CCA Past President

Thank you, Mr. Chairman, Senator Salazar and members of the committee on Agriculture, Nutrition and Forestry for allowing me this opportunity to present testimony. I am Terry Fankhauser, Executive Vice President of the Colorado Cattlemen's Association and beef producer in Colorado and Kansas.

The views I express today are based off of member voted and passed policies of the Colorado Cattlemen's Association, the nation's oldest beef cattle association at 140 years. I believe the 2002 Farm Bill, which continued the "freedom to farm" emphasis, was a step in the right direction by allowing ranchers and farmers more leeway in the choice of management objectives which best suit their individual operations as opposed to directing what they could or should not grow in order to qualify for a government program. I would like to see even more emphasis on programs that assist the producer through educational efforts directed toward best management practices then providing incentives for the adoption of those practices. The EQIIP program, administered through the Natural Resource Conservation Service, is an excellent example. One small problem which you might address is to direct USDA to grant more flexibility to NRCS to adjust cost share requirements because sometimes portions of these conservation plans may have significant benefits for wildlife species but contribute little to the economic viability of the ranching operation so it is difficult for the landowner to justify the expense.

I believe the 2002 Farm Bill with amendments made an effort to address disaster assistance for ranchers and farmers. Natural disasters such as drought, blizzard and wildfire create significant problems for us and this year was no exception with the blizzards in eastern Colorado. Tens of millions of dollars were lost by producers through livestock death, loss of production, feed costs and other unbudgeted expenditures. We do not expect or want the government to bail us out when we make poor decisions but when disasters occur there are other ways to assist. One of the most helpful things Congress did was to extend the period of time from two years to four years for producers to reinvest the money they received from the forced sale of livestock due to drought. Deferment of this income is coming due this year, while eastern Colorado is still in the clutches of recovering from the series of blizzards that has caused producers irreparable harm. Of significant need would be to grant another year's extension to this deferment period to allow producer to recover or to allow producers to count that reinvestment made through the additional feed purchases they have made. We must find creative ways to assist ranchers and farmers in rebuilding their operations following disaster without greatly increasing the cost of government.

It is also important to take care that we do not create programs that assist some while placing others at a disadvantage. The emergency haying and grazing of CRP lands is an important tool for disaster assistance but you must monitor this activity to prevent abuse

and put an unwanted burden on hay markets thus harming a hay producer's business. We need disaster assistance policies that help the family ranch stay in business but do not interfere with the free market or infringe upon the private property rights of the families.

In general, we do not need programs that become an opportunity to create inequities between neighbors and they should not become opportunities for producers to have income over and above what is possible in a normal year.

In Colorado, nearly one half of the land mass, 33 million acres, is owned and managed by agricultural interests. These working landscapes are truly the front lines of conservation. These farms and ranches are providing vast acreages of wildlife habitat, open space and viewsheds. When implementing conservation initiatives, consider doing everything we can implement programs that keep working lands in working hands. By doing so, the economy and the environment benefit. Agriculturally productive lands meet conservation goals, but also support rural economies and the local tax base without additional cost of government.

The Colorado Cattlemen's Association, the nation's oldest state cattlemen's association, was one of the first agricultural producer groups in the nation to form a Conservation Land Trust. CCA did this because of increasing development pressures being exerted on our ag lands and conservation easements seemed to be one tool we could use to address the problem. Since ranchers seem to have an inherent distrust of government sponsored land trusts and other nonagricultural oriented land trusts, the Colorado Cattlemen's Agricultural Land Trust was created. CCALT recently accepted its 100th easement and have assisted families on about 200,000 acres. There is a waiting list of ranchers who wish to establish easements but the lack of funding for setting up the agreements prevents many from proceeding. These voluntary agreements, negotiated between the landowner and the land trust, not only help the family ranch remain economically viable but also keep many ecosystems intact. It is my understanding the U.S. Fish and Wildlife Service spent $60 million on habitat acquisition in 2004. It seems to me society would get a greater return on its investment if you directed the Department of Interior to work with the Department of Agriculture to leverage these funds by using them to assist private land trusts and private landowners in establishing voluntary conservation easement agreements. The result would be ranchers doing the conservation work and the land trust monitoring the ranchers to the general benefit of society, all at no additional cost to the taxpayer. We support tax deductions for those ranchers who choose to protect their property using conservation easements and tax incentives for voluntary stewardship efforts. For specific examples of two programs that are invaluable to landowners wishing to place easements on their property, please reference the Farm and Ranch Protection Program and Grassland Reserve Program white papers at the end of this testimony. These comments were compiled, in part, by the Colorado Cattlemen's Agricultural Land Trust and are supported by the Colorado Cattlemen's Association.

I want you to know that cowboys understand that farm public policy is not just about cows, we realize there is a bigger picture for this committee to paint. For example, CCA is supportive of efforts to use agriculture in the production of renewable energy. Programs such as those using farm products to produce ethanol and biodiesel are quite probably good ideas. It is a good thing especially when you assist local communities in their efforts to form cooperatives to raise crops, produce biofuels and distribute them to

the public. It is an added benefit when the members of the co-op can obtain fuels at a reduced cost to use in their operations. CCA does have some concern that 50 cents per gallon is provided by the government to produce ethanol. CCA members, as is most beef producers, are not supportive of subsidies.

CCA is supportive of ethanol production even though it is raising the market price of corn, a major feed resource for cattle feeding. CCA hopes that this committee will review the entire litany of circumstance and implement holistic programs that don't help one segment of agriculture but harm another. Significant research is available that illustrates the impacts of ethanol production on the economics feeding cattle. Unfortunately, the by/co-product of corn based ethanol production can not overcome corn as a cattle feed. For starters, wet distiller's grains have a very short shelf life and can not be transported beyond the general proximity of the ethanol plant.

It would be most helpful if a farm bill would enhanced our market access and our ability to compete internationally by not creating more programs that must be reviewed for compliance problems by the WTO. CCA wishes that we could be more helpful in suggesting what should be included in the 2007 Farm Bill. I can tell you with certainty what should not be included and that is language that tells producers how to treat animals. It is my understanding that various animal rights groups, many of which wish to eliminate animal agriculture, are pressuring Congress to constrain well established animal husbandry practices. Producers make money by selling pounds of beef. Producers make pounds of beef by creating and maintaining healthy pastures and rangelands to provide forage for cattle. Increased weight gains come from healthy and contented cattle. It would not make much sense for producers to do things that negatively impact healthy rangelands or cause cattle discontent. To do so would decrease the number of pounds producers have available to market. If you wish to fund research at land grant universities that will demonstrate ways to make my rangelands healthier or cattle happier, we are most willing to be educated and better informed. Perhaps that is the sort of thing to consider in a farm bill.

Let me summarize with some thoughts for your consideration:

- Keep extraneous issues out of the Farm Bill and focus on improving the existing titles of the current bill.
- Focus the 2007 Farm Bill toward agriculture, not on trifling with animal rights issues.
- Increase the efficiency and funding of the conservation programs that keep working landscapes in working hands.
- Promote private-public initiatives as opposed to government mandates and increased subsidies.
- Preserve the right of individual choice in the management of land, water, and other natural resources.
- Work to enhance our market access internationally.

COLORADO CATTLEMEN'S ASSOCIATION

"Representing the interests of Colorado's cattle industry since 1867"

2007 Farm Bill
Guiding Principles

On September 30, 2007 the 2002 Farm Bill will expire. The Colorado Cattlemen's Association (CCA) has been working under the direction of our members to develop a set of guiding principles that will be used in formulating the next Farm Bill. With mounting budget deficits and an increasingly diversified agriculture economy, U.S. ranchers and farmers are facing unprecedented challenges and decisions in formulating the 2007 Farm Bill. The following priorities are based on CCA membership policy and positions.

Farm Bill Policy

- Minimize direct federal involvement and encourage private enterprise in agricultural production.
- Preserve the individual's right to manage land, water, and other resources.
- True need must be illustrated for program development and continuation to occur.
- Economic analysis must be completed to determine affects on other commodities.

Commodity Programs (Title I)

The long-term goal of national farm policy should be to promote a free market, private-enterprise farm economy, and maintain a viable agricultural industry in the United States. Any government programs which would have a substantial negative affect on any commodity or livestock sector should be opposed and phased out. This includes limiting market access through market guarantee programs or subsidies.

Conservation Programs (Title II)

Government policy should enhance the individual's right of free choice in land use, soil conservation, water conservation, energy use, and development, utilizing working lands conservation methods that are based on sound science and economics. State laws and individual private rights should be preeminent in the use natural resources.

Voluntary programs to keep working lands in working hands should be pursued – such as perpetual and term conservation easements. Policy makers should pursue programs that compensate secondary agriculture operation contributions – such as wildlife habitat, open space, scenic corridors, etc. Improved efficiency and decreases in program redundancy should be pursued.

Farm Bill Extension

CCA supports implementation of the next Farm Bill in 2007. CCA does not support extending the current Farm Bill past the Sept. 30, 2007 deadline.

Miscellaneous Title

The Miscellaneous Title of the Farm Bill should not be used for agenda orientated or anti-agriculture policies. Primary focus should be placed on the nine primary titles.

Adverse Affects

All Farm Bill programs should be carefully analyzed to determine any adverse affects upon other commodities. These analyses should review economic, trade and market impacts.

Beef Trade

CCA supports trade policies break down trade barriers and tariffs CCA only supports trade agreements that have a net benefit for U.S. beef producers.

Cattle Marketing

CCA supports policies like Mandatory Country of Origin Labeling, but believes that cattle marketing programs like labeling are best implemented outside of the Farm Bill.

Land Management

CCA supports and encourages good stewardship and land management practices which are sustainable both ecologically and economically through minimal government involvement.

Trade Programs (Title III)
Ninety-six percent of the world's consumers reside outside U.S. borders. CCA recognizes that the growth and profitability of the U.S. cattle and beef industry is closely tied to our ability to market our products to those consumers. We support international trade policies that aggressively pursue expanded market access for U.S. beef, enforce trade agreements that are based on internationally-recognized standards and guidelines, and hold our trading partners accountable for their international trade commitments.

Nutrition Programs (Title IV)
USDA should maintain the preeminent role in establishing the human nutrition policy for the federal government and providing proper human nutrition, food security, research, and education for America.

Credit Programs (Title V)
Federal agricultural policy should encourage the availability of capital to farmers and ranchers at competitive rates to maintain a healthy business environment, resulting in the continued viability of agricultural operations.

Rural Development Programs (Title VI)
Thriving rural communities are integral to the United State's agriculture industry. Efficient and effective Rural Development programs ensure economic opportunities and enhance quality of life in rural Colorado.

Research Programs (Title VII)
Research on animal diseases, economics, production practices, nutrition, food safety, environmental impacts, and the impact of environmentally-sensitive lands and species on agricultural operations is a critical component in advancing animal agriculture. Increased investment in this type of research is vital to the security and viability of our agricultural industry and food supply.

Forestry Programs (Title VII)
Properly-managed forests increase productivity and decrease impacts from wildfire, noxious weeds and inadequate resource stewardship.

Energy Programs (Title IX)
Recognizing the value and growth of conventional and renewable energy, we want the ability to monitor and evaluate any energy source that is based on, or impacts, agricultural commodities, waste, and/or byproducts to determine their effects on the marketplace, land, water, and the profitability of cattlemen.

Miscellaneous Programs (Title X)
The Miscellaneous Title of the Farm Bill should not be used for agenda-orientated or anti-agriculture policies. Focus should be placed on the nine primary titles. Policies dealing with disaster assistance programs should be designed based on the type of disaster with a primary focus of protecting the economic viability of the U.S. cowherd and further providing for appropriate assistance for stocker and feeder needs. The beef industry should work with government and the private sector to develop public/private programs that help producers deal with the effects of disasters and emergencies in a more effective and timely manner.

Farm and Ranch Land Protection Program

Please see the following suggestions for the Farm and Ranch Protection Program to maximize its ability to strategically conserve the nation's ranchland and the associated conservation values.

A. Reauthorization of FRPP should be a priority in the Conservation Title of the 2007 Farm Bill. PORT believes Congress should appropriate funding at a level equal to, or greater than, previous funding levels.

B. The legislative intent of FRPP should be clarified to protect a wide range of agricultural lands by eliminating the "protecting topsoil" language, while still maintaining the focus on the most locally productive agricultural lands.

C. Reinforce existing statutory authority of NRCS to allow third parties to negotiate, hold, and enforce easements subject to reasonable standards to ensure the conservation purposes of the program are met.

D. Increase flexibility at the state level to shape priorities and rules that reflect local concerns. FRPP should become a block-grant-to-states program where state NRCS officials, in consultation with stake holders, may identify conservation priority areas.

E. Eliminate the requirement that a qualified land trust or non-federal governmental agency must provide a 25% match for FRPP easements. A landowner may choose to donate 50% of the value of their easement and receive the typical 50% payment provided by FRPP.

F. Provide the ability to transfer GRP easements to other qualified organizations in the event of dissolution or if they are unable to fulfill their easement monitoring responsibilities.

Grassland Reserve Program

Please see the following suggestions for the Grasslands Reserve Program to maximize its ability to strategically conserve the nation's grasslands and the associated conservation values.

G. Reauthorization of GRP should be a priority in the Conservation Title of the 2007 Farm Bill. PORT believes Congress should appropriate funding at a level equal to, or greater than, previous funding levels.

H. The purposes of the rental agreements and perpetual easements should be segregated and more clearly stated:

   a. The 10, 15, 20, or 30 year rental agreements should focus on improving range condition for grazing purposes and enhancing wildlife habitat. The rental agreement program should be accompanied with annual payments, as used currently. A conservation or management plan should be a requirement for GRP rental agreements.

   b. Perpetual GRP easements should focus on preventing the loss and conversion of grasslands to other uses. GRP perpetual easements should be valued using the same fair-market value method employed in the Farm and Ranchland Program to minimize confusion among producers and the real estate community about appraisals for ranchland participation in federal programs. Perpetual GRP easements should not have a conservation or management plan requirement. [1] The same property should be eligible for Conservation Security Program participation, Environmental Quality Incentives Program cost-share/incentive payments, or other USDA conservation programs designed to improve or enhance the land resource. Landowners should have the option to sell GRP easements at prices below 100% of their appraised market values in the form of bargain sales. [2] This bargain sale component should be included in the project ranking process.

   c. The GRP program should have a continued focus and priority for perpetual easements. The public's investment is severely diminished or lost when land upon which GRP rental agreements formerly existed are later converted to other uses.

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[1] The point of the longer term easements is simply to keep land intact and prevent breaking the soil for agriculture production or any other significant purpose. Either the soil has been broken or not. Monitoring to ensure compliance is necessary, but a conservation plan is superfluous. At a time when NRCS is hard-pressed to meet all the conservation demands on its time, this seems an easy task to shed, and it makes permanent easements more attractive to more producers. Additionally, the influence of perpetual management restrictions on easement values are difficult to measure and can be underrepresented when compared to loss of development potential which is easier to quantify through comparable real estate sales.

[2] PORT supports the standardization of easement valuation techniques. Having GRP easements conform to IRS standards would leverage GRP dollars by allowing landowners that chose to sell their easements at less than 100% of their appraised market values to potentially qualify for additional tax benefits through charitable bargain sale gift provisions in the tax code.

I. Reinforce existing statutory authority of Natural Resource Conservation Service (NRCS) to allow third parties to negotiate, hold, and enforce easements and rental agreements.

J. Re-design the program to operate more like the NRCS' Farm and Ranchland Protection Program. Parameters of the program would be designated federally. Qualifying entities would negotiate transactions directly with landowners of eligible land and then apply to NRCS for grants to assist with the purchase of easements.[3] Eligible entities could use their own easement documents as long as they included the required federal provisions.

K. Provide the ability to transfer GRP easements to other qualified organizations in the event of dissolution or if they are unable to fulfill their easement monitoring responsibilities.

L. Increase flexibility at the state level to shape priorities and rules that reflect local concerns. GRP should become a block-grant-to-states program where state NRCS officials, in consultation with stake holders, may identify conservation priority areas.

M. GRP dollars should be allocated to states containing the greatest acreages of grasslands. Individual projects should be ranked by:

   a. Acreage;
   b. Ability to support a sustainable grazing operation and contributions to maintenance of the agricultural economy and ranching land base;
   c. Contributions to watershed and water quality preservation;
   d. Quality of wildlife habitat as determined by the number of species representative of that habitat type; and.
   e. Costs

[3] Allowing local entities to use their own legal documents for easements and rental agreements provides more flexibility to both organizations and landowners participating in the GRP while not undermining the program's intent. It also allows GRP dollars to be more effectively integrated into larger conservation projects.

Oral Statement
Testimony
U.S. Senate Committee on Agriculture, Nutrition & Forestry
Alan Foutz
President, Colorado Farm Bureau
March 12, 2007

Good morning. My name is Alan Foutz and I farm near Akron, CO. I am also the President of the Colorado Farm Bureau.

Colorado Farm Bureau represents 28,000 farming and ranching families throughout Colorado and is pleased to offer comments to the Senate Committee on Agriculture, Nutrition & Forestry regarding the Farm Bill and our reaction to the United States Department of Agriculture's Farm Bill Proposal.

Colorado Farm Bureau supports extending concepts of the 2002 farm bill into the next farm bill. However, if changes are necessary, consideration should be given to a green box compliant compensation program for fruit and vegetable growers, working lands conservation programs, revenue based safety net program, direct payments, and a commodity loan program.

Overall, the USDA Farm Bill proposal budget is $10 billion less than what was budgeted for the 2002 farm bill and that concerns me. With this type of budgetary constraint, funding for commodity programs and the much needed permanent disaster assistance program will be extremely difficult.

The recent USDA Farm Bill proposal calls for moving away from a countercyclical program to a revenue-based program that is responsive to actual conditions and provides a strong safety net. Colorado Farm Bureau supports this concept. The farmers that really need the help when mother nature deals them a blow can't get it because Loan Deficiency Payments are paid on production that they didn't get to harvest. As the USDA stated in their proposal, under a price-based program, farmers who experience crop loss are often under-compensated while those with high production tend to be over-compensated. This new revenue program will factor in U.S. crop yield when determining crop payments to better target support.

USDA's proposal would tighten Payment Limits. Colorado Farm Bureau opposes payment limitations. In addition, the USDA has proposed eliminate a provision in current law covering how farmers organize their operations, known as the three-entity rule. Colorado Farm Bureau opposes this proposal as well as it largely does away with the safety net for a number of commercially viable, full-time producers. It strips away their ability to play economic catch up, especially after a bad year and could have serious negative financial affects on producers.

The USDA proposal would increase the acreage limit on the Wetlands Reserve Program from 2.3 to 3.5 million acres. Colorado Farm Bureau supports the Wetlands Reserve Program. The program should include a buy out clause that would allow producers to remove these areas from the program. In addition, authority for the federal government to purchase permanent easements under the program should be terminated. The program should not be used to take entire farms out of production.

The proposal also calls for continuing the conservation reserve program at the current acreage limit. Colorado Farm Bureau supports the continuation of the Conservation Reserve Program and the continuous Conservation Reserve Program. It is important that tenant farmers' rights be protected. Reasonable limits on participation should be included to protect the economic stability of individual counties or regions. Highly erodible land producing all crops should be eligible for enrollment in CRP.

The administration's Farm Bill Proposal includes more than $1.6 billion in new renewable energy funding including $500 million for a bioenergy and biobased product research initiative, $500 million for renewable energy systems and efficiency improvement grants program, and $210 million to support an loan guarantees for cellulosic ethanol projects in rural areas. Colorado Farm Bureau supports this proposal and strongly believes that strong support of renewable energy development in the next Farm Bill will benefit all of agriculture and the country.

In closing, Colorado Farm Bureau believes the USDA's Farm Bill Proposal is a start to the next Farm Bill, but is not entirely the answer. One major problem with the proposal is the lack of proper funding. The proposal would spend approximately $10 billion less than the cost of the 2002 Farm Bill. The cost of farming has not decreased, and if the goal of

the next Farm Bill is to provide a safety net for agricultural producers, more funding will be required. There are simply more programs than there is funding.

Thank your for your time and your consideration of the Colorado Farm Bureau comments on this very important issue.

My name is Randy Loutzenhiser. I am a dry-land and irrigated crop producer in eastern Colorado as well as the Past President to the Colorado Association of Conservation Districts.

Senator Harkin, I thank you and your fellow members of the Senate Agriculture Committee, including Colorado's own Senator Salazar, for holding this field hearing in Colorado. It is an honor to be considered and invited to appear before you folks and submit the following testimony in to record.

I will start with a comment that I made in a contributing page to the Colorado Conservation District Supervisors Handbook. "The face of Colorado's agriculture and natural resource arena comes with numerous external pressures; socio, economic, political and that of continual change in our annual climate. These pressures necessitate district boards that are willing to make sound conservation decisions, provide strong representation for the landowners of the district and exercise involvement in coordinating district natural resource conservation activity." This comment becomes the foundation to my testimony provided today at this hearing "Colorado Views on Federal Agricultural and Rural Policies: the 2007 Farm Bill".

Certainly, within the State of Colorado, we have been witness to that of our climate and economic conditions. A six to eight year span of less than normal precipitation, has left agriculture's producing fuel tank running more to the empty side than the full.

Drought plagued rangelands have resulted in the sell off or downsizing of livestock herds because the resource base simply is no longer there to support traditional grazing numbers. Poor dry-land crop production, coupled with depressed commodity prices in the grains complex, until this past year, have significantly impacted producer's bottom lines. Irrigated agriculture faces extreme pressures as the battle for water between; urban influxes, industry, state to state river compact obligations and agriculture's need for water compound themselves in these dry years. Our states forested lands have come under threat of disease and insect pressures thus increasing the chances for wildfires.

Now enter into this equation the ever increasing cost of production and you have a scenario that has left agriculture producers vulnerable to this way of life as a result of their diminished equity. As producers strive to hang on to their operations by cutting expenses, rural communities, their infrastructure and their school systems are left vulnerable to families moving away because employment opportunity can no longer be supported. Bottom line, the agriculture dollar has become tight and is no longer passing through the doors of Main Street businesses the way it once did. Additionally within this equation lies the natural resource base by which we produce and practice stewardship. As the opportunity for profitability erodes so does the capability to address and implement conservation measures, whether it is by federal cost-share program or independent effort. It is a repeat of the bust cycle, in the boom and bust cycles of agriculture.

Remarkably, within this time frame of drought, and do keep in mind a period of that time being recorded as the driest on record, we have not been witness to the massive billowing dust clouds that garnered the attention of the public nationwide in the 1930's and was the inception period for Conservation Districts and the NRCS as we know them today. That's not to say we have not seen this valuable resource in the air on high wind days. Let that serve to us, the importance of conservation efforts to our food-producing factory, the soil. May it remind us of the efforts of producers, both past and present generations that have managed lands in a strong stewardship fashion. May it sharpen our awareness of those choosing to enter into the federal arm of the government to assist producers in conservation implementation because of their inherent desire for natural resource enhancement and protection, in addition to their obligations to the integrity of federal conservation programs and taxpayer dollars. Finally, might that dust remind us of the 70 + year old mission of strong Conservation District leadership, a locally led process which over the course of time, has helped to guide both producer and program so that we do not repeat in mass acreages of soil erosion like that of 1930's.

Politically and socially, our nation's tax paying public, environmental organizations and foreign trade communities have influenced the shape of USDA policy and Farm Bill program structure. The past two decades of Farm Bill Conservation Title activity has transitioned awareness from simply that of soil stewardship, towards that of the well being of our nation's private lands entire environmental landscape. There is the awareness that production agriculture, when given the financial resources to properly manage the land from an environmental point of view; is the pathway to open space, can serve to mitigate greenhouse gas concerns and provide a source of energy that can move us away from dependencies on foreign oil, does provide grassed buffers that lead to cleaner water supplies, are the habitat providers to wildlife species and can assist in the recovery of threatened and endangered species, and as illustrated earlier implement measures that reduce the risk of soil particulate matter in the air.

All of this, while providing a very inexpensive yet safe and abundant supply of food that assists in keeping the citizens of this nation fed, and just as important deters the threats of civil disobedience that can loom because of nationwide hunger and food scarcity. We are a nation of natural resource fortune. Certainly as deliberations move forward on the Farm Bill and particularly the Conservation Title, all of Congress needs to understand that this food and fiber resource base delivers many benefits to society. Throughout history nations have learned hard way that should the natural resource base and those who care for it be allowed to erode away, in other words that abundant supply of food be taken for granted with no concern for producer sustainability which would also include their ability to be environmental land stewards, then a land of poverty rather than prosperity those nations became.

CONSERVATION CONSIDERATIONS IN COLORADO

CONSERVATION RESERVE PROGRAM:

CRP - Pressures to this program will be bio-energy production and at present time higher commodity prices. Considerations need to be given as to the amount of Tax Payer dollars that have been pumped into these lands in rental payments over the years and should congress ramp up measures that protect this investment and the environmental benefits that these lands would now garner, (In Colorado throughout the lifespan of the contracts some of this land has received in rental payment, a value greater than the cropland value) or will it be a program that flops to the greater long term objectives because of the financial incentive to break the grass out and produce crops, generating a return greater than that of the current rental payment. Will FSA have to continually alter the rental rate structure to keep pace with the cash rent that will be dictated on agriculture cropland as a result of commodity prices? Additionally, Congress as well as the environmental groups that have been riding the CRP bandwagon will need to give strong consideration to livestock grazing and a program that would create incentives to producers to leave these lands in grass, thus continuing to provide a more secure environmental safeguarding the CRP investment has made, rather than these environmentally sensitive lands falling victim once again to the plow. In Colorado I would consider Class IV and higher lands the least productive for dry-land cropping and most vulnerable to the forces of nature.

The National Wildlife Federation, in my opinion, has shot themselves in the foot regarding their recent win in the lawsuit filed against USDA and the CRP Managed Haying and Grazing Program, because they have created every disincentive for producer participation in this program (Notice CRP-537) and the greater long term realization of permanent vegetative cover in a grazing regime. Should these lands fall subject to the plow because of disincentive for remaining in CRP then the habitat objective this organization was trying to achieve and maybe more importantly the long term objective to overall resource protection has gone by the way side.

Within the 2007 Farm Bill deliberations Congress should give strong considerations to the:

Establishment of a "Conservation Reserve Transitioning Program"

Develop within the CRP program the mechanism that would allow 1st & 2nd generation contract holders, that will fall under CRP contract extensions come 2007, the opportunity to graze CRP lands in a managed rotational grazing system, in similar fashion as to the CRP Managed Grazing Program. The difference would be, that for the sacrifice of cropland base, relinquished to CCC, the contract holder would have the right to utilize EQIP or WHIP cost share funding to establish rotational cross fencing and watering and would be granted the right to graze under a managed grazing plan while under contract extension. The ultimate objective to this particular program and to the enrollees into this program would be to condition and transition these lands back to private working lands by the end of the extension period.

The grazing plan would be developed locally by NRCS, with input from the local Conservation District Board of Supervisors and State affiliated conservation partners to incorporate strategies that best stimulate the resource, provide wildlife enhancement and improve ecological processes (nutrient and water cycles) throughout the contract period. It would incorporate a site inspection by NRCS Range Conservationists and Soil Scientists, to determine the carrying capacity, grazing time and grazing duration on an annual basis to best reflect the goals of the transitioning process with regard to the condition of the CRP resource and climatic conditions. Upon contract expiration, these lands could then be entered into an easement attached program of determinant years that maintain a permanent vegetative cover and a grazing regime through the managed grazing plan based upon sound science for resource safe-guarding.

Without livestock stimulation to CRP, the resource value in vegetative mass and cover begins to decline and the incentive to convert to a grazing program becomes economically difficult upon final contract expiration.

The creation of this enticement and mechanism would:

- Potentially reduce the number of acres on the CRP roll.
- Establish a healthier resource base upon contract expiration at less risk and greater incentive to contract holder.
- Reduce the temptation of converting highly sensitive CRP lands back into cropland, thus exposing these sensitive lands to the elements and risking environmental degradation.
- Provide a mechanism that would reflect under contract, a true managed rotational grazing system utilized on private working lands.
- Maintain a resource base under a managed grazing program and easement that would additionally give consideration to wildlife nesting periods on portions of that land while at the same time provide producers the latitude to utilize the grazing portions of the land in a timely fashion and in accordance to livestock grazing palatability opportunities on an annual basis.

Final position to these statements:

In consideration of the long-term objectives to CRP, the priority is to create incentive in maintaining this highly sensitive former cropland into a long-term vegetative resource based working lands. By providing an opportunity for producers to "hit the ground running" with permanent rotational grazing through "The CRP Transitioning Program", we provide the necessary incentive to maintain these lands under permanent vegetative cover.

Current CRP Managed Grazing Program:

The current CRP Managed Grazing Program does not mirror a true private lands grazing system because of the 5 year rotation factor as ruled in court in the lawsuit filed by the National Wildlife Federation and the critical nesting date (July 15, Colorado), which inhibits grazing when palatability to livestock is most desired. However, this program does maintain merit to remaining in the CRP toolbox for contract holders not wanting to revert to permanent grazing systems, yet may need the resource during periods of dryer conditions in order to maintain their herd and give rest to traditional grazing lands.

