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2007 FARM BILL: EXPANDING MONTANA'S AGRICULTURAL OPPORTUNITIES

FIELD HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

JULY 2, 2007

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2007 FARM BILL: EXPANDING MONTANA'S AGRICULTURAL OPPORTUNITIES

Monday, July 2, 2007

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Great Falls, MT

The Committee met, pursuant to notice, at 11:00 a.m., in the Great Falls Civic Center, Hon. Max Baucus, presiding.

Present or submitting a statement: Senators Baucus and Tester.

Senator BAUCUS. The Senate Agriculture Committee hearing will come to order.

We are very honored to have the second of the Committee's two field hearings, the second hearing here in Montana, the only other State that has two.

Before I begin, I am just very honored to introduce just a wonderful man. He is a farmer in his own right. He is very popular. I do not know another governor in our country who is more popular than ours. So let us give a big round of applause to our governor, Governor Schweitzer.

[Applause.]

Governor SCHWEITZER. I want to welcome two great United States Senators back to Montana. Montana is well served having Max—I do not know how these things work in Washington, DC, but apparently the Finance Committee is the Committee that actually writes the checks. Max is Chair of the Finance Committee. So Montana is well-served.

Having Max on the Finance Committee and the Agriculture Committee is very important and it shows. Because having this hearing in Montana, giving you producers an opportunity to talk about what we need in the next farm bill.

And having Jon Tester and Max Baucus, both of them from an agricultural background here in Montana, both knowing farming and ranching, we have never been better served in the United States Senate.

That being said, we have got some great challenges, as you know. In the livestock industry we have concerns about trade issues, breaking down some of those walls, making sure that we are protecting the health of our livestock in Montana. Obviously we have concerns because in Montana we have led the Nation in finding new ways of growing crops. Leading in pulse crops, for example. And finding ways of producing organic crops so that we can add more value to the crops that we are producing.

Montana, we were just with a group of buyers from Taiwan. We were just in Kalispell with the Wheat Associates. And we are recognized, not just in this country but around the world, as the highest quality wheat anywhere.

Now that does not come just by standing still. That comes because we have had a great breeding program that has concentrated on high quality, high gluten wheat. So that we can export to these markets all over the world.

Now here is the challenge. The Administration says that we are going to produce 35 billion gallons of biofuels. That is the goal. And I have done a little math and I know that if we converted all of the acres of wheat, all of the acres of corn, and all of the acres of soybeans that we export currently, we may get to 35 billion gallons.

So the only way you get to that level would be the so-called cellulosic ethanol. I do not know how many years we are from that, 10, 12, 15. But when we get there, then it allows for opportunities in native grass, CRP, wheat straw, barley straw, wood chips. All of those are great opportunities.

And I understand that this farm bill is going to have a provision to invest a great deal of money in developing cellulosic ethanol.

So once again, it is great to see—as I look around the room, we were talking before, seeing so many good friends from every corner of Montana. And not just every corner geographically, but seeing the livestock industry, the wool growers, the grain growers, the pulse growers, the organic growers, and having every sector of Montana's agricultural community here helping these two United States Senators develop farm policy that will be Montana's farm policy.

As you know, there is competing interests. Soybean farmers want one thing, the corn farmers want something else. And cotton always needs more than they have coming.

[Laughter.]

Governor SCHWEITZER. We do not have any cotton farmers. We are okay with that, aren't we?

[Laughter.]

Governor SCHWEITZER. So having two powerful United States Senators going to bat for the interests of wheat and barley and grain growers, pulse growers, livestock industry, Montana has never been better served.

And thank you for bringing this hearing to Montana. I suppose I should welcome Senator Harkin's staff here who is the—I guess he is the Chair of the Agricultural Committee.

Senator BAUCUS. He is.

Governor SCHWEITZER. He is a good friend and he will be watching out for Montana's interests, because Max is good friends with him.

Thank you very much, and welcome everybody.

Senator BAUCUS. Thank you, Governor, very, very much. Appreciate it.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Good morning everybody. I want to welcome all of you to today's Agriculture Committee hearing on the farm bill.

Today's hearing is likely to be the final hearing before the next farm bill is written. There were a lot of hearings in Washington, DC and several around the country. This is probably going to be the final Committee hearing.

I am pleased to announce that Montana, as I mentioned earlier, was one of only two States to host two farm bill hearings.

It is also great to have with us Jon Tester. Senator Tester—and I do not think anybody in the Senate has more firsthand knowledge of agriculture than does Jon Tester, and I very much appreciate him joining us.

I want to give special thanks to the witnesses that are here today. You represent Montana's farmers, ranchers, and nutrition experts. I look forward to your testimony very much. Your testimony will be very important to members of this Committee and we thank you for taking the time and the effort to give it.

I also want to thank everybody who has taken time to come here today. You have very busy schedules. You have a lot to do. We thank you very much for your participation.

Before we get started here, I wanted to take a moment to reflect on the passing of a great Montanan. Everyone here today knew Nancy Peterson. She was raised just north of here, on the edge of our State's golden triangle. For more than 30 years Nancy dedicated herself to agriculture in Montana, working 2,500 acres North of Havre, serving as an advocate to so many Ag organizations, including the Grain Growers and the Farmers Union, serving as chair of the FSA State Committee with Brian Schweitzer and Bruce Nelson, and heading up the Montana Department of Agriculture.

Nancy brought her love for the land and the people who work it into everything she did. We will miss Nancy very, very much. Let us give a moment of silence for Nancy Peterson.

Senator BAUCUS. Thank you very much.

President Eisenhower once remarked that 'Farming looks mighty easy when your plow is a pencil and you are 1,000 miles away from the cornfield.' That is a direct quote from President Eisenhower. He was responding to critics of his program to provide price supports for struggling farmers during the post-war period. Growing up in a farm community in Kansas, Eisenhower appreciated the vital and difficult work farmers do to keep food on America's table.

Today we hear similar criticism on the front pages of Eastern newspapers. Negative articles frequently refer to protectionist policies intended to shield farmers and ranchers from competition and to raise consumer prices. The articles waiver between portraying farmers and ranchers in completely opposite ways, either the corporate businessman leaching off the Government dole, or the hayseed farmer unable to compete without a handout.

These portrayals are disappointing to me and disheartening to rural America. I know that in this high-tech age it is tempting to downplay the importance of those who put food on our table and clothes on our back, but the better part of history should teach us to avoid that temptation.

One common attack on U.S. farm policy is it is no longer for the family farm and ranch but rather has become corporate welfare. But even the most basic research quickly uncovers that nearly all

producers in America are family farms and ranches, not corporations and conglomerates. And it is often overlooked that American consumers today spend a lower percentage of their disposable income on food than do consumers elsewhere around the world.

In fact, American families are the only families in the world who spend less than 10 percent of their disposal income on food. The only families in the world.

Clearly, many of these critics would benefit from some time in a wheat field outside of Carter or a ranch in the Bitterroot.

As everyone knows, agriculture is vital to Montana's economy and heritage. It is the financial engine that drives our State's economy. One in five Montanans works in agriculture or a related field. Each year Montana ranchers and farmers produce $2 billion of the finest and highest quality agriculture goods produced anywhere in the world. Our State ranks first nationally in the production of certified organic wheat, third in wheat and barley, in the top six in beef, lamb, and honey.

Because agriculture is so important to Montana, it is important for the Senate Agriculture Committee to hear directly from Montana's farmers and ranchers, not just the echo chamber in Washington, DC and one-sided news reports.

Things have changed dramatically since we wrote the last farm bill. This farm bill will be unlike any in the recent past. There are more competing interests and the budget is tighter than ever. Difficult choices will be inevitable. The upcoming farm bill must be well thought out and tailored to fit the changing needs of America's and Montana's farmers and ranchers.

Today we have a distinguished panel of witnesses to help us answer the tough agriculture policy questions. Those answers will help guide this Committee as it looks to reauthorize the farm bill.

The first panel will discuss the commodity, conservation and nutrition titles. As we write the upcoming farm bill, the commodity title could be the most difficult. I look forward to hearing from Montana producers on the best way to provide a safety net for agriculture.

Often overlooked, the nutrition title contains over half of the farm bill spending. It is important that these programs work well for Montana's families.

The second panel will discuss livestock issues and I am especially interested in hearing the panel's views on country of origin labeling, interstate shipment of meat, and animal ID.

Once again, I am glad we have the wide range of our agriculture community represented here today. I look forward to hearing your testimony. I very much value your input to provide guidance as we work with the Agriculture Committee on the next farm bill.

I would now like to introduce a person we are very proud of both here in Montana, especially those of us close to Chester, and also in Washington, DC who are getting to know Jon very well. We are very honored to have as a part of this hearing somebody who really knows agriculture very, very well and who is cutting a wide swath in Washington, DC That is Jon Tester.

STATEMENT OF HON. JON TESTER, A U.S. SENATOR FROM MONTANA

Senator TESTER. Thank you, Max.

First of all, I want to thank you for all the work that you have done in setting this hearing up and all of the leadership you provide in Washington, DC on a myriad of issues, including agriculture policy.

I also want to welcome the folks from Senator Harkin's office and Senator Chambliss' office. I appreciate your bosses sending you to Montana to hear from the good folks in the agriculture community here in Montana.

I also want to thank the folks who have come here to testify and those of you who have come to listen. It is important that the policies that we develop in Washington, DC really work for Montanans and for this country. And it is through hearings like this one that we get the feedback that we need to get a farm bill that works.

And it is important to know that those of you folks that are not on the panel, we have staff members here and we are here. So you should have the opportunity, at least to a certain extent, to visit with us about certain issues that you care deeply about, even if it is not covered on the panel. And if not, then you can drop us a line or give us a call.

Most of you folks know, as Max alluded to, that I am a farmer. We have been coming back every weekend to do policy work in the State of Montana, but also to help my son-in-law and daughter take over the family farm. It is indeed a challenge, as you all know. My grandparents, as I suspect many of yours, came to this country when the grass was tall and created communities. I am very, very thankful that my kids are able to come back to the farm. It is something that I know my grandfather and grandmother would be very, very proud of.

But I have also seen firsthand how difficult it is for the next generation to move onto the land. If my wife and I would not have had the support from our parents and grandparents, we would not have been able to start. And I think that is even more true today.

The folks in this room know how difficult an occupation that agriculture is. We are dependent on many forces that we cannot control: weather, insects, fuel prices, markets. There was a report that recently came out of the Washington Post back in April and it had some disturbing facts in it. It said that three times as much of the USDA rural development money went to metropolitan areas over 50,000 people than went to poor and shrinking communities like, I might add, the majority of those in Eastern Montana. And that is really not how the program was designed to work.

Disaster has hit Montana hard in recent years due to drought and storms like the one that recently hit Valley County in Eastern Montana. And our disaster assistance program has been inconsistent and unpredictable.

Fuel costs have created incredible hardship, not only on the price of gas and diesel, but also on the prices of chemicals and fertilizers. Not to mention that Montanans get doubly hard when hit with the fact that we have to pay freight both ways. Which could lead me to a discussion on freight rates, but that is probably for another hearing and another time.

Even with all of these potential negatives, I am actually very, very positive about the future of production agriculture and about the potential of the effectiveness of this farm bill. I think we have some incredible opportunities in helping America become more energy independent, by growing our energy through the production of oilseeds, biofuels, biolubricants, for plants for cellulosic ethanol. And who would have ever thought that wind would have been an asset, wind for electrical production?

I think big markets can open up to put more money in producers' pockets. Conservation programs can be revamped to focus on working lands. And our safety nets can be improved to bring more consistency and reliability to the farm economy.

We need to facilitate more open market competition, both within this country and globally. We need to work on programs that actually facilitate adding value to our agricultural products right here in Montana, as well as rural areas throughout the United States.

We can head in the right direction for better profitability in production agriculture with this farm bill if it is constructed properly, with your help. That is why I am very grateful that you have showed up today. With your input, we can have a farm bill that creates opportunities for folks involved in family farm agricultural production, and move it forward, can maintain this country's food security well into the future and promote energy independence through home-grown fuels.

I really look forward to the panelists and I look forward to having a few questions when the panels are done, too.

Thank you very much, Senator Baucus. And thank you all for attending.

Senator BAUCUS. Thank you, Jon. I very much appreciate your participation in this hearing. You have got a lot to add.

I would like to welcome our first knowledgeable and dedicated panel of witnesses. Our first witness is Robert Quinn representing the Montana Organic Association.

He will be followed by Alan Merrill who is President, Montana Farmers Union.

Third is Darin Arganbright, President, Grain Growers.

And also, the fourth witness on the panel is Ms. Colette Gray. She is the community advocate for the Great Falls Opportunities, Inc.

Thank you all very much. Your statements will all be automatically included in the record. However long they are, they will be included. I would encourage you to limit your remarks to about five minutes. Let's go down the line there and start with you, Bob, and then we will take it from there. Then I will have some questions, Jon will have some questions.

Basically just tell it like it is, do not pull any punches. Let us know what you think. This day is gone after tomorrow. So all the very best.

STATEMENT OF ROBERT QUINN, MONTANA ORGANIC ASSOCIATION, POLSON, MONTANA

Mr. QUINN. Thank you very much, Senator.

My name is Bob Quinn. I live and work on a 2,800 acre fourth generation organic family farm southeast of Big Sandy in North Central Montana.

Today I am representing the Montana Organic Association, which has a membership of over 200 farmers, consisting of the vast majority of organic farmers in the State. I thank the Committee very much for the opportunity to be here, the first time that the organic segment really has been invited to participate and testify, and we very much appreciate that.

Senator BAUCUS. Jon might have something to do with that.

Mr. QUINN. Thank you, Jon.

As you know, for the past several years, organic agriculture has been the fastest growing and the most profitable segment of agriculture in the Nation. Our farm has been 100 percent organic for over 20 years now. Besides grains, we grow oil seeds to fuel our farm. In fact, it is my goal to be 100 percent fuel self-sufficient in two more years, not only for diesel but also for lubricants. We are heading down that road.

We also grow dry land potatoes and dry land squash for local markets. This year we are experimenting with tomatoes and onions on a saline seep to see if we can turn that liability into an asset.

One of our goals is to reduce our dependence on Government support programs by growing high value crops with specific health benefits. As you probably know, Montana—and we have already heard this—leads the Nation in the number of acres of organic wheat production. Organic is no longer a niche but is now being studied or introduced by most of the largest food handlers and processors in the Nation.

With that said, you should also know that the demand for organic crops now exceeds the supply, to the point that this increasing demand is drawing supply from outside of our country. This is sending money out of the country that could be going into the farmers' pockets right here in our own Nation.

What is really fueling this demand? And why are our farmers not meeting it? There are both negative and positive forces driving demand for organic products, I believe. On the negative side, there is the concerns of pesticide residues in our food and the growing concerns about allergies and other health problems related to GMO foods.

On the positive side is the noticeably better flavor of organic foods. And now research is clearly documenting the presence of significantly higher levels of anti-oxidants in these foods, which contribute to better health.

As far as production goes, I can tell you from my own experience that organic production is more profitable than conventional agricultural production. I believe this new possibility could revitalize rural Montana and rural America and bring back youths to the farms and the country who now leave because they see no hope and no opportunity in rural America and in rural Montana.

If organic agriculture holds so much promise, then why is there not more conversion to it in Montana and surrounding States? I think the major problem is lack of information and technical support.

This brings me to the first and biggest need I see for organic producers that could be addressed in this farm bill, and that is a need for research where the new focus is on sustainable organic cropping systems, locally produced biofuels, and study of functional foods which could replace expensive drugs.

Some States, such as Minnesota, have established an organic research farm to study some of these questions. Why can't we do that throughout the country with a national initiative? Farmers, both organic and conventional, could be taught how to substitute green manures best suited for their region for commercial fertilizer.

If food were considered our medicine and medicine were our food, then some of the health care dollars could be diverted to food, the return to the farmer could be increased to the point where there would be less dependence on Government support programs and they could eventually be eliminated.

Countless millions have been spent to develop GMO crops which most of our customers in Asia and Europe do not want because of their health concerns. And recent research has started to substantiate that concern. Why not put at least as much research dollars into the study of functional foods, organic and locally grown, which have a growing demand, not only here but throughout the country.

My second concern is crop insurance. Currently, organic producers pay a 5 percent penalty just because they are organic. I feel it is time that that penalty be dropped.

There is also a crying need for data collection to produce actuary tables. And since organic crops are sold at higher prices than conventional crops, why can's we have insurance systems similar to that that are put together for malt barley?

The third concern is the cost of transition from conventional to organic production, which takes three to five years. The EQIP program could help with that.

And last is the concern for the cost of certification itself. This particularly is problematic for small vegetables growers. The cost of certification in Montana has gone from $90 to over $600 now that the Federal rules are in place. For those who are doing small vegetables who have to be certified if their gross sales are over $5,000, that is problematic.

In conclusion, in two days we will be celebrating, once again, our Independence Day. I think it is time for farmers to declare independence, too, independence from high cost of foreign and domestic fuel, independence from high-priced fertilizer, independence from foreign food imports. And finally, independence from large Government support programs.

These days we hear a lot of talk about homeland security. I am here to tell you that locally produced fuel, fertilizer and fuel is homeland security and we just ask the Committee for their help in accomplishing those goals for agriculture today.

Thank you, very much.

Senator BAUCUS. Thank you very much, Robert.

Alan, you are up.

STATEMENT OF ALAN MERRILL, PRESIDENT, MONTANA FARMERS UNION, GREAT FALLS, MONTANA

Mr. MERRILL. Thank you, Senator Baucus, Senator Tester, for being here. I am the Montana Farmers Union President, Alan Merrill, from Big Sandy. I am, too, following in right behind Bob here and Senator Tester, I am an organic farmer and I have been at it for about nine years.

One of the best things that has happened in the last couple of months is that my son, Nathan, has decided to come back and farm, which is a good thing. That is a young person coming back to farm.

I farm with wife, Laurie. And my daughter is in Iraq right now. She is serving as military intelligence just south of Baghdad, so that is where she is. It is kind of interesting.

In a nutshell, Montana Farmers Union believes that if the next farm bill includes the following provisions that farmers, ranchers and rural communities will be a part of an economic climate that will permit family-based agriculture to flourish: a farm income safety net that includes counter-cyclical payments indexed to the cost of production to support family farmers during periods of low commodity prices. Full funding for the Conservation Security Program and increases in the funding for the Natural Resources Conservation Service. A strong nutrition title to help provide basic food and nutrition needs for all citizens in need. A renewable energy title that makes energy independence a national priority. One that puts farmer, rancher and community ownership of renewable energy first, one that encourages value-added projects including ethanol, biodiesel, and farmer and commodity-owned wind energy.

And finally, in that area, we need a permanent disaster program, funded from the general treasury, not taking off from something else that is already in the farm bill. That is what really hurts.

I talked to a couple of FSA offices. They all have records. Since 1999 they have kept records for all farmers and ranchers. And so they have the records and they say it would be very simple to do a permanent disaster, built right in. Well, not simple, but kind of simple.

Senator BAUCUS. Simple enough.

Mr. MERRILL. Fuels from farm, renewable energy from farm-generated operations is one of the most exciting opportunities to happen in farm country lately. Here in Montana, we are enthusiastic about renewable energy opportunities, particularly wind and biofuels, as Bob just mentioned.

In fact, right now, at this point, we are having a tour, Montana Farmers Union is having a tour out at one of our members, going through camelina. He has got a crusher going. He has got everything going. So it is a very positive, uplifting thing.

Other things that the Farmers Union would like to support is going back to the permanent disaster like National Farmers Union—and I know you both know Tom Bias. Montana Farmers Union thinks permanent disaster assistance is a critical part of an adequate safety net and should not be conducted in its current ad hoc fashion.

The counter-cyclical proposal, combined with the permanent disaster component better addresses producer needs and still leaves fi-

nancial resources available for such priorities as renewable energy, conservation, specialty crop, producers, rural development, and research.

Here is the neat thing: Montana Farmers Union, along with National Farmers Union, I would like to take a moment to discuss carbon credits and the Carbon Credit Trading Program, on the CCX, there is a growing public concern about global climate change. In response to that, the program is a voluntary private sector approach to conservation that allows producers to earn income in the carbon credit market for storing carbon in their soil through no till production, forestry, and pasture. National Farmers Union acts as the aggregator of the credits for our members and the credits are then traded on the Chicago Climate Exchange.

One thing I know that Steve Roth will get into it, but Montana Farmers Union emphatically wants to get COOL going. We have to get it going. I am an organic farmer. Senator Tester and Bob Quinn right here will tell you how many records we have to keep. We have to keep them to be organic. Ranchers could do the same thing.