Conservation Security Program

Acceptance into the CSP program hinges on ranking criteria based on a limited funding pool. Educating district clientele and establishing district service programs that can provide assistance to clientele for program development as it would relate to their operations, in the years prior to watershed eligibility, can become a double edged sword, should the funding reward be the only guiding force. Granted conservation is implemented on the land as producers posture to attain greatest program benefits. However, as the bar of eligibility rises through the years because of the hold down on funding and thus tighter ranking requirements imposed, some producers, producing in a qualified fashion as it would relate to the environment and quite possibly the program as implemented in previous years, may not get into the program. CSP entry becomes contingent based more so on the current year level of funding, criteria and competition rather than a program that uniformly "rewards the best". It will be several years before these producers become eligible for program entry, because of program structure and evolution. Thus, discontent is generated and financial gain goes unrealized for environmental safeguarding efforts. "Damned if you do" if reward is the driving force.

If the district does nothing to educate and prepare clientele for CSP, leaving it completely up to the producers to wade through the education process for enrollment and few producers take advantage of that self education process, resulting in a small acceptance rate ratio (applications received : applications accepted) then its "Damned if you don't".

Is this program equitable from one year to another because of the funding equation and ranking criteria? Will some producers who may have superior operations than those of preceding years possibly not make it into the program because of this issue or perhaps because of deficiencies from one watershed to another based on year of eligibility? As this Nation, Administration, Congress and OMB begins to question the accountability of USDA programs and their function to environmental benefits attained by producers, must we not also question the level of waste in time, energy and funding for producers going through the process and not accepted because of the ranking criteria. It is not only field office time and effort (taxpayer), it is producer time and effort as well.

1. Set the criteria standard for minimum qualifications at a high level and offer a single tiered approach for acceptance or:
2. Move to the two tiered system as suggested in the USDA proposal.
3. Stream line and make application process more efficient.

Environmental Quality Incentives Program

Maintain local workgroup latitude and area program input to adequately and fairly address the conservation needs of USDA customer locally, regionally and state wide. This program should be resource driven and locally led with sufficient flexibility to identify local priorities and concerns

Maintain State Technical Committee guidance for state level representation of the conservation partnership.

Utilize a state ranking criteria, which is better able to address the conservation issues within the state rather than a National ranking process that may create inequities.

Relax requirements for cost share rate adjustments that are above 50% that take into consideration catastrophic related climatic conditions hindering economic viability to producers.

Streamline the application process for this program to improve efficiencies within the current program options.

Make Rangelands a Nation Priority Issue

According to the 2002 Natural Resource Inventory, Non-federal grazing lands account for approximately 578 million acres nationwide and comprise 43% of our nations private working lands. Land use devoted to rangeland accounts for 405.3 million acres, while pastureland equates to 117.3 million acres and grazed forestland comprises 55.1 million acres of the 578 million total.

As a resource concern, our nation's rangelands, that is the 405.3 million acres and their native plant communities need to be a National Priority. As a resource priority, native vegetative species, water quality issues, erosion and wildlife habitat will be targeted. Often times rangelands fall into Class III, IV, V, or VI land classifications, and garner tremendous attention from an environmental point of view.

Widespread drought has severely affected rangeland in the Western United States where the bulk of these acres are located. This has resulted in loss of beneficial plant communities and an increase of invading species communities. Exposure to wind and water erosion becomes prevalent, and a decline in effective water filtration will result in increased sedimentation. With the loss of beneficial plant communities also comes the loss of beneficial wildlife habitat. Overuse and mismanagement, as livestock producers struggle to stay in business, becomes a tremendous burden compounding the likelihood of a negative environmental balance. Specifically the enhancement of beneficial plant community and the diversity of that plant community, the reduction of soil erosion and sedimentation, the improvement of wildlife habitat and it's community and negative impacts developed by the drought should be addressed under this resource priority.

Make Water Quantity a National Priority Issue

Water and its consumptive use in the arid west has always been an issue of critical concern. The drought of the past six years has placed this issue in the forefront of the many conservation issues that the Western United States face. Along with the lack of average seasonal precipitation, demand for this limited resource generates from an increased population influx, recreational activity, added industry, state-to-state river compact obligations and endangered species mitigation. Irrigated agriculture's interest in this water equation proceeds to diminish as demand for other uses of water becomes greater.

In an effort to maintain irrigated agriculture as a viable industry in the West, prolong the lifespan of freshwater aquifers and surface reservoirs, and mitigate waters demand issues in Western States, water conservation as it relates to quantity should be considered as a National Priority, separate from the water quality issues. It is recognized that NRCS has the Ground and Surface Water component under EQIP and I would recommend also ramping up that component to EQIP.

Bio/Alternative Energy (Sub titled Rural Economic Development and Recovery)

First congress need to instate as national policy an inherent desire to reduce our reliance on fossil based energies. If the science truly indicates that fossil based energies are bad for the environment then we should move in the direction of alternative energies. Bio based energy become a carbon neutral scenario and wind and solar are as clean as you will get. There can be some significant consequences in developing infrastructures to handling the current demand for doing so without a Nation Energy Policy in place to protect that infrastructure.
Secondly, when consideration to the alternative energies are being given consideration by congress, they also need to give consideration and benefit for this development to evolve itself in the rural out reaches to bring forth community economic prosperity, enhance the enrollment in our rural based schools, and provide added security to maintaining viable farming and ranching operations. Nationally the average age of the agriculture producer is around 60 years old. Congress needs to understand why this is. The incentive is to leave the farm or ranch, largely because the financial reward in relationship to the cost of production in agriculture has continued to diminish, while opportunity away from the farm has flourished. Let's bring the industries of bio and alternative energies to the country side and provide for vertical integration to the agriculture producer. The problem in the west is that because of drought and increased costs to production, capital to invest is not available.

Thirdly, consideration will need to be given to protection of the natural resource base for the production of the bio energies so as to not completely harvest to the ground every carbon based crop that can be utilized for energy production in the name of economic gain, leaving our soils vulnerable to erosion and creating the threat for a whole new list of wildlife species awaiting the T&E species protection docket.

Grassland Reserve Program

Simply stated this program garnered a lot of attention in Colorado, it just did not have enough dollars dedicated to it to meet the demand. Urban sprawl and development creates the necessity for this program to be expanded in order to protect valuable agriculture lands suited for livestock production.

Conservation Technical Assistance

Along with the programs, needs to come the funding mechanism that places the technical expertise to the natural resource base and producer. Additionally, strong consideration needs to be given to the producers and land users that go it alone without program assistance yet desire the services and expertise offered through NRCS personnel.

The demand for technical assistance continues to increase from all agriculture constituencies including farmers, ranchers, producers that manage rangelands and grasslands, forest landowners and landowners in urban growth and developing areas. It is critical to continue the wide range of soil, water, air and habitat benefits private landowners provide to the general public. These benefits are achieved through proper land management and the adoption of conservation practices, through the Conservation Technical Assistance Program and each of the Farm Bill Programs.

Respectfully Submitted into Testimony,

Randy Loutzenhiser

Comments on 2007 Farm Bill
Submitted by Roger Mix of Center, CO
on Behalf of the Colorado Potato Administrative Committee
To the U.S. Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing
Brighton, Colorado

Good afternoon Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to express my views on the 2007 Farm Bill this afternoon.
My name is Roger Mix. I am a third generation farmer from Center, Colorado in the San Luis Valley of south central Colorado. My family farm produces certified seed potatoes and malting barley. I represent Colorado as a director on the executive committee of the National Potato Council and also as a board member of the United States Potato Board.

It is a privilege to be here today and I must admit I am excited at the opportunity I have to speak to the need for a specialty crop title in the new Farm Bill. It is a fact that fruit, vegetable, and tree nut production accounts for over $34 billion in farm gate value annually, or 30% of all farm cash receipts on an annual basis. The specialty crop industry is an important sector of United States agriculture deserving of full and equal consideration as the other agricultural sectors in the Farm Bill.

Speaking for potato growers we are not interested in direct program payments. The type of funding we want to see in the Farm Bill is designed to build our long term competitiveness and insure sustainability for our industry. Targeted investments in our industry will help us compete with international competitors who do not face the same regulatory restrictions U.S. producers face. Resources and policies to help open potential export markets by removing trade barriers are critical for the growth of the specialty crop industry.

There are several key priorities I would like to see in the next Farm Bill:

„³ Nutrition programs- Expansion of fruits and vegetables accessibility to school children through increased purchases for schools. Continued nutritional education and efforts to comply with the increased consumption of fruits and vegetables required by the new 2005 Dietary Guidelines. Increased consumption of fruits and vegetables addresses the growing obesity problem and health care cost issues our entire country is facing.

„³ Research- We need significant increases in the amount of investment in specialty crop research. Research in potato breeding and potato nutrition are extremely important to the future of my farm and the potato industry in Colorado. New research investment has not been funded at sustainable levels for specialty crops.

„³ State Block Grants- We need to expand this program because state departments of agriculture are in tune with the diverse needs of their growers to know what specific investment will increase specialty crop competitiveness. For example, in Washington

75% of the potatoes produced go into some type of processing market whereas 98% of the Colorado crop is sold on the fresh market. Different types of investments are needed.

„³ International Trade- Programs are needed to increase access to foreign markets through addressing the trade barriers we face involving Sanitary and Phytosanitary issues. Of particular interest to Colorado is the continued expansion of the Mexican market which has already been agreed to but never been allowed. More support for the Market Access Program is needed to assist specialty crops in the increasingly competitive world market of today

„³ Conservation- We support additional investment and support for conservation programs, in particular an expansion of the EQIP program that would allow more specialty crop producers to participate. A critical issue for Colorado and the arid western United States is the sustainable use of ground and surface water for irrigation. This needs to be addressed as a national priority. Increased funding for the Conservation Reserve Enhancement Program (CREP) is necessary to assist watersheds like the San Luis Valley in the process of achieving a sustainable environment for irrigation. The economic impact of declining irrigation supplies is crucial for the survival of rural communities whose existence depends on the health of the local farm economy.

These are the priorities that potato growers and the specialty crop coalition are promoting to enhance our ability to improve our industry and position us to survive and thrive in the future. One additional item of great importance to specialty crop producers is the need for continued restrictions on planting flexibility that prevents fruits and vegetables from being planted on program crop acreage. To allow subsidized farmers and land to compete with unsubsidized farmers would be an inequitable and market distorting practice. Potatoes in particular are extremely price sensitive to supply and demand. The additional acreage this would create could potentially destroy the profitability of potato production.

Thank you for the opportunity to testify today. I am thrilled that specialty crops are being asked to the table in these discussions that are so crucial in determining the future of agriculture in our great country. I hope my comments today will assist you in your role in shaping this future so agriculture and our country will prosper in the years ahead. As a third generation family farmer I am counting on it.

STATEMENT OF KENT PEPPLER

**PRESIDENT ROCKY MOUNTAIN FARMERS UINON
FARMER, MEAD, COLORADO**

ON BEHALF OF THE ROCKY MOUNTAIN FARMERS UNION

BEFORE THE U. S. SENATE AGRICULTURE COMMITTEE

CONCERNING

**UNITED STATES FOOD AND FARM POLICY AND DEVELOPMENT OF
2007 FARM AND FOOD POLICY**

Chairman Harkin, Ranking Member Chambliss, Senator Salazar and Members of the Senate Agriculture Committee, I am honored to have been asked to be here today to present the ideas and suggestions that are important and critical in the development of the next food and farm policy for this great nation.

My name is Kent Peppler, President, Rocky Mountain Farmers Union representing 25,000 farm and ranch families in Colorado, Wyoming and New Mexico. I also farm full-time near Mead, Colorado and grow silage, corn, wheat, sunflowers and alfalfa hay. Until just a few years ago I also produced sugar beets, malting barley and feed livestock.

I had the privilege to serve on the Colorado Farm Service Agency, from 1995 to 2001, serving for a period of time as the Acting State Executive Director and Assistant State Executive Director. I currently serve on the USDA Agriculture Trade Advisory Committee (ATAC) on Sugar and Sweeteners and the Highland Ditch Company Board of Directors.

The farm and food policy of this nation is comprehensive and critical to all Americans. The policies and programs should aggressively address social, economic and eco-systems needs and opportunities within our great country. The appropriations needed to achieve goals and objectives established by the policies and programs should be a commitment made by Congress and Americans should not be short-changed!

To frame the importance of food and farm policies in 2007, we must reflect on the impacts of: high energy costs, multiple years of natural disasters, variable market prices for commodities, the loss of young people and job opportunities in rural America, and the increasing number of rural Americans without affordable health insurance. We would also want to reflect on the positive contributions that commitments to renewable energy, the development of local and regional food markets and stronger conservation programs have begun to have on rural America and urge your expansion on those policies and programs.

In the development of 2007 food and farm policies, let me state that Rocky Mountain Farmers Union offers its strong support for nutrition programs, including the Food Stamp Program, commodity distribution programs and Community Food Security Provisions. Improvements in the Food Stamp program through the use of the Electronic Benefits Transfer System (EBT) has reduced fraud and enables program dollars to assist those in need. I want to also express our support for continuing the Community Food Security Grant program and achieving the goals and objectives outlined in the 2002 farm bill which are still relevant today. We urge expanded efforts to promote the Farmers' Market Nutrition Program, the Senior Farmers' Market Nutrition Program and expanding the effort to have the National School Lunch and Breakfast Programs purchase locally or regional produced foods. All nutrition programs should meet the USDA dietary guidelines.

Rocky Mountain Farmers Union urges that the development of the trade title in the next farm bill Congress focuses on improving international food assistance programs with the use of food and development aid for those here and abroad who are poor and endangered by natural disaster and famine, to assure their survival and not to destroy their domestic farm and food policies. We urge that oversight be provided by hunger and agricultural organization to ensure that distribution of assistance reaches those intended to be served and not used by the host country for other purposes, such as export revenue. We urge that the next farm bill prohibit the export of pesticides not registered for food and fiber uses in the U.S. for food and fiber uses in other countries. We urge that the farm bill include a directive to the USDA to appoint active producers to the Agriculture Trade Advisory Committees and that the department reimburses the cost of travel and lodging to attend committee meetings.

Rocky Mountain Farmers Union also encourages the continued expansion of the National Organic Certification Cost-Share Program. We also encourage the development of a program that provides economic incentives and support to those producers making a conversion to organic production. We also urge that steps be taken to protect the investment made in the development of traditional seed varieties and organic seed varieties from contamination by non-plant genetic seed varieties.

Rocky Mountain Farmers Union supports a strong public research component in the upcoming farm and food policy legislation within the USDA, ARS and land grant and community colleges to fund independent research to the benefit of producers and consumers. We urge research into production alternatives to energy and chemical intensive methods of production. We urge a public research commitment to the development of uses and markets for alternative crops, including renewable energy. We urge finalized funding for the greenhouse complex at the USDA Agricultural Research Service Center Great Plains Research Center in Akron, Colorado.

Rocky Mountain Farmers Union supports a comprehensive competition title that addresses current anti-trust practices and ensures anti-trust laws will be enforced.

As I stated, the farm and food policies contained within the 2007 farm bill will be comprehensive and far-reaching. I have addressed tools that will help prevent hunger and provide tools for research beneficial to family farmers and ranchers and the consumers they feed. For the balance of my testimony I want to focus my remarks on the tools necessary to improve the marketing opportunities for the commodities we produce, improving the health of our soil, water and air through conservation programs, enhance the economic opportunity for people through sustainable rural development and decrease our need for imported fossil fuels through the development of community-based diverse energy throughout rural areas.

Rocky Mountain Farmers Union urges future farm programs to include an income support mechanism, continuing the existing direct payment program and a counter-cyclical program payment indexed to the cost of production for periods of low commodity prices.

Rocky Mountain Farmers Union calls for the establishment of a farmer-owned commodity loan, some refer to as a Strategic Biofuels Feedstock Food Reserve, on a limited amount of production for an individual operator. Providing farmers a tool to empower themselves, on a voluntary basis, to influence market prices and protects against years of poor crop production.

Rocky Mountain Farmers Union supports limits on farm program payments to an individual producer. Income support payments, a result of a non-performing farm program structure to lift market prices are a direct subsidy to the purchaser of the commodity not the producer.

Rocky Mountain Farmers Union supports the inclusion of a dairy program that includes a safety net and a supply management system to protect producers from market collapses. We support the continuation of the sugar program that provides substantial economic stability to producers and economic benefit and good paying job in many rural communities.

Rocky Mountain Farmers Union supports the inclusion of a permanent disaster assistance program, including a livestock indemnity program. The program should compliment the establishment of a viable risk management program with premium assistance at 100 percent coverage levels.

In both the commodity support program and risk management program, support or coverage should be based on actual production history (APH), where available. For situations without APH, the yield cannot be lower than county Farm Service Agency (FSA) yields. We urge the establishment of APH yield floors to protect the producer in the event of successive crop disasters.

Having served on the state FSA committee, I know first hand the hard work staff at the County and Colorado FSA office do in helping administer and deliver the many programs included in the current farm bill. I urge any future attempts to dismantle the farm

program delivery system at the local level would be rejected by Congress. Farmers and ranchers rely heavily on the folks at the local county office and they need more funding and staff, not less.

The next farm program should link support program to participation in conservation programs, such as the Conservation Security Program (CSP) that is an integral part of production practices for both farmers and ranchers. We thank chairman Harkin for his leadership on CSP and urge full funding of the program to ensure participation of all eligible farmers and ranchers. We urge increased funding for the National Resources Conservation Service (NRCS) technical services to assist farmers and ranchers in the development and implementation of conservation cost-share programs.

The right conservation programs, linked with an adequate commodity programs, with a commitment of appropriated dollars will provide the tools to farmers and ranchers to protect our eco-system, the water, land and air while producing food, fiber and fuel for our nation. Without providing the tools and dollars necessary we force sacrificing the economic viability of American family farmers and ranchers and the health of our environment to produce our renewable resources of feed, food and fuel.

We urge future farm legislation to continuing to strengthen our nation's commitment to alternative and renewable energy development in this country. We urge incentives to encourage producer participation directly in the development, ownership, processing and distribution of renewable energy and fuels.

We urge future farm programs establish a grant program that will assist a local Rural Electric Cooperative (REC) to upgrade their system to monitor the flow of electricity both ways within their system to assist their customers to participate in generating energy and electricity for their farm and ranch, with surplus energy able to enter the grid through viable interconnection and net metering programs.

We urge that Congress assist with expanded research opportunities for other community-based alternative and renewable energy opportunities that will be economically beneficial to family farmers and ranchers and the rural communities in which they live.

We encourage the development of a Renewable Energy Standard (RES) that includes biofuels, wind, solar and other renewable energy sources.

The rural development title provides authorization for programs that assist rural communities on a wide variety of areas including planning, feasibility assessment, water and wastewater projects, broadband, value-added agriculture, rural business investment and a host of similar initiatives. It is our **INVESTMENT IN THE FUTURE OF RURAL AMERICA.** It is a commitment to creating a future for young people in small towns that are agriculturally dependent while building the capacity of those communities to change and adapt to new opportunities and new economies.

The 2007 Farm Bill should focus on three areas related to rural economic development.

- The first is to capitalize and nurture the **New Energy Economy** taking root in the countryside. By targeting those funds available under the energy grants to help build community-owned renewable energy systems that create new jobs, new wealth and new vitality. It is an opportunity to break our country's dependence on foreign fossil fuels while creating long-term value for rural America.
- The second is to continue to support the growing opportunity in **producing fresh, local food**. The future of our rural communities and its farming economy are at a crossroads between ever larger farms with their investment in capital intensive inputs and a new brand of entrepreneurial value added agriculture. The alternative model, entrepreneurial value-added agriculture, is a product-based system and produces local food for local consumption. It is a "Buy Fresh, Buy Local" initiative that links consumers and producers in a value chain of mutual commitment.
- The third is to optimize **entrepreneurial development and small business growth**. Rural communities grow and prosper when local businesses add a few jobs for new or existing activities. It is possible that a large ethanol plant will locate in your town, but more likely is the internal growth of existing businesses that will build local economies. We want an economy that puts local youth to work in jobs with a future.

While the 2002 Act authorized significant funding for programs, the amount of actual funding that was appropriated fell well short of the target and left many of us discouraged by the lack of commitment in this administration to the needs of rural America. It is my hope that this reduction in funding can be reversed in the 2007 Act. The relatively small amount of funding that is authorized for Rural Development programs is important for some very good reasons.

1. It provides funding for grants that directly foster the formation of new businesses in rural communities. The Rural Cooperative Development Grants, Rural Business Enterprise Grants, Rural Business Opportunity Grants, Renewable Energy Grants and the Value Added Producer Grants are often times the catalyst that allows entrepreneurial individuals and cooperatives to make an assessment of the feasibility of new ventures.
2. It provides access to capital resources through the Business and Industry Loan Guarantee Program and the Cooperative Stock Purchase Program. This federal assurance allows new businesses to have lower cost funding for new projects and to assist producers in raising needed equity.
3. It provides grants and loans for water and wastewater systems in rural communities as well as options for telecommunications and broadband infrastructure. As you know, the infrastructure in rural America is crumbling and the need for rebuilding is immediate. The funding under this title is a vote of confidence in the future of our rural communities as well as a stimulus to the present economy and a hope for a better future.
4. It makes funding available for affordable housing and community facilities.

And so, to be successful the USDA Rural Development needs to have appropriated funding at least equal to the levels authorized in the 2002 Farm Bill. There needs to be a commitment to meet the high expectations raised in the past and to fund the initiatives as proposed. Don't let the excuse of no new money thwart this effort.

It is important that the Federal Government play a role in funding programs that build potential and sustain hope in a better future for rural communities. It is not a "pay as you go" effort, but a long-term investment in the potential of a group of people and the role they will play in a healthier and more prosperous America. It is a commitment that Thomas Jefferson would applaud as the basis for a stronger democracy and a more secure homeland. A question to Congress is: Are we going to abandon the heartland of this country and the food and fiber producers that can feed and clothe us for a system of global roulette?

In conclusion, thank you again for the opportunity to talk with you today about future farm and food policies for our great nation. We must at all cost preserve our right as a nation to develop our own domestic policies, that is not negotiable! Policies that assure the public access to high quality, safe and abundant locally or regionally produced food supply, tools to enable family farmers and ranchers to obtain a fair price for their commodities or value-added food product in an open and competitive market place and the tools to build a more independent sustainable domestic energy program based on diverse community-based renewable energy. Policies that not only enable us to provide the food and feed we need but also conservation programs and incentives that enable farmers to achieve a fair economic return for producing our feed, food and fuel while at the same time protecting our local eco-systems, beneficial to earth as a whole.

Thank you.

National Farmers Union
2007 Special Order of Business

Farm Bill

WHEREAS, National Farmers Union believes that independent family farmer and rancher owned and operated food, fuel, and fiber production is the most economically, socially, and environmentally beneficial way to meet the needs of our nation; the economy of rural America continues to face the challenges of increasing input expenses, weather-related disasters and inadequate market competition; and

WHEREAS, it is the intent of the 110th Congress of the United States to debate and consider reauthorization of the Farm Security and Rural Investment Act of 2002, which is set to expire on Sept. 30, 2007; and

WHEREAS, the 2002 Farm Bill suffered disproportionate raiding during the 2006 budget reconciliation process, despite saving more than $13 billion in the first three years of enactment and endured additional cuts in funding through yearly appropriations bills; and

WHEREAS the National Farmers Union encourages Congress to establish farm programs that return profitability and economic opportunity to production agriculture and rural communities;

THEREFORE BE IT RESOLVED, National Farmers Union supports a new Farm Bill that includes the following provisions:

- A farm income safety net that uses counter-cyclical payments indexed to the cost of production to support family farmers during periods of low commodity prices.
- A farmer-owned Strategic Biofuels Feedstock Reserve tied to the needs of producers who utilize agricultural products, livestock feed consumers and food manufacturers, which protects against years of poor crop production, with storage payments set at levels equal to commercial storage and adequate release levels that encourage fair market prices.
- A renewable energy title that makes energy independence a national priority, one that prioritizes and facilitates farmer, rancher, and community ownership of renewable energy and value-added projects, including ethanol, biodiesel, and farmer and community-owned wind energy.
- A comprehensive competition title that addresses current anti-trust practices and ensures anti-trust laws will be enforced.
- A permanent disaster program, funded from the general treasury in the same manner as other natural disasters so that agricultural disaster assistance does not require "offsets."
- A conservation title that provides adequate funding to support the authorized programs, as intended by Congress. The title should include full funding for the Conservation Security Program, substantial increase in the funding for the Natural Resources Conservation Service (NRCS) technical services to assist farmers and ranchers in the development and implementation of conservation cost-share programs.
- A strong nutrition title to help provide basic food and nutrition needs for citizens of all ages, especially our young, elderly, and physically handicapped.
- Dairy programs that include a strong safety net and a supply management system to protect producers from a market collapse. Dairy prices should reflect cost of production shifts for producers.
- A rural development title that helps farmers, ranchers, and members of the rural communities develop new and better economic opportunities to support and build the economic base of rural America.
- New resources and other efforts to add differentiated value to family farms for the sustainability and competitiveness of specialty crops, livestock and seafood.
- Budget scoring that is not based upon World Trade Organization (WTO) methodology.

National Farmers Union — 2007 Special Order of Business
Energy and Environmental Opportunities for Rural America

WHEREAS, today's resources of energy are becoming more diverse by the day; farmers and ranchers have become an even greater contributor to America's energy supply. NFU promotes the increased use of ethanol, biodiesel, animal fats, oilseeds, switchgrass, methane and other agriculturally derived products as alternative sources of fuel energy products to aid rural America in building an energy-independent nation; and

WHEREAS, for decades National Farmers Union has been the leader in finding and creating opportunities for renewable energy from the countryside, we continue to push for strengthening current technologies and industries, while helping usher in the next set of innovations in renewable energy.

WHEREAS, the onset of global warming has captured the attention of leaders across the world and agricultural producers have the capacity to sequester carbon dioxide through certain farming practices. National Farmers Union recognizes agriculture as a bridge to climate stabilization by 2050. National Farmers Union is an agricultural organization that is an aggregator of carbon credits on the Chicago Climate Exchange. This program financially compensates farmers and ranchers for utilizing sound conservation and stewardship practices.

THEREFORE BE IT RESOLVED, the National Farmers Union supports these policies for the further expansion of renewable energy across rural America and creating additional financial opportunities for environmentally sound practices:

- Expanded research and development dollars for renewable energy technology. At all levels of government, a commitment is required to truly become energy independent, including full funding of renewable energy programs within the current and future farm bills.
- Expanding the Renewable Fuels Standard (RFS) to set a mandate for production of biofuels that make up one-third of the national's fuel supply as soon as possible. In addition, setting up separate mandates of production for each form of biofuel, including cellulosic ethanol and biodiesel.
- Establishment of a national Renewable Portfolio Standard (RPS) that requires 25 percent of our energy usage comes from renewable sources by 2025.
- Creation of a Strategic Biofuels Feedstock Reserve. Setting aside feedstocks for emergency needs is a sound energy and national security policy, as is allows for a reserve of processed biofuels in storage.
- Incentives for local ownership of renewable energy production in all forms. NFU suggest efforts similar to the Community-Based Energy Development (C-BED) ownership model in Minnesota.
- A program to tackle the lack of infrastructure in the expansion of renewable energy. We support many increases in research and development, particularly in the areas of:
  - Pipelines designated or alter for the transport of biofuels;
  - Solidifying the railroads in this country to move renewable fuels to each coast;
  - Expanded use of blender pumps;
  - Establishing E-85 filling stations/pumps; and
  - Expanding and creating a network of transmission lines throughout the country to aid in the movement of renewable energy from sources such as wind and solar.
- Extension and expansion of renewable energy tax credits, incentives and loan guarantee programs. These include a permanent renewable energy production tax credit (PTC), the biodiesel and ethanol blenders' tax credits and the cellulosic production loan guarantees. These measures should be targeted at local-ownership, extended well into the future and maintained for our domestic energy independence.
- Policies to create greater domestic production of biofuel plants and other renewable energy components, such as wind turbines and solar panels. All aspects of the renewable energy industry need to be available for U.S. energy producers.
- Dramatically expand the production of flex-fuel vehicles.
- Reducing, towards the goal of eliminating, the importation of foreign sources of renewable energy. This includes the extension of the ethanol import tariff indefinitely.
- Expanding and fully funding the biobased products initiative created in the 2002 farm bill; as well as ensuring the federal government is a leader in procuring these products.
- Support for a national mandatory carbon emission cap and trade system to reduce non-farm greenhouse gas emissions. Additionally, the Chicago Climate Exchange should continue and expand to allow for the continuation of financially compensating farmers and ranchers for their environmentally sound practices.
- Support expanded energy conservation research and development as well as implementation of programs that encourage the conservation of energy inputs by the agricultural and food sectors.

Need for Ongoing Public Investment in Agricultural Research and Cooperative Extension

Testimony to Farm Bill Hearings

Presented by
Gary A. Peterson, Department Head, Soil and Crop Sciences
Colorado State University
Fort Collins, CO

Preamble:

The Colorado Agricultural Experiment Station (AES) and Cooperative Extension are integral units of Colorado State University, Colorado's land-grant university. We conduct mission-oriented research on agricultural and natural resource problems and provide non-credit educational opportunities to the state's youth and citizens. The AES is not a single location; rather it is an integrated, state-wide system involving research conducted at the main campus in Fort Collins, at off-campus research centers and with individual cooperators. While the comments below are pertinent to Colorado, they apply equally to all land-grant institutions and their associated AES's.

Inclusive Agriculture:

Agriculture, and thus the related research and extension program needs, encompasses a continuum of activities involving:

- Management of natural resources
- Production of commodities from farming and ranching
- Agribusiness providing the inputs for agricultural production
- Processing, marketing, and distribution of agricultural commodities
- Food processing and human nutrition
- Families, communities and rural development.