So with that said, one thing that I really would like to stress, and I have talked to you both, Senator Baucus and Senator Tester, is that we have to get together as farm organizations. If we do not, if we are separated in everything else, you quoted that to me in your office on a fly-in March. You said that. We have to be together, on the same page.

So with that said, thanks a lot.

Senator BAUCUS. Thanks, Alan, very much.

Darin.

STATEMENT OF DARIN ARGANBRIGHT, PRESIDENT, MONTANA GRAIN GROWERS ASSOCIATION, CARTER, MONTANA

Mr. ARGANBRIGHT. Thank you, Senator Baucus and Senator Tester.

For the record, my name is Darin Arganbright. I am a third generation wheat and barley grower from Carter, Montana. And I currently serve as President of the Montana Grain Growers Association.

Thank you for the opportunity to be here today to talk about the challenges facing Montana's wheat and barley producers.

I would like to outline some of the major issues facing Montana's wheat and barley industry and what Federal farm policy can do to better help Montana producers withstand the challenges to their industry.

In particular, I would like to talk about the 2007 farm bill and outline some of the areas where Title I Federal farm bill spending would best benefit Montana producers.

The Montana Grain Growers Association realizes that Montana's wheat and barley industry is suffering from both lower net returns and lower levels of support than other program crops. Federal farm policy that provides an equitable safety net for wheat growers will be key to the future of Montana's wheat and barley industry.

Over the term of the 2002 Farm Bill, our membership has seen some price increases for their world-class products, particularly in the last 12 months. While this has been very good news for growers, this increase has not kept pace with the extraordinary increase

in the cost of inputs we have seen over the past four years. These input costs and the inability to pass them along are a tremendous threat to the future of Montana's grain industry.

Since 2002, the last time Congress examined comprehensive Federal farm policy, a Food Ag Policy Research Institute published in April of 2006 estimated that fuel prices have increased 113 percent and fertilizer prices are up 70 percent. As of last week, those figures have probably been outdated, as they have gone much higher since then.

A 2007 farm bill safety net that takes into consideration these increasing costs of production will be very important to Montana producers.

The direction we have been given from our membership is straightforward and unmistakable. The highest priority for producers continues to be the direct payment. The direct payment has long been looked at as the primary safety net for Montana wheat and barley producers. The direct payment has also been instrumental in giving producers a bankable source of income from which their lending institutions have been able to provide operating funding during years of drought or distress.

For many Montana producers, the direct payment has literally been what has put food on their family's table when their crops have been small. I can speak for that.

The direct payment also provides Montana producers the stability and flexibility to expand that with alternative crops and take the risks necessary to unleash the potential that our State's producers could realize in renewable energy production. Montana producers have steadily increased the number of acres dedicated to crops that can be used for renewable energy, such as ethanol and biodiesel. This trend will only continue with the support of the direct payment.

A healthy crop production economy also encourages value-added businesses to establish in Montana. The three Great Falls mills, Pasta Montana, as well as the ADM malt plant all increase the local economy in a big way and exist because of commercial crop production.

MGG also believes it is possible to provide an equitable safety net for growers while at the same time avoiding potential challenges created by our Nation's WTO obligations. The direct payment also accomplishes these goals.

Montana Grain Growers have received little or no benefit from two key commodity program components of the 2002 Farm Bill, the Counter-cyclical Program and Loan Deficiency Payment Program. Severe weather conditions, most notably the drought in Eastern Montana the past two years, have led to significantly lower yields and even total failure. The LDP program is useless when you have no crop.

In 2002 the target price for the Counter-cyclical program for wheat was also set considerably lower than was justified by indicated market conditions. This low target price has led to little or no support for wheat and barley in the form of counter-cyclical payments.

While MGG understands the needs of producers of other crops, it is critically important for wheat and barley growers to be in an

equitable position relative to other programs crops. Basing the target price off the relative costs of production will be critical to achieving equity and balance within the various program crops.

MGG members also oppose payment limitations. While we understand this is and has been a very heated issue, we cannot support any type of means testing in farm policy, especially since payment limit proposals in the past have always targeted the direct payment more than the counter-cyclical or loan payments. This is unfair to wheat producers who rely on the direct payment.

If we have learned anything from our dependence on foreign oil, it is that we should never be reliant on a foreign country for our Nation's food supply. The recent alarming food scare involving Chinese flour should serve as a wake-up call to us all that preserving and protecting our Nation's food supply should never be in question.

For a very small slice of the Federal budget, less than one-half of 1 percent, and only 35 cents per day for every family in America, U.S. agricultural policy delivers substantial benefits and an unsurpassed level of food safety to consumers while at the same time conserving our Nation's precious agricultural resource base.

Thank you again for the opportunity to be here today. I look forward to working with you as the 2007 Farm Bill is being written, and I look forward to answering your questions.

Senator BAUCUS. You bet, Darin. All of you have been very, very helpful over the months, years. I just cannot tell you how much I appreciate your very direct help, all of you. It just has been terrific.

Colette.

STATEMENT OF COLETTE GRAY, GREAT FALLS OPPORTUNITIES, INC., GREAT FALLS, MONTANA

Ms. GRAY. Thank you. Senator Baucus and Senator Tester, for the record, my name is Colette Gray and I am community advocate here in Great Falls, Montana at Opportunities, Incorporated.

I come before you today to testify on the nutrition title of the 2007 Farm Bill and its impact on Montanans that I come in contact with through my job. I know that most people are here testifying on the producing side of agriculture but I would like to address the food insecurity of the Montana families on the receiving end of this process.

Many people do not realize that food stamps, commodities, and WIC, which is Women Infants and Children, are all USDA, United States Department of Agriculture, programs that help reduce hunger and improve food security. These are not welfare programs.

Families that come to our agency to pick up emergency food baskets from our emergency services department, these are usually working families that currently receive food stamps and WIC but still need help making that food stretch until the end of the month because of rising housing costs, heating costs, and transportation costs.

The food stamp program is very important to these families but there are rules in the program that make it hard for families to get enough food stamps. For example, the current $175 credit for child care is usually only one-third of the amount that it takes to keep

a child in a daycare setting while working one full-time or two part-time jobs.

We also see many senior citizens that come for emergency food baskets. Usually these folks are also receiving Meals on Wheels, commodities every other month, and in many cases food stamps. Our seniors are less likely to apply for food stamps because they have heard that after the paperwork is done they may only receive $10 a month, which is indeed the minimum food stamp amount.

Many seniors in Montana are very proud people and they still equate being on food stamps with being on the dole. Even though they struggle with low Social Security checks, high heating costs, and Medicare D programs with doughnut holes, they are reluctant to apply for food stamps.

My agency is currently involved in a coordinate outreach program for food stamps with the Montana Food Bank Network, the Montana Council on Homelessness, and the Montana Department of Public Health and Human Services. We recognize the need that so many in Cascade County have to get food stamps for their family. We need your help to make this program more accessible to those who need it.

I would like to share four suggestions that I would think would help fight hunger in our communities. They are, number one, improve the adequacy of the benefit. The average food stamp amount is $1.02 per person per meal and the minimum $10 monthly benefit is inadequate for dietary needs.

Number two, there are barriers to access which must be reduced. Unnecessary paperwork or streamlining the eligibility and investing in outreach efforts would help.

Number three, expand the eligibility by changing resource limits, including legal immigrants and indigent jobless people seeking employment.

Number four, stop the erosion of the food stamp benefits which are shrinking in value each year by indexing the size of the food stamp benefit to the cost of living.

In closing, most people are only on the food stamp program for an average of two years, as they work towards self-sufficiency. The food stamp program pumps $89,953,948 into the Montana economy, and that is with the current participation rate of 58 percent. This benefit is going directly to retail grocers and now, with the onset of the EBT or electronic benefit transfer card, food stamps are being used at farmer's markets and support local farmers.

Thank you for giving me the opportunity to voice my concerns and offer suggestions.

Senator BAUCUS. Thank you, Colette.

I would just like to ask, at the top, to the producing organizations a basic question about priorities.

As you know, when this country passed the last farm bill there was about $80 billion over the life of the program that was not 'paid', that is it was added to the budget deficit. That is $80 billion added on to the farm bill compared with the prior period.

This time around, the amount that the Budget Resolution of the Congress has provided for is about $20 billion, much less. To make matters worse, according to the Congressional Budget Resolution, it has to be 'paid' for. That is, if we have $20 billion extra on top

of the current so-called baseline, then we have to figure out how in the world we are going to find an additional $20 billion over five years? And part of that question is what are the priorities?

A lot of questions here, as we balance things. One that comes to mind, there's a permanent disaster assistance that comes to mind. There is the time/cost of production to the counter-cyclical provision that the organizations have mentioned. To say nothing of the nutrition title which also was included in the farm bill.

So I was just curious what you—we need a little guidance here. I forgot to mention conservation, too, the conservation provisions that a lot of us want.

We all want a lot and, in a certain sense, need a lot. There are real legitimate needs here. The question is if we have to make some choices here what are the most important changes do you think that we should make?

I know you do not want to say it totally, because you want it all. I do not disagree with that. But when push comes to shove, when the final decisions are made not too long from now, we are going to have to make some choices.

So I would just like some general guidance as to what you think we should do? Anybody who wants to pipe up and try to answer that?

Mr. QUINN. Senator, I will pipe up.

As I mentioned, I think research is really, really critical. And that could take a very small percent. If we only had 5 or 10 percent devoted to the future. I am really interested in long-term visionary goals that would help us for many years and generations set opportunities for agriculture. I realize that most of it has got real needs and needs to be fixed. But if we ignore looking at long-term solutions for health care and using food to solve some of that, if we can.

Senator BAUCUS. I agree with you. To some degree some of the members of the Agriculture Committee are a little nervous with all that, although they very much support research, because when you authorize research dollars—this is a lot of Inside Baseball stuff back in Washington, DC—but the Appropriations Committee just takes that for other purposes.

Mr. QUINN. There has to be some kind of stop on that. We have seen it in Montana.

Senator BAUCUS. It has got to be locked-in research dollars.

Mr. QUINN. That would be a big help.

Senator BAUCUS. Other thoughts?

Mr. MERRILL. I am going to throw a question back to you two Senators. Point of interest, and everybody has their own opinion about the Iraq War and everything else. But there is a lot of money going over there; correct? Everybody knows that.

My question is, is that one of the stumbling blocks on the 2007 Farm Bill? I mean, that is not an ignorant question. I am not being stupid.

Senator BAUCUS. I am just chuckling because this is wonderful. Ordinarily at these hearings it is kind of a one-way street. Frankly, I am glad you are asking some questions.

Clearly, that is a huge factor. It is huge. This country is going to be spending close to $1 trillion over 10 years in Iraq. It is a factor. It is a factor.

Mr. MERRILL. That was my question.

Senator BAUCUS. But given that, what guidance do we have from you? What are the priorities? What do you think they should be?

While you are thinking about it, I will turn to Darin.

Mr. ARGANBRIGHT. Obviously, my testimony is very favorable to the direct payment for a variety of reasons. It is clear that we do have this $20 billion deficit because we did come in under budget with the 2002 Farm Bill. I do not know the exact number, but I would be willing to bet that wheat shared a big part of that. And we would like to see that inequity addressed.

However it is done, I think our preference would either be a higher direct payment or more of a good target price for the Counter-cyclical Program.

Senator BAUCUS. Would that be geared to the cost of production? Do you want that?

Mr. ARGANBRIGHT. Yes, absolutely, the target price should be based off the cost of production of all of the program crops. The problem with Olympic average price is wheat has historically had a lower Olympic average price than the other crops and that is one of the problems.

Senator BAUCUS. Give me an idea to the degree to which rice and cotton are getting a better deal. Just flesh it out a little bit, please. Just tell me a little more about what is going on there, and evidence that that is the case. That is, that wheat and barley are not getting a square deal, at least on direct payments there, counter-cyclical, compared with those two other commodities.

Mr. ARGANBRIGHT. That is a fair question.

In regards to direct payments, wheat is actually fairly competitive. Where they have lost ground is in the loan rate and the counter-cyclical target price.

We would prefer to see the inequity addressed in the counter-cyclical payment because with the loan rate, as you well know, if you do not cut a crop you do not get an LDP payment. So we think the counter-cyclical would be more beneficial to Montana producers long-term.

Senator BAUCUS. My time is running out here, but let me ask you, Colette, you gave four recommendations. It is tragic. It is currently, as you said, $1.02 per meal is all the benefit that people get. It is not indexed and the assets are not indexed. That is low, and the paperwork, et cetera.

But if you were to also give us, in a sense, some direction and priorities among those four recommendations, which one would you weight a little more? Just some guidance here.

Ms. GRAY. I think probably the adequacy of the benefit. When Bob was talking about health care being connected to food, it is a big part of it. A lot of these are young families just starting out or elderly folks. That is a time when nutrition is very important. And that $1.02 per person per meal or the $10 per month just does not meet dietary needs.

And so I think that is probably the biggest one, is that while those folks are out there, most of them are working families.

Senator BAUCUS. Is it true that those low numbers force people to buy unnutritious foods, that is high in sugar content, starch that tends toward obesity and so forth? Is that accurate?

Ms. GRAY. And also non-organic foods because of the fact that the organic foods are more expensive. So they are trading off the dietary needs of nutrition for what they can afford to get some food on the table.

Senator BAUCUS. I have a lot more questions to ask but my time is up.

Senator TESTER. Just real quickly, as long as you are warmed up, Colette, we will just start with you.

How big is your region?

Ms. GRAY. We do the six counties around Great Falls?

Senator TESTER. How many participants do you have in the program?

Ms. GRAY. Actually, the food stamp program is not our program. It is with the Office of Public Assistance. But right now we are doing as pilot project helping more people apply, because recently, about two years ago, it was about 54 percent of the people that are actually eligible were getting the food. We have increased that to 58 percent now. But it is still not as high as it could be.

Senator TESTER. When was the last time that $1.02 a meal was adjusted?

Ms. GRAY. It has not gone up, to the best of my knowledge—and I would have to look it up and get a good answer to you. But to the best of my knowledge, it has not been changed since 1996, when they did the—

Senator TESTER. Since 1996. Is there any group around that you know of that has done—this kind of dovetails off of Max's question—work on health in regards to those high sugar foods?

Ms. GRAY. We don't.

Senator TESTER. Because there is not a lot of protein in $1.02 a meal.

Ms. GRAY. Statewide there is a program with the MSU Extension Offices that helps people buy better foods, budget better, and cook more nutritious, a program that helps them do the shopping and the cooking.

Senator TESTER. Okay, that is fine. Thank you very much.

Darin, very quickly, the target price versus the counter-cyclical payments and the Olympic average and all of those good things, what would you use? If you were Tom Harkin and you could put the figure in, what would you use for the target price? Where would you go to get that number?

Mr. ARGANBRIGHT. I would base it off the ERS, Economic Research Service, cost of production for wheat in the United States.

Senator TESTER. How much bigger would that be? How much more—what is the target price right now? Can you tell me?

Mr. ARGANBRIGHT. The current target is $3.92.

Senator TESTER. What would it be if you use the ERS?

Mr. ARGANBRIGHT. The number we have come up with is $5.29 using ERS numbers.

Senator TESTER. How often is that—I do not mean to give you 20 questions, but how often is that adjusted, the ERS figure?

Mr. ARGANBRIGHT. I believe it is annually but—

Senator TESTER. It is annually adjusted. Okay. So that could be plugged into the bill, in fact.

Mr. ARGANBRIGHT. Absolutely.

Senator TESTER. That is good enough. I do not mean to run on here because we will have to move to the next panel.

But Alan, you talked about a permanent disaster program and you said that the FSA office that you have talked to said it could be easily done. How would that be based? Would it be based on if you got below the average yield in a county and it was declared a—how would that be done?

Mr. MERRILL. That is correct.

Senator TESTER. That is how it would be done?

Mr. MERRILL. That is correct.

Senator TESTER. If there was a disaster situation in a particular region?

Mr. MERRILL. Yes.

Senator TESTER. And it did not meet county average——

Mr. MERRILL. Yes.

Senator TESTER. There would be a payment bumping up, based on a target price for that one?

Mr. MERRILL. Yes, that is correct.

Senator TESTER. Good enough. Thank you.

Bob, in regards to importation of food, which is kind of—I think it bothers all of us as far as not being able to raise it here. In the organic market, is that due simply to lack of production? Or is it due to—are there price factors involved? Or do we not have the correct trade agreements? Or are we not—there are a lot of factors out there.

In your assessment, is it mainly due to a lack of production at the farm?

Mr. QUINN. Well, the problem has been that the organic demand has continued to grow at an extremely high rate and the organic production has not followed suit. As it starts to accelerate even more—I mean, Wal–Mart has come in now, and some very big players that we did not expect this soon, I guess.

That has put a demand on all of the supply that cannot be met and it is coming in from other countries. There has not been enough transition fast enough to meet it.

Senator TESTER. As Senator Baucus pointed out, I want to thank all of you for taking the time to be here and prepare your statements and going out to your membership and coming forth with ideas that can help improve it. It has been very valuable. Thank you very much.

Senator BAUCUS. I just have a very basic question with respect to the permanent disaster program. I understand the estimates are it would cost about $1 billion a year, and that would be a five year or six year farm program, $5 billion or $6 billion.

Going back to my basic question of what is more important, as you know, we usually have passed an ad hoc disaster assistance and it just covered one out of three years. In earlier years, several years ago, when we passed one it just basically said even if you had two consecutive years of drought or disaster, you still could not get—you were only covered for one. These usually do not turn out too well, these disaster programs that Congress eventually passes.

I have to tell you, it is pulling teeth, trying to get members—first to get the leadership of the House and Senate to bring them up.

Then they have got to be added on to a pretty strong horse that is going to pass, otherwise they tend to falter and die.

But that sort of begs another question, and that is just the cost. I know you do not want it, nor do I want it, taken out of the program. So that would be an additional $5 billion or $6 billion.

But again, something in the news, it is something your organizations and your membership faces and I need a little guidance here, the Committee needs a little guidance, of the degree to which this is so important that maybe some other efforts might not get as much assistance as permanent disaster.

I know you do not want it out of the farm program, so we can add on.

And as you also know, southern States are not too wild about this because they do not get—they are a little different. They do not get the same disasters that we get. They do not have the same drought conditions basically with cotton, rice and so forth, as we get in our part of the country.

So just your thoughts, anybody who wants to address that.

Mr. ARGANBRIGHT. I guess I could speak first.

Disaster is not something we are opposed to, disaster program. The trade-off, of course, is going to be paying for it. It is going to be problematic to trade off, everybody keeps looking at the direct payment, to trade off something you can count on—as I have in previous years when we had droughts—to switch over to something you may never see income from is a difficult job.

Senator BAUCUS. Any other thoughts, anybody? Robert, Alan, anybody?

Mr. QUINN. I do not know why an insurance program could not be beefed up, Senator, to help in the interim. If it is a choice, that would be better than nothing.

Senator BAUCUS. We will just double the crop insurance you are getting. The 5 percent add-on, we will just double that.

Mr. QUINN. Very good.

Mr. MERRILL. Aside from providing money, you know, if it brought the troops home several months earlier, you could do the calculation real quick and have your extra $20 billion just like that. There is a lot of money going out, that we mentioned. We really need—we have demands at home that are really important. And I know that there are demands overseas, but we do not want to be bleeding—

Senator BAUCUS. Those are very good points. Jon.

Senator TESTER. The problem with drought is that usually you get in these doggone cycles and it is not just one and two years, it is three years in a row. And then the crop insurance tanks as do all those kind of safety nets that are there.

I think, Bob, you brought up a good point. In lieu of something that cost $1 billion, if we were to be able to bump up that insurance program so that we would not use all of your yield base because of repeated drought years, that might be something to think about.

The other thing is the $2 billion a year—and I am talking about money being available—it is $2 billion a week going out the door for the war. But it is also an $8.6 trillion deficit that has been run

up over the last 15 or 20 years that tends to make people who have to balance books look twice.

Senator BAUCUS. Great. Thanks very much, all of you. Feel free to contact the Committee to add more testimony if you want to, and certainly me personally and Senator Tester personally. But thanks very, very much.

Thank you.

The next panel, the first witness Jim Taber, Chairman of the Young Farmers and Ranchers, Montana Farm Bureau; Mr. Dave Hinnaland, on the Board of Directors of the Montana Wool Growers; Steve Roth, President of the Montana Stockgrowers Association; and Brett DeBruycker, President of the Cattlemen's Association.

Okay, Jim, you are on.

STATEMENT OF JIM TABER, CHAIRMAN, YOUNG FARMERS AND RANCHERS, MONTANA FARM BUREAU, SHAWMUT, MONTANA

Mr. TABER. Thank you, Senator Baucus, Senator Tester.