Colorado Agriculture:

- Agriculture is a major component of Colorado's economy involving over 30,000 individual farms.
- Colorado's diverse climate and soils support a wide-range of livestock and crop enterprises with many commodities ranked among the top 10 states in the U.S.
- One in five Coloradoans are employed in jobs directly related to the farm and food system in Colorado. Farming and ranching remains the principal economic activity in rural areas of Colorado.
- Sale of agricultural commodities exceeds $4.5 billion. It is estimated that the Green Industry and equine related activities contribute an additional $5 billion to the state economy.
- Gross sales in the farm and food system approach $30 billion per year. Thus, the farm and food system in Colorado is an important component of Colorado's economy.

Research Needs:

A strong and balanced Colorado economy in the future is dependent on having research based information to solve current and future problems and a Cooperative Extension system for technology transfer to landowners and other constituents. In addition to their impact on farm and ranch production, agricultural research and extension programs also deal with natural resource issues that have a direct impact on non-agricultural sectors of the economy such as tourism and on the overall quality of life for all Coloradoans. A vast majority of Colorado grown agricultural products are exported out-of-state and, in many cases, to international markets. Agriculture thus contributes to Colorado's competitiveness in the emerging global economy.

The AES research program works closely with private industry to provide research based information for Colorado's agriculture. The profit motive of the private sector dictates their placing an emphasis on product development while the AES research programs emphasize basic and applied research. Studies have documented the distribution between basic, applied and product development for private and public sector agricultural research and they indicate that public and private research efforts are complementary rather than duplicative. Similarly, research conducted by the AES and the USDA-Agricultural Research Service (ARS) is complimentary. ARS programs focus on basic and applied research with a regional or national orientation. Numerous collaborative programs are conducted between AES and ARS scientists.

The differences in public and private sector research activities are illustrated by research conducted after the introduction of a new pest into Colorado. The Russian wheat aphid entered Colorado in the mid-1980s from Mexico and caused significant economic losses to farmers by reducing wheat yields. The AES responded to this crisis by initiating statewide research efforts on control of the aphid and by redirecting plant breeding efforts to develop a variety of wheat resistant to the aphid.

An active research program is needed to respond to new and emerging agricultural and natural resource problems, including socio-economic issues. Using the Russian wheat aphid problem as an example, the AES has released several new aphid resistant wheat varieties to Colorado farmers. The development of the first new wheat varieties was accomplished in 7 years since the faculty, staff and facilities existed within the AES. This infrastructure has been developed and enhanced over the past 100 years and thus has the tools and expertise to respond to the recent emergence of a new aphid strain. Since no insecticides are needed to control the aphid, production costs to farmer are minimized with no adverse environmental impacts.

The above example also illustrates the importance of maintaining a balanced portfolio of funding approaches for agricultural research and extension. The following comments are submitted relative to funding mechanisms for agricultural research.

- Formula funds as distributed to the CES and AES in each state/territory (e.g., Smith-Lever, Hatch, McIntire-Stennis, Animal Health, and Multi-State Research). These funds provide for the basic infrastructure needed for agricultural research in each state and enable response to new problems such as the Russian wheat aphid example described above. Other examples of the absolute requirement for sustained, base funding include studies in animal breeding, crop rotations, tillage, water quality, and ecosystem response to management inputs.
- Competitive grants as provided by the National Research Initiative in CSREES. Competitive grants are an integral part of a viable research enterprise because it emphasizes investigator interests and creativity to advance basic knowledge in agricultural disciplines. However, the short-term, low budget, and narrow focus of such grants minimizes their applicability to applied, interdisciplinary problems.
- Integrated programs involving both AES and CES require additional emphasis and funding to conduct the interdisciplinary research needed to solve the problems posed by agricultural stakeholders as well as provide the required technology transfer and outreach of research results. New funding for the Integrated Activities program in CSREES is strongly encouraged.

Agricultural research and extension is a sound investment of public funds. A variety of studies have documented the economic benefits derived from agricultural research. A recent study showed that the return on investment in agricultural research was 35% per year. This excellent return was obtained after considering research conducted by the private sector, the impact of

taxation to generate research funds, and the time period needed for research results to be implemented by users.

The land-grant university system through their AES and CES components are also contributing to economic development. For example, production of wine grapes and the associated development of wineries has significantly encouraged the agro-tourism industry in western Colorado. Development of the industry has been enhanced by local research and extension programs located at nearby Colorado State University facilities. Another example is extensive research and extension activities in the Arkansas Valley where community stability is threatened by water transfers and resulting changes in agricultural production practices and water quality. The statewide network of research and extension expertise enables faculty and staff at the main campus to readily complement expertise located in county and regional extension centers and in research centers. Programs try to address the economic development needs at the community level.

In summary, enhanced support of agricultural research and extension through CSREES to each land-grant university is strongly encouraged as well as continued support of the complimentary programs of ARS. This publicly supported agricultural research and extension system has resulted in significant increases in the productivity of farms and ranches resulting in a low-cost, safe and nutritious food and fiber supply for the consumer. The ongoing consolidation of agricultural enterprises and the increasing emphasis on natural resource and environmental issues further necessitate the need for enhanced investment of public funds in agricultural research and extension. Since the private sector is product development oriented, public investment in agricultural research will be increasingly important in the future to address natural resource, environment and product safety issues as well as providing an excellent return on investment.

Testimony of

Commissioner of Agriculture John R. Stulp

Before the Senate Agriculture Committee
March 12, 2007
Brighton, Colorado

Chairman Harkin and Senator Salazar:

It is an honor and pleasure to be here today. My name is John R. Stulp, and I grow wheat and run cattle on my farm and ranch in southeast Colorado. I am honored to also serve Governor Bill Ritter, Jr. as his commissioner of agriculture.

Colorado agriculture is diverse and produces an abundance of cattle, corn, wheat, fruit, carrots, spinach, sugar beets, dry beans, sweet corn, broccoli, turkeys, sunflowers, buffalo, millet, alfalfa, onions, potatoes, eggs, milk, lamb, elk, wool and many other crops and livestock. Combined, Colorado's farmers and ranchers produce over $5 billion in farm gate sales in a combined agricultural economic sector that creates 105,000 Colorado jobs in a $16 billion segment of our economy.

I know you have a big job ahead of you as you attempt to craft farm legislation that must meet the needs of US agriculture. This bill must protect our nation's natural resources, feed the disadvantaged, support commodity prices, manage financial risk, fill gaps in the agricultural credit system, create rural economic opportunity, fund research, and stimulate foreign trade. And you must accomplish these goals all the while remaining WTO compliant and within a tight budget. I would like to offer some suggestions for your consideration that will help address some shortcomings of the current farm bill.

We need a disaster title.
Let me begin by addressing disaster assistance. I have some recent, personal knowledge of what it's like to live through extreme weather events. The blizzards that struck Colorado in December of 2006 caused enormous economic damage to Colorado's livestock industry.

Most notably, the blizzard that hit southeastern Colorado on December 28-30 buried several counties under four feet of snow with drifts as high as rooftops. Livestock were stranded and went unfed for as much as two weeks. The grass that those cattle were supposed to live on through the winter remains under snow. Cattlemen in a ten-county area have fed all their hay reserves and are now reeling from economic pressures.

These blizzards came on the heels of six years of drought. Many ranchers and farmers are facing economic ruin, and despite the best efforts of Senator Salazar and others of our Congressional delegation, we cannot find a disaster relief program to help them that is on the books and funded. A livestock disaster cannot be evaluated using a crop loss formula. We cannot even qualify for a secretarial disaster designation until we lose thirty

percent of our cattle or calf crop in order to qualify for low-interest loans to buy hay or pay fuel bills. This situation is shameful. The current system heaps even more misery on producers who do qualify by offering only low interest loans and only to those who have no option other than bankruptcy.

I applaud efforts to create a disaster title within the farm bill that will eliminate delays associated with appropriating funds, developing ad hoc USDA guidelines, and then finally having to train state and county FSA staff to implement the program. All these steps could be avoided thus speeding the process of making funds available to people who need it so badly.

A standing disaster title would eliminate or dramatically reduce obstacles to providing timely relief following disasters. Producers would know quickly what types of assistance are available and how much aide they might receive.

Risk management tools must be improved.
The current tools offered by Risk Management do not meet the needs of our crop and livestock producers. Existing crop insurance options inhibit the ability of producers to adopt newer, proven cropping systems. One such cropping system is called skip-row planting. Skip-row planting reduces plants per acre but in many circumstances can increase yields per acre through improved water management. However, Risk Management will not insure to historic yields claiming that only half or two-thirds of the field was actually planted. The agency needs to be more responsive to innovation.

The bill must address the needs of specialty crop producers.
Colorado raises many specialty crops, including onions, carrots, potatoes, dry beans, apples, pears, peaches, apricots, melons and many others. Greater emphasis needs to be placed on the research and marketing needs of these growers. Specifically, USDA can aid these growers by investing in crop protection research and by including more fruit and vegetables in nutrition programs.

The Colorado Department of Agriculture has developed a consumer awareness program called Colorado Proud. It is intended to help specialty crop producers get their products in front of consumers who, surveys have shown, would prefer to purchase locally grown produce when possible. These innovative marketing efforts take money, and USDA could assist state marketing agencies by providing financial and technical expertise. I also suggest Congress consider block grants to states to enable them to develop research and marketing programs unique to their individual needs.

Colorado is a leader in organic food production. Organic producers would benefit from increased research into crop protection techniques that comply with the National Organic Program.

Renewable energy is a crop, too.
We are witnessing the beginning of a new future for energy in America. Agriculture in America is now about food, feed, fiber *and fuel*. The current focus on expanding ethanol

production from corn is creating a very strong corn market. Considering how fast costs of production have been going up as a result of high energy prices, this corn market is very welcome.

Colorado livestock producers have been hit with high energy prices at the fuel pump and at the feed bunk. Congress must help livestock producers work towards greater foreign market access for US livestock products in order for them to receive prices that reflect their increased costs of production.

I support the Administration's proposal to expand research at our land grant universities for cellulosic ethanol production, and I also support the continuation of the Section 9006 grants, particularly for small and community scale renewable energy production. These facilities have enormous potential for rural communities in creating jobs and economic diversity for rural economies.

As Senator Salazar is most certainly aware, portions of Colorado's high country are experiencing widespread timber die-off due to a massive growth in the population of pine bark beetles. Enormous amounts of dead trees spell potential disaster when fire season begins. These trees could be a biomass source, especially when cellulosic ethanol becomes practical. An effective energy title will include incentives for forest management, including fuels reduction for alternative energy production. I suggest the committee work with the Administration to encourage forest management innovation and assure sufficient funding for the National Renewable Energy Laboratory here in Colorado to make the promise of cellulosic ethanol closer to reality.

Colorado has three commercial-scale wind farms currently with expansions and new wind farms nearing development. I would suggest the committee consider standardizing the regulations governing Conservation Reserve Program acres when those acres are involved in wind farm construction.

While we are on the topic of wind energy, extension of the federal production tax credits are critical to the continued wind energy development in the High Plains.

Develop the next generation of farmers.
Colorado has a state-wide program to encourage those entering agriculture by offering lower-interest loans, but the program alone will not fill the need. The farm bill should continue offering beginning and disadvantaged farm loans. The Administration's proposal would increase farm ownership and operating loan limits to a combined level of $500,000. That is a realistic step and I urge you to consider incorporating it into your Farm Bill package.

Keep the commodity support title essentially intact.
The 2002 Farm Bill has worked relatively well, and I urge you to keep the commodity support programs essentially intact. Even though current commodity prices are better, the next farm bill should have an adequate safety net for producers when the next

downturn in prices occurs. An adequate safety net can only be possible if the baseline funding for this farm bill is set at the 2002 farm bill level.
I support better targeting of the commodity program benefits, but targeting efforts should accommodate commodity price spikes without eliminating eligibility from what might be short-term market conditions.

The Administration has suggested expanding planting flexibility on program acres to achieve WTO compliance. While this suggestion would not have dramatic affects on planting decisions in Colorado, such a provision could have enormous financial implications on Colorado's specialty crop producers if large amounts of base acres across the nation are planted to non-program crops. I urge the committee to move cautiously in this regard.

The Administration has suggested retiring acreage base when all or a portion of cropland is sold for development. This suggestion has merit but could have unintended consequences, particularly when only a small portion of some cropland has been developed to help pay inheritance taxes or college tuition. When Congress considers eliminating base acres resulting from partial development or 1031 exchanges, please keep in mind what impacts such changes would have on the next generation of producers.

Conservation programs should be the centerpiece of the Farm Bill.
To the general taxpaying public, conservation programs are one of the most popular aspects of a farm bill. It is an opportunity for the public to recognize tangible benefits in return for tax dollars. We risk losing public support for farm programs if Congress does not adequately fund conservation.

The demand for conservation assistance far exceeds current funding levels. The principal need is to at least maintain existing levels of technical assistance and to increase efficiencies that free those technicians to spend more time in the field. We support the continued flexibility afforded by the use of technical service providers, and the Colorado Department of Agriculture wishes to continue partnering with NRCS to assist landowners in implementing conservation programs.

EQIP remains the cornerstone of the natural resource protection program. The system has the ability to recognize local priorities, and in Colorado, NRCS has made substantial EQIP funds available for invasive species control utilizing a state system that categorizes noxious weeds into three categories, depending on the extent to which the species has gained a foothold in the state. Our highest priority is to target those weeds that can be eradicated by controlling small populations before they become well established. EQIP funding makes it possible to effectively deal with emerging weed pest species. Yet the farm bill could more clearly identify invasive species management as an appropriate focus area for local and state action. While Colorado NRCS has made great strides in utilizing the 2002 Farm Bill to address invasive species, many states have not and should be encouraged to do so

Landowners in several Colorado watersheds are eligible for participation in the Conservation Security Program, but the demand in non-eligible watersheds is very high. CSP is not without problems, particularly the application process. Adequate funding of CSP will make the program an effective tool for conservation and can help address the WTO compliance issues associated with commodity programs. CSP was established as an uncapped program, and it ought to be funded as such. In CSP's current funding state, some local NRCS personnel have questioned whether the benefits of applying are worth the considerable effort involved. The criteria for CSP compliance do not fit Colorado agriculture.

The Conservation Reserve Program has been very effective in controlling wind erosion throughout Colorado, and particularly in eastern Colorado where remnants of the Dust Bowl and the drought of the 1950's can still be seen. This current six-year drought has not produced the blowing dust one would expect. These positive results are attributable to CRP almost exclusively. Colorado has nearly 2.5 million acres under CRP contracts, and I urge you to continue funding the program.

The Grassland Reserve Program, Wetlands Reserve Program, and Farm and Ranchland Protection Program have been utilized in Colorado and provide incentives for landowners to remain in agriculture and resist development pressures.

Today's research is agriculture's future.
America's land grant institutions have a remarkable track record of achievement in agricultural productivity, but this effort must not diminish over time. In Colorado, we will rely on research at Colorado State University to help this state accommodate increasing demand for scarce water resources. Improvements in irrigation efficiency, drought tolerant crops, improved crop nutrient management, and livestock waste management are just a few of the critical areas of research currently underway at CSU.

I urge the committee to carefully consider the respective roles that formula and competitive funding programs play in the overall research needs of agriculture. These research functions should be carefully balanced and well funded if agriculture is to meet the nutritional and environmental demands society has come to expect.

The research conducted at the Central Great Plains Research Station is critical to the future of agriculture in eastern Colorado. However, funding for dryland cropping systems conducted at the CGPRS has not kept apace with the needs identified by the Center's advisory group. I urge the committee to increase the station's funding base to put it on par with other research facilities around the nation.

International markets are important to Colorado agriculture.
Colorado food and agricultural products were exported to 106 countries in 2006. Beef, livestock and meat products top the list of exports by value followed by wheat, coarse grains, fruits and vegetables and other agricultural goods. The projected 2007 value of agricultural international exports from Colorado exceeds one billion dollars.

I urge the committee to maintain or increase funding levels for the Foreign Market Development cooperator program and the Market Access Program. These programs are instrumental in developing export markets for Colorado food and agricultural products. Colorado utilizes these programs in conjunction with the US Wheat Associates, the US Meat Export Federation, the US Grains Council, the Western US Agricultural Trade Association, the US Potato Board and other export organizations.

In conclusion.
Mr. Chairman and Senator Salazar, I very much appreciate this opportunity to discuss farm policy with you here in one of the most productive agricultural regions in the country.

Farmers and ranchers throughout the nation face many challenges, but I am optimistic that with a farm bill that is sufficiently funded, adequately flexible and which utilizes renewable resources, Colorado agriculture will remain viable for the coming generations of farmers and ranchers.

Mr. Chairman, Members of the Committee, my name is Dusty Tallman, and I farm with my family in Southeastern Colorado. I would like to thank Senator Harkin for convening this hearing in Colorado and am very pleased that Senator Salazar serves on this important committee. I am currently President of the Colorado Association of Wheat Growers, and Chair of the Domestic Policy and Trade Committee for the National Association of Wheat Growers (NAWG).

Colorado has had below average wheat crops, 6 of the last 7 years (see attachment), and continuing to operate a farm has been a struggle. I grow mainly wheat, but continue to diversify my operation to include dryland corn, milo, sunflowers, millet, and hay. The spring crops have helped reduce our reliance on winter moisture, but have not been too successful, due to the continuous drought. Both CAWG and NAWG support disaster assistance for the 2005 and 2006 production years, and would like to thank the Members of this committee who have and continue to work so hard for this assistance.

The 2002 Farm Bill and disaster payments have been all that have kept many producers in business, and even with that assistance, most have been using their equity to fund their operations. There have been many beneficial programs in the 2002 Farm Bill, but improvements could be made to make it even better.

The Direct Payment has been most important to my farm and to many other wheat growers across the country. I know what it will be each year and my lender knows it too. I believe the best way to improve the 2002 Farm Bill would be to increase the level of the Direct Payment for wheat. Our figures at NAWG show an increase to $1.19 per bushel would provide needed stability and equity to wheat producers. While I understand that other groups have concerns about the effects that the Direct Payment may have on rental rates, we believe that the Direct Payment does not cause any greater increase in rental rates than any other government program.

As you are aware, the Counter-Cyclical Program was designed to help protect against low prices, and it has, but during negotiations for the 2002 Farm Bill, the target price for wheat was reduced so low that wheat growers have not been able to use this program at all over the life of the 2002 Farm Bill. The Counter-Cyclical Program has been very beneficial to most of the other program crops and wheat growers propose an increase in the Target Price for wheat to $5.29 per bushel. The attachment has the calculations and rational for these increases.

Crop insurance has become another tool to preserve farm income. It works very well in low-risk areas, but the drought has seen our yields decrease and premiums increase drastically, and the dollar per acre guarantees drop. In some cases yields have decreased by two-thirds while premiums doubled. There continue to be new crop insurance products developed, but none affordably cover the first 25%- 35% of crop losses. Most producers could handle that loss once every 4 or 5 years, but not 5 to 7 consecutive years. A larger Direct Payment would fill some of the void of that 30% loss.

The Conservation Title offered promise to both producers and the environment. The Conservation Security Program (CSP), Conservation Reserve Program (CRP), Grassland Reserve Program (GRP), Environmental Quality Incentives Program (EQIP), and others have all help conserve the land, water and air. The biggest problem with all these programs are they are

under funded, and seem to end up directed to urban areas. We should fully fund these programs and make them available to all producers.

The ad-hoc agricultural disaster spending has kept many producers in business. It is hard to develop and fund disaster assistance, but we are very grateful for the support. CAWG and NAWG do not currently have a policy position on permanent disaster assistance, however, we believe that if it is to be included in the next Farm Bill, it must not be paid out of other Farm Bill spending, and it must be effective in helping to cover what crop insurance doesn't. We believe that the increases in the Direct and Counter-Cyclical Payment levels that we are proposing would reduce the need for permanent disaster legislation.

Energy continues to be very important to agriculture, both in the cost of our fuel, fertilizer and electricity, and in the advances in renewable energy from our crops. I would hope that those advances continue, and the greatest portion of funding for renewable energy comes from outside the Farm Bill spending, or through new funds.

I would caution against trying to write a new Farm Bill which complies with all the requests from the WTO negotiations. In my opinion, that would voluntarily disarm any position of strength we have in the negotiation process. We need to have something on the table to negotiate with, because there will always be objections to some of our programs, whether they are green box or not.

I also hope payment limitations not be used as a political tool. There have been many proposals to reduce payment limits, and those proposals always hurt producers in Colorado. The proposals in the past have always targeted the Direct Payment more than the Counter-Cyclical or loan payments. In wheat production where we rely most on the Direct Payment, this is unfair to producers. It has been the practice to get larger to spread out your fixed costs, and now we are being told we are too big. The last payment limit proposal I saw would negatively impact 30% of the farmers in Colorado, and only 4% of those in Iowa.

Finally, the United States produces the safest, most reliable, and most affordable food supply in the world. I believe we need to protect that, and not become reliant on foreign countries to feed us.

Thank you again for this opportunity, and I would be happy to answer your questions.

Agricultural Disaster Assistance (2005)

USDA estimated the 2005 Colorado winter wheat crop at 85,750,000 bushels on May 12; 78,400,000 bushels on June 10; 64,800,000 bushels on July 12; and 52,800,000 bushels on September 30, up 15 percent from 45,900,000 bushels last year – but down 30 percent from the 10-year average of 75,540,000 bushels. The final estimate is based on 2,200,000 acres being harvested with an average yield of 24 bushels per acre. It was the fifth below average winter wheat crop in six years.

CAWG estimates the loss to Colorado winter wheat producers in 2005 at approximately $65.1 million, based upon typical production calculated on an average abandonment rate (14%) and yield (33.0 bu./acre) and the price ($3.35 per bu.) for the 2005-06 marketing year.

CAWG supports emergency disaster assistance for losses to agricultural commodities due to damaging weather or related conditions.

Winter Wheat, Colorado, 1995-2004

Year	Acres Planted	Acres Harvested	Yield Per Harvested Acre (Bushels)	Production (Bushels)
1995	2,900,000	2,700,000	38.0	102,600,000
1996	2,800,000	2,200,000	32.0	70,400,000
1997	3,000,000	2,700,000	32.0	86,400,000
1998	2,750,000	2,550,000	39.0	99,450,000
1999	2,600,000	2,400,000	43.0	103,200,000
2000	2,500,000	2,350,000	29.0	68,150,000
2001	2,350,000	2,000,000	33.0	66,000,000
2002	2,350,000	1,650,000	22.0	36,300,000
2003	2,600,000	2,200,000	35.0	77,000,000
2004	2,300,000	1,700,000	27.0	45,900,000
1995-04 (Avg.)	2,615,000	2,245,000	33.0	75,540,000
2005	2,550,000	2,200,000	24.0	52,800,000

Agricultural Disaster Assistance (2006)

USDA finalized its estimate of the 2006 Colorado winter wheat crop at 39,900,000 on October 12, down 24 percent from 52,800,000 bushels last year – but down 43 percent from the 10-year average of 70,560,000 bushels. The estimate is based on 1,900,000 acres being harvested with an average yield of 21 bushels per acre. It is the sixth below average winter wheat crop in seven years.

CAWG estimates the loss to Colorado winter wheat producers in 2006 at approximately $99.8 million, based upon typical production calculated on an average abandonment rate (15%) and yield (31.6 bu./acre) and the price ($4.53 per bu.) for the 2006-07 marketing year.

CAWG supports emergency disaster assistance for losses to agricultural commodities due to damaging weather or related conditions.

Winter Wheat, Colorado, 1996-2005

Year	Acres Planted	Acres Harvested	Yield Per Harvested Acre (Bushels)	Production (Bushels)
1996	2,800,000	2,200,000	32.0	70,400,000
1997	3,000,000	2,700,000	32.0	86,400,000
1998	2,750,000	2,550,000	39.0	99,450,000
1999	2,600,000	2,400,000	43.0	103,200,000
2000	2,500,000	2,350,000	29.0	68,150,000
2001	2,350,000	2,000,000	33.0	66,000,000
2002	2,350,000	1,650,000	22.0	36,300,000
2003	2,600,000	2,200,000	35.0	77,000,000
2004	2,300,000	1,700,000	27.0	45,900,000
2005	2,550,000	2,200,000	24.0	52,800,000
1996-05 (Avg.)	2,580,000	2,195,000	31.6	70,560,000
2006	2,150,000	1,900,000	21.0	39,900,000

Testimony of
Alan Welp
State Director
Colorado Sugarbeet Growers Association
Before the
United States Senate Committee on Agriculture, Nutrition, and Forestry
Brighton, Colorado
March 12, 2007

Mr. Chairman, welcome to Colorado. The U.S. sugar industry looks forward to working with you and the Committee to develop the sugar provisions for the 2007 Farm Bill. Our industry supports the current structure of U.S. sugar policy. We continue to work diligently to enhance the current bill in ways that will allow our farmers to remain in business and provide the food security that is so essential to our nation.

We are also working to make the program more predictable in order to improve the Secretary of Agriculture's ability to properly administer the program. We will be happy to share those technical details with you in the near future once the beet and cane industries finalize our recommendations.

For today, I would like to make six key observations.

First, Western Sugar Cooperative is a farmer-owned cooperative operating five factories in four states – Colorado, Montana, Nebraska, and Wyoming. Growers bought the company in 2002 and carry substantial debt as a result. With high corn prices and low sugar prices, we are fighting to maintain acreage, because corn prices are driving up land cost substantially and in some cases making it almost unavailable for beet production. Without sufficient acreage and throughput, the cooperative can not remain efficient and competitive. Substantial penalties of at least $320 an acre will be levied on shareholders if they choose to grow corn instead of beets.

The U.S. sugar industry has not had an increase in our support rate in 20 years. Yet our costs for fuel, fertilizer, and virtually every other input have increased substantially over that time. This has taken a toll on the industry and we have lost more than 35 beet and cane factories during that time. This problem needs to be addressed in the new farm bill.

Second, our prices have plunged since last summer, when the USDA announced on July 27, 2006 a commitment to import 250,000 tons of sugar from Mexico and an additional 250,000 tons from our WTO trading partners. This action, on top of a bumper crop in the U.S., has significantly over-supplied our market. Mexico had a short crop and does not have 250,000 tons to ship to us, so it is buying sugar from neighboring countries at world prices to use as a substitute domestically so that Mexican sugar can be shipped to our market. The bottom line is that Mexico is shipping us sugar that it does not have and that we do not need. That just isn't right.

We have plenty of sugar to ship to Mexico if it is short. We expect to have approximately 300,000 tons of sugar that we will have to store in order to balance the market. That is sugar we would like to send to Mexico, but it has a 12-cents-per-pound tariff in place that effectively prohibits our

exports. The U.S. has a non-restrictive 1.5-cent tariff on Mexico's exports to us. Once again, it isn't fair and it isn't right. We believe that USTR and USDA should ask the Mexican Government (1) to increase its duty-free TRQ for U.S. origin sugar from the current 21,774 metric tons, raw value, to 100,000 metric tons, raw value, and (2) to give U.S. sugar producers the right of first refusal to fill any additional Mexican import needs on a duty-free basis. Mexico's refusal under these circumstances would clearly call into question its commitment to the principles embodied in the NAFTA.

Our growers are deeply concerned that Mexico has a long history of not complying with its obligations on sugar trade. All efforts need to be made by our respective governments to make sure that sweetener trade between our two nations allows our domestic farm bill sugar policy to continue. If Mexico will not comply, then we need swift retaliation to counter its actions.

Third, for the 2007 Farm Bill, USDA proposes to retain the basic structure of the existing sugar program and continue to operate it at no cost to U.S. taxpayers. We agree that we must use taxpayer dollars wisely. While this is a positive development, we object to USDA's request that it be given sole discretion to reduce domestic sugar production without parameters or guidelines. Efficient U.S. sugar farmers should not be asked to take a back seat to subsidized foreign sugar producers who could flood the U.S. market with unneeded sugar.

Fourth, large food manufacturers are lobbying Congress to eliminate the no-cost sugar policy in favor of a $1.3 billion-a-year plan built around sugar subsidy checks—a plan that sugar farmers vehemently oppose.

Fifth, everyone asks about making ethanol from surplus sugar. We view ethanol as a limited option to be used simply for the disposal of sugar that is in surplus as a consequence of current and future trade agreements. U.S. producers are in the business of providing sugar for the food market, which is and always will be our primary market. However, when the market is oversupplied as a result of excessive access provided by trade agreements, one of the few alternative uses for that sugar is ethanol. This will take some time to develop, and additional incentives will be required. We will provide the Committee with additional thoughts as we move forward.

Finally, as the WTO Doha negotiations continue, our farmers are deeply concerned that the developing nations that produce and export 75 percent of the world's sugar will not play by the same trade rules we do. We are concerned that those foreign producers who are less efficient than our producers will gain an advantage simply because of the way the agreement is negotiated. We ask that you watch those negotiations closely and not allow our producers to be put at a disadvantage.

Thank you for this opportunity to testify, and our industry looks forward to working with you.

2007 FARM BILL

First, I would like to thank Chairman Harkin, Senator Salazar and members of the Committee for the opportunity to speak today about the importance of the Food Stamp and Nutrition Programs for Colorado. I am Kathy White and am here today to represent the Colorado Anti-Hunger Network or CAN. CAN works to alleviate hunger through advocacy, food policy, research, and resource development.

Our top priority for the 2007 Farm Bill is a strong nutrition title that improves the Food Stamp Program in three broad areas: adequacy of benefits, access, and eligibility.

The Food Stamp Program is a critical tool in the fight against hunger in Colorado. In an average month today the Food Stamp Program provides more than a quarter of a million Coloradans with the means to purchase food for a nutritious diet. More than 80 percent of the beneficiaries of food stamps are families with children, the rest are elderly and disabled people. The small benefit, on average about $1.19 per meal, makes a big difference in the health and lives of thousands of Coloradans.

Food stamps are also an important work support, acting as a temporary bridge for working poor families that are struggling toward self-sufficiency. Colorado has a high number of food stamp recipients who work, but have incomes too low to meet their basic needs. Without food stamps, many of these folks would be forced to choose between enough food to eat and other basic necessities, like rent, utilities or medical care.

Colorado demonstrated the need for the Food Stamp Program when we implemented a new computer system. When CBMS, the state's new public benefits computer system, went online, thousands of families were unable to access their food stamp benefits. As a result, food pantries around the state experienced a spike in need that could not be met. Some that had operated successfully for decades were forced to shutter their doors in the face of overwhelming demand. We know our nonprofit and private sectors simply can't do it alone.

While critical for families, food stamps also provide a vital economic stimulus for Colorado.

- In FY 2006, food stamp benefits pumped over $323 million federal dollars into local Colorado communities through neighborhood supermarkets, farmers markets and mom and pop stores.
- On average, every $1 billion of food purchases by food stamp recipients generates 3,300 farm jobs.
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In short, the food stamp program helps families, farmers and our economy.

What's more, the program does this all extremely efficiently. With the EBT cards and other simplifications made over the past few years, the Food Stamp Program has become one of the most effective federal programs, with more than 98 percent of benefits going to eligible households, according to the GAO. While Colorado's error rate has been an issue recently, this is due to a computer problem that we're resolving. The state has typically not had a significant problem with errors.

By all accounts, the food stamp program is an effective and important anti-hunger and anti-poverty tool for Colorado. Yet the program falls short in reaching all households in Colorado that do not have enough food on their tables.

As you prepare to draft the Farm Bill, we particularly wish to stress the following needs that must be addressed in the nutrition title of the bill.

First, we must improve access to the program by providing additional resources to streamline systems, simplify program rules and expand education and outreach. Too many eligible households, especially seniors, legal immigrants and working poor families are missing out. It is estimated that only 56 percent of all eligible families in Colorado receive food stamps, and the participation rate for eligible working poor families is even lower.

Second, we believe it is imperative Congress improve the adequacy of the benefits. The minimum benefit is so low that it creates a disincentive for eligible participants to navigate the complicated application process. One food bank provider serving the Colorado Springs area surveyed families receiving Food Stamps and found that the average monthly benefit lasted only two weeks. Moreover, the value of the benefit continues to erode for many food stamp recipients due to the static standard deduction. The inadequate benefit of $1.19 per meal is declining in purchasing power each year. According to one analysis, in FY08 Colorado benefits will be $13 million less than they would have been if the standard deduction had been indexed to inflation.

Thirdly, we should build on the progress made in the 2002 Farm Bill to restore eligibility to certain needy groups, such as legal immigrants and their children, and unemployed childless adults.

Our member organizations also wish to stress the importance of nutrition education in fighting hunger. Greater efficiency might be found in directing USDA to revisit how volunteer hours are allowed to be used by non-profit, non-governmental agencies as a match for the Food Stamp Nutrition Programs. At the present time only public entities can use volunteer hours as in-kind match, yet non-profit organizations are the experts at the use of volunteers.

Finally, the CAN asks that Congress strengthen and enhance both the Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). Congress could strengthen the TEFAP program by increasing food purchases and providing a floor for bonus commodities similar to the FY01-02 level.

The CSFP program is a vital nutrition program in Colorado meeting the unique needs of some 12,200 Coloradans, mostly seniors. Congress should simplify the program by removing the priority system and allowing all clients to qualify at 185 percent of poverty. Given the changing demographics across the country, Congress should take the opportunity to develop a senior pilot program to help expand CSFP to more states.

The 2007 Farm Bill is a wonderful opportunity to build on the advances made in 2002 and we look forward to continuing to work with Congress and other Coloradans toward a sound and strong nutrition title. Thank you again for your time.

Kathy A. White
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Comments on 2007 Farm Bill
Submitted by Doug Zalesky of Hesperus, CO
on Behalf of Colorado Independent CattleGrowers Association
To the U.S. Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing
Brighton, Colorado

March 12, 2007

The Colorado Independent CattleGrowers Association (CICA) thanks U.S. Senators Tom Harkin and Ken Salazar for coordinating this hearing and for extending CICA the opportunity to offer comments on the 2007 Farm Bill through this testimony offered by CICA President Doug Zalesky of Hesperus, CO.1

Since establishment in June 2005, CICA has worked diligently to protect and enhance the profitability and viability of Colorado's live cattle industry. The 2007 Farm Bill presents unique opportunities to strengthen the cattle sector of the economy not only for Colorado producers, but for those across the nation.

I. Introduction

The cattle industry is the largest single sector of U.S. agriculture. Rural communities, across America depend on the continued health of the industry. In little more than a decade, more than 122,000 cattle ranches have exited the beef cattle business.2 During the same period, the inventory of cattle and calves in the U.S. plummeted from 101 million to just under 95 million. The Farm Bill provides a crucial platform to reform U.S. agriculture policies to create a competitive playing field at home and abroad for cattle producers.

The new Farm Bill should focus on five key areas: 1) honest, open and transparent 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. The 2007 Farm Bill should contain a separate cattle chapter encompassing each of these issues to ensure they receive the urgent attention they deserve and are addressed comprehensively.

II. Ensure Competition in the Domestic Cattle Market

Consolidation in the meat packing industry has grown at an alarming rate over the past few decades. As consolidation has grown so have market abuses. Market concentration and packer-dominated contracting practices have systematically undermined independent cattle producers by denying them an honest price in a competitive marketplace. Concentration among meat packers has more than tripled since the late 1970s, and today just four beef packing

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[1] Mr. Zalesky can be contacted at 18683 Hwy. 140 Hesperus, CO 81326.

[2] U.S. Department of Agriculture, NASS Database, U.S. and All States Data - Cattle and Calves.

companies control more than 83 percent of the industry.3 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. This extreme level of concentration is indicative of a severe lack of competitiveness in the industry. It is an accepted economic theory that competitive conditions begin to deteriorate once the four-firm concentration level exceeds 40 percent.4

At the same time that the meat packing industry has been consolidating dramatically, packers have increasingly used non-traditional methods of contracting and marketing methods that further erode the selling power of cattle producers. Thus, while the meat packing industry has become more integrated horizontally (through consolidation), it has also been increasing its vertical coordination through contracting practices. Such methods include purchasing cattle more than 14 days before slaughter, 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 slaughtered by the same four firms from 1999 to 2002.5

Captive supply practices place the risks of price instability on cattle producers and suppress cattle prices.6 As prices for cattle are artificially suppressed and become more volatile, it is cattle producers who suffer, 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. 7

The 2007 Farm Bill presents an opportunity to provide safeguards against anticompetitive practices and protect producers from the abuses resulting from market power. Two key components are 1) strengthening tools to combat excessive concentration and enforce existing competition laws in the meat packing industry; and 2) improving regulations to prohibit unfair contracting practices that deny market transparency and reduce producer bargaining power in open markets.

The 2007 Farm Bill should provide for effective and vigorous enforcement of antitrust and competition laws. Study after study has criticized the failure of USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) and the Department of Justice (DOJ) for failing

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[3] J. McDonald et al., "Consolidation in U.S. Meatpacking," Food and Rural Economics Division, USDA Economic Research Service, Agricultural Economic Report No. 785; M. Hendrickson and W. Heffernan, "Concentration of Agricultural Markets," University of Missouri Department of Rural Sociology, February 2005.

[4] "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, U.S. Senate, October 29, 2004.

[5] RTI International, "Spot and Alternative Marketing Arrangements in the Livestock and Meat Industries: Interim Report," prepared for the Grain Inspection, Packers and Stockyard Administration, USDA, July 2005.

[6] 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, February 6 - 7, 2003.

[7] USDA ERS, "Beef Values and Price Spreads".

to aggressively enforce current laws. These agencies, along with the Fair Trade Commission, should be directed by Congress to work together to scrutinize mergers and acquisitions in the industry and to pursue strategies for preempting and remedying anticompetitive practices.[8]

In January 2006, the USDA's Office of Inspector General (OIG) issued a report finding a broad range of management problems within GIPSA that have severely undermined the agency's effectiveness.[9] 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 meat packing industry since 1999.

There is an urgent need to ensure effective enforcement of the laws to combat concentration and anticompetitive practices. Reform is needed within the structure of the enforcement agencies to ensure the existence of one central coordinating office which has the full authority needed to vigorously pursue enforcement actions and which can be held accountable by Congress for 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. It is incumbent upon Congress to see that the enforcement agencies have the proper funding needed for enforcement.

With regard to market coordination and unfair contracting practices, the Farm Bill should strengthen the law in order to prohibit packer ownership of cattle, 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.
~ Improving termination and arbitration provisions to ensure cattle producers can retain and enforce their rights.

The U.S. cattle industry has suffered precipitous drops in prices, despite widespread

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

[9] 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.

reports of tight cattle supplies and strong beef demand. Producers need accurate and complete pricing data. CICA urges Congress to develop legislation that will strengthen and enhance the Livestock Mandatory Price Reporting Act.

III. Safeguard Health and Safety of the U.S. Cattle Herd

CICA believes the 2007 Farm Bill should lay out aggressive, comprehensive strategy for protecting the integrity of the U.S. cattle and beef supply. The U.S. should be pursuing excellence with regard to import standards, providing the highest level of protection for animal health and food safety. Risk cannot be managed by increasing exposure.

The Farm Bill can ensure that USDA makes health and safety a top priority as it works to restore global 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 bovine spongiform encephalopathy (BSE) risk mitigation measures recommended for both imports and exports by the OIE pending an international agreement on BSE standards;
~ 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.

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

While CICA agrees that animal identification can play an important role in controlling and tracking disease, it is absolutely essential that any program focus solely on animal trace-back from a disease control standpoint and should incorporate existing animal identification systems, while placing jurisdiction over such programs to respective states. A federalized animal identification system ignores the role of state and tribal authorities and will impose undue burdens on producers while providing limited protection to animal health and consumer safety. Producer-related liability associated with animal identification must cease when the animal changes ownership as long as proper animal production and husbandry practices have been followed. Information related to age and source verification should be driven by market incentives only.

IV. Provide Information to Beef Consumers

Country of origin labeling for beef and other agricultural products was mandated by Congress in the 2002 Farm Bill. Unfortunately, despite broad public support and the proven success of other programs, implementation of beef labeling has been delayed until 2008.

The 2007 Farm Bill should restore labeling by moving its implementation date as close as possible to the original date mandated by Congress. In addition, the Farm Bill should outline an implementation approach that ensures labeling is administrated in the simplest and most cost-effective manner for producers while providing the full scope of information to consumers. The GAO, along with independent analysts, have expressed concern that initial plans for labeling implementation as outlined by USDA are unnecessarily burdensome and expensive and could be simplified significantly. 10 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 record keeping requirements outlined in the initial proposed rule by USDA. These are cost-saving revisions that do not weaken the intent and substance of the labeling law and should be considered in any final implementing rules for labeling of beef.11

Packers are capable of identifying animals exclusively born and raised in the U.S., whose meat qualifies for a "U.S." label under the labeling law, 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 the law without imposing additional burdens on cattle producers.

V. Address Global Distortions in Cattle and Beef Trade

Typically, the Farm Bill does not address U.S. trade policy, despite the fact that these policies have a significant impact on cattle producers. It is important that the Farm Bill address more consistent policy goals for cattle and beef trade, particularly since the deficit in this sector has exploded over the past few years. Given the supply-sensitive nature of the U.S. cattle markets, the growing trade deficit in both cattle and beef has had a profound impact on the U.S. cattle industry.

The lack of harmonization of health and safety standards, as outlined in Section III, plays a large role in the loss of U.S. export markets. U.S. 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 is important that USDA become engaged in researching how exchange rates play into agricultural trade flows and that USDA monitor the manipulation of exchange rates.

The Trade Act of 2002 outlines steps that should be taken to eliminate the gross distortions plaguing global cattle and beef trade. Congress called for reduction of foreign tariff levels to meet U.S. levels, which would require substantial reductions in beef tariffs by certain trading partners. Congress also called for the elimination of "subsidies that decrease market

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[10] General Accounting Office, Country of Origin Labeling. Opportunities for USDA and Industry to Implement Challenging Aspects of New Law, GAO-03-780, August 2003.

[11] 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.

opportunities for U.S. exports or unfairly distort agricultural markets" in the Trade Act of 2002. It is not yet possible to tell whether these goals will be met, but is imperative that Congress and USDA remain attentive.

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. Unfortunately, the special safeguard for agriculture that currently exists for beef is being compromised 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 nations like the U.S. could result in a mismatch of market opportunities that puts U.S. cattle producers at a competitive disadvantage.

Further trade liberalization without special safeguards will erode the market for the U.S. cattle industry, and 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."12 This dynamic is particularly apparent in the cattle and beef industry, where, as former U.S. International Trade Commission Chairwoman Lynn Bragg observed, "The concentration of 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."

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 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:

~ An increase in direct purchases of beef in the school lunch program and stronger rules of origin for beef in the program;
~ Conservation programs that sustain wildlife and habitat as well as the rancher, and reward agricultural producers for taking measures to improve their land;
~ Incentives and assistance for producer cooperatives and grower-owned value-added enterprises, research and development projects, and rural banking and economic development initiatives;
~ Reform of laws surrounding the interstate shipment of state-inspected meat.
~ Provide for beef producers the right to vote periodically on the federally mandated beef checkoff program, to ensure funds are being used adequately and appropriately; and
~ Provide reform of the Beef Act, permitting funds to be used to promote U.S. beef.

VII. Conclusion

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[12] "The U.S. Trade Deficit: Causes, Consequences and Recommendations for Action," Final Report to the U.S. Trade Deficit Review Commission, Nov. 14, 2000.

The 2007 Farm Bill presents a myriad of opportunities to reform U.S. agriculture policy to level the playing field for U.S. cattle producers, guaranteeing competitive domestic markets for cattle and beef, strengthening safeguards for health and safety, improving consumer information, addressing global distortions in cattle and beef trade, and establish new programs to support the continued vitality of the largest sector of U.S. agriculture.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 12, 2007

March 14, 2007

Senator Harkin, Senator Salazar, it is a privilege to submit the following testimony in support of the new Farm Bill.

I am a Tree Farmer – that does NOT mean that I "plow rows and plant Christmas trees"! What it does mean is that I have a tract of forested land that I have committed to maintain in healthy forest in perpetuity. That is a big undertaking and one that not even many generations will survive to see. But if we do not do that with our forests today, we will see them "frittered away" until it is too late to restore them.

Within the United States, roughly 60% of all forested land is privately owned. In Colorado and other states west of the Rockies, the mix is nearly reversed, with about 30% of Colorado forest lands in private ownership. What is significant about this diverse ownership is that the proper incentives can put to work on 60% of America's forests individuals that are highly motivated by their ownership of the land, while we have to "hire folks" to do that on public lands.

In the West, the suppression of fire has produced fire risk conditions that are almost unbelievable. A 1909 USFS survey estimated 11.6 billion standing board feet of timber in Colorado – if we assume that a substantial amount had been removed for railroad ties, mine pit props, and cabin construction in the previous 30 years, it would not be far off to suggest that we would have had a "native stand" of around 12 billion board feet at that time.

A 1995 USFS survey states that Colorado now has 41.3 billion standing board feet of timber! In addition, we have taken many acres out of production with roads and urban development so that today we may have areas with 5 times the timber that Mother Nature intended for that terrain!

We all know that 5 people cannot live on the water and nutrients allowed for one healthy perons so we should not expect more of our trees.

On my own Tree Farm, in Hinsdale County in the heart of the San Juan Mountains of Southwest Colorado, the native Englemann spruce desires an average spacing of about 16 feet between tree trunks. Yet on my place, there are areas where you cannot walk between them! A very significant number of trees must be selectively removed over a 30 year period to begin to return to the native density.

Going back to the Colorado state inventory, I would estimate that 800 million board feet per year would have to be removed over a 50 year period to get us back to the native density. Yet the current annual harvest runs around 80 million board feet. In addition, there is a large amount of fallen and standing dead timber that adds to the fuel load and yet we have no efficient mechanism for its removal. Nor do we have a current market for that volume of additional wood! (I note with dismay that we find firewood sold in bundles in the Denver area that is imported from Canada but no entrepreneur has stepped up locally to turn some of our local "woody debris" into similar products.)

The Federal Government cannot dictate what the private forest landowners should do – that is the task for us who are already involved. We can contact, motivate, and educate and have programs already underway through our Colorado State Tree Farm Committee to do that. One

such program will target the forest landowners in the Alamosa and Gunnison State Forest Districts supported by a 2006 RREA grant in the amount of $4,000. That is an example of the beneficial impact of prior Farm Bill provisions.

Once we have these landowners "fired up", we will need programs that can assist them in some of the more tedious tasks of fire mitigation and selective thinning. Whether these programs come under the heading of Fire Prevention or simply Forest Health Improvement is not significant. What will be important is the degree of specificity in the Bill that insures that the forest landowner is not rebuffed when he/she applies for federal assistance. The EQUP program can be effective but every delivery agency must clearly understand that private forest landowners ARE eligible – such was not always the case at the outset of the program.

Similarly, funds allotted for conservation must be equally available to forest landowners. It will be quite difficult to draw water from the Dolores and Rio Grande Rivers if forest fires have choked the watershed with dead timber and silt!

Under a separate letter, you will receive comments from Mr. Wes Rutt, another Colorado Tree Farmer, whose challenge it is in our State Committee to prepare for the use of woody biomass in the production of ethanol and other energy products. The magnitude of the biomass accumulation within Colorado would suggest that we have an abundance of "raw material" – we just need to learn how to collect, transport, and convert it efficiently, within a State of challenging terrain and roads!

There is a very interesting book by Dr. Spencer Johnson entitled "Who Moved My Cheese?" that deals with our adjustment to the changing conditions of our lives. I maintain that we have "found our cheese" but there is such a overwhelming mass of it that we are temporarily paralyzed! Just putting more mice to work on this cheese could cover us up with mouse manure so we have to think carefully about each program, run pilot programs where the chance of real success is indicated, and be prepared to expand those programs that do prove successful. The research components of the Farm Bill do directly address these issues and other provisions within the Bill should provide assistance for the pilot programs when they are recommended.

As a high school ag student (over 50 years ago), I recall agriculture as being the production of useful materials "from the fields and forests of America". I thank both of you for your careful attention to the feedback "from the fields" but ask you to expand your attention to that coming "from the forests". The definition has been divorced too long – let us get it "remarried"!

Respectfully submitted,

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Mr. Greg W. Hertzke
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Central Colorado Water Conservancy District

Testimony
Before the Senate Agriculture Committee
United States Senate

Hearing on:
"Colorado Views on Federal Agriculture and Rural Policies; the 2007 Farm Bill,"
March 12, 2007

The Central Colorado Water Conservancy District (CCWCD) is located in northeast Colorado from Commerce City north to Greeley and east to Fort Morgan. The District lands are spread out in Adams, Weld and Morgan Counties. One of the primary services of CCWCD to its constituents is the augmentation of 1,500 South Platte River alluvial irrigation wells (An alluvial well is a well that depletes the river flows when pumped). In Colorado, out of priority depletions from junior irrigation wells must be replaced via surface water sources to prevent injury to senior surface water users. Other duties of CCWCD include the development and operation of water storage facilities, surface and groundwater quality research, water education activities for students and adults, lobbying at the state and federal levels, and review of water rights applications in the Division One Water Court. The district is governed by a 15 member Board of Directors that are appointed by the District Judge. Over 100,000 acres of vegetables, sugar beets, corn, alfalfa, wheat, barley, and turf farms rely on CCWCD water supplies. There is also a very large livestock and dairy industry that thrives because of the crop production in the District.

Recent drought conditions in Colorado coupled with stricter restrictions on well pumping in the South Platte River Basin (over 2000 alluvial wells have been permanently shut down, and many more have had their allotments drastically cut) have increased the need for additional water projects and the need for utilizing the water we have as efficiently as possible. Within CCWCD, a group of 1000 irrigation well owners pumped at a 50% quota in 2006, and the other 500 wells were shutdown in the middle of the irrigation season because of the lack of water supplies due to the ongoing drought. CCWCD has been a leader in developing water storage and conservation projects but the recent well curtailments prove the need for many more innovative water projects to maximize the use of our limited supplies. These projects are essential steps in preventing the many farms in the South Platte River Basin that have been operated for generations from going out of business.

CCWCD has been a strong proponent of the benefits that the current Farm Bill has provided to the agriculture economy in northeast Colorado. CCWCD has also been a proponent in the Environmental Quality Incentive Program (EQIP) through the Natural Resources Conservation Service (NRCS). As a few of the farmers in CCWCD have taken advantage of this program, it would have been a much greater benefit to the region if the approval could have been done District wide. Currently to get approved for EQIP funding, each individual farmer must go through the many rigorous steps to prove that their project is meeting the parameters of the Water Quality/Quantity EQIP standards. CCWCD agrees that these steps are important to make sure that the correct projects are funded and that taxpayer money is spent how it was intended, but there might be ways in the new Farm Bill to help streamline this process. Another hurdle that farmers in Weld, Morgan and Adams Counties face is the fact that many quality applications are turned down because the cap of EQIP funding in Northeast Colorado is quickly reached. This cap is relatively low for northeast Colorado, one of the most productive agriculture regions in the United States.

CCWCD is just an example of the many similar water providers throughout the United States where farmers rely on their district to help them receive funding to maximize the beneficial use of their limited water supplies. **CCWCD's suggestion for the new Farm Bill is to provide a mechanism for water providers to be approved District wide for EQIP funding through the NRCS.** One way to accomplish this goal would be to follow what a few of the Natural Resource Districts (NRD) in Nebraska have done in working with the NRCS on similar projects. The idea is to split a full time employee between the District and the NRCS for the purpose of working on funding water conservation and water quality enhancement projects district wide through the EQIP program. This approach insures that the correct steps are taken and the EQIP dollars are spent as intended.

Another concern of CCWCD is the relatively low funding that one of the largest agricultural producing regions in the United States, Northeast Colorado, has received through the EQIP program. Many important water conservation projects in Weld County have been denied EQIP funding because the cap for funding in the area is quickly reached. Weld County is a perfect example of being one of the largest providers of vegetables, sugar beets, corn, alfalfa, wheat and barley in the nation and having access to only a relatively small portion of the EQIP dollars. Farmers in Weld County should be able to take advantage of the EQIP program similar to other agriculture rich communities in Kansas and Nebraska.

Farmers in organizations like CCWCD could substantially benefit from the EQIP program if they were able to get approved district wide and if there was more funding available to Weld, Morgan and Adams Counties. One of the federal cost-share projects that CCWCD is currently working on is a the implementation of a water management system in the South Platte River basin by installing totalizing flow meters and automated data loggers with communications devices on existing irrigation wells to enable sophisticated usage data and analysis. CCWCD has already installed meters on 800 wells and seeks further funding to purchase and install flow meters on the remaining 700 wells along with data loggers with communications devices on all 1500 irrigation wells in CCWCD. This project can not achieve its conservation goals if only a few farmers in the district received funding. To receive the maximum benefit of the project, a district wide approval is necessary.

The declining availability of water in the South Platte River Basin necessitates the implementation of new conservation technologies. The meter-based management system will enable the establishment of a usage baseline, which is crucial to optimizing conservation and usage of surface flows from the South Platte River and its Alluvial Groundwater Basin. This data and analysis will empower the Central Colorado Water Conservancy District, the Colorado State Engineer, local governments and landowners to make better-informed decisions regarding finite resources and competing usage interests.

Implementation of the South Platte Basin water metering and management project will further the mission of the EQIP Program by:

- **Conserving Groundwater/Increase of Crop Yields** - Providing farmers who irrigate crops with more accurate usage information. This increases the accuracy of irrigation methods and ensures that water allocations are not exceeded. Farmers can also use this data to make sure they are using the best possible application methods to maximize crop yields.
- **Increasing Surface Water Flows/Water Quality Enhancement** - By conserving groundwater, this directly benefits the flows on the South Platte River, thus making those flows available for other uses and enhances the water quality in the basin.
- **Efficient Management of River** – A better understanding of the interaction of alluvial groundwater pumping and its actual effect on South Platte River flows will aid the Colorado State Engineer in administering the river to its most beneficial use.
- **Environmental Enhancement** – Increasing surface flows on the South Platte River will enhance endangered species habitat, riparian ecosystems and prevent the abandonment of cropland that would otherwise provide habitat for invasive weeds that further deplete surface water.
- **Providing a Model for Management** – The lessons learned from this project will have direct applications in other similar watersheds such as the Snake River Basin in Idaho and the Republic River Basin in Nebraska.

This is just one example of the type of water conservation projects that could be accomplished if water providers were able to be approved as a group for EQIP funding. Drop nozzles on center pivot irrigation systems could be installed to help farmers become more efficient with the limited water supplies; soil moisture probes could be provided to farmers to help improve water application programs which would increase crop yields; and water quality probes could be installed to help monitor the level of nitrates that is going into alluvial aquifers.

Along with the recent irrigation well shutdown, northeast Colorado has seen unprecedented growth and the worst drought conditions in over 300 years. It is essential that the farmers have every opportunity to utilize their limited water supplies to their maximum beneficial use. This is crucial to keeping agriculture a profitable industry in northeast Colorado as well as throughout the western United States.

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Colorado Coalition of Land Trusts

The Mission of the Colorado Coalition of Land Trusts is to promote and support land conservation excellence in Colorado through leadership, advocacy, education and outreach.

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Conservation Fellow
Kathleen Staks

March 12, 2007

The Honorable Ken Salazar
702 Hart Senate Office Building
Washington, D.C. 20510

To Senator Salazar and Members of the Senate Agriculture Committee:

As representatives of the conservation community, including 40 local and statewide land trusts, three national organizations, and 14 local government open space programs, the Colorado Coalition of Land Trusts is providing this letter of support for these changes to the Farm Bill and especially to the Farm and Ranchland Protection Program (FRPP) and the Grassland Reserve Program (GRP). Our support is based on the fact that many of our members use the FRPP as a funding source to help protect agricultural lands and open space. Our members have helped conserve over 1.2 million acres of working farms and ranches, river corridors, wildlife habitat and scenic open lands. The Farm Bill is a critical tool for ensuring this work will continue and that Colorado's working farms and ranches, scenery, wildlife, and water resources that support Colorado's economy and way of life will be protected.

The CCLT supports the proposal to increase flexibility at the state level and have the FRPP become a block-grant-to-states program where state NRCS officials, in consultation with stake holders, may identify conservation priority areas. This would allow our members to protect the most vulnerable and valuable agricultural land and the resources they offer that benefit our society. We also support reauthorization of the GRP in a way that would benefit private land conservation and allow land conservation organizations to increase protection of this important resource.

Across the state, open space and agricultural land protection and access to recreational opportunities rank as a top concern for Colorado citizens. These proposals will provide another important tool to address this crucial need. The CCLT supports reauthorization of the FRPP with these changes as a priority within the Farm Bill. Thank you for your careful consideration of these changes to the Farm Bill.

Respectfully submitted,

Kathleen Staks

Kathleen Staks

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FRPP Importance in Colorado

	Acres	Federal $	Partner $	Landowner Donation	Total $
37 Ranches	25,084	$11,166,321	$14,964,362	$13,363,164	$39,493,847
12 Farms	1,356	$2,683,700	$2,791,956	$1,737,581	$7,213,237
4 Orchards	145	$815,476	$514,274	$643,347	$1,973,097
Total Closed	**26,585**	**$14,665,497**	**$18,270,592**	**$15,744,092**	**$48,680,181**

- Includes 63 separate closings
- FRPP investments in 16 Colorado counties
- Funds awarded to 16 different entities: 5 government and 11 land trusts

Written Statement on behalf of
Colorado Corn Growers Association

Submitted by
Byron Weathers, Board President

Submitted to
Senator Ken Salazar and the U. S. Senate Agriculture Committee

Concerning
United States Food and Farm Policy and Development of a 2007 Farm Bill

I am writing to request your support for an increase in available funding for the 2007 Farm Bill, legislation that will authorize farm, conservation, renewable energy, nutrition and economic development programs that are so critical to the success of family farms and our rural communities. While Colorado Corn Growers understand the urgent need to reduce the nation's budget deficits, we believe additional resources are necessary to maintain the progress to improving on-farm income, protecting our natural resources and revitalizing rural communities.

Today the U.S. agriculture budget makes up only one-half of one percent of the federal budget, but helps sustain an industry responsible for 15 percent of the country's gross domestic product, the most affordable supply of food in the world and expanding renewable energy.

Because of significant changes under way in our commodity markets and the corn industry, the tools to help producers manage the increasing risk of crop losses and volatile prices have become even more important. A budget resolution without adequate funding levels will make it very difficult to provide an effective farm safety net and to adequately support other national priorities namely, improvements in the environment, biofuels research and development, reducing hunger and bringing new job opportunities to rural America. Short changing these priorities is a recipe for unraveling the progress we have made revitalizing our rural communities and strengthening our farm economy.

Given the cuts in agriculture programs over the last several years and the substantial savings from commodity programs, I urge you to carefully consider the impact of further budget reductions and restore funding levels that will help ensure the necessary resources.