My name is Jim Taber, as you said, Farm Bureau and Young Farmer and Rancher Chairman. I am a fourth generation cattle rancher from Shawmut, Montana.

I would just thank you for the opportunity to speak on livestock issues.

Three of them that I would like to speak on is country of origin labeling, the Packers and Stockyards Act, and a national identification system, and follow that by a discussion on young producers.

As far as country of origin labeling, the Montana Farm Bureau supports a country of origin labeling program that is market driven, consumer friendly using science-based labeling of agricultural products, and funded at the Federal level.

COOL legislation should include the following points, which are further detailed in my written comments: an establish a recognizable national logo and a definition of country of origin labeling, meaning born, raised and process in the United States.

As far as the Packers and Stockyards Act, American Farm Bureau policy book states that we support legislation on a State and national basis establishing GIPSA as the overall authority and provider of oversight to ensure livestock contracts are clearly written, confidentiality concerns are addressed, investments are protected, enhanced price transparency exists, and price discovery and contractors honor the terms of the contracts.

Two legislative changes that the Farm Bureau supports are legislation providing mandatory arbitration so that producers are not prevented from going to courts to speak out against unfair actions by companies; legislation allowing meat and poultry inspected under State programs which are equal to Federal inspection and approved by USDA to move on interstate commerce.

We are aware that Senator Baucus is currently sponsor such legislation and we feel that Montana will greatly be impacted by this.

As far as a national identification system, we support establishment and implementation of a voluntary animal ID, capable of providing support for animal disease, control, and eradication while protecting producer privacy and producer ownership of their data.

We support the following guidelines for a livestock identification program: before a voluntary program can be considered, we must pass confidentiality language to protect producers. The program be simple and inexpensive.

We urge the USDA to conduct a full cost analysis study of the NAIS program, as Farm Bureau remains concerned about three major issues that will affect success. The first is cost. How much will the program be to each producer? And that the producer should not have to bear all of the cost.

Confidentiality. Who has access to the data under NAIS? And can producers be assured protection from unintended use of the data they submit?

One good thing about that would be that it would be for a nonprofit private company.

Liability. Are producers appropriately protected from the consequences of the actions of others after the animals are no longer in their control?

Moving on to the beginning farmer and rancher, the Farm Bureau supports the continuation of the conservation cost-shared differential for young and beginning farmers that exists in the current farm bill of 90 percent through the EQIP program.

We are also encouraged and hopeful about Senator Baucus's possible provision for the CRP contracts contained in Senator Harkin's bill where the producer could get two additional CRP payments if it was turned over to a beginning farmer and rancher.

Another important area is the definition of what is a beginning farmer. Is it someone that has been on a family farm and now started off on their own? Or if he is a rancher? That language needs to be worked on.

One thing that our committee is trying to come up with is possibly a tax incentive for an older, retiring producer that would turn over to a younger producer and have the opportunity to have a tax break so that he could literally sell his place for less and give the young producer a chance to be able to start out. Because you know, as anybody, the urban sprawl and land costs, 1031 exchanges, have really hampered how a young producer can really get into it.

Most producers now are in their 50s and 60s. I know in my own area there is about 10 of us left in about a three county area. I believe that something really needs to be established in this farm bill to help young producers get started. Without that, American agriculture is going to be headed down.

I thank you for the opportunity.

Senator BAUCUS. Thank you, Jim.

Dave.

STATEMENT OF DAVE HINNALAND, MONTANA WOOL GROWERS ASSOCIATION, CIRCLE, MONTANA

Mr. HINNALAND. Thank you, I am Dave Hinnaland, a fourth generation producer. And on behalf of fellow sheep producers of Montana, I appreciate the opportunity to discuss our Nation's ag policy with you.

I am currently on the Board of Directors for the Montana Wool Growers and have recently been appointed to the Predator Committee of the American Sheep Industry.

My family and I run a cattle, sheep, and small grain operation west of Circle. To supplement our ranching habit, we also run a small trucking company in Circle. Sheep have and will continue to be a large part of our operation.

Some of the key issues facing the sheep and wool industry, the LDP on wool, the National Sheep Industry Improvement Center, predator control, ewe lamb retention program and prescribed grazing for weed control.

I am pleased to comment on the positive impact of the current farm bill as it included the new Wool Loan Deficiency Program, which provides the only safety net for wool producers. While nine loan rates are available, essentially all wool LDP applications are in one non-graded rate category. The research provided in 2002 by the Food and Agriculture Policy Research Institute supported $1.20 per pound base loan rate. However, legislation lowered the base to $1.00 per pound with a budget score of $20 million annually.

In the four years that this program has been in effect, it has never come close to the $20 million budget mark. I would encourage the Committee to reauthorize the wool LDP at a base loan rate of $1.20 per pound in order to provide the benefits the program originally intended.

The National Sheep Industry Improvement Center, as established in the 1996 Farm Bill, provided loans and grants to business ventures where normal commercial credit or funds were not available. The program is not for individual producers or for the purchasing of sheep or land, but rather for projects to strengthen sheep business such as wool warehouses, lamb slaughter, processing ventures, et cetera. We would urge the reauthorization of this program, as it expired in the fall of 2006.

Predator control is a major concern of sheep producers in Montana. As we fight an ongoing battle with coyotes throughout the State and as wolves are ever increasing their territory, it is of utmost importance to the industry that we continue to receive protection from these and other predators so our operations may remain profitable.

I feel the ewe lamb retention program played a major role in stabilizing U.S. sheep numbers. After several years of decline, 2004 marked the first growth in the U.S. sheep inventory. We grew our industry again in 2005, the first year-on-year increases in numbers since 1987–1988. Industry growth improves competitiveness for all segments of the industry, from lamb feeders to lamb meat companies, wool warehouses, the wool mills, feed suppliers, trucking firms, and shearing companies. Reinstating the ewe lamb retention program would help us to continue to grow the U.S. sheep industry.

In regards to the prescribed grazing, sheep have proven to be very beneficial in the control of noxious weeds. We believe the farm bill should address programs and direction to support prescriptive grazing projects with sheep and goats. Scientific studies and on-the-ground experiences have clearly demonstrated that livestock are a promising tool in the battle against weeds on pastures, rangelands, and in our forests.

I see a win-win situation for all involved to have noxious weeds going in one end of a sheep and organic fertilizer coming out the other.

Thank you for the opportunity to provide the sheep industry priorities.

Senator BAUCUS. Thank you, Dave for a little levity, too. Appreciate that, very much.

[Laughter.]

Senator BAUCUS. Steve.

STATEMENT OF STEVE ROTH, PRESIDENT, MONTANA STOCKGROWERS ASSOCIATION, BIG SANDY, MONTANA

Mr. ROTH. Senator Baucus, Senator Tester, thank you for the opportunity to speak. On behalf of the Montana Stockgrowers Association, my name is Steve Roth. I am a cattle producer from Big Sandy.

Montana Stock Growers' philosophy has always been one of limited Government involvement and—

Senator BAUCUS. Pull your microphone up a little closer. That helps, so everybody can hear. I should have done that earlier, but at least we will start now.

Mr. ROTH. We believe in limited Government involvement in market-driven systems. Government programs, such as cost-share programs, tax incentives, and funding of education and research are some of our primary concerns. We feel that there are a few points we would like to bring up that can be addressed by the farm bill.

First of all, I would hope that the next generation is what ranching in Montana is all about and what the farm bill is about. Some of the programs that are out there, such as EQIP, are very well-intended programs and work for the benefit of the producers. But in some cases they discriminate against other producers and it would be nice if EQIP was more predictable.

With regard to mostly grazing and haying of CRP, we would hope that the Farm Service Agency, the local committees could make those decisions.

With regard to Yellowstone Park brucellosis, the elk and bison herds of the Greater Yellowstone area contain the last reservoir of Brucella abortus in the United States. The control of this disease as cost the U.S. taxpayers and ranchers millions of dollars. The stockgrowers fully support the signing of the memorandum of understanding by the United States Department of Agriculture, USDA, and the Department of Interior, which directs USDA's Animal and Plant Health Inspection Service as the lead agency in developing and implementation of the brucellosis elimination plan for the Greater Yellowstone area.

Let me just stop there and say that our priority should be the eradication of brucellosis in the Yellowstone National Park's bisons and the Greater Yellowstone area elk, providing for a clean and healthy environment that benefits both livestock and wildlife.

We would also like to see that the research and education portion of the Montana State University's bioscience complex be funded.

In the endangered species, we would ask that you take caution when considering programs such as EQIP which have the potential

to adversely impact participants neighbors since wildlife recognize no property boundaries.

In the area of noxious weeds, this is a huge economic impact to ranchers and others. And we would ask that a great deal of emphasis be given to the area of biological control of noxious weeds.

Animal identification. Montana Stockgrowers has long recognized the importance and the need for a national livestock ID system for better livestock control and diseases surveillance. Montana Stockgrowers want a system that operates at a minimal cost, and protects producer confidentiality, while recognizing the hot iron brand as a method of cattle identification. A Government database would be cumbersome and likely to grow into a large bureaucracy.

With regard to country of origin labeling, Montana Stockgrowers has expressed strong support for a practical, cost-effective, country of origin labeling program. Current mandatory COOL statute and proposed USDA rules are confusing, discriminatory and potentially costly for Montana cattle producers. Voluntary COOL has provided no incentives to foster implementation thus far. Therefore, we must find a way to make certain this law will be amended so it helps and does not hinder Montana's cattle producers.

With regard to renewable energy, we must hope that in this rush for alternative energy sources that one hand does not bite the other and that we take into consideration what is done for one group may adversely affect another. We strongly support our Nation's commitment to reduce dependence on foreign energy.

Research and education, we certainly would like to see the continuation of a regional pilot program with regard to stewardship for those of us who are trying to steward the land as one of the last unaltered resources that this country has.

In conclusion, I would like to thank you for this opportunity and again remind you there is a delicate balance in this whole agricultural community that we live in. What you do to one area may affect another one. We hope that the farm bill process will attain profitability and economic stability to Montana's cattle producers.

Senator BAUCUS. Thank you, Steve.

Brett, you are on.

STATEMENT OF BRETT DeBRUYCKER, PRESIDENT, MONTANA CATTLEMEN's ASSOCIATION, DUTTON, MONTANA

Mr. DEBRUYCKER. Senators, thank you. I am Brett DeBruycker, a farmer and rancher from Dutton, Montana. I will not bore you with the details about what we do up there, but we have a purebred Charolais herd and we—

Senator BAUCUS. Go ahead and give us more details now.

[Laughter.]

Mr. DEBRUYCKER. We feed quite a few cattle north of Choteau as well as in the Midwest of the State.

I am President of the Montana Cattlemen's Association, the fastest growing cattle organization in the State. I am very appreciative of this opportunity.

The issues that I was asked to address today, I will try to skim over fairly quickly rather than read the testimony.

Mandatory COOL, there is really not much more to say than the time is now. We have got a law in place from the 2002 Farm Bill.

We have been getting stonewalled for five years now, if not longer. And we hope that you will take this seriously and find a way to fund it in this farm bill.

As well as that, we need some Congressional oversight and some producer input into the rules making process. It is obvious that USDA has a bit of a track record with COOL and we hope that the funding will be followed with some oversight.

It is time to be honest with our consumers and give them the opportunity to make informed decisions about what beef they want to buy and serve to their families.

On the issue of linking animal ID with country of origin labeling, I cannot think of a more ridiculous way of going about things. There is really no need for that. They are two completely separate issues. There is no need to link the two together.

Country of origin labeling is a marketing issue, which is used to create a situation where your consumers are informed. And animal ID is an animal health issue. They are two completely different things that do not need to be connected. This idea has really been brought forth by the opponents of country of origin labeling and they are using this to weaken the implementation of COOL.

When you have your discussions in D.C., I would hope that you remember three things: One, that the vast majority of consumers and producers do support mandatory country of origin labeling. The vast majority of producers are not in favor of an ID system. And also one little fact that often gets overlooked is that there are State and national organizations that stand to profit from an ID system. So please keep that in the back of your minds.

In regards to competition, Montana Cattlemen's is always in favor of finding new ways to create competition for its members and for Montana producers. We all know there is four major packers in the country and they control well over 80 percent of the kill capacity. We do support a competition title in this next farm bill and hope that it will address certain things such as market transparency and complete price reporting of forward contracts.

A way to enhance competition is through the interstate shipment of meat. Now how to look at that is you need to step back and realize that in the 1967 and 1968 Meat and Poultry Acts there was—I am going to run short of time here.

Senator BAUCUS. Go ahead.

Mr. DEBRUYCKER. In the 1967 and 1968 acts, the Federal Government decided that the States needed to have a certain level of inspection for their meats and poultry. That is a good thing. We all need to be on a level playing field. So they set a minimum level with which they need to adhere to.

But then also in those acts, they restricted those States from only in-state commerce. So we cannot ship outside the State, even though we are still meeting—even though our in-state packers and processors are meeting these high levels that are set upon us, we cannot ship out of the State.

So it is important that you take a serious look at that, because Montana has some of the most top quality genetics in the United States, as well as the world. And so it is time to allow these producers a chance to capture some of the market share that is out there to get.

One of the things that MCA did in the last legislative session here in Montana is we helped pass the Montana Certified Natural Beef Program. And that is why we feel this interstate shipment of beef is so important, because we think this is a way that through this bill and State certification we can use interstate shipment of meat to enhance our market share.

When you really break it down, it is really just an issue of fairness. Are we going to continue let big business rule this shipment of beef and meat? Or are we going to allow entrepreneurs and small businesses and small packers to begin to take part in this process and realize some gains?

So again, thank you.

Senator BAUCUS. You bet, Brett. Thank you.

I will start with you, Jim. What is it basically going to take to make sure that beginning farmers, young farmers here in our State, see a future in agriculture? What does it really come down to? Bottom line, a couple three things, so we are not just going on the edges but just hey, this is what it takes to get young folks interested.

Mr. TABER. When a young producer goes to the bank to get money, the first thing they want is collateral. And how can you have collateral if you do not have anything? So that is why I think the tax incentive for an older producer, where a mediator between an older and a younger producer can get together over a period of three to five years and work together on turning that place over where the older producer can have that tax credit and make it more feasible for the younger guy to get started.

Because with land prices and machinery costs, all of that stuff together, a young producer without—like in my situation, being in a family situation, you cannot make it work.

Senator BAUCUS. So it is a little bit similar to the CRP idea that you discussed and the legislation we are all talking about here?

Mr. TABER. Yes.

Senator BAUCUS. Namely, two years payment to someone who gives up his contract earlier for a younger farmer, so long as it goes into production.

Mr. TABER. Sure. Myself, I am personally against CRP because there is land out there that is holding where a young producer cannot get hold of it. And 1031 exchanges kind of do that, too. Them items are good in certain circumstances, but for young producers, they hold them back.

Senator BAUCUS. It is amazing. I think our State has what, somebody knows much better than I, about 5 million acres in production, agricultural production. Grain anyway, wheat. I guess it is wheat. Is that correct? I see Darin back there.

But about 3 million in CRP. What is the acreage in CRP? We have 3.5 million in CRP, the second largest State in the Nation. It is a blessing and it is a curse, in some ways.

But you basically think that giving younger farmers, beginning farmers, some kind of transition from older—it does not have to be older, just existing operator, to help him or her transition to a beginning or younger farmer.

Mr. TABER. I think there is some opportunity there because of the biodiesel coming on. If that ground was available to get them back to producing something.

Senator BAUCUS. Let me ask others the same question. This comes up so often in our State, it is hard for younger folks to get going here.

Brett, you do not have quite as much gray hair as some others there. Your thoughts.

Mr. DEBRUYCKER. You know, I think that Jim is on to something there, as far as with the banks. They need to do something—there needs to be something a little more on FMHA office to where it is a little bit easier for young farmers to go in and get some beginning farmer loans.

Today disaster loans are not that difficult to come by but the young farmers, there is certain criteria that you need to meet and it is pretty easy to get tossed out of that and miss your chance.

Senator BAUCUS. Steve or Dave, thoughts on how to get the things really interested for younger folks, beginning farmers?

Mr. ROTH. I think there are some good ideas here. And also, you could possibly do something like a conservation easement for those people, for someone selling out, like Jim mentioned, a tax credit. But then that would have to stay, obviously, in that particular business.

And also, the paperwork that is burdensome for people that are going to FSA office and try to get a loan on cows and everything, it is unfathomable how much paperwork there is to fill out. If you could do something there, that would help.

Senator BAUCUS. Dave, your thoughts?

Mr. HINNALAND. I guess I do not have—there has been some good response. Like in our country, a young producer with no equity virtually has no chance to get their foot in the door at the price that the ranches are bringing down there, be it outside interests for the hunting or someone that wants to put it back into production agriculture, boy they have a tough road ahead of them.

Senator BAUCUS. You have given us some thoughts. There are some ideas there we can work with.

While we are talking about COOL, your thoughts on what we do about it. As you know, if we do nothing it automatically goes into effect in 2008. So some suggest maybe we should wait until 2008 and it goes into law. Others suggest no, let us get this going earlier. Let us work with it and let us get it passed.

You addressed this, Brett, some want to tie it to some kind of a national ID program. But we all want COOL, especially given all of the reports in the news with all of the products coming in from overseas, various countries coming into America from lots of countries which will go nameless at this point.

But it is a huge issue because the world has become so globalized. And to make it even more complicated I think a lot of importers that are bringing food products to the United States push other countries to cut corners. They may not directly, but indirectly have that effect as the importers are trying to import products as cheaply as they possibly can. So even more than ever, we must have COOL passed into law.

But again, your advice. Do we wait to 2008? Do we tempt fate a little bit and try to change it, make it work better? You might have some ideas, Brett. I assume nobody there disagrees with Brett when he says do not tie it to any national ID system. But a little guidance gain on COOL and what we do about COOL at this point.

Mr. DEBRUYCKER. I would address that. We have got the law and it is in place.

Senator BAUCUS. You are talking about mandatory COOL.

Mr. DEBRUYCKER. Mandatory COOL. That is right.

We have got the law. What we need are the rules. The Montana Cattlemen's Association is okay with the idea of waiting until September of 2008 when it is due to become law. But let's make sure we have rules in place beforehand and let's make sure we have got the funding in place beforehand so that we are not stonewalled again for another five years.

That would be the biggest thing is to make sure that USDA does it right and there is some Congressional oversight.

Senator BAUCUS. That is a very good point. When you mentioned that point, Brett, I thought boy, that guy is right. Because left to its own devices—I am not being critical to the USDA, but left to its own devices, it is probably getting pretty bureaucrat, a lot of unnecessary complications.

Anybody else, thoughts on COOL?

Mr. TABER. I would just have to echo Brett's opinion.

Senator BAUCUS. Your thoughts on brucellosis? What is the best way to eradicate brucellosis, so we are just not spending all of our time working about this. What do we do?

Mr. ROTH. Well, we test and slaughter.

Senator BAUCUS. What is that?

Mr. ROTH. I think we need to test and slaughter. Ted Turner has done it. It is biologically possible and it is not going to be something that happens overnight. But it is certainly in the best interest of everyone, I believe, the wildlife community and everyone, to eradicate that reservoir of Brucella in the bison herd and then we can argue some things about it.

But I think hopefully risk management does not become the modus operandi and we forget about eradication. I believe eradication is ultimately the solution.

Senator BAUCUS. Dave.

Mr. HINNALAND. I guess I would like to see maybe the Park Service handle their bison a little bit more like we have to handle our livestock on our ranches. If they have got a problem, it needs to be addressed. It is a very serious issue, the brucellosis. I do not know, I guess it comes down to, I guess in my own opinion, I think they got too darn many buffalo up there to sustain what they have now. It is a very tough, complex issue.

Senator BAUCUS. So you want more wolves?

[Laughter.]

Mr. HINNALAND. No.

Senator BAUCUS. Sorry, I could not resist.

[Laughter.]

Mr. ROTH. Senator Baucus, we would just hope that the Federal Government would recognize their responsibility for their wildlife, their diseased wildlife.

Senator BAUCUS. Good point. I am sorry.

Jon.

Senator TESTER. I do not know if I can follow that.

First of all, Jim, I appreciate the work with—well, all of your work. But the young farmers issue is a big issue. We are getting fewer and fewer of us and soon there may be not enough to sustain our food security. So I appreciate it.

I guess the question that rattled around in my head 25 years ago is the same question that rattles around in it today. And that is what the definition of a beginning farmer is. It is really difficult to know.

The other question becomes, and this is not new, is if you give tax relief, what happens if it is a rigged deal? You know what I mean, they get tax relief and they dump it off to somebody else and never had the intention of farming.

I think, Senator Baucus, your traditional payments after the CRP is a terrific idea.

Are there any groups around that are working on a definition that you heard of that really can work?

Mr. TABER. This idea kind of stemmed from a pilot program that is taking place in Iowa with small family-owned dairy herds. They did some studies and that kind of stuff.

The main thing is you have to have a mediator between the two parties and make sure that they are locked together and that the older producer is secure, just like you are saying, so that the younger guy cannot get it for a couple of years and then turn around and dump it. So there has to be some set guidelines.

As far as the definition of a young producer, that is pretty tricky. At this time, I could not give you an exact definition what it should be.

Senator TESTER. I did not expect that.

Mr. TABER. As far as the policy now, I think it needs to be worked on just because young producers that are in a family business, if they decide to go off and start on their own, they are not eligible for any help.

Senator TESTER. I certainly applaud your efforts and keep working. If you come up with some stuff, be sure and make sure that folks know about it because it is important.

Dave, aside from the wolves eating the coyotes, which we went from there to bison, I would just ask you, the point about eating noxious weeds and creating good fertilizers is a good point.

Is there any way to expand prescribed grazing to make that even more available? This is also an issue, I think Steve kind of talked about it, with the biological weed control.

Mr. HINNALAND. To expand it? I guess I would like to see some monetary benefits where it would make it practical to bring some sheep and goats in to a project. If they could be included in your farm bill, be it trucking expense to move them in, herder expense.

Senator TESTER. Is the Forest Service or the BLM working with sheep producers?

Mr. HINNALAND. Yes, there is sheep on public lands doing weed projects. Yes, in some instances.

Senator TESTER. How broad is that? Is it just a pilot project? Is it pretty extensive?

Mr. HINNALAND. It is not very extensive. I guess to quote a project off the top of my head, I am drawing a blank. But there has been some talk back and forth.

Senator TESTER. Maybe we ought to expand on that.

Steve, Max and I were in the restaurant in the Capitol, it was pretty well reported on, actually. Max had a hamburger and it had Kobe beef on it. I said no, Max, it is—

Senator BAUCUS. It did not say that, the menu called it Kobe beef.

Senator TESTER. I said it just must be the process. It has got to be American grown in our Nation's capitol, for goodness sakes. Well, Max did a little investigation and presto-chango it was, indeed, out of Japan.

There are instances of that on the East Coast all over. I have stopped in a restaurant and they asked me if I wanted chicken or beef on my taco. I said where did the beef come from? And they said Australia, and were proud of it. It was a little bit disconcerting.

But the question is with COOL. If I heard your testimony, you said that there was some discrimination that could happen with COOL and it would actually—and I do not want to put words in your mouth—and it could actually be detrimental to producers. And that is not what Max or I are up here for. When it comes to production agriculture, we want to give them every advantage in the marketplace possible.

Specifically, is that something you see out there for country of origin labeling, as a detriment? I would actually see it as a market advantage for producers, if consumers knew where their meat came from. I know I would. I would buy it out of the shelf if it said—more than just a USDA stamp, if it said American produced beef.

Mr. ROTH. Senator Tester, I could not disagree with you in any way there. I think the disadvantage that our producers are concerned about is that we are not margin operators. We are—in the production chain we are price takers and not price setters. Any cost that is incurred at every level of production has a tendency to fall to the bottom, and that is kind of where we are now would be one of the concerns we have as far as—Dean Folkvord who runs Wheat Montana did a survey one time before he started this. He went out and surveyed people, would you buy Montana-produced bread that was produced by Montana wheat? And they said oh yes, we will.

But when he put it on the shelf and Sweetheart bread was three cents less, they brought the Sweetheart bread.

But that is not to say, we are in favor of country of origin labeling. We just hope it is implemented in a way that does not adversely affect our producers.

Senator TESTER. It is creative marketing, I think. Folkvord has done pretty well.

Mr. ROTH. I think it is Starbucks that is doing it.

Senator TESTER. That is true.

Brett, when you talk about the meat inspection, not being able to ship meat out of State—between States—I was under the assumption, correct me if I am wrong, that the State inspection standards were equivalent with the Federal standards. Are they not?

Mr. DEBRUYCKER. The minimum is set by the Feds and the States have to meet that minimum. But the majority of States have a higher level of inspection standards.

Senator TESTER. Than the Federal. So there is really no reason not to allow the cross-state border shipment?

Mr. DEBRUYCKER. The only reason is to limit entrepreneursialship.

Senator TESTER. Sounds like a good idea for a bill. We need to get that fixed. That is big.

As I said to the previous panel, I appreciate you folks coming up here and preparing and really giving us your perspective on the ag bill. It is tremendously helpful and I appreciate all the work you are doing for the State. Thank you very much.

Mr. ROTH. Senator Tester, this happens not only with what Brett is talking about with meat inspectors, but also with State veterinarians and with weights. You can haul 62,000 pounds out of Montana but you cannot haul it into Minnesota.

Senator TESTER. Gotcha.

Senator BAUCUS. Thank you.

Dave, just a couple of examples of how the Rueben Center funds really work and have results would make a difference. I am asking because when we go to the Committee we want to have some good examples why this is a good deal here and we ought to have it. So you have to rattle off maybe one or two points.

Mr. HINNALAND. I do not, to my knowledge, I do not think there has been any money come back directly to Montana producers. There has been surrounding States with Montana producers involved. I believe there is a Wyoming lamb coop that took advantage of that with some Montana producers involved.

I believe the last monies that were available was going towards the LRP lamb program to start that up. I guess I do not know where that sits right now. But something like that would be very beneficial to the producers. As the lamb market has peaks and valleys, they do all right during the times of the peaks but it is a little rough in the valleys. One of them programs really would be beneficial in taking some of the volatility out of the market.

Senator BAUCUS. Did it not also provide some funds to develop some underwear and some—

Mr. HINNALAND. The military, sure. The military is a big user of U.S. wool.

Senator BAUCUS. That was developed with this program?

Mr. HINNALAND. Yes, it was and it was very well received. There were some military people at the Helley Ranch in Dillon a few years ago. We talked with them and they were very pleased with the product. It was very well received.

Senator BAUCUS. Thank you. Jon.

Senator TESTER. Just one more question that came to my mind. A few months ago I spoke with some people who were not affiliated with any particular farm group, they were just producers, they were ranchers.

Senator Harkin is very is very intrigued with the Conservation Securities Program and about taking it from pilot level and fully funding it. These ranchers, and I could not get any specifics out of them, said that the CSP program has worked pretty well for farm-

ers but it has not worked real well for ranchers. I do not exactly know, I assume it was because they were not eligible.

Can you guys shed any light on that? I am not in an area personally that is in one of those pilot projects. There is one north and around, but not in my area. I was just wondering if you guys had any awareness of the CSP pilot programs and how they do or do not work for ranchers.

Mr. DEBRUYCKER. I am not in one of the watersheds but go ahead.

Mr. TABER. I am not in the watershed either, but I do know something.

Senator TESTER. Go ahead.

Mr. DEBRUYCKER. Forgive me, but what I understand is some of the rules are—for ranchers, the ideal thing that CSP wants is for you to alternate grass pastures each year. This is just one example. But there are different varieties of grass. And some varieties need to be grazed at certain times of the year. So if you have to alternate no matter what, to stay in compliance with the program, it seems a little bit out of whack.

Another thing, and I do not know the exact specifics, but it has to do with if you have a couple of horses and you keep them in this pasture by your house all year long, that can throw you out of compliance. It is just little compliance issues like that is the way I understand it.

Senator TESTER. Good.

Senator BAUCUS. Thank you very much. This is very helpful. It makes a big difference.

Your statements, again, will be in the record and we will look at it. Clearly, you are going to give us more thoughts as we get closer to make some provisions in the farm program. So keep in touch. Thank you very much.

The next portion of our hearing today, this is for all of you to participate.

Before we get there, though, I want to thank Jon Urban and Ann Haslett from the Agriculture Committee for helping us. Where is Jon? Stand up. Give them a round of applause. They are working hard for you.

[Applause.]

Senator BAUCUS. Give them a good Big Sky welcome for coming to our State.

We want as many people to speak as we can possibly accommodate here but we only have about 30 minutes. So I want everybody's statement to be restricted to two minutes.

Now do not be too surprised if somebody comes up with a gentle little nudge and tells you that your two minutes is up. There is the gentle nudger right there. He is a very good guy. Russ Sullivan is his name.

So all of you interested in speaking, just come on up to the microphone. Russ will give you the microphone for you to speak two minutes. Give your name and so forth, so we can have idea who you are.

If there is not time for everybody—before I get to that, when you finish, if you have any written statement, give it to Christina

Davis. Where is Christina? There is Christina. Give your written statements to Christina.

And then after that, if there is not time left, do not worry. The record is going to be open until Friday. So you have got time to get your written testimony in.

It is first come, first served. We have a line here. Anybody who does not want to testify?

Mr. ZERBE. Senator Baucus, Senator Tester, my name is Grant Zerbe. I produce cereal grains and pulse crops in Northeast Montana, near Lester. Today I am testifying on behalf of the U.S. Dry Pea and Lentil Council. Montana ranks second in production of dry peas and lentils in the United States with over 300,000 acres planted this year.

Our organization would like to thank Senator Baucus and the Senate Agriculture Committee for creating the marketing loan LDP program in 2002. The program has provided needed safety net for producers of dry pea, lentils, and chick peas.

In the 2007 Farm Bill, we support continuing the current pulse marketing loan LDP program. We ask for an increase in the small chick pea loan rate to reflect market prices. We also ask Congress to establish a marketing loan program for large chick peas.

Pulse crops are grown in rotation with wheat, barley, and minor oil seeks. Each crop in the rotation has a direct payment except for pulse crops. We support the creation of a direct payment for dry peas, lentils and chick peas equal to the direct payment received for wheat.

The counter-cyclical program provides an additional safety net to producers facing low market prices. We support the creation of a counter-cyclical program for dry pea, lentils, and chick peas. We ask that the pulse crops be treated equally to those program crops with an effective counter-cyclical program.

Producers need planting flexibility to respond to market signals. Currently, chick peas are classified as a vegetable crop and are not eligible to be planted on farm program base acres. We ask Congress to include chick peas as an eligible crop in the new farm bill.

In summary, the U.S. dry pea, lentil, and chick pea farmers believe the 2007 Farm Bill should continue the current pulse marketing loan program with the addition of large chick peas. We ask that this safety net for pulse crops be expanded to include direct and counter-cyclical program and the inclusion of chick peas as an eligible crop to be planted on farm program base acres.

I would like to thank the Committee for the opportunity to present this testimony. A copy of my testimony was provided to the Committee.

Senator BAUCUS. Super. The lady to give it to is Christina. Everybody give your testimony, please, to Christina. Wave your hand, Christina. Wave big. There is Christina.

Okay, Ron.

Mr. DE YONG. Senator Baucus, Senator Tester. My name is Ron deYoung. I have a farm near Kalispell, Montana.

Senator Baucus, I would like to address your first question that you put out on choices. Like everyone, I would like a stronger conservation title. I would like a stronger energy title. I would like to

put more research dollars into organic. I would like more dollars into nutrition, but there are choices.

In the process of doing all that, I urge you not to diminish the safety net in the commodity title. Now everybody gets a little bit comfortable when these prices come up. But their input costs come up with them, as Darin pointed out. And as soon as the industry gets comfortable with the supply of corn and wheat and soybeans, those prices are going to back off. And they do not have to come down very far and they hit those higher input costs. And as soon as they do, hundreds of farmers are going to be put out of business.

So number one choice is do not diminish the safety net in the commodity title.

Now a more specific answer would be that I was pleased the House Subcommittee passed an extension of the current farm bill with minor changes. I believe with the current budgetary and political environment, that might be the best option we are going to have in the short term. The minor changes, of course, would have to include strengthening the safety net for wheat. Because as Darin pointed out, we definitely got the short end of the straw in the safety net for wheat. That might be the best we can do in the short term.

And then we need to start thinking right away about the long-term. In the long-term I think the correct direction to head is to take those three income payments and turn them into one income payment based upon cost of production. Because basically what they are trying to do anyway with those three payments is cover enough cost of production so that when you hit your cycle lows you do not lose hundreds of thousands of farmers.

So if we can combine them into one and do some creative thinking and combine a disaster program in with it, I think in the long-term that is what we need to do. But we probably cannot do that in the short term.

Senator BAUCUS. That is interesting. I appreciate it. Thanks, Ron. I appreciate it. Thanks, Ron. There is Christina, do not forget.

Mr. STONER. John Stoner, I am a farmer from Havre, Montana, past president of the Montana Grain Growers.

I do not want to go over what Ron just said, but I do want to reiterate the need for the direct payment. Right now we have great rainfall in Montana and the crops look pretty good in most parts of the State. But we all know—and we have record high prices right now. But those are probably not here to stay, the record high prices. And right now, with the high cost that we have, you need both high production and high prices to make ends meet.

Put the payments in perspective, average farmer in Montana probably receives a direct payment of about $9 to $15 an acre versus $200 an acre costs. It is only about 4 to 7 percent covering the costs. It is not very much at all. But sometimes it is just enough to get us over the edge.

So we have to maintain that direct payment and we have to have a target price based on costs of production.

One other thing I wanted, thank you for the thank you that you had in the paper. That was excellent, talking about agriculture and the success story that we really are, that we really supply the high-

est quality, the safest food at the lowest price of any industrialized country. And we have done that through conventional ways.

We have done that with also protecting our environment. We go through practice like no till operations. We have reduced our soil and water erosion, increased our soil production, and also increased organic matter.

Do not divert money from Title I to go to renewable fuels. We are excited about renewable fuels and we want to see it happen but we cannot divert money from it.

No base and yield updates.

And producers must be given credit for conservation practices that we have instituted before. CSP has got to be made eligible for all producers, rather than just a select few. It is a great program. Make it work.

Senator BAUCUS. Thanks, John. You are welcome for the thank you. I just think the rest of the country just does not understand and recognize just how much agriculture has contributed, and especially how the cost of production has gone up, and up, and up, and up, and up, and up. Basically prices have been pretty flat, it has been okay in the last year. But as you said, it is not going to stay there forever. The whole country owes all of you in agriculture a big thank you.

I made that point recently, a few days ago, and I wrote a little article about it. I have got copies in the back of the room. I just think it is important. The more people understand how important what you all have done for so many people in this country.

Mr. SMITH. Senators, my name is Gerald M. Smith. I am a farmer and rancher. I am also the Chairman of the North Central Montana RC&D and the Vice President of the Montana Association of RC&Ds.

I agree with everything that I have heard here today. I just wanted to call your attention. The RC&D Councils in America, and in Montana, are funded through the NRCS and through that conservation part of your farm bill.

Two years ago we were receiving $15,000 in our little RC&D from the Federal Government to maintain our office and pay for staff travel. We do 10 counties. Last year it was $11,250. This coming year it is $10,000.

Everything else is going up and we are going to continue to do the best job we can to service those people in those 10 counties. I just wanted to call that to your attention.

There is 435 RC&Ds in the United States. I do not know what all of their funding are but in Montana they have reduced down to $10,000 per year. So with a big State and nine RC&Ds to cover all those counties, I just wanted to call that to your attention and hope that you can keep us in mind.

Senator BAUCUS. Good, Gerald, appreciate that. Thanks, Gerald, very much.

Mr. BARNGROVER. Senator Baucus, Senator Tester, my name is Jim Barngrover. I am the Program Manager for Agriculture and Food Systems with AERO, the Alternative Energy Resources Organization.

My first comment, and probably most important, is we need a vision of where we are going with agriculture in the United States.

I think Bob Quinn is right, that we really need to put some money into research for sustainable and organic agriculture. It has been very limited in terms of what the Federal Government has supported.

Along with that, we also need to reauthorize ATTRA which is affiliated NCAT in Butte. Their appropriations have been substantially curtailed, they have laid off people, reduced hours.

They provide technological and informational services to sustainable producers throughout the United States. It is not a big budget item but it is one that I think is really critical and one that affects us here in Montana.

Along with that, other policies that we would really support as AERO are ones that promote locally grown food, and also looking at getting food to farmer's markets, increasing food stamp benefits to recipients, farm to college programs or farm to school programs. And lastly, we also support reciprocity between Federal and State meat inspection. I think that should be a doable one.

Thank you, very much.

Senator BAUCUS. Thanks, Jim, very much. Thank you.

Mr. HEADSTROM. Thank you. My name is Steve Headstrom. I am Vice President of the Montana Association of Conservation Districts, a local rancher from Raynesford, Montana.

I would like to thank you for this opportunity to share the views of Montana's local conservation districts regarding the 2007 Farm Bill.

There are 58 conservation districts in Montana, at least one in every county. Similar entities are set up across the country. In the U.S. there are nearly 3,000 conservation districts that are helping local people conserve land, water, forest, wildlife, and natural resources.

We share a single mission to coordinate assistance from all available resources, public, private, local, State, and Federal, in an effort to develop locally driven solutions to the natural resource concerns.

We support voluntary incentive-based programs that represent a range of options providing both financial and technical assistance to guide landowners in the adoption of conservation practices, including soil, water, and air quality, providing habitat and enhanced land management.

There are several issues we would like to discuss quickly here. Number one, working lands focus. MACD supports the highest priority for the conservation title of the farm bill, to focus programs and funding on working lands conservation.

Number two, decline in county EQIP allocations because of special EQIP projects. There has been a reduction in county EQIP allocations because EQIP is spending on special initiatives in Montana. While these special projects are laudable goals, CDs are concerned that it is coming at the expense of local priorities around the State. We would like to see as much EQIP funding as possible distributed among the counties to be focused on local priorities.

The importance of technical assistance as the basis for all conservation efforts. There is a critical need for the adequate funding of conservation technical assistance. In order to maximize the effec-

tiveness of financial assistance received by producers, they need quality technical assistance.

In addition, many producers who do not participate in financial assistance programs rely on technical help still to ensure that they are putting quality practices on the land. It is a combination of the two that make America's conservation and delivery system effective and efficient.

Also, we are concerned with the CSP. We believe that there has to be some improvements in that and producers out there need to know what the program is calling for before we can even begin to sign up.

We are also interested in the CRP issues because the money does not seem to be going into the proper lands. There needs to be some redirecting there.

So thank you very much.

Senator BAUCUS. Thank you, Steve.

Mr. HARWOOD. Good afternoon, Senators. My name is Richard T. Harwood. I am a farmer in North Central Toole County, which is not part of the rain belt in Montana this year.

I am rising as kind of a heretic right now. I am a member of the Grain Growers but they are literally my fallback position, not my first choice.

I would like to see the United States economy, as a whole, improve to the point where farming can get its entire income from sales of our products. I think the easiest way to do that is to change our tax policy, namely throw out the income tax and go to the national sales tax such as currently being proposed by fairtax.org.

It would have a great deal of benefit to agriculture because that particular one throws out the estate tax as well, and puts it as part of it.

The Government will always be behind the curve on tax policy because the economy simply moves too fast.

If you took all of the Internal Revenue Service agents and put them on the border as Border Patrol, you would probably be able to monitor all of the foreign agriculture products coming in under COOL and take care of that problem.

Thank you.

Senator BAUCUS. Appreciate your thinking out of the box. Thank you very much..

[Laughter.]

Mr. LIEBERT. I would like to thank Congress for coming to listen to the people and the producers, especially you guys because I know you get your hands dirty.

My name is Richard Liebert, third generation rancher and U.S. Army Retired. I know you have been around sheep, Max, and I know what you do, Jon. So it is important that you are here. In fact, I should be on a hot bucking horse swather right now, but I think it is good to be in this cool environment, talking to you guys.

I would like to stress something you have always said, Max. If you want to get action, be a member of a producer organization. I am a member of Farmers Union, though some of the opinions I may express are my own. I am a member of AERO, I have also been in the wool growers but I got out of that business.

I have never been in the FFA but I would like to be in the FFE club, which is the food, fiber and energy club. That farmers and ranchers in the rural electric coops can be members of providing energy back into the grid. I think we need a new REA, rural energy act. Not a rural electrification act. Because 70 years ago FDR, in the midst of the Great Depression, took a bold step and established the Rural Electrification Act. It brought a profound change to farms and ranches. I think it is that time now. The RUS, the USDA and Congress needs to get behind that, and follow along in your footsteps with the EQIP program for energy, that you proposed, Senator Baucus. I do not know where that is.

But I think we need to make a bold step like they did in the Great Depression. If they could do it then, we should do it now.

I understand also about unintended consequences because I also ranch. The corn prices are going up, so we create certain consequences. But I think wind, solar, biomass, crushing camelina, those things are great. And I think Bob Quinn for all his efforts.