Our food supply is as important to our national security as our energy supply, and should not be left vulnerable to potentially volatile relationships with international trade sources.

Our nation's legislators embrace historic opportunities to put in place significant Farm Bill legislation of benefit to all Americans for increased national security. You have the opportunity to increase our Nation's independence for food, feed, fiber, and fuel supplies by protecting maximum level baseline funding in 2007 Farm Bill legislation.

We support:

Permanent disaster relief provisions for Agricultural producers.

Disaster relief provided in the current Farm Bill (4 billion or more) went to hurricane relief. The bill should provide a permanent disaster assistance provision that would ensure available funds are not raided for non-agricultural purposes, leaving our nation's producers and food production ability vulnerable.

Disaster aid packages that primarily provide additional funding for the Iraq War are not consistent with the scope of Farm Bill legislation. To date, our domestic agricultural producers of food, fiber, feed, and fuel have not been in need of direct military assistance. However, money for recovery from natural disasters provides assurance of continued national production and independence.

Affordable, increased levels of crop insurance.

Outlays for federal crop insurance, however, are expected to rise from an actual $3.3 Billion last year to almost $5.5 Billion in 2012 due to higher prices and premiums.

LDP's do not help producers who have crop failures. Agricultural producers face risks beyond all control. Weather and pest related challenges can devastate production in a matter of hours and take years to recover. Loan deficiency payments are of no assistance in these situations.

Coverage should be affordable at levels higher than 65%. Producers need a buy-down for increased coverage of up to 95%. A provision of this nature could possibly offset needs for higher levels of disaster assistance.

If revenue protection formulas are implemented, land cost variables on a regional basis need to be factored into calculations used to determine costs of production.

Changes in RMA Crop Insurance administration accountability.

An independent producer/professional committee interface on a statewide or regional level is needed to assure that:

1. The administration of coverage is responsive to cropping system improvements resulting from research and development successes. Example; Recent RMA determination that skip-row planting, a cropping technique proven to increase water use efficiency, would qualify for only fractional insurance payment settlements.

2. The administration of coverage is responsive to long-term impacts of drought or other multi-year natural phenomenon. Example; Recent RMA coverage determination that only the incremental annual differences in crop loss are eligible for loss coverage where extreme heat and moisture deficiency conditions span a period of years.

Modification of Conservation Reserve Enhancement Program (CREP) requirements.

Current rules do not allow for dryland crop production within a CREP contract. With this condition, valuable resources are being idled that could help meet energy goals while contributing to the sustainability of rural communities.

With appropriate changes, dryland crops on land in the CREP program could be contributing to needs of the New Energy Economy while allowing progress toward water use efficiency and preserving economic viability of rural communities.

In the CREP program, farmers follow the same requirements on their land as they do for CRP, established by the 2002 Farm Bill. Eligible land must have been planted within a specified historical time period. (Paragraph 97, Section 2 - Land Eligibility Requirements) This requirement makes ineligible large amounts of land currently in irrigated perennial crop production that could otherwise be contributing to water compact obligations.

Further, while CREP allows for 3" annual irrigation for 2 years, a direct transition into dryland production of energy crops on qualifying soil types using no irrigation water could contribute more directly to interstate water compact obligations while helping meet needs for energy raw materials.

Full or increased - instead of reduced – funding of CREP.

Current acreage retirement payments do not adequately compensate for lost land values. An added $500 per acre up front in addition to annual payment compensations would provide more reasonable land value levels closer to realistic and incentive levels.
-or-
Consider revisions for an "Energy and Community Friendly" CREP (see below)

"Energy and Community Friendly" CREP modifications.

Allow dryland production for energy crop revenue to producers on CREP acres with limited or no irrigation.

Benefits:

- Expedited meeting of Colorado's Republican River Compact obligations with reduced annual pumping allocations for dryland production as opposed to 6" pumping allowance for perennial grass establishment currently written in CREP.

- Budgetary cost savings. CREP payments could be reduced by some amount due to continued activity of farm enterprises and subsequent income potential.

- Increased productive acres available for energy crops. The "New Energy Economy" requires the maximum number of acres available to produce much needed energy crops. This farmland left in production has the potential to help Colorado reach the goals of this administration.

- Help save rural communities. With the current CREP program, economic activity in the community related to the land is diminished over the 15 year CREP participation with little stimulation of rural economies.

- Help stimulate rural economies. Production of new energy crops may attract Primary Employers to rural towns. The addition of cellulosic ethanol plants, biodiesel plants, crushing facilities, plastics plants, and others can stimulate valuable, diverse jobs to strengthen our rural economy.

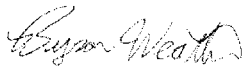
Enhancing Renewable fuel marketing opportunities and infrastructure development.

Ethanol is a value-added farm product. In the 2006-2007 marketing year, the ethanol industry will purchase more than 2 billion bushels of corn and contribute nearly $10 billion to farm income. However, farmers have not yet reaped the full benefit of E-85 sales because E-85 is not yet widely available. Of about 170,000 gas stations in the country, fewer than 1200 sell E-85, despite the fact that there are more than 6 million flexible fuel vehicles on the road today. The farm bill has traditionally provided support for farmers and rural businesses in marketing value-added agricultural products; we therefore believe it falls within the scope of the farm bill to enhance E-85 marketing opportunities.

Please let me know if I can provide clarification on any of the above points or comments. I can be reached through the Colorado Corn Grower Association office at (970) 351-8201.

Thank you for the opportunity to provide input on behalf of our organization and producers in Colorado.

Respectfully submitted,



Byron Weathers, President
Colorado Corn Growers Association

Testimony
Prepared by
Colorado Food Bank Association
Leona Martens, Executive Director
Weld Food Bank

To the Senate Agriculture, Nutrition and Forestry Committee
Field Hearing on 2007 Farm Bill in Colorado
1:00 PM .
Monday, March 12, 2007
Adams County Regional Park Fairgrounds
Brighton, Colorado

Mr. Chairman and Senator Salazar I am pleased to submit written testimony on behalf of the Colorado Food Bank Association. My name is Leona Martens, Executive Director of the Weld Food Bank. The Colorado Food Bank Association is comprised of all America's Second Harvest Food Banks in Colorado: Food Bank of the Rockies, Denver; Care and Share, Colorado Springs; Community Food Share, Longmont; Food Bank for Larimer County, Ft. Collins; and the Weld Food Bank, Greeley. Together we serve the 64 counties in Colorado through a local network of food panties, congregant feeding programs, after school programs and programs that serve the elderly. This work is accomplished through programs operated by congregations of various religious persuasions, civic organizations and social welfare agencies. More than 1600 local charitable agencies are included in this system of private sector support for the poor and needy in our state of Colorado.

According to the latest USDA statistics, more than one in ten American households, including approximately 35 million people in all, live in food insecure households. Of those 35 million people deemed food insecure, more than 12 million are children. Colorado has seen the 3rd highest rise in food insecurity.

In addition to the USDA estimates of food insecurity, America's Second Harvest – The Nations Food Bank Network also conducts independent research. Nationally, an estimated 25 million (unduplicated) people, including 9 million children and nearly three million seniors, received emergency food assistance from an America's Second Harvest food bank in 2005. That represents an eight percent increase over 2001 and an eighteen percent increase from a decade ago.

The Colorado Food Bank Association and each of the member food banks participated in this research. We found that in Colorado in any given week approximately 61,200 different people receive emergency food assistance through our system of charitable

partners. Long gone is the day when the chronically unemployed and homeless men represented the majority of the "hungry" we serve. Today many of the people receiving food assistance from our partner programs are working. In fact 45% of the households have at least one person employed. They are most likely not receiving welfare, and are often faced with the challenges of finding affordable housing and adequate health care. Today, we see too many children hungry, too many working parents at congregational food pantries, and too many elderly people having to choose between paying utility bills and eating. The five A2H food banks and our partner agencies are the last defense against hunger for many low-income and working families.

The food bank system was created to meet the hunger need in our communities by securing private donations of food and surplus government commodities, warehousing those donations and then distributing these to partner agencies. Food banks are the lynchpin in a massive network of private, charitable hunger relief that operates in nearly every community throughout the nation.

The local agency system in Colorado and around the country is largely comprised of faith-based entities, with three-fourths of the pantries in our system being part of the community support of churches, synagogues, temples and mosques. These local hunger relief agencies reflect the very best of America, the broad array of America's social fabric and religious life. And they are a reflection of the public and private sector successfully working together to address a major public health issue.

Our agencies rely heavily on volunteers to provide hunger relief, with 68% of our partner programs relying entirely on volunteer support. The volunteers in our system are crucial to our work. The volunteers that keep our system moving don't just ladle soup or pack food boxes. They provide additional support to needy families that come to the pantries for assistance. Often times the lack of food is just the presenting problem and the beginning of a relationship toward self sufficiency. Partner agencies provide after school tutoring, community support to seniors, counseling and training for jobs, housing support, mental health services, and an array of other support services that transform lives. Using a commodity that we have – food - we are able to engage, educate, and empower people toward self sufficiency. This is the transformation that food programs provide everyday.

Hunger is here in our nation. We need to do better in getting food to the vulnerable in our country. We are the last remaining superpower and yet we allow nine million children a year to rely on private charity to ensure that they don't go to bed hungry. We must do better. This Committee has an opportunity in the upcoming Farm Bill reauthorization to help reduce hunger and support the very effective efforts of the emergency food system to meet the hunger needs in their communities.

The food bank system is a public – private partnership that has evolved to work remarkably well over the last two decades. With the support of farm commodities acquired by the government and donated to food banks, as well as funds for distribution and storage costs, we have created a partnership that has been a remarkable success. In recent years, the USDA has been able to help hundreds of thousands of people devastated

by natural disasters by facilitating food stamp emergency benefits and moving thousands of pounds of commodities to disaster affected areas. The food banks in Colorado have been privileged to work with the dedicated USDA staff and our own network members and volunteers to help relieve the suffering brought by Hurricanes Katrina and Rita. Sadly though, this effort has drained or exhausted many of our resources, and government commodity donations were dwindling even before the devastation of the hurricanes.

We have seen in the last four years a trend where public-sector food donations have not adequately kept up with the challenges we face in our communities. Although most of the food we provide to needy families is sourced from the private sector, we rely heavily on Federal commodity programs, especially the Emergency Food Assistance Program (or TEFAP) to stabilize and leverage those private donations.

Since the enactment of the last Farm Bill, there has been a troubling decrease in commodity donations through TEFAP. Since 2003, steadily rising farm commodity prices have reduced the need for USDA to purchase surplus commodities for market support purposes under the Department's Section 32 authority. Although the TEFAP mandatory purchases set by Congress have remained stable, the surplus or bonus commodities – constituting more than half of all TEFAP donations to food banks – have fallen off. In the past two years bonus commodities have fallen by 50 percent. At the same time requests for food assistance have increased by 8 percent or more. Moreover, inventories held to support the Commodity Supplemental Food Program (CSFP) and support its costs have virtually disappeared, leaving this program under funded when appropriations are not sufficient to offset this shortfall.

It is crucial in the upcoming Farm Bill reauthorization, that Congress increase mandatory food purchases in TEFAP; stabilize the surplus commodities provided to the program through Section 32; and find a way to provide CSFP to more vulnerable seniors living with hunger.

I understand that in the upcoming farm bill, the choices may be few and the competing interests many, but in TEFAP and the other commodity donation programs we clearly find mutual and compound interest. Many of the commodities donated to TEFAP, CSFP and other commodity donation programs are acquired to support farm prices and provide a farm safety net. They also serve as a nutrition safety net for millions or our nation's hungry. Moreover, TEFAP and CSFP commodities offer some of the healthiest and most nutritious food distributed to the hungry in Colorado.

TEFAP is critical to the estimated 15 million low-income people that access these commodities through food banks and the agencies we serve. The next farm bill offers the opportunity to strengthen this system of farm-to-table for our nation's poor and hungry.

Farmers and ranchers also benefit enormously. Commodities are most often less processed food meaning that more of the Federal dollar goes to purchasing and less to processing. The commodities typically include canned or frozen meats, rice, corn meal,

wheat flour, dried beans, and canned fruit and vegetables. A 1994 USDA report found that surplus commodity purchases can provide up to 85 cents in farm gate income for producers of purchased commodities for each Federal dollar expended. This rate of return when compared to the normal rate of return to farmers is extraordinary.

The Commodity Supplemental Food Program, CSFP, was the nation's first federal food supplementation effort with monthly food packages designed to provide protein, calcium, iron and vitamins A and C. It began in 1969 for low-income mothers and children and preceded the Special Supplemental Nutrition Program for Women, Infants, and Children know as WIC. Pilot programs in 1983 added seniors to the list of eligible participants. Today over 91% of the participants are seniors. In a recent survey, senior participants in a household of one, more than one-half reported an income of less than $750 per month. With the changes in demographics, and as our elderly population continues to increase, CSFP expansion is critical. The average age of the CSFP elderly client is 73. Locally we are serving a 98 year old independent client.

Food stamps are the cornerstone in the nation's efforts to reduce hunger and help low-income families achieve self-sufficiency. Increasing access to this valuable food resource must be addressed. Currently only 8% of the recipients are elderly, yet the number of seniors being assisted through the charitable food network is increasing.

In conclusion, we appreciate the opportunity to supply this information as you move forward in your work on the Farm Bill. Our hope is that the nutrition title of the next farm bill will demonstrate our sincere and continued commitment to ending hunger in America. Efforts to increase access to food stamps for so many of those who are eligible but not participating is one of the fastest ways to succeed in our nation's battle against hunger. With the next farm bill, we can also find creative ways to capitalize on the many potential sources of support for TEFAP and CSFP--- government commodities, industry food donations, private charitable donations, infrastructure and administrative grants, increased volunteers, etc. --- so that these programs can operate with dependable and sufficient resources to meet the ever growing need. We must find a way to ensure that our needy families and children, and elderly have sufficient quantity of nutritious food to live productively.

Thank you for this opportunity.

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2007 Farm Bill
Comments for the Congressional Record

To: The Honorable Senator Ken Salazar
From: Leo Lesh, Public Policy & Legislative Chair for Colorado School Nutrition Association (CSNA) and Executive Director of Food and Nutrition Services for Denver Public Schools
Date: March 9, 2007

First, I would like to thank you for your support of the Nation's and Colorado's children for supporting the critical Child Nutrition issues in the upcoming Farm Bill. The USDA's meal programs have proven to be one of the most effective and successful programs ever initiated by congress. Because of the crucial link between nutrition and health and nutrition and learning, the school breakfast and lunch programs have proven to be an efficient and effective means of not only combating childhood hunger but also supporting academic achievement.

Why support the elimination of the reduced price (ERP)? Many Colorado school children aren't getting the school meals that could help them learn because of the 30 cent co-pay for a school breakfast and the 40 cent co-pay for a school lunch. Reports from around the nation and in Colorado indicate that many families simply cannot afford to pay the required co-pay for a breakfast and lunch. These include military families, and welfare to work families who are trying to improve their economic conditions however, their income no longer qualifies them for housing assistance, utilities, or medical assistance. And while the 30 cents and 40 cent co-pay may not seem like a lot of money, that is 70 cents per day, times three children times 5 days a week times 20 days a month which equals about $40.00, and that is real money. And for low-income households, it poses a real barrier for the school meal programs. This is corroborated by evidence that reduced price participation declines towards the end of the month when financial resources run short. Other school district nutrition directors speak of parents who bounce a $3.50 check that was meant to pay for a weeks worth breakfasts and lunches. I have had many parents call me crying that they cannot afford to have their children eat school meals and why are they not free, and how do we expect them to learn without food.

Eliminating the co-pay will also help reduce the stigma attached to school meals. School meals is often viewed as a program for the poor and the needy. Many hard working families do not want to be labeled as poor so they do not even apply for the school meal programs.

Most importantly, when the reduced price for school meals is eliminated, more students will eat! Not only will this help increase academics and health, it also has a direct economic impact on Colorado. Last year over $94.3 million in federal funds were received to support Colorado's Nutrition programs (this is up from $72 million 4 years ago) and over $8.4 million in USDA commodities were donated, much of this from Colorado farmers and ranchers.

Eliminating the reduced price would put school meal programs on par with the WIC program, they only have two meal categories Free and Paid. With the ever increasing cost of health care, this modest investment in our children will pay huge dividends in the future. For every $1 dollar spent in the WIC program, it saves $4.00 in health care costs later on in life. The same can be true for the school meal programs!

Several Food and Nutrition Directors throughout Colorado have eliminated the reduced price on their own and some like mine have created a universal free breakfast program to ensure that all students are able to participate and take advantage of good nutrition to be able to perform at their peak academically and physically. What is needed is a little help from the federal government.

The Fresh Fruit and Vegetable pilot is another tremendously successful program. Unfortunately, Colorado was not one of the states chosen for the program. So, Colorado started their own pilot, SB 06-127 was enacted into law last May. It provides $150,000 for fresh fruits and vegetables anytime during the day.

$150,000 does not go far, and we only have 6 schools in the entire state on the program. The results so far are what you might imagine, more consumption of fresh fruits and vegetables, less consumption of sugary foods, less snacking on "junk" food, being more aware of the many varieties of fruits and vegetables. I can remember when we first introduced Kiwi, they thought it was a small green apple. Now they eat it regularly along with jicama and all of the many other varieties we offer.

Out of the 20 recommended preventative foods, 14 are fruits and vegetables. Four of the six US Dietary Guidelines on nutrition focus on fruit and vegetable consumption. The recommended servings of fruits and vegetables for children 6 years of age and older is 5-7 servings per day. Only 5.4 of Colorado's children ages 1 – 14 ate 3 servings per day. Obesity levels are the lowest among those who eat 7 or more servings a day.
The increasing concern for improved educational achievement requires us to acknowledge the link between nutrition and education and to provide all students with access to nutritionally adequate foods as a part of the education process. It is well-recognized that fruits and vegetables have a protective effect against some of the wide range of chronic diseases affecting society, diseases even at young ages. Young children need adequate nutrients for growth and development. Fruits and vegetables are rich in vitamins and minerals and can improve the nutrient density of the diet. If a child ate a medium banana instead of a 1 oz serving of a salty snack such as potato chips, the child would consume 12% less fat, and consume 10% more fiber and 13% more potassium. If broccoli and carrots sticks were eaten at lunch instead of french fries, fat intake would be lowered by 14% and beta carotene would increase by a whopping 216%

In a perfect world, parents would make sure that their children have a breakfast and a lunch and prepared for a day of learning. But when that doesn't happen, for whatever reason, it is reasonable to expect that our government step in and help. Food is more than just something to eat, it provides the nutrients your body needs to grow and develop. And if you are not eating the right foods to meet your body's needs, you are not getting the nourishment you need to perform at your best academically and physically. The school meal programs are the best place to get the "right" foods.

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March 10, 2007

The Honorable Ken Salazar
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

Senator Salazar:

I am writing to encourage your consideration of family forest landowners, and their role in maintaining and conserving Colorado's rural landscape, as you embark on the development of the 2007 Farm Bill.

Of Colorado's 22 million acres of forestland, at least 6.4 million acres are in the care of private and tribal landowners. These non-federal lands contribute to a diverse array of public benefits including clean air and water, wildlife habitat, wood products, renewable energy and recreation. The sustainability of Colorado's forests, across all ownerships, is currently threatened by insect and disease epidemics, large-scale wildfire risks, invasive species and losses resulting from urbanization and conversion for development.

Programs established through both the Conservation and Forestry Titles of the Farm Bill provide valuable technical and financial assistance which helps Colorado's private landowners retain and sustainably manage their working rural landscapes. The 2007 Farm Bill offers the opportunity to improve the effectiveness of these programs for private forest conservation and management, and to increase the resources available.

In 2005 alone, agriculture and forest land producers in Colorado obtained and matched over $833,500 in **Environmental Quality Incentive Program** (EQIP) funds for the implementation of forestry practices prescribed through locally prepared conservation plans. The development of these plans was also supported by technical assistance provided through the Farm Bill.

There is tremendous opportunity in the state for EQIP funds to contribute even more significantly to the stewardship of private forests. It is imperative that forest land be allowed to compete equitably with other land uses in the state level allocation of resources through EQIP and other Conservation Title programs such as the Wildlife Habitat Incentive Program (WHIP).

The **Forest Land Enhancement Program** (FLEP), created in the Forestry Title of the 2002 Farm Bill, provided Colorado's non-industrial private landowners with an additional $545,000 over 6 years to help them implement practices planned within their Forest Stewardship Plans. This funding was welcome but has been discontinued since the original appropriation. Over 5 million acres of private forest lands in Colorado do not have plans in place to guide their management.

The **Conservation Reserve Program** (CRP) provides Colorado's agricultural producers with resources to implement agroforestry practices in the form of windbreaks, shelterbelts, living snow fences and riparian forest buffers. Many of these installations provided critical protection to homes and livestock on the state's eastern plains during recent blizzards. The continuous CRP sign-up has helped these landowners protect crop lands and water resources, while still allowing for simultaneous production.

With invasive woody species becoming a major issue in our forested riparian areas such as along the Colorado, Rio Grand and Arkansas Rivers, Colorado is working with neighboring state to establish riparian forest lands conservation initiative to insure restoration of the native forests in these valuable areas. The continuous CRP could be a critical resource in making this important initiative a reality.

The **National Association of State Foresters** (NASF) recommends an approach to the Farm Bill that encourages stronger public and private partnerships, sustainable forests, enhanced interagency relationships, and improved services to landowners to promote the retention, protection, and sustainable management of their forestland. I have attached their specific recommendations regarding the Forestry, Conservation and Energy Titles of the Farm Bill for your review. As Colorado State Forester, I support the NASF recommendations.

The NASF is also part of the ***Forests in the Farm Bill Coalition***, which includes 33 regional and national organizations representing forest industry, wildlife conservation, environmental advocacy, individual forest landowners and many other interests. This unprecedented Coalition has joined forces to highlight the threats to private forest land across the nation and to encourage Congress to strengthen both the tools and resources available through the Farm Bill to conserve and manage these valuable lands. I have also attached the recommendations developed by this unique group for your consideration.

In Colorado and throughout the United States, family forest landowners are managing their private lands in ways that contribute to the public good. In many places, these landowners are struggling to address significant forest health challenges and to resist the pressure to convert their lands to development. **Enhanced forestry programs and resources in the 2007 Farm Bill will go a long way toward helping these landowners** keep their working forest lands in forests and continue providing the diverse environmental and social benefits that we all enjoy.

Thank you for your interest in and commitment to Colorado's natural resources and rural communities. If you have any questions regarding forestry opportunities in the Farm Bill or forest health and wildland fire issues in Colorado, please don't hesitate to contact me.

Sincerely,

Jeff Jahnke
State Forester

Enclosures (2)

National Association of State Foresters
2007 Farm Bill
"Keeping Forestland Forested"

Summary of Recommendations

The recommendations of the National Association of State Foresters (NASF) for development of the 2007 Farm Bill are based upon the premise that ***society places value on the perpetuation of sustainable forested landscapes*** and the ability of private landowners to successfully manage their forests for diverse purposes. NASF recommends an approach to the Farm Bill that encourages stronger public and private partnerships, sustainable forests, enhanced interagency relationships, and improved services to landowners to promote the retention, protection, and sustainable management of their forestland. **NASF estimates that an annual investment of $500 million is necessary to achieve these objectives in the 2007 Farm Bill.** Recommendations are summarized by the sections contained within Farm Bill Titles for Forestry, Conservation and Energy.

FORESTRY TITLE

- Section 1. Statewide Forest Resource Assessment and Plan: An assessment and collaborative planning process to identify Critical Forest Resource Areas and develop strategic direction for targeting and implementing programs supported by the Cooperative Forestry Assistance Act.

- Section 2. Forestland Disaster Recovery Assistance Program: A comprehensive and efficient disaster recovery program to provide rapid recovery and restoration of small as well as large private forestlands from losses due to large scale landscape level disasters.

- Section 3. Forest Resource Planning Assistance to Local Governments: Technical assistance to local governments to augment land use planning and decision making that may influence the conservation, health, and management of forested landscapes.

- Section 4. Sustainable Forests Market Program: An enhanced program to encourage the perpetuation, expansion and development of markets for forest resource products and services including ecosystem benefits.

- Section 5. Watershed Forestry Assistance Program: Appropriations to fund currently authorized grants program to promote best management practices and conservation of forestland within selected watersheds.

CONSERVATION TITLE

- Section 1. Forestland and the Conservation Security Program (CSP): Amendments to the Conservation Security Program to expand opportunities for forestland and forest management practices to qualify for CSP benefits.

- Section 2. Forestland and the Environmental Quality Incentives Program (EQIP): Amendments to the Environmental Quality Incentives Program to expand opportunities for forestland and forest management practices to qualify for EQIP benefits.

ENERGY TITLE

- Woody Biomass Renewable Energy Program: A grant program to facilitate the development of sustainable markets and technologies to produce "energy" crops and utilize wood biomass for energy production including cellulosic ethanol.

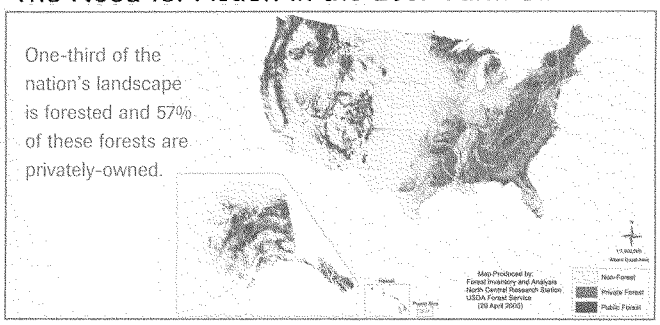
- NASF will pursue all authorities that promote utilization of woody biomass resources to the benefit of the family forest landowner.

For more information contact Kip Howlett, NASF Executive Director
telephone: 202.624.5415 e-mail: khowlett@stateforesters.org

THE FORESTS IN THE FARM BILL COALITION

- Alliance of Landowner Associations
- American Forests
- American Forest & Paper Association
- American Forest Foundation
- American Forest Resource Council
- American Tree Farm System
- Association of Consulting Foresters
- Eastern Forest Partnership
- Environmental Defense
- Environment and Energy Study Institute
- Hardwood Federation
- National Association of State Foresters
- National Association of State Universities and Land-Grant Colleges
- National Association of University Forest Resources Programs
- National Wildlife Federation
- National Wild Turkey Federation
- National Woodland Owners Association
- Northern Forest Alliance
- Northwest Woodland Owners Council
- Pacific Forest Trust
- Pinchot Institute for Conservation
- Quail Unlimited
- Ruffed Grouse Society
- Siuslaw Institute, Inc.
- Society of American Foresters
- Southeast Quail Study Group
- Southern Environmental Law Center
- Sustainable Northwest
- The Nature Conservancy
- The Wilderness Society
- Trust for Public Land
- Western Pennsylvania Conservancy
- Wildlife Mississippi

Private Forests Are at Risk:
The Need for Action in the 2007 Farm Bill



Private Forests: Essential to the American Way of Life

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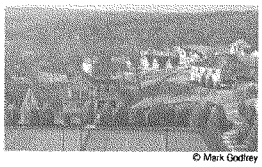
- **Family-owned treasures**: 262 million forested acres are in the hands of families and individuals, a source of pride and value to everyday Americans.
- **Clean water:** 2/3s of the nation's drinking water comes from forests.
- **Clean air and stable climate:** A single tree can absorb more than 10 pounds of carbon dioxide per year. It takes approximately 1,000 trees to absorb the average annual carbon emissions from one car.
- **Jobs and thriving rural economies:** U.S. paper and wood manufacturing generates 1.2 million jobs and $230 billion dollars in annual sales.
- **Wood for houses, furniture, and paper:** 92% of trees harvested in the U.S. come from private forests
- **Part of farm life:** More than 75 million acres of forests in the U.S. are part of a farm.
- **Places to enjoy wildlife:** 66 million people enjoy watching wildlife across the country, including on private forests. Wildlife watching generates over 1 billion jobs, and $38.4 billion direct retail spending
- **Endangered species habitat:** Over half of endangered species rely on private lands, including private forests, for most of their habitat.
- **Places to hunt and fish:** Annually over 14 million people hunt and 44 million fish, including in private forests. Hunting generates 700,000 jobs and $25 billion direct retail sales while fishing generates over 1 million jobs and $41 billion in direct retail sales.

Threats to Private Forests

Private forest owners often lack financial and technical resources to hold on to and manage their forests.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- **Development pressures:** An average of 1 million acres of private forests is converted every year to development.
- **Forest health problems:** 27 million acres of non federal forests are at risk of insect and disease damage, including invasive pests, and an estimated 90 million acres are at risk of wildfire.
- **Minimal planning for the future:** Management planning helps families make a longterm commitment to the land. Yet estimates suggest that only 3% of family forest owners have a written management plan.
- **Minimal professional advice:** Professional advice helps landowners avoid unintended, poor management, yet only 22% of family forest owners have received professional advice prior to harvesting timber.
- **Loss of markets for forest products:** More than 330 paper and wood mills have closed since 1997 and more than 158,000 industry jobs have been lost. Lack of incentives for private forest management combined with global competition have decreased economic opportunities for U.S. forest products.

Policy Opportunities for the 2007 Farm Bill:

The 2007 Farm Bill must recognize private forests as part of the rural landscape, improve the effectiveness of programs for private forest conservation and management, and increase resources for these programs.