Finally, we need to get behind this, a rural energy act that all of Congress can embrace. I know other staffers are here so they can take it back to the other States.

Finally, I would ask Congress to heed the OMB White House and put the money into renewables. Let private investors take the financial risk of investing in coal-fired plants. Let's put the money into renewables and other things we have talked about today.

So I thank you and I am going to go back to my swather.

Senator BAUCUS. Thank you, Richard. Actually, I am kind of envious of you, going back to your swather. I appreciate it.

Ms. HUCKE. Senator Baucus, Senator Tester, my name is Angela Hucke and I, too, like your daughter, Senator Tester, am working on taking over our family farm with my husband, just outside of Geraldine.

Mr. Baucus, when you were talking about what young people need to see an opportunity to expand or an opportunity to come back to the farm, we need to be able to expand. And part of the problem of being able to expand is the CRP program.

When Jim said he is not a fan of the CRP program, a lot of the people in the room went oh jeez, we have to have CRP. But I am not a fan of it either.

Part of the problem with CRP is it has become a retirement program for older farmers rather than a conservation program. So that is one of the problems that I see with young farmers, as well as being able to get the funds and what not to be able to expand.

Senator BAUCUS. Thank you, Angela.

Mr. MOLINARIO. Good afternoon, Senators. My name is Martin Molinario. And together with my wife Tony and son Damon, we have a grain farm in Choteau County, Montana raising primarily winter wheat and spring wheat.

I have been a full-time grain producer for over 42 years and I can truthfully say I would not be in business today without the USDA payments received throughout those years. I know most of my neighbors have experienced the same scenario.

Several situations which have caused these payments to be so critical include the Government grain embargoes, poor grain yield and low grain prices, a good crop and low grain prices, low grain

yield and good grain prices, and other weather related problems such as hail and freeze damage.

I want to be on record stating too much moisture has never been a problem in this farming career.

I have been waiting to feed the world since the Russian grain deals of 1974, hoping for a consistently decent grain price year after year. And I am still waiting for that.

One thing that has been increasing is my operating expenses. Fuel and fertilizer prices have more than doubled in recent years, and the price of equipment—even used equipment—is outrageous. The projections for these major expenses is to increase further. Can I plan on the present high grain prices to be here later this month and next when I harvest? Or for next year's crop? The answer is no.

The only time I recall two years in a row of good grain prices was 1974 and 1975. This present scenario occurs once every 10 to 11 years and is usually weather-related.

The recent problems with imported food items, whether it be for human or animal consumption, should raise a red flag to the American consumer about food safety and a safe, reliable supply. The budgeted amount of funds set aside for U.S. producers is a very, very minor sum compared to the whole. And not all of these funds are distributed every year. They are cheap insurance to maintain our abundant food supply.

The U.S. consumer does not want to have the same scenario as our energy supplies.

As for the amount of payments I receive, if I have a profit, part of those funds go back to the Federal treasury as taxes. What a deal for the American public.

I am not in favor of taking funds from direct payments and place them in more conservation programs. These do not work for all producers. For example, I inquired about the EQIP program for conservation tillage or no till farming, which most producers have been practicing for years. Since I was already doing this, I did not qualify.

I inquired about the CSP program. About half the farm is in the Teton drainage, which may qualify some year, while the other farm half is in the Missouri River drainage, which I was told will probably never quality for CSP because of its drainage size. Producers with all of their land in the Missouri drainage may never participate in this program.

In summary, I hope I have explained how important the USDA program has been through the years, both in keeping the U.S. producer in business through disastrous times, whatever their cause, and supplying the American consumer with a safe and reliable supply of food and fiber.

This support should be continued and even increased to give some relief to increasing expenses which are beyond our control.

Thank you for this opportunity.

Senator BAUCUS. Thanks Mark, very much. Appreciate it. Thank you, Martin.

Ms. DAUGHERTY. Senator Baucus, Senator Tester, my name is Linda Daugherty. I have been a Ducks Unlimited volunteer for

over 25 years and am currently serving as the Ducks Unlimited Montana State Chairman.

Ducks Unlimited membership is over 700,000 with over 6,500 members in Montana alone. DU members come from all walks of life and many of our most avid members are farmers and ranchers.

I am here today to talk about the importance of continuing WRP and CRP in the 2007 Farm Bill. Since 1990, WRP has restored more than 2 million acres of wetlands on marginal farmland, providing critical habitat for waterfowl and many other wildlife species. WRP is integral in helping to offset the 80,000 acres of wetlands that continue to be lost in the U.S. each year.

WRP has been one of the most successful Federal wetlands conservation programs, providing a voluntary, non-regulatory incentive-based program for private landowners, farmers and ranchers, and values of wetlands on their property.

WRP provides societal benefits such as improved water quality and quantity, reduced flood damage, groundwater recharge, and enhanced fish and wildlife habitat.

Producer demand for this program outstrips available funding by at least three-to-one. If funding is not provided, Congress is telling landowners that being a good steward of the land is less important than plowing crops on marginal lands.

The U.S. Fish and Wildlife Services estimates that 7.8 million acres of CRP in the prairie pothole region adds a minimum of 2 million ducks to the fall flight each year. Most of these acres consist of large contiguous blocks of grassland cover interspersed with an abundance of prairie wetlands. Contracts on nearly 6.4 million of the 7.8 million acres are set to expire between 2007 and 2010.

Though it is apparent that CRP is a critical component of the landscape, it is currently under threat. As work continues on the 2007 Farm Bill, it is critical that we promote waterfowl conservation programs that contribute to the economic viability of America's farmers and ranchers and a healthy environment.

We must also ensure conservation programs provide private landowners with viable financial incentives to restore and protect large tracts of grasslands and wetlands that benefit North American waterfowl and our landscape.

I encourage all folks here today, if you feel as I do, to contact your Senators and Representatives to let them know your thoughts on these important issues.

In conclusion, I would leave you with this one thought: farm the best, conserve the rest. Thank you.

Senator BAUCUS. Thank you, Linda.

I remind everybody to please keep your comments two minutes out of respect for everybody else who wants to speak. Thank you.

Mr. LANE. Senators, I am Tom Lane from Livingston, Montana, a rancher.

When this immigration bill did not pass the other day, all of our crew except one are all Mexicans. If we lose our Mexican crew, we are out of business because we cannot hire any help. We have had a terrible time trying to keep everybody going with one thing and another until these folks come on the scene.

I was wondering why a rancher could not bond these fellows, put up the $5,000 apiece or whatever bond would be required that we

will keep these people in our employ and that they will be law-abiding citizens or something to that effect so we are not worried about losing these fellows.

There has got to be something done. I am sorry that the immigration bill went down. I hope it can be resurrected because we need them.

Another thing I was concerned about was the horse slaughter bill. We cannot kill horses anymore now. I know what is going to happen. You are going to see a lot of those horses out there being starved to death. People cannot pay $150, $175, $200 to get them slaughtered again—to get them slaughtered once, I meant to say.

But anyway, it is—something has got to—I do not know what is happening in the judges. I see they tore down the bill there with the BLM and they went to a lot of trouble with the committees and one thing and another. And a judge in Idaho, Windmill or something like that, decided that there is an injunction, he filed an injunction against the BLM enforcing these regulations because some environmental group did not think they met the EPA and NEPA and all them things.

The judges are having a lot of sway in what we are having to say anymore. And I hope to gosh somebody can rein them in and let us get back to business.

Thank you.

Senator BAUCUS. Thank you, Tom.

Mr. SANDERS. Senator Baucus, Senator Tester, my name is Bob Sanders. I am the Manager of Conservation Programs with Ducks Unlimited and I live in Elliston, Montana.

I just wanted to underscore our State Chairman, Linda Daugherty's comments regarding the loss of wetlands in the United States. Currently, we are losing about 80,000 acres of wetlands annually. We are also losing our native grasslands and possibly CRP lands.

Montana is the third largest duck producer in the Nation. CRP, actually one in five ducks in the Nation is produced on CRP lands. Very critical habitats for waterfowl as well as a wide variety of upland birds and other wildlife.

And we all benefit from having wildlife on the landscape, open spaces, good water quality, all the benefits that wetlands provide. Farm bill programs such as CRP and wetland reserve programs provide those for us.

One of our strongest and our strongest allies in conservation are the folks sitting right here, are the ag producers. I think we share a common goal of keeping grass on the landscape, especially with the ranching community, keeping those landscapes intact and productive. I just encourage you to strongly consider the conservation portion of the upcoming farm bill when you pass that legislation.

Thank you.

Senator BAUCUS. Thank you, Bob, very much.

Mr. HUBBARD. My name is Paul Hubbard. I am with the Community Food and Agriculture Coalition in Missoula County.

If the goals basically here are for people to have healthy foods and for farms and ranches to be viable businesses, then I would hope this farm bill would approach them not as separate goals but as the same goal. And that is if we can build more of a regional

and local food economy, then we all win. Farms and ranches retain more of the food dollar. As you know, more and more of the food dollar goes towards marketing and transportation. And consumers get a much healthier product.

So an example of that specifically is Farm–To–School. Missoula County has piloted this project. Kids are getting local food in their school meals and they are eating more fruits and vegetables. And it is coming straight from Montana farms and ranches. So it is a win-win situation.

Another example is, as you guys are sitting in D.C., seeing Japanese beef on the menu, most of the time when I go to a restaurant in Montana, people look at me cross-eyed when I ask where the beef is from. It is very difficult to get a Montana burger here. That is because we lack infrastructure.

In bringing the consumer and the producer close together, as close as we can—obviously, we will have to export plenty—but the closer we can bring them the better. And looking at the infrastructure specifically is a place where we lack.

Yet it is also an opportunity because we do not have to go to these Smithfield-esque just enormous operations that, unfortunately, plague many communities in the Midwest, North Carolina, where fertilizer basically becomes a pollutant. We can look more at community-based systems, what type of infrastructure will help our communities in bringing the consumer and producer closer together.

Senator BAUCUS. Thank you, Paul.

Mr. NOLAN. Good afternoon, Senator Baucus, Senator Tester. My name is Jim Nolan from the State Department of Public Health and Human Services.

I just wanted to call to your attention a draft proposal that USDA is floating that they would like to have included in the farm bill that would drastically alter the way they fund one of our major nutrition programs, the food distribution program on Indian reservations.

Our initial analysis of the proposal would indicate a cut of about 40 percent for Montana. Although I am not too concerned that that language will not get in the farm bill, I am concerned that even if it does not they will try to do this administratively, a course they have already undertaken.

This program serves about 3,000 families a month and we would ask for help in making sure it does not happen.

Thank you.

Senator BAUCUS. Thank you, Jim.

Ms. HOLLINGSWORTH. Hi, I am Marcia Hollingsworth. I live on a farm/ranch operation. I also sit on a national committee called CARET, Council for Agriculture Research Extension and Teaching.

We are about to celebrate the 4th of July. Years ago I was talking with different people and they mentioned to me how democracy is directly connected with ag, this makes me a wreck.

But anyway, I do feel that our national security depends upon a strong agricultural system. Agriculture is our food security and I think in years to come will soon be our energy security.

I would like you to play close attention to the research and education title in the farm bill. I think it is extremely important to

keep our land grants strong to address the needs here in Montana. We support the formula funding and I do ask that there be increases there to keep up with the pace of inflation.

The land grant to Montana, I think, is an essential partner in keeping this industry a strong and viable industry.

Thank you.

Senator BAUCUS. Thanks, Marcia, very much.

Mr. MEYERS. Senator Baucus, Senator Tester, thank you for holding the field hearing here in Great Falls and the opportunity to talk to you. I am Larry Myers. I am from Glasgow, Montana. I am with Two Rivers Economic Growth. I currently serve as the Executive Director for St. Mary Rehabilitation Working Group.

Three months ago, the Bush Administration proposed its new farm bill for 2007. And in it had a $1.75 billion 10-year cooperative conservation program called the Regional Water Enhance Program, RWEP. It is aimed at improving water quality and water conservation on working agricultural lands on a regional scale.

This program is included in the redesigned EQIP program or EQIP, as we know it today.

I would like to encourage you to take good strong considerations of this, as it appears to have some benefits to all of us in Montana dealing with water. We either have too much or we do not have enough or whatever.

Senator BAUCUS. It is usually not enough.

Mr. MEYERS. Unless it comes in a rather large quantity like it did in Valley County on June 16th, which is another issue.

Anyway, dealing with and working with the Family Farm Alliance, which is a grass roots organizations for family farmers, ranchers, irrigation districts over the 16 Western States, this project or program seems to have some benefits but there are some cautions that we have identified that need to be considered.

One of them is administrative costs associated with any work performed by the NRCS should be capped at a reasonable level.

The second one is the role of the Bureau of Reclamation and how that agency coordinates with NRCS and the implementation of this program in Western States must be thought out thoroughly and should be complemented and coordinated philosophy.

And then number three, limitations should be established to ensure that these monies truly benefit agriculture and not urban municipalities with relative token amounts of agricultural lands or hobby farms within their boundaries.

The fourth thing for consideration, the program should provide assurances that the intent is not to reallocate water away from agriculture. It must also recognize the traditional differences of Federal agencies to State water allocation systems.

Lastly, the thing that I would like you to encourage considering in the farm bill, and it has been mentioned here by the panel, is some kind of a permanent disaster fund. And I think that is echoed timely with what happened in Glasgow and Valley County.

Thank you very much.

Senator BAUCUS. Thank you, Larry, very much. Thank you.

Mr. OMLAND. Senator Baucus, Senator Tester, my name is Rich Omland. I serve as the Bishop of the Montana Synod of the Evangelical Lutheran Church of America, the largest Protestant denomi-

nation in Montana. Along with our brothers and sisters in the Montana Association of Churches, the Roman Catholic communities, and other Protestant groups, thank you for being here today.

Many of our members and our congregations are in rural communities and small towns all across the State and all across the Nation. So we have a heart in what is going on in this bill.

A couple of things I want to just say. First of all, to all the producers, the women and men in this community who are a part of the caretaking of the soil and the land of this good earth. That is part of what God is up to and we thank you for your participation in that. Hopefully you see that bigger picture that goes on.

Secondly, we want to just continue to remind our Government and remind our producers to have a heart for the poor and the folks that we produce food for. We think that is terribly important and we want to encourage you to think about how those resources are allocated, that we not forget the least among us.

We thank you folks who work in agriculture on all of our behalfs.

And gentlemen, thank you for being here, as well.

Senator BAUCUS. Thank you, Richard, very much.

That is a good finish, a good summary.

Thank everybody for coming.

Before we adjourn here I just want to again thank those from the Agriculture Committee who are here. Also, everybody here at the Civic Center who has helped make this room possible. A lot of people behind the scenes make a lot of things happen.

Again, thank all the folks that came, the witnesses, everybody who stood up to speak. It is all very, very important. It is part of the larger mosaic and it will help, I know, Senator Tester and certainly help me and other members of the Ag Committee as to what to do next as we put together this farm bill.

Thank everybody, very much. I might add, too, that if you have written statements you want to add, or additional statements, additional testimony, additional points that you may have, you can mail them to Brandon Willis. Brandon, can you please stand?

This is Brandon Willis. He is my ace top hand in agriculture. He does a great job. His e-mail address is brandon—willis@baucus.senate.gov.

The hearing is adjourned.

[Whereupon, the Committee was adjourned.]

APPENDIX

JULY 2, 2007

DOCUMENTS SUBMITTED FOR THE RECORD

JULY 2, 2007

Alternative Energy Resources Organization
432 N. Last Chance Gulch
Helena, MT 59601

Phone: (406) 443-7272
Fax: (406) 442-9120
E-mail: aero@aeromt.org

Dear Senator Baucus,

June 2, 2007

AERO is a Montana based membership organization recognized for building community by linking people, sustainable agriculture, and renewable energy.

Senator Baucus we ask you consider the following when crafting the new Farm Bill.

In the Rural Development title, AERO supports reauthorization of ATTRA, the national sustainable agriculture information service for 1.8 million dollars. ATTRA provides technical assistance to farmers, ranchers, and organizations across the U.S. through its staffed toll free phone lines, website, and workshops. This program received very high marks in a recent third-party evaluation of ATTRA services, and most clients are farmers who need an efficient way to get information on sustainable agriculture practices and technologies, farm energy, marketing, and adding value to farm products."

AERO supports policies to increase the availability of healthy and affordable food that is grown locally and in ways that protect the environment. This would include support of farmers markets and farm-to-school programs. Building local economies and secure local food systems can best be done by supporting a new generation of entrepreneurial farmers who serve local and regional markets.

In addition AERO supports payment limitations for major commodities, while maintaining or increasing spending on conservation programs, rural development, new farmer initiatives, and organic programs.

Thank You for this opportunity to comment,

Jim Barngrover
Agriculture & Food Systems Program Manager
jbarngrover@aeromt.org

Member group of Montana Shares

Chester Irrigation Project

P.O. Box 313
Chester, MT 59522

Ken Gagnon- Chairman
Phone: 406-759-5140
Leonard Streit- Co-Chairman
406-759-5733

July 5, 2007

Senator Max Baucus
113 3rd Street North
Great Falls, Montana 59401

Senator Jon Tester
321 1st Avenue North
Great Falls, Montana 59401

RE: 2008 Farm Bill

Dear Senator Baucus and Senator Tester:

On behalf of the Chester Irrigation Project Steering Committee, thank you for holding the hearing on the 2008 Farm Bill in Great Falls and providing us with the opportunity to submit written comments.

While I am not familiar with the specifics of the 2008 Farm Bill, I would like to suggest that the United States Congress, in some fashion, consider the inclusion of providing federal financial assistance for the development of new and the rehabilitation of existing irrigation projects in Montana.

As you are well aware, a substantial portion of the Montana economy is based on agriculture. While this portion of the Montana economy is holding-its-own at the present time, it could do better because there is a portion of our renewable natural resource base that is being under utilized. That renewable resource is water. At the present time, Montana has identified several sources of water that could be available for irrigation development. These waters are in the form of Water Reservations on the Yellowstone and Missouri Rivers and unallocated water that is stored in federal facilities such as Tiber, Yellowtail and Hungry Horse dams.

As a Headwater State, Montana presently has a large water resource that is not being utilized to its full capacity. This is because of the cost of the development of new irrigation and the rehabilitation of existing irrigation projects.

The recent cost study that was conducted for the Chester Irrigation Project indicated that the project would cost approximately $2,800.00 to $3,200.00 per acre to complete. Admittedly, this is a substantial amount of money; however, the cost of these types of projects is only going to get more expensive in the future. Putting Montana's available water resources to beneficial use would have an immediate positive impact on the State's economy as well as into the future.

Another issue that is closely associated with the development of irrigation in Montana is the availability of a economic power source. This power source is Pick – Sloan Project Pumping Power. As was envisioned by the Flood Control Act of 1944, Pick – Sloan Power was to be made

available to the Upper Missouri River Basin States for the development of irrigation projects. This potential and opportunity has never been fully realized.

While the 2008 Farm Bill might not be the appropriate legislation in which to address these issues, the Chester Irrigation Project would be happy to work with you and your staff to accomplish the goals outlined above in other legislation.

We will keep in contact with your offices on these and other related issues.

Again, thank you for the opportunity to comment.

Sincerely,

Ken Gagnon

Ken Gagnon
Chester Irrigation Project, LLC
Box 313
Chester, Montana 59522

Chester Irrigation Project Steering Committee
Gary Amestoy

Layne Krumwiede
Montana Ducks Unlimited
Regional Director

102 Molihan Lane
Lewistown, MT 59457
406-538-2014
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DUCKS UNLIMITEDS NATIONAL PRIORITIES FOR THE 2007 FARM BILL

Maintain at least 7.8 Million acres in the Conservation Reserve Program (CRP) in the Prairie Pothole Area (Montana, N.D., S.D).

Enroll 250,000 acres annually in the Wetlands Reserve Program and ensure the national acreage cap does not become a limiting factor (3,525,000 acres).

Ensure inclusion of Sodsaver, which will remove incentives for conversion of native prairie to cropland.

Maintain current protection measures for preventing conversion of wetlands to other uses.

Ensure that alternative energy does not harm our investment in agricultural conservation programs that have proven important to waterfowl and other wildlife.

Please ensure that the 2007 Farm Bill conservation programs are saved. Please work with Leadership and other Members of Congress to find this needed funding.

Farm Bill conservation programs provide a voluntary, incentive-based framework for landscape-level conservation that addresses the needs of working farmers, ranchers, private landowners, and wildlife. However, multiple factors can alter the accessibility and economic viability of conservation programs to landowners, as well as the ability to create habitat for waterfowl and other wildlife. In developing the 2007 Farm Bill, we must ensure conservation programs provide private landowners with viable financial incentives to restore and protect large tracts of grasslands and wetlands that benefit North American waterfowl and wildlife.

Barton James
Scott Sutherland } Ducks Unlimited Washington D.C. Staffers

Thank You,
Layne Krumwiede

STATEMENT IN OPPOSITION TO FCS EXPANSION INTO BUSINESS LENDING – July 2, 2007 Field Hearing, Senate Agriculture Committee, Great Falls

Shawn Dutton
President, Montana Independent Bankers Association
Dutton State Bank
Dutton, Montana

My name is Shawn Dutton, and I'm the President of the Dutton State Bank in Dutton, Montana. I am also the President of the Montana Independent Bankers Association. I rise to speak briefly about an issue included in the current markup of the farm bill that could cause real trouble for community bankers in Montana, and for the communities that we serve.

The Farm bill is important legislation for rural America so I'm all for action on the bill. However, I'm quite concerned about what the subcommittee did in the credit title.

The subcommittee markup includes the Farm Credit System's entire legislative framework except for two minor adjustments, one supposedly targeting renewable energy and one setting the housing limit at 6,000.

That legislative framework includes expanded authority for the Farm Credit System to make small business loans to any non-farmer owned firm that is involved in a variety of activities, like marketing, handling, etc. These activities apply to firms that provide business services, products, equipment or capital goods. In rural America, this would mean virtually any business.

This would mean that $25 billion in small business loans would be eligible for FCS to immediately cherry-pick from the private sector, using their tax advantage (3.5% tax rate at federal-state-local level) and funding advantages as a Government Sponsored Enterprise. The playing field would be further tilted, away from Montana's community banks, and towards the FCS.

These small business loans are the heart and soul of community banking. There is no benefit in driving rural banks out of the marketplace This would diminish the source of competition.

There are far too many questions about this proposed expansion to go forward at this point. First off, we are still hard pressed to find the evidence of need for the FCS to do this, either in the agribusiness or commercial lending sector or the housing sector.

We are also concerned about how FCA, the regulator, would monitor this. Is there authority in the language to allow the FCS to regulate the business borrowers and their farmer customers to determine compliance? What provisions are in the language to

ensure that congress and the public will know who FCS is financing?

It is not possible to see how any new loans would be made, or would have to be made, under this new authority, beyond those already being made by the private sector. The proposal also does not appear to target underserved markets.

Allowing FCS to do commercial or agri-business loans will devastate community banks in our rural towns and harm many rural communities by decreasing tax revenues.

To summarize, we strongly oppose FCS expansion into business lending.

Montana Association of Conservation Districts

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Website: www.macdnet.org

Testimony of Steve Hedstrom, MACD Vice President
Before the U.S. Senate Agriculture, Nutrition and Forestry Committee
July 2, 2007

Hello, my name is Steve Hedstrom, Vice President of the Montana Association of Conservation Districts (MACD) and a rancher from Raynesford, Montana.

I would like to thank you for this opportunity to share the views of Montana's local Conservation Districts regarding the 2007 Farm Bill. There are 58 CDs here in Montana, at least one in every county. Similar entities are set up all across the country. In the U.S. nearly 3,000 conservation districts are helping local people to conserve land, water, forests, wildlife and related natural resources.

We all share a single mission: to coordinate assistance from all available sources--public and private, local, state and federal--in an effort to develop locally-driven solutions to natural resource concerns. We support voluntary, incentive-based programs that present a range of options, providing both financial and technical assistance to guide landowners in the adoption of conservation practices, improving soil, air and water quality and providing habitat and enhanced land management.

While there are numerous issues of importance in the 2007 Farm Bill that will help Montana's CDs achieve our goals, I would like to take this opportunity to highlight five issues for your consideration:

1) Working Lands Focus
MACD supports the highest priority for the Conservation Title of the Farm Bill to focus programs and funding on Working Lands Conservation.

2) Decline in county EQIP allocations because of special EQIP projects
There has been a reduction in county EQIP allocations because of EQIP spending on special initiatives in Montana. While these special projects have laudable goals, CDs are concerned that it is coming at the expense of local priorities around the state. We would like to see as much EQIP funding as possible distributed among the counties to be focused on local priorities.

3) Importance of Technical Assistance
As the basis for all conservation efforts, there is a critical need for the adequate funding of conservation technical assistance. In order to maximize the effectiveness of financial assistance received by producers, they need quality technical assistance. In addition, many producers who do not participate in the financial assistance programs rely on technical help to ensure that they are putting quality practices on the land. It is the combination of the two that makes America's conservation delivery system efficient and effective.

4) CSP Changes
The existing CSP program should be modified into a top-level conservation program for the "best of the best" in natural resource protection on their operation. This upper-level program should have clearly defined criteria so producers can plan ahead, and know what the requirements are to participate. We recommend making CSP a two-tier program that is available nationwide. Under the current administration of the program, producers have not been able to plan for participation because they don't know if their watershed will be selected for participation.

5) CRP
MACD strongly supports the high priority enrollment of land in the Conservation Reserve Program to address environmentally sensitive soil and water quality issues. In the past in Montana, the higher rental rates associated with good producing land has encouraged the CRP enrollment of better land over some of the poorest land. While wildlife habitat improvement is commendable, it can be achieved on lower class soil and often at a lower price - which would be a benefit to the local landowner and the public paying the cost. This also keeps the better land in production which supports the rural economy and population.

Public Comments on Behalf of the Montana Bankers Association
Before the
United States Senate Committee on Agriculture
July 2, 2007

Mr. Chairman and members of the committee, I am pleased to be here today representing the Montana Bankers Association (MBA) to discuss the 2007 Farm Bill. Thank you to Senators Baucus and Tester for organizing this event and for your strong leadership on behalf of agriculture and banking in Montana.

Mr. Chairman, Montana's community bankers are strongly opposed to Farm Credit Council proposals to rewrite the Farm Credit Act, which have become known as the "Horizons Project." The Council's expansion agenda includes financing for large corporations, home mortgage lending in wealthy areas and almost without limit in Montana, and dilution of farmer ownership of cooperatives through a dismantling of stock ownership rules. This dramatic overhaul of the Farm Credit Act should not be part of the Farm Bill.

The Farm Credit System (FCS) is a tax advantaged, direct lending Government Sponsored Enterprise (GSE) that was chartered by Congress to provide credit to farmers, ranchers, farmer owned businesses, and rural home owners. As a GSE, the FCS was granted special powers and privileges, including tax advantages that have reduced their tax bill to almost zero, preferential long term borrowing authority in the government debt market, and the backing of the American taxpayer. The FCS should leverage these GSE privileges in the service of its mission to farmers and ranchers, not in the service of its own ambitions. Importantly, the Farm Credit Council proposals contain no provisions to further FCS' requirement to serve young, beginning, small, and minority farmers.

The broad new powers being sought by the FCS are not about agricultural loans; they are about a GSE that wants to move away from agriculture into corporate and mortgage lending. These new powers would undoubtedly harm this GSE's public mission to lend to farmers and ranchers. They would also harm community banks and other private sector financial services providers and ultimately lead to fewer choices for customers. The Farm Credit Council proposals would not result in any new products or services for Montanans. They would merely displace the private sector, transfer these products and services to the books of a government sponsored enterprise, and undermine our efforts to invest in rural economies.

Mr. Chairman, Montana's community bankers urge you to oppose efforts to expand the Farm Credit System.

June 26, 2007
Duane Klindworth
8235 Klindworth Rd
PO Box 133
Hogeland, Mt 59529
406-379-2542
dokfarms@agristar.net

To the Full Senate Ag Committee
Civic Center
Great Falls, Montana

Dear Sirs:

I would appreciate if you would consider placing this letter, and attached pdf file, into your written record of this field hearing.

The attached pdf file, which compares the historical trading power of one bushel of Montana wheat in exchange for US Postage stamps, tells it all.

I serve as both a Director on the board of the Montana Grain Growers Assoc, and the board of Big Flat Electric Cooperative from Malta, Montana.

It has been disheartening to watch eastern Montana lose its population due to a lack of respect and appreciation for agriculture, as I have watched small towns with class C schools wonder the uncertainty of their schools' (let alone the whole communities') future.

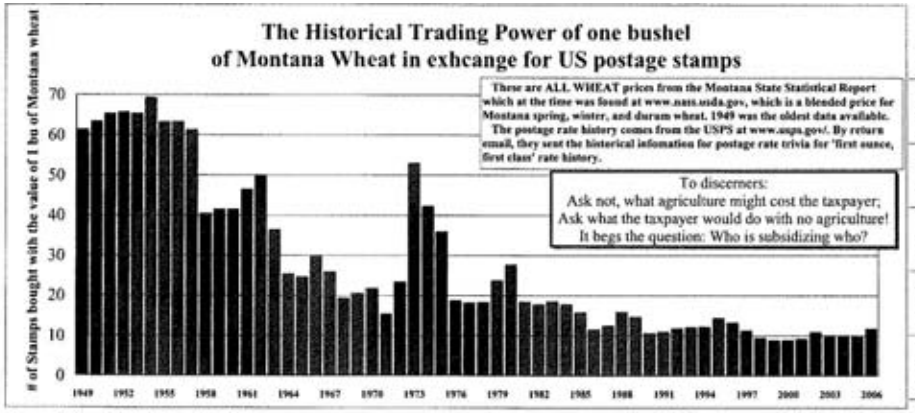
Rural Electric Coop's have also watched their consumer numbers dwindle over time, and with it, the removing of electrical distribution lines.

The best and the brightest of our youth in agriculture should not have to leave agriculture because the rewards of it are minuscule with way too much risk compared to non-ag interests, but that is what has been happening here for a long time.

Please take the time to study the attached 'Postage to Wheat' pdf file. I have been updating this file now for nearly 8 years. It needs your most careful perusal for discernment.

Sincerely,
Duane Klindworth
Director, MGGA
Director, Big Flat Electric Cooperative

The Historical Trading Power of one bushel of Montana Wheat in exhcange for US postage stamps



These are ALL WHEAT prices from the Montana State Statistical Report which at the time was found at www.nass.usda.gov, which is a blended price for Montana spring, winter, and durum wheat. 1949 was the oldest data available. The postage rate history comes from the USPS at www.usps.gov/. By return email, they sent the historical infomation for postage rate trivia for 'first ounce, first class' rate history.

To discerners:
Ask not, what agriculture might cost the taxpayer;
Ask what the taxpayer would do with no agriculture!
It begs the question: Who is subsidizing who?

Lowest Wheat selling Price in 58 Years

In 1968:	$1.16	per bu
trades for:	19.33	stamps in 1968
times:	$0.41	current postage rate
Answer:	$7.93	per bushel
23 Yr Avg	43.70%	Comparison

Proper equitability would be increases for market prices for wheat, not the roll back of Postage Rates. Rolling back the Postage Rates would be just the tip of the iceberg of an innumberable quantity of consumable items to roll back.

Highest Historical Trade for Stamps

1 bushel trades for:	69.33	stamps in 1954
times:	$0.41	current postage rate
Answer:	$28.43	per bushel

58 Year Average

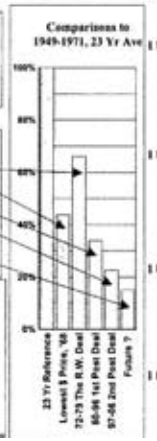
1949 thru 2005

1 bushel trades for:	27.70	postage stamps
times:	$0.41	current postage rate
Answer:	$11.36	per bushel

If some saw the necessity for better equitability from here to here,

then who is asleep at the switch here, and here,

and will they continue to here?



President Nixon laid the ground work for the 'Russian Wheat Deal' with the signing of the SALT 1 treaty with Russia, on May 26, 1972. The 'Deal' became reality with the first sale of grain to Russia on July 8, 1972. About 440 million bu of wheat for approximately $700 million. President Carter ended 'The Deal' on Jan 4, 1980 with a grain embargo against Russia for their invasion of Afghanistan. The politics of this have been bi-partisan, as President Reagan rebuilt little of these burned bridges, i.e. with his comments on Russia, such as 'The Evil Empire'.

23 Year Average: 1949 thru 1971

Before the 'Russian Wheat Deal'

1 bushel trades for:	44.23	postage stamps
times:	$0.41	current postage rate
Answer:	$18.14	per bushel
23 Yr Avg	100.00%	Comparison

8 Year Average: 1972 thru 1979

The 'Russian Wheat Deal' Years

1 bushel trades for:	29.21	postage stamps
times:	$0.41	current postage rate
Answer:	$11.98	per bushel
23 Yr Avg	66.04%	Comparison

17 Year Average: 1980 thru 1996

The Initial Post 'Russian Wheat Deal' Years

1 bushel trades for:	15.03	postage stamps
times:	$0.41	current postage rate
Answer:	$6.16	per bushel
23 Yr Avg	33.99%	Comparison

10 Year Average: 1997 thru 2006

of Russian Wheat Deal' Years

1 bushel trades for:	10.01	postage stamps
times:	$0.41	current postage rate
Answer:	$4.10	per bushel
23 Yr Avg	22.62%	Comparison

Year	Stamp Cost	$'s / Bu of Wheat	# Stamps Bought
1949	$0.03	$1.84	61.3
1950	$0.03	$1.90	63.3
1951	$0.03	$1.96	65.3
1952	$0.03	$1.97	65.7
1953	$0.03	$1.96	65.3
1954	$0.03	$2.08	69.3
1955	$0.03	$1.90	63.3
1956	$0.03	$1.90	63.3
1957	$0.03	$1.84	61.3
1958	$0.04	$1.62	40.5
1959	$0.04	$1.66	41.5
1960	$0.04	$1.66	41.5
1961	$0.04	$1.86	46.5
1962	$0.04	$2.00	50.0
1963	$0.05	$1.82	36.4
1964	$0.05	$1.27	25.4
1965	$0.05	$1.23	24.6
1966	$0.05	$1.49	29.8
1967	$0.05	$1.29	25.8
1968	$0.06	$1.16	19.3
1969	$0.06	$1.23	20.5
1970	$0.06	$1.31	21.8
1971	$0.08	$1.23	15.4
1972	$0.08	$1.88	23.5
1973	$0.08	$4.24	53.0
1974	$0.10	$4.24	42.4
1975	$0.10	$3.59	35.9
1976	$0.13	$2.43	18.7
1977	$0.13	$2.36	18.2
1978	$0.15	$2.75	18.3
1979	$0.15	$3.56	23.7
1980	$0.15	$4.14	27.6
1981	$0.20	$3.68	18.4
1982	$0.20	$3.55	17.8
1983	$0.20	$3.69	18.5
1984	$0.20	$3.56	17.8
1985	$0.22	$3.47	15.8
1986	$0.22	$2.52	11.5
1987	$0.22	$2.74	12.5
1988	$0.25	$3.98	15.9
1989	$0.25	$3.66	14.6
1990	$0.25	$2.65	10.6
1991	$0.29	$3.17	10.9
1992	$0.29	$3.42	11.8
1993	$0.29	$3.50	12.1
1994	$0.29	$3.54	12.2
1995	$0.32	$4.63	14.5
1996	$0.32	$4.24	13.3
1997	$0.32	$3.62	11.3
1998	$0.32	$3.03	9.5
1999	$0.33	$2.93	8.9
2000	$0.34	$3.02	8.9
2001	$0.34	$3.14	9.2
2002	$0.37	$4.04	10.9
2003	$0.37	$3.73	10.1
2004	$0.37	$3.61	9.8
2005	$0.37	$3.60	9.7
2006	$0.39	$4.60	11.8

TESTIMONY ON BEHALF OF
MONTANA PORK PRODUCERS COUNCIL
BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
ON THE 2007 FARM BILL

July 6, 2007

Mr. Chairman and members of the Committee, we thank you for the opportunity to represent the needs of our producer membership in regards to the 2007 Farm Bill.

The Montana Pork Producers Council has served pork producer interests since its inception in 1958, at that time under the name of the Montana Swine Growers Association. Since then, many changes have occurred within the industry as a result of changing agricultural policies and trade. We are a highly viable industry, contributing to the local economies throughout the state.

Currently, our Montana industry consists of 500 hog operations, marketing $32.5 million dollars in gross receipts for 2006. Of these dollars, 90% were received through the Montana Hog Marketing Association.

Several factors set our Council apart from other livestock industry groups within Montana. Over 85% percent of hogs marketed originate from the Hutterite Colonies. This is the highest such production ratio of any state in the nation. Our producer majority also heavily utilizes Asian and natural food niche markets, which primarily rely on the transport of live hogs to surrounding states.

We ask that you consider the needs of our membership to provide a competitive infrastructure, supporting agriculture for generations to come. The following statements highlight our major concerns for the 2007 Farm Bill.

Animal Welfare:

Montana pork production relies on the positive welfare of the animals under our care. We feel that Iowa producer Barbara Determan summed it up clearly when she told the Committee in May:

> "America's pork producers recognize their moral obligation to provide for the well-being of their animals, and they raise their pigs in a humane, compassionate and socially responsible manner. Any production practice that falls short of this high-performance standard is unacceptable and will not be tolerated by our industry. In addition to that moral obligation, pork producers' livelihoods depend on the well-being and performance of their pigs".

Given that reliance and placing a lack of tolerance on those not acting to provide fully for their animals, it is disturbing for us to consider legislation that would dictate care without a scientific basis. Producers within the state represent a wide variety of production practices; some utilize gestation stalls while others have chosen group housing for pregnant sows. We feel strongly it should not be our position, neither that of government, to dictate these choices without solid proof of improvement. Montana producers participate in a wide array of voluntary animal welfare programs, including National Pork Board's Pork Quality Assurance Plus (PQA Plus) and Trucker Quality Assurance (TQA) to ensure their well-being track record.

Country of Origin Labeling:

Pork producers believe that the 2007 Farm Bill should provide an opportunity to discuss and debate the issues surrounding COOL. The provision set to take effect Sept 30, 2008 lacks proof that US consumers are willing to pay higher prices at the meat counter to financially bear the burden of such a program. In Montana, during debate over the Mandatory Country Of Origin Placarding Act (MCOOP), a member of the Governor's committee voiced repeated concerns over the rise in food costs in relation to the income of Montanans at or below poverty level. It is our position that you cannot successfully mandate the producer or consumer to outlay additional costs until they are ready to do so. Therefore we strongly believe that the provision needs to be repealed and replaced with a voluntary program. The price of ignoring this upcoming implementation date is to harm both the mouth and the hand that feeds it.

National Animal Identification:

We support the implementation of a mandatory national animal identification system to provide coherent and cohesive information to emergency personnel in the event of an animal disease outbreak. This is just as necessary to provide business continuity to operations not affected by the situation as it is to pinpoint and assist the affected operations. Currently, Montana producers are required to obtain a premise identification to participate in the voluntary Pork Quality Assurance Plus program administered by the National Pork Board. This program receives widespread support from the industry and is viewed by our packers as a dramatic advantage in industry structure. Producer and consumer confidence in the security of the agriculture industry relies directly on its ability to respond to outside impacts in a timely and well-organized manner. We believe that it is possible to implement such a system without sacrificing the privacy of today's producer. Characteristics of this program would have to include:

1) A practical and reliable system for tracing hogs from farm to market with animal identifications that are well-defined, legal and readily available.
2) The education tools necessary to allow a producer to make informed production decisions based on the requirements of the identification system.
3) Most importantly, the program is proven to be economically viable and relies on producer oversight from allied animal industries.

As mentioned in introduction, the majority of all hogs produced in the state are shipped out of state for processing. Therefore, to prevent impacting commerce negatively, producers must be fully informed on requirements as they become law.

Industry Structure:

We believe that the thriving industry in Montana and the US is directly tied to the diversity of production and marketing options available to its producers. Limiting these choices through bans in packer ownership, requirements on spot market transactions or restricting formula-price contracts will cause significant industry contraction. According to GIPSA/RTI research, competition problems are not widespread in the industry. GIPSA goes on to say that proposals restricting competition would make producers and consumers worse off and would leave packers no better off. Mistaken efforts to protect our family-farm producers would actually bury them in paperwork. For example, S. 1017 - Captive Supply Reform Act, would limit the number of animals covered by any one contract to only 30 pigs, or one-sixth of a modern semi-trailer truckload. Many full-time pork producers sell at least 3,000 pigs per year, so the smallest full-time producer would have to complete 100 such bidding processes each year. This harms those lacking the labor for such processes, especially those relying on just a handful of family members to do the work.

We thank you for the Committee's willingness to receive input from Montana's pork producers and plan to continue our relationship with those representing us.