Policy opportunities in no order of priority include:

- Establishing national emphasis on sustainable private forest conservation and management, and state-wide forest planning to guide federal and state efforts.
- Expanding federal investments in private forest conservation by:
  - Expanding cost-share opportunities for forestland owners in the Environmental Quality Incentives Program.
  - Supporting robust technical, educational, and outreach assistance for forestland owners through existing programs such as the Forest Stewardship Program, the Sustainable Forestry Outreach Initiative, and other conservation programs.
  - Creating an Emergency Forest Restoration Program for restoring private forests after disasters.
  - Modifying and increasing funding for the Healthy Forests Reserve Program.
  - Enhancing the Conservation Security Program to include forest landscapes and forest owners.
  - Enhancing the Conservation Reserve Program to restore important forest ecosystems.
  - Supporting community-led conservation through a new Community Forest and Open Space Program and other community focused initiatives.
- Developing opportunities for renewable energy from forests in a sustainable manner by:
  - Better incorporating forest material into new renewable energy opportunities.
  - Expanding research and pilot projects to test technology and equipment, and determine social and biological impacts of development and growth in renewable energy from forests.
- Developing voluntary compensation opportunities for forest owners for ecosystem services and amenities their forests provide society such as clean water, clean air, carbon sinks, biodiversity, soil conservation, and wildlife habitat.
- Creating economic opportunities for forest landowners through a competitive grants program for traditional and nontraditional forest products markets.
- Expanding existing rural development opportunities to better address issues in forested communities, tied to national emphasis issues and state plans and priorities.
- Reauthorizing the Renewable Resources Extension Act, reaffirming the importance of the Cooperative Forestry Research Program, and supporting efforts for better transfer of research findings to forest practitioners and private landowners.
- Expanding market development and access programs to protect and expand markets for U.S. forest products at home and abroad.

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For More Information, Contact _____

Testimony on the 2007 Farm Bill
Submitted to the Senate Committee on agriculture, Nutrition and Forestry
March 12, 2007

Senator Harkin and Senator Salazar thank you for the opportunity to address this committee concerning provisions in the 2007 Farm Bill.

Who we are and what we do:

My name is Wes Rutt. I am the Chair for Biomass on the Colorado State Tree Farm Committee. The mission of the Colorado State Tree Farm Committee is to promote the growth of renewable forest resources on private lands in Colorado while protecting the environment, and increasing public understanding of sustainable forestry practices. One of the ways that we have chosen to promote our mission is by informing forest landowners and the public at large of the huge and relatively untapped renewable energy resource that we have in Colorado, i.e. **forest biomass.** I will limit my testimony today to the development and use of **forest biomass** as a clean, economical, and locally renewable energy resource.

Last year the Colorado Tree Farm Committee hosted a meeting attended by representatives from the Arapaho-Roosevelt National Forest, the Colorado State Forest Service, the Governor's Office of Energy Management and Conservation, Colorado State University's Wood Utilization and Marketing Program, private forest landowners, and potential users of alternative energy to determine if forest biomass might become a viable source of alternative, renewable energy for Colorado.

It was determined at that meeting that:

1. There is a significant amount of forest biomass available along the Front Range and throughout western Colorado, which, using sustainable forestry practices, could provide a significant source of renewable energy for Colorado, according to a recent survey conducted by Colorado State University.
2. That amount of forest biomass currently poses a significant danger of becoming fuel for devastating wildfires and a breeding ground for destructive insect infestations such as the Mountain Pine Beetle if it is not removed.
3. The technology exists to utilize forest biomass as a clean, economical and sustainable fuel source to heat public buildings, as demonstrated by the U.S. Forest Service's Fuels for Schools program and numerous other programs throughout the nation.
4. Cellulosic ethanol should provide an even larger market for forest biomass in the future.
5. The infrastructure <u>does not</u> now exist to collect, process or transport this forest biomass to potential end users in significant amounts.
6. It will be difficult to persuade potential end users of forest biomass to invest in the equipment and facilities needed to use this abundant alternative fuel until an infrastructure exists to supply it as readily as fossil fuels can now be supplied.
7. Due to the costs involved in transporting forest biomass, it will be necessary to encourage

potential end users to situate biomass heating facilities and, in the longer term, cellulosic ethanol production facilities relatively close to forested areas.

8. If an adequate supply infrastructure was available, a rural community, utilizing forest biomass and sustainable forestry practices, could attract new business to its locale, improve its tax base, and provide new jobs for its residents. Utilization of forest biomass would also improve public safety by reducing the fuel load available for wildfire and improve the overall health of local forests.
9. Therefore, rural communities should be encouraged to help develop the infrastructure necessary to transfer forest biomass from local forest landowners to end users. Rural communities should also be encouraged to work with potential end users of forest biomass to build local, renewable energy zones where a renewable energy resource could be produced, processed, transported and converted to usable energy.

Based on the findings from that meeting, Colorado State Tree Farmers set out to inform forest landowners, local municipalities, county governments, private businesses and the public at large of the benefits of choosing forest biomass as an alternative energy source over fossil fuels wherever possible.

How can forestry-related provisions in the 2007 Farm Bill be tailored to help persuade forest landowners, rural communities, and potential end users to invest in an alternative renewable energy resource, such as forest biomass?

Many community leaders, forest landowners and businessmen remember the 1970's when the cost of fossil fuels skyrocketed and everyone was promoting alternative sources of energy. However, the cost of fossil fuels soon subsided and many of those who invested heavily in renewable energy lost money. The 2007 Farm Bill can go a long way in persuading these folks that investing in renewable energy this time around can be a safer bet.

We'd like to suggest the following provisions for the bill that could be particularly helpful:

1. Include the proposed **Forest Wood to Energy Program** in the Farm Bill and tailor it to encourage the formation of what is currently the missing link in the utilization of forest biomass, the infrastructure to process and transport biomass from the forest to the energy producer or user. Use the program to promote the formation of pilot projects that encourage private forest landowners to experiment with ways to best develop supply infrastructure and encourage their peers to take part.
2. Include the proposed **Landscape Scale Forestry Competitive Grants Program** and tailor it to challenge rural communities to encourage the production of forest biomass and the development of the infrastructure needed to supply it to end users. Also, provide adequate incentives for these communities to build their own facilities to heat public buildings with forest biomass and, by example, demonstrate to local businesses, school systems and other potential end users that investing in a locally supplied renewable fuel is practical.
3. Improve support for state forestry agencies providing technical and financial assistance to private forest landowners. Encouraging active management of forests using sustainable forestry practices will not only keep forests safer and healthier but will assure a renewable and sustainable source of energy for the future.
4. Continue support for the USDA, Rural Development Renewable Energy Loans and Grants and Value Added Producer Grant programs. Successful renewable energy programs will more often

than not be local in nature and driven by the grassroots efforts of local rural communities. Local USDA Rural Development staff is often best positioned to determine how loans and grants can best be put to good use.

Various sources of renewable energy including wind, solar, geothermal, and various biomass crops are currently vying for public support. Each of these sources has advantages in certain situations and all of them may eventually find a place within this nation's energy policy. However, we hope you will agree that forest biomass will not only save money as an economical and renewable energy source, its use can insure that the nation's growing expense to fight wildfire is reduced and that the health of its forests is improved. Forest biomass should have a place as a renewable energy resource in this country. Anything included in the Farm Bill that will promote its use will reap multiple benefits in the long run.

Thank you for the opportunity to present our views on legislation that can help make locally produced renewable energy a reality.

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TESTIMONY PRESENTED
ON BEHALF OF

CoBANK
FARM CREDIT OF SOUTHERN COLORADO
MOUNTAIN PLAINS FARM CREDIT SERVICES
PREMIER FARM CREDIT

SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY

MARCH 12, 2007
BRIGHTON, COLORADO

Statement Submitted on Behalf of the Colorado Farm Credit System Entities

Mr. Chairman and members of the Committee, thank you for the opportunity to submit testimony on the 2007 Farm Bill on behalf of the four Colorado-based lending institutions of the cooperative Farm Credit System.

Farm Credit of Southern Colorado, Mountain Plains Farm Credit Services, Premier Farm Credit, and CoBank are four of the 100 institutions that comprise the Farm Credit System. As of year-end 2006, Farm Credit had more than $123 billion in loans outstanding to farmers, ranchers, agricultural cooperatives, rural utilities, rural homeowners and certain other farm-related businesses.

As agricultural credit associations serving their respective geographic lending areas, Farm Credit of Southern Colorado, Mountain Plains FCS, and Premier Farm Credit lend to farmers, ranchers, and other rural residents in the state of Colorado.* CoBank lends nationwide, including in the state of Colorado, to agricultural cooperatives and other agricultural-related businesses and to rural communications, energy, and water systems, including. CoBank also finances U.S. agricultural exports. Together, the four Farm Credit institutions had more than $2.3 billion in loans outstanding to nearly 4,000 rural Colorado businesses and residents as of year-end 2006.* In addition, in 2005 (the most recent year for which figures are available), the four institutions extended more than 1,000 new loans totaling $255 million to young, beginning, and small farmers in Colorado.*

More than two years ago, the Farm Credit System undertook the HORIZONS Project in order to analyze the tremendous changes that are occurring in rural America and to highlight the impact those changes are having on agriculture and on rural communities more generally. The report concludes that the spirit of entrepreneurship is stronger than ever in rural America, but that improved access to capital is crucial if that spirit is to translate into real economic growth and development.

The attached summary of the HORIZONS legislative proposals (Attachment A) describes the modest and incremental changes that the Farm Credit System is seeking to its lending authorities to facilitate improved access for rural businesses to Farm Credit financing. The goal of the proposals is to increase the availability of credit to farm- and commercial fishing-related businesses and to home buyers in rural communities. The changes being sought are consistent with the mission of the System and maintain its focus on serving agriculture and rural communities.

The goals of the Horizons legislative proposals are supported by hundreds of organizations that serve rural America, including the national, regional, and Colorado organizations listed in Attachment B. Because these changes would bring significant benefits to rural America at no cost to taxpayers, we urge the Committee to support the HORIZONS legislative proposals in the 2007 Farm Bill.

* The lending territories of Mountain Plains FCS and Farm Credit of Southern Colorado also include seven counties in northern New Mexico.

Attachment A

Farm Credit System
HORIZONS Legislative Proposals
Brief Explanation

Farm- and Fishing-Related Business Financing
The proposal increases the credit availability for farm- and commercial fishing-related businesses by relaxing restrictions on the types of these businesses that can borrow from Farm Credit System lenders. The proposed legislation would allow the businesses that farmers and aquatic harvesters depend on to directly support their farming or aquatic operations to be eligible for Farm Credit System financing. Under the proposal:

- Businesses that are "primarily engaged" in supporting a producers' farm operation would be eligible to borrow from Farm Credit.
- Similarly, businesses that are "primarily engaged" in supporting an aquatic harvester's fishing operation would be eligible to borrow from Farm Credit.
- Large, diversified manufacturers and retail operations would not be made eligible for Farm Credit financing.

The types of businesses that would be made eligible under the proposal are those that provide needed inputs to producers (local farm equipment dealers, feed and seed dealers, commercial fishing vessel support and supply services, etc.) or that purchase or handle farm products directly from producers (local grain elevators, dairies, etc.).

Rural Home Mortgage Financing
The proposal would increase credit availability for homebuyers in rural communities. Under current law the Farm Credit System can finance the purchase of a moderately priced, single-family, owner-occupied, rural home located in a community whose population is 2,500 or less. This population limit was established in 1971. The proposal would adjust the population limit to 50,000, consistent with USDA definitions of rural area.

Modernizing FCS Stock Ownership Requirements
The proposed legislation would make two minor changes to rules governing ownership of Farm Credit System stock. Existing law requires that borrowers purchase a minimum amount of stock equal to either 2% of the amount of the loan or $1000, whichever is less, regardless of the amount of capital the FCS institution has.

Under the proposal, Farm Credit borrowers would continue to be required to own stock in their local Farm Credit lender. The minimum level of stock purchase required, however, would be left to the discretion of the local Farm Credit lender's board of directors.

The second proposal would authorize more of CoBank's customers to hold voting stock in CoBank. Under current law, only cooperatives and Farm Credit System associations are authorized to hold voting stock in CoBank. Under the proposal, CoBank's board would be permitted to issue voting stock to other kinds of CoBank customers, such as certain rural communications companies that have acquired bank stock but are not currently eligible to vote for directors.

Attachment B

Organizations Endorsing the Goals of the Farm Credit HORIZONS Proposals

National and Regional Organizations
American Farm Bureau Federation
Center for Dairy Excellence
Federation of Southern Cooperatives
National Association of Conservation Districts
National Association of Counties
National Association of Realtors & National Association of Home Builders
National Farmers Union
National Milk Producers Federation
Northeast Association of State Departments of Agriculture
Northeast Cooperative Council
Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO)
Southern Association of State Departments of Agriculture
Western Association of State Departments of Agriculture

Colorado Organizations
Colorado Association of Wheat Growers
Colorado Cooperative Council
Colorado Corn Administrative Committee
Colorado Corn Growers Association
Colorado Counties, Inc.
Colorado Potato Council
Colorado Telecommunications Association
Greenhorn Valley Chamber of Commerce
M & M Cooperative, Inc.
Monte Vista Cooperative
Mountain View Harvest Cooperative
Nunn Telephone Company
Rocky Mountain Farmers Union
The Rye Telephone Company
South Park, LLC
Stratton Equity Co-op

United States Senate

Committee on Agriculture, Nutrition & Forestry

Brighton, Colorado

March 12, 2007

Mike Reidy
Senior Vice President, Procurement, Logistics & Business Development
Leprino Foods

Mr. Chairman and members of the Committee, my name is Mike Reidy and I am Senior Vice President, Procurement, Logistics & Business Development at Leprino Foods Company. I also serve as Chairman of the International Dairy Foods Association. Thank you for the opportunity to present the views of Leprino Foods today.

Leprino Foods is a family-owned company that has grown from making small batches of ricotta and mozzarella cheese for local delivery to the world's largest producer of mozzarella cheese. We are headquartered in Denver, Colorado, and operate nine plants in the United States, manufacturing mozzarella cheese and whey products. Six of the nine plants receive milk pooled in the Federal Milk Marketing Orders administered by USDA. We operate three manufacturing facilities that are regulated under the California state order.

In an effort to prepare the dairy industry for future competitiveness here and abroad as part of the next Farm Bill, we suggest Congress:

1. **mandate that USDA act with speed in its regulation of the Federal Milk Marketing Orders (FMMOs) to keep up with changes in the dairy marketplace,**
2. **give all producers and processors risk management tools like forward contracting, and**
3. **resolve the conflicting nature of the two existing federal dairy safety nets.**

Fix Bureaucratic Delays in Federal Milk Marketing Orders Decisions

The rules and regulations of the Depression-era Federal Milk Marketing Orders (FMMO) dominate many of the decisions made by dairy processors. The delay and politicizationof FMMO decisions is of great concern to Leprino and other dairy manufacturers across the country. Dairy processors, producers and dairy cooperatives that have to rely on the FMMOs to know how their milk is priced are adversely affected by the amount of time it takes USDA to implement changes in FMMO rules. Typically, the FMMO rule-making process takes 18-36 months to complete after a petition for changes has been received by USDA. That is an unreasonable time to wait in a competitive marketplace, where demand is growing for innovative dairy products. This regulatory logjam has created an uncertain business-planning environment that inhibits investment and puts the dairy industry at a competitive disadvantage. While some in the industry think Federal Orders should be eliminated, some others believe they should not change. However, virtually everyone believes the process used by USDA to make FMMO decisions should be expedited. Congress should urge USDA to take a page from the playbook from a nearby state, California. Leprino has operations from California and I can tell you from experience, the California state milk marketing order has hard and fast deadlines for considering and making changes to its state order. Changes are implemented within 60 days after concluding its public hearing, as required by law. This system has allowed California processors and producers to be more responsive to commercial demands while the rest of the nation lingers under the cumbersome bureaucracy of USDA.

Allow for Forward Contracting for all in Dairy

Price volatility has become an increasing concern to domestic and international customers alike. I believe that the ability to forward price significant volumes of product is key to driving demand for American dairy products. Unfortunately, multiple food service customers have told me that they are frustrated by price volatility over the years and, as a consequence, are minimizing the use of cheese in menu items. Neither producers nor processors win when our ultimate consumers turn away from our product because of volatile prices. Congress can help address this need by reinstating the dairy forward contracting program. Cooperatives have to right to offer this important risk management tool to farmers and at Leprino we think all processors of manufactured dairy products should have the right to forward contract as a matter of fairness.

Reforming Current Federal Safety Nets

Finally, I would like to briefly comment on the current Federal safety nets. Leprino is very concerned that the Milk Income Loss Contract Program (MILC) impedes the industry's transition to becoming a more competitive long-term player. The program's current structure with a very high target price and limitations on eligible production shields smaller producers from market forces, resulting in greater production and lower overall market prices. At the same time, mid-sized and larger producers are primarily gaining their revenue from the depressed markets, placing these more efficient producers that represent the future of our industry under financial stress. The MILC program runs headlong against the U.S. industry's need to become more competitive. Moreover, the current dairy price support program is not operating as intended.

The dairy price support program has also become more disruptive to the marketplace. For example, the accumulation of over a billion pounds of nonfat in USDA's coffers a few years back was very disruptive. Given limitations on distributions for international food aid, USDA started giving away surplus milk powder accumulated through the dairy price support program for livestock feed in drought areas. The more powder that came out of government storage, the more prices in the free enterprise whey market were undermined. Leprino's whey and cheese business is hurt when the government is buying product and dumping it on the marketplace when it is not needed.

Leprino is operating under the laws of supply and demand but the current dairy programs with these two conflicting safety nets are not. The price support program and the MILC program work against one another and stifle innovation and growth in the dairy industry.

Conclusion

Leprino is proud to be headquartered in Denver, Colorado and proud to be one of the world's largest producers of mozzarella cheese and whey. I want the Committee to know that the future of dairy policy affects Colorado and affects Leprino. The Farm Bill is a great opportunity to fix our federal dairy pricing scheme, which is complex and unresponsive to markets. We have to deal with greater volatility and ineffective support

programs that put undue pressure on the classified pricing system. The web of regulations and bureaucracy puts the U.S. dairy industry farther behind our competition.

However, with your help in modernizing these dairy policies, we will have a greater opportunity to expand domestically and earn a greater share of international markets. We need federal dairy policies that help pave the way, rather than impede our progress to flourish in the long-term.

Thank you.

Testimony on the 2007 Farm Bill
Committee on Agriculture, Nutrition and Forestry
Full Committee Field Hearing
Colorado Views on Federal Agriculture and Rural Policies: the 2007 Farm Bill
1:00 PM on March 12, 2007
Brighton, Colorado

Maurice J. Mausbach
Natural Resouce Specialist
6107 Normandy Court
Fort Collins, CO 80525
mmausbach@comcast.net

I want to thank the committee and the Honorable Senators Ken Salazar and Tom Harkin for holding the hearing in Colorado and for allowing us to make written testimony. I am a private citizen who is retired from the USDA Natural Resources Conservation Service. My last position with the NRCS was Deputy Chief for Soil Survey and Resource Assessment. In this position I led the development of the Conservation Effects Assessment Project (CEAP) to establish a process to acquire data to quantify the environmental effects of conservation efforts authorized through public policy.

I believe it is essential for agriculture to document impacts and successes for conservation efforts whether they are established as part of a farming operation or as part of agriculture programs authorized by congress. This documentation and subsequent analysis will show the public what they are getting from their tax dollars in the form of a cleaner environment and protection of our natural resources. It will also show the environmental benefits that arise from agriculture through actions of the nation's farmers and ranchers. This documentation will also provide critical information to guide policy makers in developing programs to address future conservation policy.

Currently there is no congressional mandate for USDA or individual agencies to develop processes to collect data and information on the impacts of public policy in the form of programs administered by the agencies. The only impetus has come from the Office of Management and Budget to require the agencies to show the cost effectiveness of their programs such as those programs to protect the environment. Language in the

2002 Farm Bill Conference Managers Report describes the Manager's expectation that NRCS would spend up to $10 million per year to monitor and assess the Environmental Quality Incentives Program. It was because of this language that we were able to initiate the interagency CEAP effort. Not only will the CEAP effort provide the necessary information to assess conservation programs but it helps to focus research efforts to better assess impacts conservation on soil and water quality.

To institutionalize a long term effort to assess impacts of conservation programs on the environment: I suggest that the Committee consider adding language to the 2007 Farm Bill:

1. requiring USDA agencies to monitor and assess the impacts of conservation programs in a cooperative effort such as done in the CEAP effort,
2. asking USDA agencies develop a monitoring process to collect statistically valid, on-site information to supplement and verify the model predictions currently employed by the CEAP,
3. authorizing USDA to allocate not less than 0.5% and not more than 1 % of the EQIP funds to monitor and assess the impacts of conservation programs on the environment, and
3. requiring USDA agencies develop a joint report to Congress on a time frame most convenient to the Committee for use to develop future farm bills.

Thank you for the opportunity to submit this testimony for the Record.

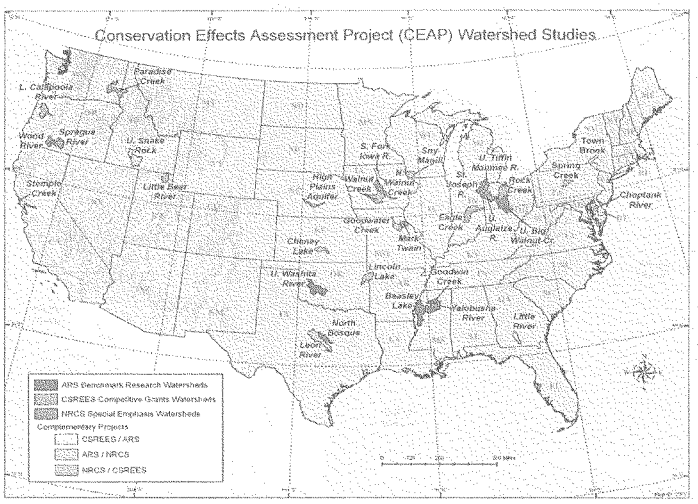
Maurice J. Mausbach

CEAP INFORMATION SHEET

United States Department of Agriculture

Conservation Effects Assessment Project (CEAP)

CEAP is an effort by the USDA to quantify environmental effects of conservation practices. The results will be used to manage agricultural landscapes for environmental quality. CEAP has two main components—a national assessment and watershed assessments.



National Assessment

Cropland

Sampling and modeling approach using data from representative crop fields from the National Resources Inventory and farmer surveys to estimate impacts of conservation practices on:

- water quality, water quantity, and soil quality.

Wetlands

Conduct collaborative regional assessments to develop models for ecosystem services:

- carbon storage, sediment and nutrient reduction, flood water storage, wildlife habitat, and biological sustainability.

Initial assessments--Prairie Potholes; Mississippi Alluvial Valley; Central Valley, California; High Plains; Gulf-Atlantic Coastal Plain

Wildlife

Cooperative effort with wildlife conservation community.

- Regional work groups developing approaches to assessing wildlife effects.
- Coordinating with on-going wildlife studies.

Grazing Lands

Regional approach using range and pasture modeling and results from watershed studies.

37 Watershed Assessments

- **14 Agricultural Research Service (ARS) Benchmark Research Watersheds:** Long-term, coordinated research across a variety of hydrologic and agronomic settings to improve models for the National Assessment and develop policy planning tools.

- **10 Natural Resources Conservation Service (NRCS) Special Emphasis Watersheds:** Focus on livestock, poultry, irrigation and drainage management.

- **13 Cooperative State Research, Education,and Extension Service (CSREES) Watersheds:** Evaluate interactions among practices and hydrology in the landscape, factors affecting farmer adoption of practices, outreach.

Partnerships

- USDA: NRCS, ARS, CSREES, National Agricultural Statistics Service, Farm Service Agency, and National Agricultural Library

- Other Federal Agencies: U.S. Geological Survey, U.S. Environmental Protection Agency, and U.S. Fish and Wildlife Service

- Local: Conservation districts, local governments, drinking water suppliers, agricultural and environmental organizations, universities, Cooperative Extension, State agencies, and producers.

Literature Reviews

- Summarize existing state of knowledge of effects of cropland conservation practices on soil and water quality, water quantity, and wildlife resources. Identify gaps in science.
- **Wildlife, Cropland** - 2007
  Wetlands - 2008
  Grazing Lands - 2009

Bibliographies

- Environmental Effects of USDA Conservation Programs
- Implementing Agricultural Conservation Practices: Barriers and Incentives
- Data and Modeling for Environmental Credit Trading
- Agricultural Conservation Practices and Related Issues: Reviews of the State of the Art and Research Needs
- Environmental Effects of Conservation Practices on Grazing Lands
- Wetlands in Agricultural Landscapes

Impetus for CEAP

- Need to scientifically quantify natural resources effects of conservation practices.
- Substantial increases in funding for USDA 2002 Farm Bill conservation programs.
- Greater government-wide emphasis on performance outcome measures.

Future CEAP Assessments

- Air quality, confined livestock

December 2006

The U.S. Department of Agriculture is an equal opportunity provider and employer.

http://www.nrcs.usda.gov/technical/nri/ceap/

SUBJECT: BRIGHTON, COLORADO, FARM BILL HEARING
PRESENTED BY: DAVID FOY WASHINGTON COUNTY COMMISSIONER
CHAIRMEN OF PROGRESSIVE 15
DATE: 03-11-07
LOCATION: BRIGHTON, COLORADO

I WOULD LIKE TO DISCUSS FIVE ITEMS CONCERNING THE PROPOSED LEGISLATION SURROUNDING THE FARM BILL DISCUSSION.

THE ITEMS INCLUDE:

1) CREP ACRES FOR DISPLACED IRRIGATORS
2) CONTINUED ADEQUATE FUNDING FOR USDA RURAL DEVELOPMENT
   A. SMALL UNITS OF GOVERNMENT REQUIRED MATCHES
3) LOCAL BOARD COMPOSITION OF FARM CREDIT ADMINISTRATION
4) GREEN HOUSE COMPLETION AT THE AKRON USDA/ARS RESEARCH STATION
5) A MORE USEABLE INCOME TAX AVERAGING FOR PRODUCTION AGRICULTURE

CREP ACRES FOR DISPLACED IRRIGATORS

I UNDERSTAND THAT CRP ACRES ARE MAXIMIZED IN WASHINGTON COUNTY AND SURROUNDING COURTIES. HOWEVER, A NUMBER OF THE GROUND WELLS FOR IRRIGATION HAVE BEEN SHUT DOWN ALREADY. ADDITIONAL WELLS ARE UNDER CONSIDERATION FOR SHUT DOWN. THE ACRES NEED PROTECTION.

IT TAKES SEVERAL YEARS TO PUT INTO EFFECT A ROTATION OF DRYLAND CROPS THAT WILL PROTECT THE LAND WHILE GIVING THE FARMER AN OPPORTUNITY TO PROTECT HIMSELF FINANCIALLY. CREP, CONSERVATION RESERVE ENHANSEMENT PROGRAM, STILL CONSIDERATED PART OF THE CRP, NEEDS TO BECOME A SEPARATE PROGRAM THAT MAY BE UTILIZED BY FARMERS TO TRANSITTION TO A DIFFERENT ECONOMIC PROGRAM.

LOCAL UNITS OF GOVERNMENT ALSO NEED TO BE PROTECTED FROM A DECLINING ASSESSED VALUATION.

CONTINUED ADEQUATE FUNDING FOR USDA RURAL DEVELOPMENT

THE USDA RURAL DEVELOPMENT HAS COMPLETED SOME WONDERFUL PROJECTS THAT HAVE REALLY BEEN A BENEFIT FOR THE AREA.

HOWEVER, AGAIN LOCAL UNITS OF GOVERNMENT FIND THEMSELVES IN FINANCIAL SHORT FALLS MANY TIMES WHEN WE TRY TO INITIATE A PROJECT BECAUSE OF THE MATCH REQUIREMENTS AND THE TOTAL COST. I BELIEVE THAT THE MATCH NEEDS TO BE ADJUSTED DOWNWARD FOR THE SMALLER UNITS OF GOVERNMENT.

LOCAL BOARD COMPOSITION OF THE FARM CREDIT ADMINISTRATION

I HAVE RECEIVED INFORMATION FROM TWO REGIONAL OFFICES WITHIN COLORADO THAT I FEEL SLIGHTLY DIFFER. FIRST THE FARM CREDIT ADMINISTRATION IS ASKING FOR THREE ITEMS IN THE FARM BILL.

1. TO BE ALLOWED TO EXPAND THEIR HOME LOAN PROGRAM INTO A LARGER POPULATION. I WOULD SUPPORT THIS ACTION.
2. TO BE ALLOWED TO LEND CAPITAL TO AGRICULTURAL RELATED BUSINESSES SUCH AS MACHINERY DEALERS, BIO-FUEL ETC. I SUPPORT THAT REQUEST.
3. TO RE-DEFINE THE BOARD OF DIRECTOR MAKE UP.
   HERE I FIND SOME CONFUSION. THE REQUET, I UNDERSTAND, ALLOWS THE LOCAL BOARD OF DIRECTORS TO BE COMPRISED OF INDIVIDUALS THAT ARE MEMBERS OF THE LOCAL COOP. IF THE FARM CREDIT SYSTEM EXPANDS THEIR LOANS INTO NEW AREAS ALLOWING FOR NON-FARMERS TO BECOME MEMBERS, THEN IT IS POSSIBLE THAT ADDITIONAL NON-MEMBERS BEYOND THE ONE LEGALLY REQUIRED PRESENTLY MAY SERVE ON THE BOARDS. I BELIEVE THE FARM CREDIT SYSTEM WAS BUILT BY FARMERS FOR FARMERS AND NEEDS TO CONTINUE TO BE DIRECTED AND MANAGED BY FARMERS.