Questions may be directed to:

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mtpork@midrivers.com Email

Don Herzog
President
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(406) 663-2112 Phone
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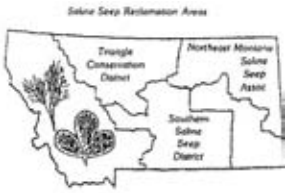
Montana
Salinity Control Association

P.O. Box 909
Conrad, Montana 59425
Phone and Fax (406)278-3071
Email msca@3rivers.net



FARM BILL - CONSERVATION PROGRAM COMMENTS
JULY 2, 2007 GREAT FALLS, MT

USDA ISSUES IN GENERAL

- Decisions on FSA office closures and co-location need to take into account local input and implications to the ability to provide technical and financial assistance from NRCS and conservation districts. Long distances (100-200 miles) and winter driving conditions in Montana are major factors that need to be considered before closing an office.
- All USDA programs should place the highest emphasis on Working Lands Conservation. Programs that institute reserved (rested) and easement restrictions are still important but should have less emphasis for the limited staff and funding resources available.
- Encourage the Conservation Innovation Grants and implementation of pilot programs.
- Promote an energy tax credit for production agriculture. The high-energy prices have increased costs well beyond what can be recouped from the current market place.
- Provide incentives for bio-fuels production through alternative crops and innovative processes, along with other energy related programs like wind farming.
- Technical Service Providers (TSP) – process to utilize is slowly being adopted in MT but it has been laborious. TSP planners cover a broad range of skills from Precision Agriculture to engineering design for AFO/CAFO.

CONSERVATION SECURITY PROGRAM - The reward concept is a prime method to promote and benefit producers using sound conservation practices.

- Increased funding is needed to adequately address both the innovative conservation practices in place and the high level of interest by producers to participate in CSP contracts. CSP should reach more producers and land base than is possible with current funding. Innovative practices are often more expensive and/or require more management skills.
- At the current rate of funding, in a state as large as Montana, the entire state would not be eligible for an estimated 8-10 years. In 2006, only two small watersheds were eligible which further extends the time period.
- If more funding were available, the CSP application process could be less arduous for producers and NRCS staff. The current funding level requires a screening process to narrow the applicants, thus many good applications aren't funded now.
- Individuals must be allowed to enhance their existing contracts to move from Tier 1 to Tier 2 to Tier 3, and add management that will retain contracts.
- Many more producers in the previously eligible watersheds are now prepared with adequate records and practices in place for CSP; however, they will need to wait until all other watersheds have been selected to be eligible again. This could take longer than a decade for producers to participate. CSP would fit well within Commodity Program restrictions.

MACD FARM BILL COMMENTS – CSP Continued

- The enhancement and management payment rates for livestock enterprises and grazing practices are significantly lower than for cropland – these should be increased to represent the true management costs of time, equipment, fencing, water development, fertilizer, etc.
- Producers that provide the land, water, grazing rotations and other livestock management aspects of livestock production should not be precluded from CSP just because they rent/lease out the grazing land and do not own the livestock. These producers make the actual management decisions that protect and restore the natural resources.
- Promote practices that will retain expiring CRP contract acreage in permanent cover through water development, forage and grazing management with incentives.
- Allow for more education for producers and NRCS staff prior to CSP application process so everyone understands what is expected to qualify. Especially in the first few years, producers were not adequately prepared with records to document their top management, but that did not mean that the conservation efforts had not been implemented.

ENVIRONMENTAL QUALITY INCENTIVE PROGRAM –

- Maintain and/or increase the current funding level. EQIP has enabled many producers to implement conservations methods that allow small, mid- and large sized operations to reduce erosion and other non-point source pollution (NPS), protect wildlife habitat and still remain economically viable.
- The current EQIP funding level has expanded the realm of producers being served, both in numbers and generating new interest in those that have not traditionally participated. Yet many producers are still going un-served. For example in MT in FY2006, 840 EQIP contracts were funded, but 759 applications remain as a backlog and many new applications have been generated for FY 2007.
- Along with financial assistance needed, funding for adequate technical assistance is needed for NRCS and Technical Service Providers, which can include conservation districts employees. Right now NRCS must screen the EQIP applications in order to select the number that they can provide adequate planning and design specifications.
- Montana stresses the need to continue to allow the major portion of EQIP funds to be distributed on a county level, but also allow NRCS to have special initiatives. DO NOT return to funding only Priority Watersheds – that would set back conservation implementation statewide.
- Continue to allow Local Working Groups and State Technical Committees to guide how USDA Conservation Title funds are distributed to land-uses. At one time, Montana could allocate the funds by contract size. Counties can no longer do this with the NRCS ranking criteria. However, many counties would like to have the opportunity again, especially to target small projects at $10,000 or less, or make sure that an entire county annual allocation would not go to just one or two contracts.
- Place an emphasis on **new** funding to assist in the transitioning of 'rested land' (AKA expiring CRP land, etc.) to 'working land'. USDA should provide both technical and financial assistance to institute grazing management and rotations through water development, fencing, re-seeding to more appropriate plant species, monitoring, etc. Not all land and water resources are best served by lying idle.
- USDA should also provide technical and financial assistance in bringing less marginal 'rested land' from expired CRP contracts back into annual crop and forage production. Sound management practices will prolong the environmental benefits derived form CRP.

CONSERVATION RESERVE PROGRAM -

- Place the highest emphasis on environmentally sensitive land and on practices that will improve soil and water quality.
- Retain the ability for each county to set aside a small percentage of their 25% cap allocation for special practices within the Continuous CRP (CCRP).

- Re-visit the acreage limits for individuals to discourage whole farm enrollments. Prime agricultural land should not be allowed into the program when there is marginal land that would benefit more from being rotated to and/or retained in perennial forage.
- Periodic management or maintenance should be a requirement of each contract to promote stand longevity, weed control and fire prevention. Management can be accomplished without damaging wildlife habitat and actually enhance the habitat when completed within accepted restrictions.
- Montana has developed a consensus format with federal and state wildlife agencies and private groups to set management dates to avoid prime nesting periods and retain sufficient habitat to support wildlife populations. This consensus strikes a balance for wildlife needs and forage quality for the livestock producers that needs the forage in drought periods. The managed area also produces better wildlife habitat in subsequent years.
- Cropland status or base acres should be reinstated in a consistent manner for Commodity Program considerations. Some contracts required the loss of base acres and others allowed the transfer of base acres. If crop program payments are in place, then some of the base acres should be re-instated so less marginal land can be economically brought back in production. This would be another way of transitioning some 'rested land into working land'.

WILDLIFE HABITAT INCENTIVE PROGRAM –

- There has always been more interest in this program than funding would allow projects in Montana. The program should be retained and more funded allocated, but NOT at the expense of 'working lands' programs.

GRASSLAND RESERVE PROGRAM –

- There was $200 million in applications in Montana alone, approximately equal to the national allocation. There is a huge interest in this program and it has merit for more than just the rural/urban interface. GRP would enable producers to retain native grasslands rather than convert to annuals crops or introduced species.

WETLAND RESERVE PROGRAM –

- Montana had strong interest in 2006, but only a few projects were funded with the FY2006 allocation ($2.8 million). The projects include perpetual easements and 30-year easements. Ducks Unlimited have served as the Technical Service Providers, which has proven to be an efficient and effective planning entity. More projects are going forth with appraisals to be ready for future funding; however, there are multiple applications backlogged.

WATERSHED REHABILITATION PROGRAM –

- The concept of this program has merit but the funding was so limited that Montana did not receive an allocation in 2006.

SMALL WATERSHED PROGRAM – PL-566

- There have been more Congressional earmarks than there has been total funding recently. The Lower Birch Creek Watershed has a $3 million need to complete the on-going retrofit of aging infrastructure to improve irrigation water delivery and conservation.

MONTANA SALINITY CONTROL ASSOCIATION
COMMENTS
APRIL 2006

Conservation Security Program (CSP) Enhancements for Salinity Control

1. Utilize shallow ground water investigation to plot ground water flow direction and identify recharge area controlled by the CSP producer.
2. Monitor the static ground water level in shallow wells on annual or semi-annual basis to measure reclamation success with perennial forage and intensive cropping rotations.
3. Monitor static water level annually for information on ground water trends and use knowledge to make rotation decisions when perennial forage is needed initially, when it can be removed and when it should be rotated back onto the recharge area before the saline conditions become critical.
4. Implement perennial forage rotation over a significant portion of the identified recharge areas and rotate back to annual cropping based on measurable improvement to ground water level and electrical conductivity of soil and/or water resources.
5. Retain perennial forage in a rotation longer than a USDA/EQIP contract requires (six years) to ensure that saline reclamation is complete.
6. Offset the high expense of rotating perennial forage on recharge areas without an EQIP and/or CRP contract.
7. Apply fertilizer rates and weed control measures on perennial forage to promote economical yields and high soil moisture use.
8. Implement a flexible but intensive annual cropping system on all recharge areas not in perennial forage. Cropping decisions should be based on available soil moisture and ability to produce an economical crop yield.
9. Establish a healthy stand of salt-tolerant forage species in the saline-affected acreage that will reduce surface evaporation and salt crusting, and that will out-compete saline indicator weed species. In some cases, this means a permanent perennial forage stand.
10. Use historical and current aerial photos to show progression and regression of saline-affected soil and surface water/riparian areas. This would be beneficial for both individual and watershed-wide saline reclamation projects.
11. Periodically map the saline-affected acreage using GPS tools and soil EC measurements.
12. Use yield monitoring maps to document hidden salinity, i.e. the areas with reduced crop production related to salinity on areas without visible salt crust.

The NRCS State Office solicited comments from the State Technical Committee members for ideas to enhance new CSP contracts and/or modify existing CSP contracts. These are relevant only to salinity control issues.

Submitted by Jane Holzer/Program Director
Montana Salinity Control Association

April 14, 2006

Testimony of Montana
Women Involved in Farm Economics
Senate Agriculture Committee
Field Hearing on
2007 Farm Bill
July 2, 2007
Great Falls, Montana

Senator Baucus:

I am Nancy Skinner of Winnett, Montana. My husband David and I are wheat farmers and we have a farming partnership with our son. Our farm supports two families and we have a hired man. I am also the President of Montana WIFE.

Thank you for the opportunity for Montana Agriculture producers to present testimony on the 2007 Farm Bill.

Montana Women Involved in Farm Economics (WIFE) would like to share our suggestions with you and the Senate Agriculture Committee. WIFE is a general farm organization whose policy is directed by many different commodities.

The Farm Bill should

- Clarify the legal standards in our competition laws to prevent misinterpretation by the courts and ensure that government agencies entrusted with enforcement, including GIPSA, are structured to do their jobs as effectively as possible
- Strengthen the law to prohibit packer ownership and end captive supply. In addition, the law should require processors to bargain in good faith and prohibit other unfair contract practices
- Promote transparency in the market by extending and strengthen Livestock Mandatory Price Reporting as recommended by the GAO
- Introducing greater competition in the beef industry at the state and local levels by allowing interstate shipment of beef
- Supporting conservation programs that sustain wildlife and habitat as well as the rancher
- Getting to vote on the Beef check-off periodically in order to make sure it is being used to adequately promote their product and represent their needs
- Ensure that USDA make health and safety a top priority as it works to restore global export markets for U.S. beef by:
    1. Closing loopholes in the U.S. feed ban
    2. Adopting the most stringent BSE risk mitigation measures recommended for both imports and exports by the OIE pending an international agreement on BSE standards

3. Employing more FSIS meat inspectors for large processing plants rather than using HACCP inspection to prevent prohibited cow parts from entering the food system
4. Allowing voluntary BSE testing by U.S. packers
5. 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

What size farm should this Farm Bill focus on?

15% of the farms and ranches have *gross sales* of $1000 or less
51% of the farms and ranches have *gross sales* of $10,000 or less
74% of the farms and ranches have *gross sales* of $49,999 or less

Farm Credit Services uses $250,000 gross sales as the size operation they feel it takes to support on family. They allow 65% for expenses excluding interest and depreciation. 10-12% for interest and 5-6% for depreciation. FCS hopes to see bottom line on the schedule F of 20%, but with increased costs of inputs such as fuel, in all probability it will be closer to 15%. At 15% that would give an income of $37,500 for the family. These operations are in the top 8% in the nation according to USDA Economic Research Service. These operations are ones that their sole income is from the farm.

Many of the smaller operations are of the hobby farm types. They have their main income derived off farm including many times their health insurance as well as other benefits.

Land purchased with 1031 exchange tax exemptions would not be eligible for participation in any programs with the new proposal.

1031 tax treatment should be allowed, with Agriculture land traded for agriculture land and all land in such exchanges shall be allowed full participation in all Farm Programs.

WIFE endorses payment limitations by tracking the payment to the individual.

Farm payment eligibility is determined by adjusted gross income and it has been proposed to reduce this level to $200,000.The adjusted gross income should be large enough to include land payments and other capital investments as they are not deducted when determining your adjusted gross income.

The current programs for socially disadvantaged and young farmers have proven to be ineffective and detrimental. Direct loans have been burdensome and often in an insufficient amount to give a beginning farmer an adequate start. And the emphasis should be placed on guaranteed loans with the guidelines changes to include: allowing the producer to have income to exceed their farm income as that is the only way for the young producer to get started. With the tremendous amount of investment it takes to get a

start in agriculture, a young producer needs to be able to have their main job off the farm and have guaranteed loans available for these producers. With this type of program, they can slowly work into the field as money and opportunity presents itself.

The Conservation Programs must be well thought out as different practices are dictated as to conditions even as often as week to week. There can be chemical fallow practices being implemented and due to paths, trails, washes, compactions, whatever, the need to put a plow in the ground can exist. Compaction sometimes will occur in soil that makes it impossible for the drills to take to the ground. In these cases, you must break that soil to penetrate the ground. Years vary and good farmers are always vigilante as to the practices being dictated by conditions at the time.

Conservation easements must be even more cautiously thought out as those of us here today cannot envision the needs of the land in thirty, forty, or even fifty years with the knowledge we have today. Look at the changes that we have seen in the last fifty years and we could be limiting those lands by placing an easement on them and stifling their potential for a viable operation.

A safety net, or floor, must be established by raising the loan rate, on wheat, to $4.50, which is still only about a third of parity. Input expenses have risen and are at least twice as high without a chance of decreasing. A higher loan rate doesn't put a ceiling on crop price but establishes a floor.

COOL is well written and can be implemented easily with little burden to the industry. Despite the groups that oppose passing COOL, information to consumer's claims, M-COOL as written in the 2002 Farm Bill can be implemented without segments of the livestock and beef industries requiring producers' verification. Only USDA has the authority to require any documentation of origin.

COOL is NOT too costly to implement. The 2003 USDA audit estimated a total cost of $1.9 billion in the first year to implement COOL. Five nationally known and respected agricultural economists working with the International Agricultural Trade and Policy Center at the University of Florida conducted their own independent study of COOL's implementation costs and found that USDA's estimates were bloated. The economists argues that the cost would be "90 to 95 percent less" than that the USDA's figures. The Government Accountability Office (GAO) conducted its own study and referred to USDA's figures as "questionable and not well supported." Surveys show consumers overwhelmingly support labeling and will pay a premium for it.

Spring and Winter Wheat should be considered two different crops. As a commodity, they are sold separately on the Board of Trades. In Montana, most counties are dual growing counties. When FCIC changes prices in the spring, (Winter/Spring) wheat growers are not eligible for price protection increase. Federal Crop Insurance is extremely important for farmers and coverage needs to remain strong.

Forage Production in Montana is now a Fall Crop. We must report by October 15th and on the report we must have the alfalfa plant count, even though at that time of the year the alfalfa plants are dormant. Forage used to be insured in the spring with a May 20th report date. As a grower, we would know what fields were going to make a crop or we could destroy and replant to a different crop.

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Working for a Sustainable Future Since 1976

National Center for Appropriate Technology

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Written statement of Kathleen Hadley, Executive Director
National Center for Appropriate Technology
Testimony regarding the 2007 Farm Bill
Senate Agriculture Committee Meeting
Great Falls, Montana
July 2, 1007

Thank you, Senator Baucus, for hosting the hearing on the 2007 Farm Bill. Thanks, too, to the members of the Senate Agriculture Committee for coming to Montana to learn how important that the Farm Bill is to Montana's agriculture community.

As you draft this new Farm Bill we hope that you will consider including ATTRA, the National Sustainable Agriculture Information Service in the Rural Development Title. ATTRA is a unique technical assistant project provided through a public/private partnership and a cooperative agreement between USDA Rural Business-Cooperative Service and the National Center for Appropriate Technology (NCAT), a national nonprofit organization. ATTRA has been providing farmers, ranchers and agriculture groups with free one-on-one technical service for more than 20 years. It is the premier source for information on sustainable agriculture topics including organics, pest management, farm energy issues, marketing and value added strategies. ATTRA's highly trained specialists answer thousands of calls and email requests for technical information. In 2006, ATTRA provided more than 37,000 responses to requests for technical assistance and distributed more than 670,000 publications electronically to a nationwide audience. The ATTRA website is dynamic and easily accessed for information 24 hours a day, seven days a week. Last year more than 2.6 million unique visitors accessed this site and its information. ATTRA specialists provided in-person training and presentations in 39 states.

Montana ranchers and farmers are particularly high users of the ATTRA service and share a respect for the project with other farmers, ranchers, and farm organizations from all fifty states. ATTRA receives rave reviews from farm organizations, state agencies and individual clients. ATTRA has been evaluated twice by an independent third party organization and received very high satisfaction ratings for all of its services.

America's agriculture community has embraced ATTRA services and we hope that this committee recognizes the value of continuing to provide high quality research and technical information to family farmers, ranchers and farm groups. We urge that you include language in the Farm Bill authorizing the ATTRA project. Thank you for your attention to this matter. Please feel free to visit our website or direct your constituents to it. The address is: www.attra.ncat. org, the toll free phone number is 800-346-9140. Please feel free to call me with any questions you may have about the project – I can be reached at 406-494-4572 or kathyh@ncat.org.

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FARM BILL 2002 OUTLINE & TRIBAL COMMENTS FOR THE 2007 REAUTHORIZATION

INTRODUCTION

The Farm Bill of 2002 (*Farm Security and Rural Investment Act of 2002*) is up for reauthorization in 2007. The bill deals with a number of areas of great importance to Tribes, including agriculture, nutrition, conservation, forestry, energy and rural development. It is essential that Tribes evaluate the effectiveness of the current provisions of the bill and provide a uniform and early voice in the process.

In addition, the reauthorization of the bill may provide an opportunity to include a number of related areas of importance to Tribes such as telecommunications and Tribal Colleges that might not seen as an immediate fit. The National Congress of American Indians (NCAI) looks forward to working together with the many Tribes, Regional Inter-Tribal organizations, Native organizations, and Native companies that have expertise and interest in Farm Bill. This document has been created only to serve as a starting point to begin our community's discussions on what we would like to recommend be included in the reauthorization of the Farm Bill.

BACKGROUND

The 2002 Farm Bill replaced the 1996 "Freedom to Farm" law which was intended to reduce federal subsidies and payment programs. However, due to falling prices, bailout programs were enacted from 1998-2001 to the order of $29.8B to keep farmers afloat. This bill abandoned this approach, and reintroduced counter-cyclical payments, which also came with significant concerns including limits on payments. Conservation efforts were among the stronger aspects of the bill, led by Chairman Tom Harkin (D-IA).

Overall the farm bill still served those who were receiving the most support, though considerable effort was made to include small farming interests. The top ten percent of the largest farms received two-thirds of the crop subsidies and more than 60 percent of U.S. farms do not produce any of the subsidized crops and would not benefit from the re-write. Conservation programs that could benefit those who operate medium- and small-sized farms face reduced funding and potentially increased competition for remaining funds, including a backlog of applications for conservation assistance amounting to $2.5 billion. Other analyses expressed mixed, although generally critical, views and agree that this bill is good for large agri-business and does little to address price, overproduction, and the needs of family farmers.

Note: This draft document is a compilation of several sources, most notably the *"Wins" and "Losses" in the 2002 Farm Bill: Overview of the Farm Security and Rural Investment Act of 2002*, put out by First Nations Development Institute and Intertribal Agriculture Council. The tribal comments were taken from USDA Farm Bill public comment

summaries, accessed on the USDA website.[1] This should be considered a working document where opinions/suggestions are added as we move forward. Appreciating the complexity and the breadth of the bill, we encourage all tribes and organizations to lend a voice to this document as we work to gain a better understanding of how Indian Country can fit into this reauthorization.

2007 REAUTHORIZATION

The beginning of the 110th Congressional Session has seen a flurry of Farm Bill related activity in the Senate and the House. Senate Committee Chairman Harkin has held five (5) hearings to date, and both the House and Senate have convened hearings with Agriculture Secretary Mike Johanns regarding the USDA Farm Bill Proposals that USDA released on January 31.