   ONE OF THE COLORADO SYSTEMS INFORMED ME THAT IT'S BOARD OF DIRECTORS MAY BE COMPRISED OF ANY MEMBER OF THE COOP, EVEN IF THAT MEMBER ONLY HAS A HOME LOAN. THE OTHER COOP STATED THAT THE BOARD MAKE UP WOULD REMAIN IN THE HANDS OF PRODUCTION AGRICULTURE.

COMPLETE THE GREEN HOUSE AT THE AKRON USDA/ARS RESEARCH STATION

IF WE EXPECT TO PROVIDE CELLULOSE FOR BIO-FUEL AND ANY OTHER CARBON BASED PRODUCT, WE NEED TO DEVELOP CROPS THAT SUPPLY THE BASE CHEMISTRY FOR THESE PRODUCTS. WE ALSO NEED TO HAVE THOSE CROPS GROW WITHIN OUR ENVIRONMENT. SOME CROPS ALREADY GROW VERY WELL, BUT THEY NEED ADDITIONAL GENETIC REFINEMENT TO SUPPLY THE MATERIALS THAT PRODUCE THE MAXIMUN AMOUNT OF THE RAW PRODUCT. SOME CROPS PROVIDE ADEQUATE CELLULOSE NOW, BUT NEED TO BE REFINED TO ADAPT TO OUR ENVIROMENT.

A COMPLETED GREEN HOUSE AND THE ACCOMPANYING PLANT BREEDER AT THE AKRON STATION WOULD GIVE THIS ENTIRE GEOGRAPHIC REGION A GREATER OPPORTUNITY TO HELP ACCOMPLISH THAT GOAL.

A MORE USEABLE INCOME TAX AVERAGING FOR PRODUCTION AGRICULTURE.

THE UNPREDICTABLE VOLATILITY OF THE INPUTS THAT INFLUENCE THE INCOME RETURN IN PRODUCTION AGRICULTURE NEED TO BE LEVELED OUT THROUGH INCOME TAX REFORM. THE CURRENT INCOME TAX AVERAGING PROVISIONS ARE MUCH TOO COMPLEX AND REQUIRE WAY TOO MUCH READJUSTING OF PREVIOUS INCOME RETURNS. SINCE INCOME IN PROUDUCTION AGRICULTURE HAS SUCH UPS AND DOWNS, A SIMPLE AVERAGING SCHEME SHOULD BE ALLOWED.

THANK YOU

DAVID FOY
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Written Statement for the Record

On behalf of the
Republican River Water Conservation District

Submitted By
Dennis Coryell, President of the Board

Submitted to the
United States Senate Committee on Agriculture
Monday, March 12 2007
Waymire Dome Building
Brighton, Colorado

"Colorado Views on Federal Agriculture and Rural Policies; the 2007 Farm Bill"

Chairman Harkin, Ranking Member Chambliss, Senator Salazar, and distinguished members of the Senate Agriculture Committee, I want to thank you for allowing the Republican River Water Conservation District to provide written testimony for the record regarding the 2007 Farm Bill. We truly appreciate the opportunity to have our voices and opinions be heard on this critical matter for our state and region.

The Republican River Water Conservation District (RRWCD) represents seven counties with over 4,310 farms throughout the Republican River Basin. Agriculture is the dominant economic engine of the region and water for irrigation is critical in keeping that engine running. Ogallala Aquifer water levels continue to decline in the northern High Plains and warrant protection.

The RRWCD was established in 2004 by the Colorado Legislature (SB 04-235) to promote the general health and welfare of the people in the Republican River Basin through conservation, use, and development of water supplies, and to assist the State of Colorado in meeting the provisions set forth by the Republican River Compact. The District has been successful in collaborating with the federal government in these actions, including securing contributory funding through the Conservation Reserve Enhancement Program (CREP) and other federal water/land stewardship programs within the Republican River Basin that reduce water consumption.

The RRWCD recognizes the importance of the 2007 Farm Bill and offers the following views and recommendations pertinent to the legislation:

Conservation Title:

The Republican River Water Conservation District supports:

- Preserving and increasing funding to maintain and enhance conservation programs within the Conservation Title. Conservation Program over-subscription demonstrates the need for increased funding in all Conservation Programs within the Conservation Title.
- A more simplified and streamlined process, a reduction in repetitive processes and a more cost-efficient delivery of environmental benefits. The Administration's proposal consolidating programs has merit; however caution should be exercised to insure funding levels for historic Conservation Programs are not compromised through this consolidation.
- Reauthorization and refinement of the Conservation Reserve Program, including retaining a minimum national cap of not less than 40 million acres. Maintaining and enhancing conservation priorities toward water quantity, water quality, soil erosion, and wildlife habitat.
- Providing states with the flexibility necessary to implement programs to meet local and regional environmental needs. States and partners need greater flexibility to implement programs such as EQIP and CREP.
- The Administration's proposal to create and fund a new Regional Water Enhancement Program (RWEP) that focuses on cooperative approaches to enhance water quantity and water quality on a regional scale. USDA assistance to water conservation or irrigation districts for large water projects through this program would greatly assist the District in achieving water quantity goals.
- The Administration's recommendation to enhance the Conservation Innovation Grant (CIG) Program through an increase of $ 80 million nationally. Technology transfer and demonstrations of working lands conservation and energy production using cellulosic plants is critical to agriculture and the future of this nation and this funding increase could be used to demonstrate an economical and environmentally friendly process to reduce the nation's dependency on foreign oil.
- A strong relationship between the Conservation Title and Energy Title of the 2007 Farm Bill. USDA has made great strides in the conservation arena and conservation benefits should not be compromised as new energy opportunities are explored through this Farm Bill.

The Republican River Water Conservation District further recommends that the Conservation Title of the 2007 Farm Bill:

- **Remove the county CRP cap restriction of no more than 25% cropland acres enrolled in a county for the Conservation Reserve Enhancement Program (CREP) or all continuous practices.** CREP is a Federal, State, local partnership that requires non-Federal cash and in-kind match. An individual Programmatic Environmental Assessment (PEA) is required for each CREP. The individual PEA addresses some of the economic issues that were of concern when the 25% cap limitation was instituted. CREP requires local, state, and federal political support as well as support from the agricultural and other economic industries within the region. Numerous CREP Agreements throughout the western United States are implementing water savings as a primary goal and as such are proposing to retire irrigated cropland. Some CREP counties with a high percentage of dryland cropland with high erodibility and subsequent high enrollment in general CRP enrollment are currently being made

ineligible to participate in a CREP that seeks to retire irrigated cropland to reduce consumptive water use.

- **Remove the cropping history restrictions as it pertains to multi-year crops such as alfalfa when it pertains to retiring land under irrigation with a goal of reducing water consumption.** This restriction was enacted to address sodbuster issues; however it is restricting producers that planted alfalfa under irrigation. These producers rotate alfalfa less frequently under irrigation and depending on timing, are being made ineligible for CREP that seeks to retire irrigated cropland.
- **Establish the Ogallala Aquifer as a new watershed area of special environmental sensitivity and designate the Ogallala Aquifer as a Conservation Priority Area.** The Ogallala Aquifer occupies the High Plains of the United States and underlies approximately 174,000 square miles in eight states. The total water storage in the Ogallala approximates the entire water storage capacity of Lake Huron and is the single most important source of water in the High Plains region. The High Plains is the leading irrigation area in the Western Hemisphere, irrigating over 13.6 million acres annually. The future economy of the High Plains depends heavily on the Ogallala Aquifer and will only continue to serve that purpose if managed properly. Designation as a Conservation Priority Area will acknowledge the importance of the region and demonstrate a need for conservation action.
- **Adjust the payment limitations for rental payments to better reflect today's economy.** A $50,000 rental payment for conservation may be restricting some producers from participating in Conservation Programs. In particular, some producers participating in CREP on irrigated acres that have justifiably higher rental rates may be restricted by the current $50,000 per fiscal year limitation.

Energy Title:

The Republican River Water Conservation District supports:

- The Administrations Farm Bill Proposals to include more than $1.6 Billion in New Renewable Energy Funding targeting Cellulosic Ethanol Projects.
    - A $500 million funding level to support small alternative energy projects that help farmers, ranchers, and small businesses.
    - A $210 million funding level to assist rural areas in the development of cellulosic ethanol production.

The Republican River Water Conservation District further proposes to Congress and the Administration a Pilot Project to:

- Fund research and development and economic analysis to convert a percentage of irrigated cropland within the Republican River Basin of Colorado from corn production to switchgrass production to provide efficient cellulosic material for ethanol production and reduce the overall consumptive use in the Basin, while maintaining a viable agricultural economy.

- Provide funding for research at Colorado State University or other land grant university and The Department of Energy's National Renewable Energy Laboratory.
- Provide funding and other incentives for local ethanol production facilities to upgrade and or integrate cellulosic ethanol production in their facility.
- Provide funding for research to establish irrigation requirements, cultivar development, and trials to determine yields and sugar production of various cultivars.
- Provide funding or incentives to producers through LDP or DCP or other means to encourage producers to convert a percentage of land currently producing corn to a switchgrass or other perennial crop suitable for ethanol production.

The Administration stressed new funding for research to make cellulosic ethanol production practical and competitive within 6 years. Switchgrass has a potential for high fuel yields, hardiness and ability to be grown in harsh areas, and requires substantially less input costs, including water than does corn. Switchgrass is native to much of the Republican River Basin and can readily be grown under limited irrigation. Land planted to switchgrass can produce four times the cellulosic material as can land planted to corn. Most research points to cellulosic ethanol as the most reasonable alternative energy source. The RRWCD and the Republican River Basin has the facilities and switchgrass production capabilities and the need for agricultural diversity to further investigate a Pilot Project. The District would like to work with the Congressional staff and the Administration to determine the feasibility of this Pilot Project and development of a long-term solution to alternative energy sources and water conservation in the Republican River Basin

Again, thank you for allowing us to submit our comments for the record and we look forward to working with the Committee and our Colorado Senators in moving the 2007 Farm Bill forward.

Date: March 15, 2007

Subject: 2007 Farm Bill written testimony
In response to the Colorado Field Hearing held on March 12, 2007
Senate Committee on Agriculture, Nutrition and Forestry

From: Robert T. Sakata
662 Rose Drive
Brighton, CO. 80601

Dear Chairman Harkin, Senator Salazar and Committee members,

Thank you for holding the recent field hearing in Colorado and for allowing me to provide this written testimony. Our family has a vegetable farm in Brighton, Colorado where we grow sweet corn, cabbage, broccoli and onions. I have not been able to attend or listen to any of your previous committee meetings so it was a wonderful opportunity for me to listen to the witnesses and to your questions and responses.

First in response to a question that Chairman Harkin posed to the witnesses about what can be done to encourage young farmers to be involved in agriculture, I would like to explain our family's challenge. Most of the witnesses suggested, and I would not disagree that we need to approach this by making (I would add the word "FAMILY") farming financially attractive. None of the witnesses mentioned the disincentive that our present inheritance tax program is to those of us that would like to stay in farming. Growing up I remember my father bolting wooden blocks to the clutch and brakes so that I could operate the tractor. I have worked on the farm all of my life except for 7 years when I went off to college, and even then I returned in the summer several years to help out. There are fewer and fewer of us who have had the opportunity to grow up on the farm and develop the work ethic and understanding that this is not a 9-5, 5 day a week job. I have learned that accomplishments are not tied to a calendar or to a time clock but to what happens in concert with nature and the blessings of the Almighty Lord. With the present death tax I will not continue farming when that unfortunate day comes that my parents pass away, all due to a government that see the gains made by my family and our faithful employees as something that should be taken away. It seems strange that a profession that I have invested my whole life in will be taken away. When I was a youngster if I would have known that all of this hard work would have ended this way I would have walked away from farming long ago and not invested so much in it. Our employees and I need your help to remove the death tax for farmers.

Second in response to a question from Senator Salazar about how to get grant monies in the farm bill to the farmers I would offer the following observations. I am fearful that many of these programs, although meant to be helpful may create an unequal economic playing field between farmers. It appeared that the list of witnesses for the hearing in Colorado was selected because of the organizations that they represented. I know that time was limited but it concerns me that if the crops that I grow are not represented by a

formal organization that my particular needs may never be addressed. For example, we grow broccoli. There is not a fresh broccoli association or even a fresh vegetable association in the state of Colorado. Like so many commodities, centralization is occurring with most of the broccoli production occurring in California and Arizona. On our family farm as our resources becoming stretched even more dealing with all of the increasing regulations we don't have time or resources to search out, develop, write and follow up on grant proposals to USDA. I am afraid that only larger entities that can afford to hire professional grant writers will get the lion's share of this "specialty crop" funds. I could foresee grants going to these entities to fund research that would be specific to their operation or area. As an example the development of new hybrid varieties may sound like a worthy cause but we know that varieties developed for Arizona don't necessarily work well here in Colorado, thus putting us at an even greater disadvantage.

However I do believe that there is a need for funds to go toward research needs of specialty crops. One example that I am aware of is in onion production. We are facing challenges due to thrips and Iris Yellow Spot Virus. Each year we contribute what we can to Colorado State University to help us with this problem but it's not near enough to support the scientific research that the researcher indicate needs to be done. There is a fine line between what may benefit a commodity group as a whole and what may only benefit a small subset. I feel that research grant programs should be monitored closely in order to minimize the potential for creating any market inequities between producers already struggling to survive across the United Sates.

Along the same lines I have concerns about the funds used to promote rural development. We grow sweet corn as my father has developed this market over a span of 45 years, but suddenly we found that a newly constructed fresh sweet corn packing operation was started in western Kansas in part due to some funds offered through an economic development program of the USDA. This new and unfairly subsidized competition has had a long lasting effect on the marketing of our product. Again we have worked hard over the years trying to make good business decision based on the principles of supply and demand. Suddenly in the name of rural development in Kansas our market was ruined for several seasons and now my understanding is that the operation in Kansas has folded as well. Not a very good success story for USDA and you wonder why we are so leery whenever somebody comes to us and says I am from the government and I am here to help you.

One thing in the proposal that I would support is the funds to help rural communities with their water and wastewater infrastructure. I am on the State of Colorado's Water Quality Control Commission and in that capacity have participated in the hearings to set new more restrictive water quality standards in part due to EPA. Standards on ammonia, nutrients, arsenic, selenium, and others are going to cost millions of dollars to deal with and small communities are going to struggle to find the funds to accomplish these upgrades. Clean water benefits all Americans and it seems appropriate for us to help fund these projects

In conjunction with environmental protection, as Clean Water Act 319 non-point source funds are being reduced I do see a need to provide support for research and outreach for water quality improvement and protection. So much of the new technology like variable rate application along with GPS guidance can help producers reduce their potential contribution of pollutants to our water bodies but this technology is expensive, both to develop and to incorporate. Our land grant colleges have some very talented individuals that can help farmers do more to protect our environment. I have been fortunate enough to be involved with the Cooperative State Research Education and Extension Service (CSREES) in some of the regional programs dealing with water. What a fantastic resource they have been with the outreach and research that they are doing across the United States. From the agricultural perspective the challenges are becoming overwhelming. We try and continue to deal with current problems like nutrients and the development of TMDLs for E. coli and the complexities of source tracking and identification using technologies ranging from simple visual observations to the creation of complex and costly DNA libraries. But we are also facing new challenges like antibiotics in surface water, produced water from coal bed methane facilities effecting crop production, Reverse Osmosis brine disposal, and a myriad of issues dealing with diminishing water quantity as well. I am proud to consider myself a steward of my land and an active environmentalist, rather than an environmental activist, but the realization is that as farmer I don't have the economic resources to investigate every possible environmental effect that my operation may have especially with the complexities that we are considering today. I think there is real promise to evaluate farm operations not as a point source and not as a non-point source but on a holistic approach. In the state of Colorado we have begun the process to look at an Environmental Management Systems approach to agricultural practices so that we can look at the net effect. As an example, concerns have been raised about air nitrogen deposition in Rocky Mountain National Park and we have begun to evaluate agriculture's contribution to airborne ammonia, a situation that may have partially arisen because of our efforts to reduce nutrients into the states water bodies. I really hope that we can measure the environmental benefits of farming and determine a way that we can market those benefits so that sound business decisions will benefit the environment and the farmer.

Changing to a different topic, under Title IV Nutrition of the USDA's proposal I have some concerns about the $500 million for mandatory funding for the purchase of fresh fruits and vegetables. I think it's a wonderful idea to improve the health of our young people but I am wondering if anybody has looked at where will the USDA will be purchasing this food? Will this increase the trend of importing more produce since most of the school lunch programs operate during the winter months when there is reduced fresh vegetable production in the US? Will this program actually hurt the US frozen or canning industry and in turn hurt vegetable farmers growing for those operations? It could have extreme ramifications for us if suddenly the fall fresh vegetable market is flooded with extra vegetables that use to go to freezing or canning operations. What are the final nutritional differences in a cooked meal from frozen or canned vegetables versus fresh? Again the program sounds good but I have concerns about the unintended secondary effects and for what benefits?

As a vegetable farmer, our family has never participated in any of the Farm Bill programs nor promoted subsidies for vegetable production because we feel that the free market enterprise system is the best way to promote profitability in vegetable production. I hope that you would keep this philosophy in mind as you continue your work to draft the 2007 Farm Bill. We have already seen development of the subsidized crop insurance programs for the specialty crops cause a deterioration of what once was a true supply and demand market driven economy. Although it was a shame that one person's success in any given year could have been due to another's loss it also doesn't make sense to continue to subsidize production in an area that has a history of crop failures. Once vegetable farmers begin to make production decisions based on crop programs or insurance payments, (which may be "smart business" decisions) rather than what makes sense based on the free market value of the crop, the less likely I see our operation being profitable on it's own like we have so proudly been for over the past fifty years.

To me it seems that the flexibility that would benefit most farmers would be the ability to average our income over a longer period of time for tax purposes because of the variability of income from year to year. Also incentives to continue to invest in new technology to further insure that we maintain the safest food supply in world. Although there may be a place for USDA grant funding proposals, tax incentives seem to provide less chance of creating the unfair economic disparity between producers that could arise with other approaches. Everybody has to deal with filing taxes so taking advantage of economic incentives through the tax system would seem a fairer method to promote agriculture rather than applying for individual grants.

I appreciate the opportunity to provide you with my testimony. As I mentioned our family has not participated in any of the farm programs so I am not at all an expert but would ask that you to take my suggestions into your thoughtful consideration.

Sincerely,

Robert T. Sakata

Brief written comments on the prospective 2007 Farm Bill
Sen. Salazar's "Farm Bill Listening" meeting
Brighton, Colorado
March 12, 2007

Tom Potter, Southwest Energy Efficiency Project (SWEEP)
303.503.2230 tpotter@swenergy.org

I'm Tom Potter, Sustainability Field Advocate. I work on efficiency, wind and biofuels with farmers and economic development folk mostly in Colorado and nearby portions of Kansas, Nebraska and Wyoming.

In my Farm Bill comments in Yuma and Brighton last year I described the overall rural economic situation hereabouts, and how energy alternatives supported under Title 9 of the Farm Bill can change that bleak picture with new sources of rural income, new types of rural jobs, and new forms of rural career options

I'll confine my remarks today to four simple suggestions for improving the rural economic payoff of Section 9006.

1. Increase the amount available for Section 9006 grants and loans to $50 million. This will allow many more worthy projects to be co-funded, and still be but a small proportion of USDA Rural Utility Service subsidized loans for new rural electrical generation, which rural efficiency and renewables will obviate;
2. Increase the use of short forms for small projects;
3. Provide more technical aid for Section 9006 applications for rural efficiency and renewables projects by encouraging the participation of other relevant government entities:
    a. The Energy Extension Service out of our state land-grant universities;
    b. The various State Energy Offices; and
    c. The Department of Energy's national laboratories (like NREL, Oak Ridge National Laboratory, Lawrence Berkely Lab, Argonne, and Pacific Northwest Lab) in EE/RE technology-specific tech transfer, via rural appropriate-technology briefing documents and application templates like the one prepared by the Environmental Law Policy Center
4. Involve rural electric cooperatives and their wholesale power suppliers in the Farm Bill by
    a. Encouraging their financial participation in energy efficiency projects where these Farm Bill projects save peak power and consumption for less than rate increases projected for new generating capacity
    b. Encouraging the purchase of excess electric power generated with Farm Bill projects by
        i. broadly applying true net metering for Farm Bill projects;
        ii. waiving "all-requirements" clauses in power supply contracts for Farm Bill projects; and

iii requiring that equal economic consideration be given to the community sustainability value of power that is saved and locally-generated under Farm Bill projects, compared to new central power generation.

Thank you for this chance to discuss these ideas with you. I would be pleased to work with the Senator's staff to shape them into legislative language.

Stewart Environmental Consultants, Inc.
consulting engineers and scientists

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March 12, 2007

The Honorable Senator Tom Harkin
Committee on Agriculture, Nutrition, and Forestry
Room SR-328A Russell Senate Office Building
Washington, DC 20510-6000

Dear Senator Harkin:

Stewart Environmental Consultants, Inc. is a 25-year-old Fort Collins, Colorado-based team of engineers and scientists that provides environmental engineering, industrial hygiene, and laboratory testing services. The company serves a diverse clientele, supporting notable commercial, industrial, and government agencies throughout the region.

As the region moves toward developing a new economy, based in part upon sustainable and renewable energy, Stewart Environmental is playing a key role in and has first hand knowledge of a number of enabling technologies. One of the technologies, *biogas production* – namely through improved *anaerobic digestion processes*, can contribute to the movement on several fronts. This proven technology can contribute environmentally, socially, and economically to the benefit of the region. We urge support of this and other similar technologies in the forthcoming section: *Energy Title (Title 9) of the 2007 Farm Bill.*

BACKGROUND

Electrical generation accounts for more than 50 percent of total United States farm emissions. Renewable energy sources, such as wind and solar power, are expensive and unreliable. The fuel costs incurred by United States farms are offset by supplemental assistance from the government. Biogas for either natural gas consumption or electrical power generation will assist the farming community far into the future.

Colorado voters in 2004 approved a referendum requiring that the state draws 10 percent of its electricity from renewable sources. In October, the state's largest utility, Xcel Energy, announced it will meet the 10 percent target by next year. Xcel's quick success reflects, in part, the abundance of solar power and wind in Colorado, which is not the case everywhere.

Xcel, which serves 1.3 million customers in Colorado, is studying how it could attain a higher percentage, spokesman Mr. Tom Henley says. That's "something we're looking at... The only question is whether it would be prudent." He points to the intermittent reliability of wind and solar power.

An alternative that has not been investigated extensively is the use of biogas.

BIOGAS REMAINS AN UNTAPPED RESOURCE

Despite numerous individual efforts to beneficially produce biogas from Confined Animal Feeding Operations (CAFO) and dairies, these facilities do not normally contain the number of animals to make this process effective. The alternative is land disposal of this material, which can be very costly. There appears to be several reasons why previous biogas efforts have had limited success, including:

- The difficulties in selling biogas to private energy companies.
- Odors associated with previous CAFO operations that do not control odors.
- Fluctuating gas prices and the resulting fluctuation in the willingness to make capital investments in biogas technology.
- Wide differences between the desires for rapid development of biogas by private industry, once a "go" decision has been made, and the slow pace of development for public energy infrastructure.
- Risks associated with environmental processing of CAFO waste.
- The relatively low value placed on biogas, particularly in relation to the high value of natural gas.
- Clean Water Act limits the discharge of wastewater from the process to surface water in the West.

In short, although there are significant technical, economic, environmental, and legal barriers to regional biogas facilities, the primary barriers are the institutional and communication differences between the private gas industry and the publicly dominated energy industry.

BENEFITS OF BIOGAS REGIONAL FACILITIES

Despite the barriers to development, the benefits are substantial and are both social and technical. The social benefits of a regional biogas facility include:

- Reduce the cost of business for the agricultural sector while benefiting the energy industry and consumers.
- Add a new renewable energy source to the limited supply of natural gas in the west.
- Reduce the cost of environmental controls for both the diary farmer and the CAFO.
- Minimize the environmental impact of both greenhouse gas generation and surface water contamination.
- Make better use of our natural and financial resources by lowering the cost of environmental compliance.

The technical benefits of a regional biogas facility include:

- Improve the ability to provide fertilizer to the agricultural market. The residual management issues will be less due to the nature of the solids after thermophilic digestion.
- Reduce the odors and flies associated with the handling of manure.
- Assist in meeting the Colorado requirement of 10 percent of the electricity from renewable sources.
- At least five other states have this requirement in the west and this process will work in each locality.
- These types of facilities generally add 15 jobs to the work force and would be repeatable throughout Colorado at various CAFO's and dairy operations.

CONCLUSION

We urge support of this and other similar technologies in the forthcoming section: *Energy Title (Title 9) of the 2007 Farm Bill.*

Sincerely,

STEWART ENVIRONMENTAL CONSULTANTS, INC.

David R. Stewart, PhD, PE
President and CEO

cc: The Honorable Senator Ken Salazar
The Honorable Senator Wayne Allard

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WRITTEN STATEMENT OF CHARLES BEDFORD
COLORADO STATE DIRECTOR
THE NATURE CONSERVANCY

TO THE
COMMITTEE ON AGRICULTURE
UNITED STATES SENATE
on
Colorado Views on Federal Agriculture and Rural Policies; the 2007 Farm Bill
Brighton, Colorado
March 12, 2007
(Submitted March 20, 2007)

Mr. Chairman and members of the Committee, thank you for the opportunity to provide written testimony following the Committee's hearing on "Colorado Views on Federal Agriculture and Rural Policies; the 2007 Farm Bill" held in Brighton, Colorado.
The Conservancy has a long-standing interest in the Farm Bill's conservation programs which have a profound impact on native species and wildlife conservation and on income opportunities for private landowners who practice crop, livestock and forestry activities. In Colorado and across the West, we recognize the importance the Farm Bill can play in benefiting ranchers, wildlife and the environment.

The Nature Conservancy is an international, nonprofit organization dedicated to the conservation of biological diversity. Our mission is to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. Our on-the-ground conservation work is carried out in all 50 states and in 27 foreign countries and is supported by approximately one million individual members. We have helped conserve nearly 15 million acres of land in the United States and Canada and more than 102 million acres with local partner organizations globally.

The Conservancy owns and manages approximately 1,400 preserves throughout the United States – the largest private system of nature sanctuaries in the world. We recognize, however, that our mission cannot be achieved by core protected areas alone. Therefore, our projects increasingly seek to accommodate compatible human uses, and especially in the developing world, to address sustained human well-being.

In Colorado, The Nature Conservancy is dedicated to conserving the state's rich natural heritage and our way of life. We have worked with local communities for over 30 years, and have protected more than 600,000 acres of forests, prairies, canyons and wetlands.

The Conservancy works to achieve lasting results by finding common ground with communities and partners. Our approach is based on sound, scientific analysis that also accounts for people and the needs of local communities. We work with ranchers across the state - in the eastern grasslands, the Yampa Valley, the San Luis Valley, the Gunnison Valley - to conserve the ranching tradition and its important contribution to wildlife habitat and large-scale conservation of natural areas.

The Conservancy's Farm Bill Platform (attached) includes comprehensive recommendations for improving the effectiveness and efficiency of Farm Bill programs in conserving species and wildlife habitat. This testimony focuses on an issue of particular importance to Colorado -- the role of the Farm Bill in grazing lands conservation.

Grazing Lands

Grazing lands feature grasses or shrubs as the dominant natural vegetation. These lands are often managed as natural ecosystems. In the United States, grazing lands include the prairies of the Great Plains, savannas in Texas and Florida, and shrublands and deserts throughout the West. Grazing lands cover about 40% of the United States and comprise nearly 80% of our western landscape.

Grazing lands provide many benefits to people, including clean air and water, forage for livestock, and habitat for wildlife. By some estimates, over 80 percent of the mammals and over 70 percent of the birds found in the United States use grazing lands during some part of the year.

Over the past 150 years, large swaths of rangeland have been converted to other uses, such as cropland and residential and commercial development. Invasive species, inappropriate grazing practices, and altered fire regimes have impaired the quality of much of the remaining rangeland.

About 55 percent of US grazing lands are privately owned. These private holdings are the most productive grazing lands, accounting for more than 90 percent of the forage produced in the United States. They are also highly threatened with conversion and fragmentation.

For example, more than 90 percent - and as much as 99 percent in several Midwestern states - of native tallgrass prairie has already been lost. And according to USDA reports, current annual rangeland loss in the 11 western states may be as high as 2-3 million acres, with another million acres lost every year in the Great Plains.

Key Components of the 2007 Farm Bill for Grazing Lands Conservation

We believe that the Farm Bill can play a critical role in Colorado and across the west to simultaneously benefit the West's ranchers, wildlife, and the environment. The importance of private grazing lands to protecting the West's ranching heritage, open spaces, clean water, fresh air and wildlife habitat cannot be overstated. Supporting the

long-term viability of the ranching industry and rewarding good stewardship can help the nation achieve many of its environmental objectives. It is therefore absolutely critical to ensure that the 2007 Farm Bill increases assistance to ranchers who volunteer to help.

The next Farm Bill should make grazing lands conservation a bigger priority. While the 2002 Farm Bill took some small steps to assist ranchers, it fell well short of meeting the demand from the West for rewarding good stewardship. In particular, the Grasslands Reserve Program (GRP) is significantly over subscribed. In Colorado alone in 2004, there were 353 applications for GRP enrollment. Only seven applications were accepted because of the limitations on the size of the program, leaving 700,000 acres of unmet demand. We urge you to increase funding for GRP specifically and to support the following provisions in the 2007 Farm Bill:

Grasslands Reserve Program (GRP):

- Significantly increase the size of the program by adopting annual enrollment targets rates of 1 million acres, 1.5 million acres, 2 million acres, 2.5 million acres, and 3 million acres respectively over the 5 years of the Farm Bill, and continuing at that level each year thereafter;
- Target funding to states that contain large acreages of grasslands, are under high threat of conversion, and harbor biodiversity of national significance;
- Create a Grassland Reserve Enhancement Program (similar to CREP) to leverage non-federal funds to address state grassland conservation priorities, and reserve a significant percentage of the total acres for this purpose;
- Reinforce existing statutory authority of NRCS to allow third parties to negotiate, hold, and enforce easements; and
- Ensure that the program emphasizes permanent easements in response to landowner demand.

Farm and Ranchlands Protection Program (FRPP):

- Increase mandatory funding;
- Reinforce existing statutory authority of NRCS to allow third parties to negotiate, hold, and enforce easements subject to reasonable standards to ensure the conservation purposes of the program are met; and
- Increase flexibility at the state level to shape priorities and rules that reflect local concerns.

Environmental Quality Incentives Program (EQIP):

- Ensure that NRCS funds special initiatives (e.g. Colorado's initiative to control invasive weeds) of importance to rangelands;
- Provide higher cost-share for practices benefiting at-risk species;
- Increase and strengthen programs that assist ranchers in adopting practices to conserve water and to improve water quality; and
- Expand funding for energy-efficiency measures that achieve on-ranch energy savings.

Cooperative Conservation:

- Reserve a significant percentage of all working lands incentives funding for the Secretary and for State Conservationists to provide multi-year grants to groups of farmers, ranchers, and other stakeholders addressing local and regional environmental priorities; and
- Require that proposals submitted by states, counties, cooperatives, conservation districts and other non-governmental entities leverage other state, local, federal, or private dollars, demonstrate local and multi-stakeholder support, and provide for adequate technical assistance.

Thank you for the opportunity to provide comments. We believe that the 2007 Farm Bill provides tremendous opportunities to enhance grazing lands conservation efforts in Colorado to preserve private working landscapes, support the long-term viability of the ranching industry and to protect and enhance Colorado's rangelands for wildlife habitat.

THE NATURE CONSERVANCY

2007 FARM BILL PLATFORM

The Nature Conservancy

SAVING THE LAST GREAT PLACES ON EARTH

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KEY THEMES

(BY RANK ORDER)

1) **Conversion** – maintain habitat friendly agriculture and forestry and increase funding available for easement programs on working lands.
2) **Invasive species** – proactively address threats invasive species pose to agriculture, forests, and other natural habitats.
3) **Targeting** –target conservation programs to ensure that they contribute to measurable improvement in the health of ecosystems at the local level and at larger geographical scales.
4) **Water Resources** – promote practices and restoration to improve water quality and flow regimes in watersheds affected by agriculture and forest management.
5) **Stewardship/Management** – improve incentives for landowners engaged in long-term adaptive management to promote natural processes for the benefit of native ecosystems.
6) **Performance Measures** – for lands enrolled in USDA conservation programs ensure that ecological outcomes of conservation actions are measured to assess success and to refine implementation and allocations of the programs.
7) **Conservation Compliance** – improve monitoring efforts to ensure compliance with requirements of conservation programs and increase monitoring resources; create stronger links between conservation compliance and financial benefits eligibility under commodity programs.
8) **Climate Change** -- quantify carbon emission reductions of Farm Bill conservation programs and support research to better understand the impacts of climate change on crop and forest production.

I. CONVERSION

The conversion threat to native plant communities and its deleterious effect on habitat ranked as the top priority across the Conservancy. In the context of this document, conversion is multifaceted and refers to past and future modification of natural lands to urban and second home development or agricultural production, and conversion of less intensive agriculture (for example, ranching) to more intensive (for example, crop, vineyard, or orchard production). Generally, revisions to the 2007 farm bill should eliminate incentives that encourage conversion or intensified production on ecologically sensitive lands including wetlands and floodplains. In addition, revisions should strengthen existing conservation programs and create new programs for farmland in ecologically important areas to encourage conversion back to native habitat and discourage conversion to more intensive uses and development.

FORESTS

Of 1.9 billion total acres that comprise the contiguous 48 states, roughly 405 million acres are in forest land. Approximately 71% of this land consists of privately owned forests managed by individual owners in largely rural areas. In many places these lands provide important habitat for game and non-game wildlife, protect rivers and streams critical to downstream irrigation and drinking water supplies, and support timber and forest products industries critical to many rural economies. As such, the protection of native forest habitats and the sustainable management of working forestlands are important facets of the Conservancy's effort to protect key ecological systems in partnership with local communities.

The forests of the United States are under significant threat from a variety of sources. Between 1982 and 2001 about 34 million acres were lost to developed uses. The rate of this permanent loss is alarmingly high and it is accelerating. From 1982-1992 the country lost nearly 700,000 acres of forest to development per year. This rate increased to well over one million acres per year from 1992 to 2001.

Protection of forests' ecological health and economic viability is complicated by changing ownership patterns. Non-industrial private ownership is increasing, and average tract size is decreasing. In the last three years alone, 13 million acres of forestland have changed hands in the lower 48 states, with an increasing number of landowners. These changes are significant because smaller tract size and higher population densities decrease the likelihood of comprehensive large-scale forest management. Owners of smaller parcels are also less likely to take advantage of traditional cost-share programs and management assistance, which most professionals regard as critical to successful ecological and economic management of the resource. The result is an increasingly fragmented and unmanaged forest.

FOREST PROPOSALS FOR THE 2007 FARM BILL

1) Eliminate barriers for participation by small private forest landowners in all USDA conservation programs. For example, eliminate requirement that eligible forest land must be incidental to a registered farm operation.

2) Develop a broad-ranging forestry program, intended to aid in the management and protection of small (under 1,500 acres) non-industrial private forestlands. This program should include:

    a) Streamlined application process for landowners in targeted eligible geographies (selected by state foresters or USFS or another appropriate mechanism).

    b) Permanent conservation easements targeted to encourage participation within key forested landscapes, as well as for watershed and riparian protection in designated watersheds of importance.

c) Forest restoration programs focused in areas that were historically forested.

d) Incentives for management activities that promote sustainability and conservation at the ownership or landscape scales. These could include practices that:

   i) Identify and protect habitat for rare species or communities, and which maintain native species and communities.

   ii) Establish, manage and restore forests for purposes of improved health or condition of native forest communities (including planting, understory restoration, invasive species control, and other appropriate practices).

   iii) Promote restoration of native communities in heavily-impacted landscapes.

   iv) Reinstate historical disturbance regimes, such as fire (or surrogates for those disturbances, such as grazing where appropriate) to maintain forest health and diversity of native species.

   v) Remove small diameter material from forests to prevent unnatural fires and improve general forest health. Engage in and implement research to understand and create markets for small diameter material.

e) Jointly developed cooperative management plans at the landscape-scale in designated landscapes, and target incentives for participating landowners who implement plan elements in those geographies.

f) Improved coordination between the Forest Service, State Foresters, and NRCS.

g) Funding via the farm bill (permanent), not through appropriations.

GRASSLANDS

Conversion of native prairie and rangeland (here after referred to collectively as grasslands) to cropland is a key concern to The Nature Conservancy. Temperate grasslands are the least protected, and most altered major habitat type in the world. This phenomenon has been most pronounced in the Great Plains region, where over 8.4 million acres of native grassland in nine states were converted to cropland from 1982 to 1997. Reasons for this conversion include technical advances in both equipment and biological improvements in commodity crops making them more drought and weather tolerant. In addition, the farm bill and related federal agricultural policies have contributed greatly to the conversion of native grasslands to cropland. Programs that provide price supports and "floors" have encouraged production in areas not previously considered economically conducive or suitable to growing these crops. Despite generally low commodity market prices this expansion occurred, suggesting that farm policy can mask market signals and shape producer decisions related to conversion of grassland to cropland.

GRASSLAND PROPOSALS FOR 2007 FARM BILL

1) Freeze eligibility for all farm support programs (commodity, crop insurance etc.) to existing acreage. Newly converted land would not be eligible for any support.
2) Increase funding and remove the acreage cap for Grasslands Reserve Program (GRP) – at least a tripling of program resources. Focus resources on long-term and permanent easements and native plant communities.
3) Allow acres that have been enrolled in the Conservation Reserve Program (CRP) to be eligible and provide incentives for enrollment in the GRP west of the Mississippi, especially those acres enrolled in CRP because of wind borne soil erosion concerns.

4) Maintain cropping eligibility dates at 1996 – 2001 levels for CRP eligibility. This will preclude any newly cropped acres from enrolling in CRP.
5) Create an enhancement component for GRP similar to the CREP and WREP to allow State matching and targeting of protected grasslands within a state by the state.
6) Maintain the current acreage level for CRP enrollments as authorized in the 2002 farm bill.
7) Eliminate tree planting incentives in all programs in areas that were historically prairie.
8) Maintain and increase CREP, especially continuous sign-up programs.

FLOODPLAINS

Floodplains and riparian habitats are important for supporting biodiversity and maintaining healthy freshwater ecosystems. Their conversion to agriculture and development can lead not only to the direct loss of biodiversity associated with the riparian and floodplain areas, but also to drastic changes in the health of nearby and removed rivers and other freshwater habitats. At the same time, the maintenance of levees, drainage ditches, and pumping systems impose costs on floodplain landowners and taxpayers.

Floodplain conversions also contribute to downstream problems for farmers and other landowners. They can alter hydrological regimes of rivers, leading to increased magnitude and frequency of flooding downstream. They can also result in increased movement of sediment and chemical nutrients that floodplain wetlands would otherwise filter. These downstream effects can produce significant ecological and economic problems for landowners, citizens, and ecosystems.

No existing farm bill conservation program addresses the restoration of floodplains and riparian habitats currently managed exclusively for agricultural production. While the Wetland Reserve Program (WRP) and Conservation Reserve Program (CRP) can be applied to floodplain and riparian areas, they are not designed for situations unique to these habitats. For example, WRP applies to hydric soils; however, floodplains often consist of sandy soils that are not hydric, but are naturally inundated on a regular basis. In addition, while WRP and CRP may allow for certain floodplain restoration activities, they are not directed at restoring floodplain functions. These programs often focus on terrestrial habitats or waterfowl instead of restoring the vital interaction between rivers and their floodplains that are necessary for healthy freshwater ecosystems.

FLOODPLAIN PROPOSAL FOR 2007 FARM BILL

1) Establish a program that restores floodplain functions and riparian habitats and still allows cropping flexibility through a combination of easements, restoration and management. The purpose of the program is to create the ecological connection between isolated floodplains and altered riparian habitats to rivers and streams they affect. The interaction could be either passive or managed (using gates or other structures) and could be combined with restoration of the hydrology; aquatic, wetland, and terrestrial communities in the floodplain and riparian habitats.
    a. The program will target farmland (including haying and grazing land) that are in floodplains or riparian habitats, including levee districts but at least 50% of land enrolled should be cropland.
    b. Pilot test program initially to determine effectiveness.
    c. The level of restoration could range from simple, periodic interaction of rivers and streams with farmlands to complete restoration of natural floodplain and riparian habitats.
    d. Permanent easements only.
    e. Incentives for Landowner Partnerships: The program should include incentives to encourage whole levee and drainage districts or multiple landowners in large (more than 2,500 acres), contiguous areas to enroll and manage their lands in partnership to optimize ecological, hydrological, and economical outcomes.

f. Enrollment options:
   i. Restoration of aquatic, wetland, and terrestrial communities.
   ii. Development of integrated agricultural crops. This involves changing cropping practices to integrated crops that can tolerate some level of periodic flooding.
   iii. Management of reconnected floodplains. The connection to the waterway is managed in a manner that can support a range of functions and protect agricultural infrastructure.
   iv. Restoration of naturalized flow regimes. Allowing floodplains to flood can improve timing, frequency, and volume of river flows by allowing for more flexibility in upstream dam operations.
   v. Removal or replacement of artificial structures. Many floodplains, riparian habitats and their adjacent streams and rivers have been modified in conjunction with a combination of structural measures including bank armoring, levees, and channel alteration.

WETLANDS

Wetlands provide critically important habitat for a wide diversity of plants and animals. They also provide society with a number of valuable ecosystem services, including reducing the severity of floods, filtering sediment and chemicals from run-off, recharging ground water, and providing recreational opportunities. For these reasons, loss of wetland habitats is of critical importance to the Conservancy. More than half of the nation's original wetlands have been drained and converted to other uses. Between 1986 and 1997, an estimated 58,500 acres of wetlands were lost each year in the conterminous United States.

WETLANDS PROPOSAL FOR THE 2007 FARM BILL

1) Increase overall funding and raise enrollment cap for WRP and WREP.
2) Include non-hydric soils for enrollment eligibility.
3) Allow compatible burning, haying and grazing when ecologically appropriate.
4) Expand riparian zone eligibility.
5) Revise WRP appraisal standard to allow consideration of full economic value of the land for highest and best use.
6) Allow "rotational" wetlands when appropriate.
7) Expand the "farmable wetlands" component of CRP.

FARMLAND

Agricultural land is prone to development because it tends to be flat, well-drained and affordable. According to the American Farmland Trust, over the past 20 years the acreage used per person for new housing has almost doubled. Most of newly developed land is outside urban zones. Since 1994, 55 percent of new housing stock was constructed on lots of 10 to 22 acres. Landscapes with an abundance of prime or unique soils, often located just outside urban areas, are unfortunately being converted to non-agricultural uses most rapidly.

FARMLAND PROPOSALS FOR THE 2007 FARM BILL

1) Fully implement and fund partnerships and cooperation language (section 2003) of the 2002 farm bill.
2) Increase overall funding for the Farm and Ranchland Protection Program (FRPP).

3) Eliminate restrictions on forest land participation in FRPP.
4) Decrease the match requirement for FRPP, but award higher points to a proposal if the match is higher. Also, allow landowner to donate higher percentage of match.
5) Allow the easement to restrict more intensive agricultural uses, such as breaking sod to convert ranchland to cropland.
6) Allow habitat restoration and protection as part of FRPP and assign higher points to such projects.
7) Eliminate prime soils requirement for FRPP eligibility, but give higher points to land with prime soils.
8) Maintain impervious surface requirement in FRPP.
9) Increase points for lands with public grazing rights at State ranking level.
10) Higher points for lands in high priority biodiversity areas as determined through regional biodiversity assessments conducted by state or federal governments or NGO's.

II. INVASIVE SPECIES

Invasive, non-native species have been estimated to cost the United States economy $138 billion per year; they threaten the stability of agricultural harvests, sustainability of forest resources, and the diversity and health of natural systems. (Pimentel *et al.*, 2000). Invasive plants and animals are now widely recognized as second only to habitat loss as a threat to biological diversity. Unlike pollution, invasive organisms continue to spread on their own and do not degrade with time. Once introduced, invasive species can spread from site to site, region to region, with and without further human assistance. Rare species appear to be particularly vulnerable to the changes wrought by non-native invaders, but even relatively common plants or animals can be driven to near extinction by particularly disruptive invaders.

Invasive, non-native plants exact a stiff toll on the nation's farmers and ranchers as they damage crops, ranchlands, wetlands and other natural areas by out-competing and replacing desirable vegetation. Non-native weeds cause $24 billion in annual crop losses to U.S. agriculture, plus the $3 billion in herbicides used to control them (Pimentel *et al*). Introduced insects and plant pathogens are estimated to cost $13 billion and $21 billion in annual U.S. crop losses, respectively, not including the $1.7 billion in pesticides and fungicides applied each year to control these species (Pimentel *et al*). In Oklahoma, for example, eastern red cedar trees invading native prairies destroy grassland bird habitat and cost ranches more than $20 million annually in grazing revenues. (Ganguli *et al*).

Similarly, pests and pathogens wreak economic havoc on forest lands. More than 400 non-native insects and pathogens are permanently established in North American forests and woodlands (Mattson *et al.*, 1994; Liebhold *et al.*, 1995; USDA APHIS, 2000), including white pine blister rust, which decimated white pine forests in Idaho, virtually ending harvest of this valuable commercial species. Invasive species have also eliminated such iconic and valuable trees as the American elm and the American chestnut, once integral components of Eastern forests. Pimentel estimates $2.1 billion per year in forest product losses associated with introduced forest pests, and an additional $2.1 billion due to invasive forest pathogens (Pimentel *et al.*, in press). The U.S. Forest Service currently spends $11 million annually on control of the invasive gypsy moth alone (Campbell and Schlarbaum 1994).

The farm bill's conservation programs provide opportunities to successfully control many of the especially noxious non-native species and, more importantly, prevent potentially devastating future invasions. At present, the conservation programs are underutilized in abating the threat of invasive species, and in some cases current policy exacerbates the problem.

TNC supports the definition of invasive species as it is defined in the 1999 Executive Order (EO) 13112[1] (establishing the National Invasive Species Council).

The EO "invasive species" definition:

- means, with respect to a particular ecosystem, any species, including its seeds, eggs, spores, or other biological material capable of propagating that species, that is not native to that ecosystem
- means an alien species whose introduction does or is likely to cause economic or environmental harm or harm to human health.

INVASIVE SPECIES PROPOSALS FOR THE 2007 FARM BILL

1) Prohibit invasive species plantings within farm bill conservation programs – currently CRP and WRP program guidelines allow some invasive species plantings.
2) Increase funding and incentives to prevent the introduction of invasive species, to plant native species, and for the removal of invasive species.
3) Clarify, through amendments to the Plant Protection Act that preventing the introduction of invasive plants and pests is a federal responsibility.
4) Realign the operational focus of the Animal and Plant, Health Inspection Service (APHIS) from control to prevention. Also refine the mission so that threats to natural areas are given equal priority to threats to agricultural production.
5) Increase agricultural research funding to combat invasive species.

III. TARGETING

Existing farm bill conservation programs are generally not structured or implemented in a manner that effectively addresses critical resource concerns on a landscape or regional scale. The cumulative ecological outcome of the millions of dollars invested in conservation would be much more substantial and lasting if these dollars were targeted based on ecological priorities. With the exception of the CRP, most conservation program funds are instead allocated to individual states, which in turn determine where the funding is spent. The state-based approach has many positive attributes (most notably its ability to respond to localized concerns), but such an approach also poses challenges when there is a need to address ecological concerns across political boundaries. Effective watershed management, for example, must often cross political boundaries. Presently, there are not nearly enough resources available to spread them evenly across the country and still have meaningful impacts in high priority areas and landscapes.

TARGETING PROPOSALS FOR THE 2007 FARM BILL

1) Provide the NRCS Chief the ability to identify landscape and regional ecological outcomes and use them to select areas or species to target a portion of program funds where USDA programs generate the greatest landscape scale ecological benefit per dollar spent.
    a. Focus should be to keep the most important ecological areas intact.
    b. Focus should be on areas identified in regional biodiversity assessments as critical sites or on areas with concentrations of federal or state listed species of concern.
    c. Direct states to use regional biodiversity assessments (government or NGO) or state wildlife conservation strategies and plans to target farm bill dollars to priority areas.

[1] The full EO 13112 text is available at http://www.invasivespeciesinfo.gov/laws/execorder.shtml

2) Support programs that offer the ability to target specific resource concerns using public and private partnerships such as WREP and CREP. Expand this approach to include a GREP.
3) Increase points for projects that include funding, conservation priorities, or other coordination with conservation NGO's.

IV. WATER RESOURCES

Agricultural practices can have dramatic effects on the health of aquatic systems, impacting both stream hydrology and water quality of both ground and surface water. These effects range from the local level (small sections of stream bank alteration adjacent to agricultural lands) to the national level (hypoxia in the Gulf of Mexico). Agricultural impacts to water resources are widespread and can be quite variable, but many center on large and unusual changes to the amount, rate, and frequency of water moving through the watershed. In addition to the physical hydrological alterations, there are adverse impacts on water quality through pesticide and excess nutrient loading into marine and freshwater systems. Such hydrologic and chemical alterations can impact the ecological integrity of ecosystems and compromise biodiversity. The implementation of ecologically beneficial farming practices, including best management practices and new technologies, can reduce the negative impact of farming on the ecological integrity of freshwater and marine ecosystems. Many of these practices can also increase the profitability of the agricultural operation.

WATER RESOURCES PROPOSALS FOR THE FARM BILL

1) Include a statement of support for full implementation of conservation programs that address water quality and water quantity and for making water resources a priority in programs with multiple purposes.
2) Provide authority to capture efficiencies for conservation (in-stream flows) as well as agricultural production. Any application of water savings or water leases to in-stream flows or agricultural production would be governed by state water laws, and any in-stream water rights would be owned and managed by a state agency or a state approved water trust.
3) Institute a water leasing program to fallow ground for in-stream flows.
4) Target EQIP funding on a watershed basis to address water quality and quantity concerns; ensure that EQIP funds are not used to implement projects that are ecologically deleterious.
5) Allow for some flexibility for testing new conservation strategies and innovation of new practices that are developed through the Conservation Innovation Grants program.
6) Create and support a cooperative strategy to improve groundwater and surface water quality while maintaining a strong, viable agricultural industry by improving best management practices to prevent non-point and point source contamination. Encourage the use of new crops/varieties and best management practices, and related research that reduce the need for high levels of nitrogen and pesticide applications.
7) Encourage integration and coordination amongst existing agricultural environmental management responsibilities which are dispersed between several agencies.

V. STEWARDSHIP AND MANAGEMENT

A pervasive myth in the United States is that natural area management requires a "hands-off" approach and that human intervention is somehow "un-natural." Human beings have been managing the landscape for over 10,000 years in North America and to remove the influence has a devastating effect on our native flora and fauna. 16th century Dutch Mariners commented they could "smell" the America's before they could see it due to the pervasive use of fire by native people. Fire, grazing and seasonal flooding were pervasive across nearly all U.S. ecosystems and are essential to maintain the health, stability and integrity of most natural systems in North America. Many native wildlife species such as quail, turkeys, and numerous grassland birds evolved in these systems and benefit tremendously from natural processes. Without some form of disturbance the ecological and wildlife benefits of many farm programs are greatly diminished and the overall stability and integrity of our ecosystems is threatened. For example, in as little as 5-10 years some undisturbed CRP fields show substantial declines in wildlife production and without fire Midwestern WRP wetlands designed to produce waterfowl are lost as they convert to low-grade forest.

USDA has over 40 million acres under easement and short term rental agreements for conservation purposes. Many of these acres could provide greater environmental benefits if they were more actively managed for native species. Management practices (for example, prescribed burning, seasonal flooding and grazing) to mimic natural processes are necessary for the health of ecosystems.

STEWARDSHIP AND MANAGEMENT PROPOSALS FOR THE FARM BILL

1) Provide greater incentives and stronger requirements for CRP contract management.
2) Provide cost share for management of land under rental agreements and easements to:
    a. mimic natural processes, such as fire, grazing and seasonal flooding;
    b. control invasive species.
3) Allow ecologically sound haying and grazing within CRP and WRP programs.
4) Reward CRP contract holders for management activities and biodiversity.
5) Fund grazing & fire evaluations/demonstrations though the use of dedicated Conservation Innovation or Partners in Cooperation program funding.
6) Provide adequate prescribed fire training to appropriate USDA NRCS staff. NRCS should transition to National Wildfire Coordinating Group (NWCG) standards and join the federal fire system.

VI. PERFORMANCE MEASURES

USDA is beginning to establish meaningful performance measures for its programs. These efforts should be encouraged and expanded. Frequently conservation practices are put in place but not monitored adequately to measure and assess their performance in terms of ecological outcomes. The farm bill conservation programs should attempt to implement conservation practices and programs so that individual activities generate broader, more sustained synergistic benefits. The need for rigorous, science-based assessments that provide simple and straightforward information about the utility and value of the nation's agricultural conservation efforts is greater than ever. Meaningful measures of these programs will allow USDA to better refine its practices at the field level, more wisely allocate resources, and demonstrate more quantitatively the immense public benefits of farm bill conservation spending.

PERFORMANCE MEASURE PROPOSALS FOR THE FARM BILL

1) Require ecologically based measures of performance tied to the purpose of the conservation programs.
2) Require USDA to assist farmers in developing and using technological advances to evaluate nutrient and chemical needs and practices in their own fields, accounting for factors and variables specific to their own operations.
3) Increase funding for performance measures.
4) Institute a learning process for using the evaluation of performance to inform and modify program rules and implementation.

VII. CONSERVATION COMPLIANCE

The 1985 Farm Bill required farmers to engage in minimum levels of conservation activities in order to receive government payments. These requirements remained in subsequent farm bills, but monitoring and enforcement has declined in recent years. The three primary means used for ensuring farmers meet these requirements are Swampbuster, Sodbuster, and Conservation Compliance. Farmers meeting these requirements theoretically achieve a minimum level of conservation and protection of natural resources. However, enforcement and weak conservation standards have reduced combined effectiveness of these programs. A report from the General Accounting Office, April 2003, brought this issue to the forefront. Economic support of conservation actions on farm lands from U.S. taxpayers must come with expectations of full compliance with program requirements.

CONSERVATION COMPLIANCE PROPOSALS FOR THE FARM BILL

1) Require NRCS to return to the historical spot check rate regarding conservation compliance.
2) Require sampling of tracts that are higher risk for non-compliance.
3) Strengthen Sodbuster language to discourage conversion of grassland to cropland.
4) Increase the oversight of USDA field offices reviews to improve accuracy and completeness.
5) Ensure that non-compliance waivers are supported with data and reviewed by independent parties.
6) Develop an automated system to manage the data needed for reviews.
7) Require states to report conservation compliance activities including: grassland and wetland losses, penalties, and enforcement actions by county.
8) Require some non-producer involvement in county committee decisions regarding conservation compliance actions.

VIII. CLIMATE CHANGE

Forest landowners and farmers can both *reduce emissions* of heat trapping gases and *remove* heat-trapping gases from the atmosphere by protecting land and flora, or improving the way they are managed. For example, reforesting degraded lands can remove carbon from the atmosphere as the trees grow. Conservation tillage, or no-till cultivation reduces carbon dioxide emissions and increase carbon storage in the soil. Using soil tests to apply fertilizer only where needed reduces emissions of nitrous oxide and planting cover crops, minimizing summer fallow, and rotating crops can increase carbon uptake and storage in the soil. Methods for reliably

measuring, monitoring and verifying carbon benefits from land conservation and management are already in widespread use. These methods are based on commonly accepted principles of forest inventory and soil sampling and are well established and tested.

The Conservancy has long been an advocate of programs that create incentives for forest landowners and farmers to reduce carbon emissions or increase uptake of carbon through conservation and restoration activities. The Conservancy has supported the development of program criteria and rules that ensure that the carbon benefits claimed from such projects are real and verifiable, and that projects are designed to enhance native ecosystems and provide other environmental benefits.

Under the Farm Bill, the Conservancy could also play an important and unique role to ensure that programs promoting the use of biomass for the production of fuels, electricity or other products are designed to enhance the protection of ecosystems and biodiversity and avoid any negative impacts. In particular, the Conservancy could play a role in promoting the use of cellulosic biomass feedstocks as opposed to noncellulosic biomass feedstocks.

Analyses conducted by climate modelers tell us that climate change may result in increased temperatures and extended droughts in parts of the Midwest and other regions in the U.S. Some farm states are likely to experience lower yields, increased irrigation costs or other challenges. This is a side of the climate issue that seems poorly understood and underappreciated by farmers and foresters, and by the lobbyists who protect their interests. Farmers tend to hear about the costs of CO_2 regulation to farming, but not about the costs of doing nothing to address climate change. Farmers have also taken actions over the years to expand yields through increased nutrient loading and by focusing on single crops that might exacerbate their vulnerability to climate change. Farmers need information that will give them a complete understanding of the issue, including the costs of not reducing emissions and the need for adaptation.

CLIMATE CHANGE PROPOSALS FOR THE FARM BILL

Carbon Sequestration Proposals

1) Quantify the carbon emission reductions and storage of Farm Bill conservation and incentive programs to demonstrate the extensive and indisputable climate benefits of these programs. Methods of quantification should meet the requirements for registering reductions under the revised 1605b guidelines (*published in March 24, 2005 Federal Register*). The government (not the farmer) should be directed to quantify the carbon benefits and then publicize the results as a means to educate farmers as to the carbon emission reduction benefits resulting from farming activities.
2) Include carbon quantification requirements that are consistent with those for registering emission reductions and offset reductions under the revised 1605b guidelines (published in March 24, 2005 Federal Register) in any programs related to markets for ecosystem services.
3) Prohibit activities that lead to the degradation of biodiversity in any programs related to markets for ecosystem services.

Climate Impacts and Adaptation Research Proposals

1) Provide $20 million annually for climate change impacts and adaptation research under Title VII of the Farm Bill. Funds should be directed to the Agricultural Research Service's national Global Change Program and distributed through competitive grants to universities, research institutions and organizations.
    a. Of this $20 million, direct $15 million annually to understand the impacts of climate change on crop and forest production, including production costs, yields, and returns, under business-as-usual emissions and various emissions reduction scenarios.
    b. Direct the other $5 million annually toward management strategies for reducing threats, including emissions reductions (e.g. conservation tillage, decreased fuel use) and adaptation approaches (such as using more diverse crop varieties that are resistant to climate extremes, and improved irrigation to protect against droughts).

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