The House budget resolution is expected to come out by the Easter recess, which would allow the writing of the bill during late April. It is hoped to have the bill introduced in May/June, and off the floor in July and passed by the 2002 bill's September 30, 2007 expiration date. However, the budget resolution could hamper this timeline if it ties the committee's hands too much. House Agriculture leaders testified to the needed increase in funding for the bill over the amount provided in the recently released CBO baseline. Another obstacle is working with the recently passed pay-as-you-go rules the Democrats instated.

Overall, both the House and Senate are aiming to have the bill delivered on time. It has been asked that input into the bill be early and if possible, to be creative to work under anticipated budget restraints.

TITLE I: COMMODITY PROGRAMS

Title I programs deliver commodity payments to producers of "program crops": Wheat, Oats, Tobacco, Corn, Extra-long staple & upland cotton, Peanuts, Barley, Rice (not including wild rice), Sugar, Grain, sorghum, and Oilseeds.

There are a variety of support payments for the farms that produce these crops, including direct payments (Sec 1103) based on historical production base, counter-cyclical income support payments (Sec 1104) when market prices fall below the target price, and loan deficiency payments (Sec 1205).

However, exceptions to planting flexibility in made for fruits, vegetables, and wild rice, making them unable to receive these payments, and the Secretary might impose penalties for

[1] http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1UH?contentidonly=true&contentid=2006/03/0106.xml

planting "base acres" to fruits and vegetables, creating a disincentive to grow crops for local communities.

Discussion Ideas:

-This title could be amended to include crops that are of value to Native communities, such as wild rice and fruits and vegetables to obtain payments and encourage local production and consumption of crops.

-In order for crops that are of value to Native communities, such as wild rice, to be eligible for any service we first have to have USDA recognize "wild harvest" as agriculture. Currently for all recognized programs that USDA has, a farm has to produce $1000 in annual income from crops that **are grown in a controlled environment**. This language totally eliminates any food production that is traditionally gathered. Also of great concern is the use of traditional planting practices and Heirloom seed. USDA programs have very specific language about the number of seed per acre, operating inputs and what is considered **acceptable crop workmanship.** In addition to commodity payments that are not available. Also of great concern is that none of these crops will be covered under ag programs when a disaster occurs. (NTDA)

TITLE II: CONSERVATION

The conservation title included a lot of provisions to promote conservation, totaling $17.1 B. The most important, monetarily, are the Environmental Quality Incentives Program - $9B (EQIP), and the Conservation Security Program - $2B (CSP). The CSP is intended to help all farmers, not just those producing program crops and livestock. The program offers incentives for conservation efforts on actively working farms and ranches rather than payments to retire lands.

EQIP is the flagship of the Natural Resources Conservation Service, and is seen as the most important program in conservation efforts, hosting a large price tag. "Three-year contracts are now allowed, which are a better "fit" with limited lease terms required by the BIA, and thus enrollment eligibility is potentially increased for Native-owned lands. Finally, non-industrial private forestland has been added to the definition of eligible land." There are some major issues in how EQIP and CSP allocates money, and seems to reward those who are already doing stewardship and leave those behind who want to get into the program, usually small farmers.

USDA Meetings Comments:

- A commenter opposes the use of the word "tribe" and designations of "tribal conservation districts."
- Establish 100 tribal district coordinator positions with tribal conservation districts.
- Twelve Alaskan regions under the Alaska Native Claim Settlement Act should be recognized by the farm bill.
- The definition of "limited-resource producer" should be amended to state "shall also be any tribal member operating on trust land," allowing all tribal trust land to qualify for 90 percent cost share.
- A Navajo Nation and a Chippewa-Cree Tribe commenter stated NRCS provides five scholarships under a pilot program, but more are needed.
- AFN supports the creation of Tribal Conservation Districts throughout rural Alaska to work with USDA, the State of Alaska, local communities, and resource project developers, in the creation of cooperative conservation wildlife habitats, Private Land Wildlife Management projects and renewable subsistence resources to maximize the benefits for local communities.

Discussion Ideas:

-The language for limited resource is critical. In a meeting last week with the SD reservations it came up that maybe it should be the tribe should actually be handling all contracts rather than individual producers. There was a mixed reaction to this. With that said though if we want this program to work in Indian country we are going to have to deal with the fact that it is a reimbursement program and for that reason prohibitive to many small LR producers. If we could use at a minimum a 1/3, 1/3 and final (as work is completed this way) it will open up for more participation due to less outlay of capital that does not exist. (NTDA)

-Support the creation of Tribal Conservation Districts in Alaska (Alaska Village Initiatives)

-Increase Conservation Technical Assistance funding to Alaska
The task of performing conservation planning in such an immense state, and providing technical assistance to 229 tribes, over 180 Alaska Native Corporations, and over 5000 Native Allotment owners, is daunting in any situation. Additionally, catching up on decades without active conservation makes the problem even more difficult. (AVI)

- Designate Tribes and Alaska Native Corporations as beginning and limited resource producers for the purpose of cost share programs. Rural Alaska is generally characterized by a mixed economy which combines a traditional subsistence economy with elements of a modern cash economy. Unemployment is very high in most areas due to a lack of jobs, and underemployment is also very

high. Tribes usually only have restricted money for programs from grants, and most of the corporations have nonperforming lands and very little discretionary cash. There are a few exceptions, but most of the communities are unable to meet the cost share requirements which should qualify them for "limited resource" producer designation. As discussed in the background section, our rural people are also learning new methods of active management, which should also qualify them for "beginning farmer" designation. Either way, most applicants in rural Alaska should qualify for 90% cost share, and the standard for the more successful corporations should be at the 75% cost share rate. (AVI)

-Increase WHIP program funding in Alaska, targeting local subsistence resources and local species of concern

Increases in program funding have been beneficial in revitalizing agency efforts in Alaska, but much of the funding has been segregated into programs that have little relevance or application in rural Alaska. WHIP has by far the widest range of practical application and the greatest need in Alaska. In order to meet this need, funding for the WHIP program needs to continue to increase. (AVI)

- Increase funding for the WHIP program in AK and broaden the program emphasis to include all species of local concern or value.

- Weed control funding attached to every conservation practice needs to be included and the ceiling for weed control removed. Right now I think the ceiling is $2,000 for every participating farmer/rancher. (IAC)

- USDA should not be issuing a 1099 for conservation practice cost-share. A farmer/rancher submits his application for a practice, it is approved, and he puts the practice in place. He/she brings in all of the receipts for labor hired, machinery hired, products purchased and receipts for their own labor. The farmer/rancher is then reimbursed a percentage of that total cost (usually 50 - 70%) by USDA. A 1099 is issued to the farmer and he has to declare that income on his taxes. Of course the prudent farmer can provide all of the receipts he provided USDA and the 1099 becomes a wash. However, most Indian farmers do not declare income derived from trust property thus participating in USDA programs and the issuance of a 1099 all of a sudden forces the Indian to declare or file on activities most do not want USDA or IRS aware of. (IAC)

-Fully fund conservation initiatives consistent with 2002 farm bill.

- The 2002 Farm Bill utilizes "Socially Disadvantaged Farmer;" "Limited Resource Farmer" and "Beginning Farmer" with each having distinct definition and each having distinct eligibility to programs. The 2006 Farm Bill should make each of these classifications of farmers all eligible for the same cost share rate (70-90%). All Indian/Alaska Native owned land would be eligible. (IAC)

- The EQIP program applications are presently ranked/rated on their impact/benefit on the 3 priorities = water quality, water quantity & soil erosion. A 4th priority should be added which is mitigation of natural disasters. Thus those implemented practices that enable producers to better withstand disasters would be awarded. (IAC)

- Presently there are several conservation programs that require legally attached easements to participate. Such easements impact title thus eliminating "trust land" participation. Effort should be made to make Tribes & individual Indian owners eligible through the use of long term agreements. Should this be put in place, income derived could be dedicated to land purchase thus enhancing land purchase programs of the land owner/purchaser. (IAC)

-Not all USDA conservation programs are well known to all eligible entities so a comprehensive list of programs with descriptions of program purpose(s) in simple matrix form would be immensely helpful.

Consistent language for Indians, tribes, tribal governments, Alaska Native Corporations and all other such references must be employed throughout the legislation, Department regulations and Department policy statements. The existing inconsistency has been a source of confusion.

Alaska Native Corporations are considered tribes and should be treated as such in program eligibility determinations in USDA programs. The 11/15/2006 Federal Register published clarified the Definition of Indian Tribe for Payment Eligibility and Payment Limitation in 7 CFR part 1400, subpart G.

Qualification as a non industrial forest land owner for Indian Tribes and Alaska Native Corporations must be maintained

Limited resource producer amendment to add trust land is good but needs to be done to NOT impose a restriction that a tribal member must be on trust land (i.e. not all Indian land is in trust status)

The administration is advocating in the 2007 Farm Bill combination of conservation programs into the Natural Resource Conservation Service (NRCS) Environmental Quality Incentive Program (EQIP) program. NRCS and Farm Service Agency (FSA) have at best a checkered track record of working with Alaska Native Corporations, whereas the State Division of Forestry through the Forest Land Enhancement Program (FLEP) have proven to be much more efficient. Concentration of this important conservation service into a single program to be administered by an agency with an unnecessarily bureaucratic, confusing and inefficient contract process is of concern.

It is imperative that tribes be afforded the opportunity to form tribal conservation districts, and equally imperative that NRCS be directed to provide technical assistance to tribes in forming these districts. Included in this charge should be the alternative for Tribal Conservation Districts to integrate with the appropriate State Association of Conservation Districts. (Sealaska)

TITLE III: AGRICULTURAL TRADE AND AID

The **Trade Title** authorizes $1.1 B for trade programs to expand, create, and maintain foreign trade for U.S. agricultural products.

Tribal Relevant Provisions:

The **Market Access Program** was expanded. For funding in excess of the Fiscal Year (FY) 2001 level, equal consideration was given to eligible trade organizations that had not previously participated in the program and to activities in emerging markets or other markets.

Discussion Ideas:

To be added

TITLE IV: NUTRITION PROGRAMS

Nutrition houses some of the most important areas for tribes. The 2002 farm bill reauthorized the Food Distribution Programs on Indian Reservations (FDPIR), Food Stamp Program, Emergency Food Assistance Program and Commodity Supplemental Food Program. The bill increases funding to Seniors' and WIC Farmers' Market Nutrition programs to obtain fruits and vegetables from farmers' markets.

There is a lot of talk in Indian Country about the FDPIR, and the need to getter better food packages delivered. The FDPIR program provides commodity foods to low income households on or near reservations. There are approximately 257 tribes receiving benefits under the program, which is administered by local Indian Tribal Organizations or an agency of the state government. Apparently there are a host of nutrition issues and even concerns over expiration dates on the products.

USDA Meetings Comments:

- Many suggested the need for improvements in the quality of the food package to ensure that it meets dietary guidelines and for improvements in delivery to ensure that food products are distributed before their expiration dates.
- Indian tribal leaders suggested the importance of following appropriate Nation-to-Nation protocols and respecting existing treaty agreements when making changes to FDPIR.
- Many provided comments on current efforts to establish a more equitable methodology for allocating FDPIR administrative funds among the Independent Tribal Organizations (ITO), with many voicing concerns about potential funding cuts and some proposing provisions to protect against funding cuts.
- Many requested a separate allocation, as well as increased funding, for nutrition education to address obesity and diabetes and maintain food preparation skills.
- Many Native Americans expressed the view that tribes should set their own eligibility guidelines.
- Some discussed their preference for a national multi-food ordering and delivery system (similar to the Prime Vendor Pilots) with improved customer service, Internet-based ordering from actual inventory, reduced time between orders and delivery, and pre-set delivery schedules.
- Many proposed coverage of Native Americans who live nearby in urban areas because of the shortage of housing on the reservations and who would rather have commodity foods than food stamp benefits.
- Various participants requested additional traditional foods such as Indian corn and bison (accounting for differences among tribes) as permanent items in the food package.

USDA Meetings Comments: Program Specific Comments:

- There have been beneficial improvements in FDPIR that should continue: addition of frozen items, fresh fruits and vegetables, tailgate deliveries, and nutrition education.
- Inform tribes that they are eligible to receive both FDPIR commodities and TEFAP commodities.
- Provide more guidance to tribes about the tradeoffs between the Food Stamp Program and FDPIR.
- Provide technical assistance to tribes that want to develop a community garden.
- Provide more food with commercial labels.
- Teachers on reservations should be eligible for food packages in summer months.
- Vary size of food package by income. Offer a complete package (not supplemental) for those without income.
- Reform certification requirements that are a participation barrier for many tribal members.
- More Native Americans are applying for food stamp program (FSP) benefits so that they can buy ready-to-eat foods; nutrition education is needed to teach them how to prepare foods.

- Develop culturally sensitive nutrition education.
- Funds are needed for tribal members to attend meetings and conferences.
- Better ways are needed to verify income of applicants (particularly reports of zero income) to comply with program requirements.
- Specific considerations proposed for the revision of the FDPIR administrative fund allocation formula are:
  (a) Funding reductions and reallocations can force some programs to change to tailgate services, increasing distances for participants to receive packages.
  (b) Allow more representation of other tribes in the group working on this issue.
  (c) Need to take into consideration the unique needs of various tribes such as geography, need for tailgating, and services needed.
  (d) Provide for waivers in using the new methodology.
  (e) Include cost-of- living adjustments in the formula.

Discussion Ideas:

-Add language about community gardens. We really do need to add this language and it should include home production, Tribal sponsored community gardens; CSA's working on reservations and teaching greenhouses as well as restoring traditional gathering areas. (NTDA)

- Regarding food packages under FDPIR, we strongly agree with the comment that participants should be provided opportunity to obtain traditional foods as permanent items in these food packages. Traditional and subsistence foods are critical to the physical, spiritual, and overall health of Native Americans and an integral part of their cultural identity. (Aleutian Pribilof Islands Association)

- Incorporate salmon into programs. (Bristol Bay)

TITLE V: FARM CREDIT

The Farm Credit title generally reauthorizes USDA farm lending programs and provides greater access to USDA farm credit programs for beginning farmers and ranchers. This bill increased the percentage that USDA may lend for down payment loans and extended the duration of these loans; and established a pilot program to encourage beginning farmers to be able to purchase farms on a land contract basis. The rules for borrower eligibility are somewhat relaxed, as are lending rules for beginning farmers and ranchers.

Tribal Relevant Provisions:

Sec. 5003 Addresses the **amount of guarantee of loans for farm operations on tribal lands** and establishes eligibility rules for Native Americans whose operations are within the jurisdiction of a reservation. These may be exempt altogether from limits on direct eligibility loans, in addition to up to 95 percent guarantees on operating loans (up from 90 percent).

Discussion Ideas:

Traditional Farming Obstacles: (NTDA)

Current USDA Definitions for farms and ranches:

Procedure defines a farm as a tract or tracts of land, improvements and other appurtenances considered to be a farm property which is used or will be used in the production of crops or livestock, including the production of fish under controlled conditions, for sale in sufficient quantities to that the property is recognized as a farm rather than a rural residence.

In order to be eligible for Farm Programs, a farmer must meet the above definition, have a three year yield history and **the crop must be produced in a workman like manner utilizing standards generally accepted for agriculture as provided by the local COC.** (We often are not able to get organic growers eligible for disaster programs based on this definition.)

In addition to the above FSA issues we now have to deal with the new BIA lease procedures. BIA is calculating leases on 12 months with a 6 month carrying capacity, the new appraisals that they are using is at the same time increasing lease payments by about 40-45% which further diminishes the cash flow ability of producers to access these programs. In addition to the above, FSA when using disaster payments is further reducing the amount of payment to the producer as they are reduced since this is a 12 month lease. As an example a producer may need 40 acres per animal unit for 12 months but if the pasture is used only 6 months he will utilize a 20 acre factor per animal. (I am not sure how we should address since BIA is involved but I expect that this issue will come as it is really an issue that affects our agricultural Tribes.

In addition we need to determine how the Tribes want to handle working horses. Currently a few states have a limit of 1 horse per 25 cows, others set a limit of the number that can be on the ranch and still others do not recognize horses at all. We need to determine when we want to target working horses and how we want disaster programs to work with these producers. I am finding in Indian country that there are ranches that market these horses and do not have cattle.

Obstacles for Indian Producers Accessing FSA Credit Programs

1. We continue to see offices where barriers to FSA services still exist. Often these barriers are attitude. In addition in many offices it is evident that there is a lack of knowledge on the part of FLM and FLO in dealing with tribal land issues as well as a lack of knowledge in working with tribal sovereignty.
2. We are consistently finding that local FSA offices do not work within tribal UCC programs and prefer not to make loans or offer services rather than work with Tribes to the benefit of farmers/ranchers.
3. Reservations that cover more than one state as in the case of the Navajo in the Southwest or Standing Rock in the Dakotas, farmers and ranchers are treated differently in the manner that programs are administered. We have seen programs administered differently in each state while some members of these reservations have to wonder why programs are not beneficial to them.
4. Documentation for loan applications continues to be a problem and is different from area to area. This is especially true for beginning farmers and ranchers needing documentation for experience if they do not have an Ag degree. If a beginning farmer or rancher is working for someone else they do not have a 1040F on file and this is more often than not the document that FSA requires.
5. FSA does not recognize that if income is received on tribal lands the potential applicant if a tribal member may not have to file taxes for the farm/ranch income. Also documentation for non-farm income from a business located on tribal lands is likewise almost impossible to document to FSA satisfaction for the same reason.
6. Borrowers Training continues to inadequately address the needs of minority farmers and ranchers. Minority farmers and ranchers more often than not have special needs that may be unique to their operation. This is especially true for small farms operating less than 25 acres. Many of these farmers grow specialty vegetables with specialty markets. Learning how to handle 500 acres of corn is of no benefit to them. In other areas we are finding that classes are not being scheduled routinely and hence borrowers are not timely meeting their obligations. There is no standard curriculum that meets the area needs including covering from a 2 day session to 6 years. In our experience with these programs they do not adequately provide the knowledge needed for borrowers to efficiently meet FSA requirements including knowledge of terms, security agreements and borrower agreements. One of the problems causing this is that FSA contracts with programs that are geared toward filing taxes and continuing ag education rather than beginning farmer needs.
7. FSA does not recognize new operations that are traditionally grown in the Midwest or Pueblos as examples if they do not meet "conventional practices". Often if or when they are accepted, yields are so reduced that the farmer will not cash flow. In Indian country where crops are produced traditionally, this production does not meet organic standards as that is not the intent of the farmer/rancher nor do these crops meet USDA/FSA requirements for accepted practices. The end result is that farmers and ranchers are denied access to FSA credit, program and disaster programs.

8. While FSA has looked at the definition for corporations, **the regulations still do not recognize the fact that a tribe has the same right to incorporate as does the state**. As a result, farms and ranches incorporated under tribal law are not recognized by FSA credit programs including the much needed guaranteed loan program.
9. Tribal farms/ranches are not eligible for the emergency loan program. If the regulations are taken literally, eligibility for these farms would include having the "majority of their tribal members eligible for an FSA loan. Not only does the burden of the paperwork prohibit this but the age of many members will not be "of majority". In other words this is a criterion that is impossible to meet. In addition keep in mind that FSA does not recognize these entities as the do not meet the definition that the regulations set forth for recognizing a corporation.
10. FSA requires a signed lease to have a completed application. This requirement is expected without the farmer/rancher knowing if he/she will have the start-up capital to begin his operation. In addition as often times leases are given to ranchers with cattle, FSA needs to work with the Tribes and BIA to establish a procedure that will allow applicants to access USDA programs while permitting FSA the knowledge to make sound loan making decisions.
11. Minority farmers and ranchers do not have the capital outlay to participate in USDA/NRCS programs as all of the project must be completed before any funds are received. While there appears to be some allowance for draws in a few of the programs, we do not see this being exercised in EQIP or CRP when reseeding as an example or irrigation projects in EQIP.
12. Disasters continue to affect planning since FSA uses historical data. FSA needs to address this with regulatory language that will allow producers to use county averages for **all** disaster years that are in affect during the historical data period. In the event that a majority of the history is affected, FSA should implement a policy that yields revert to county averages.
13. When calculating historical performance, FSA does not allow for changes in an operation. In fact ag credit penalizes a farmer/rancher who reacts to market changes. Some examples to use is the produce grower who now uses irrigation that was installed under EQIP, his new plan is still required to meet his/her historical data based the non-irrigated data. Some offices will work with the farmer while others will not.
14. When determining creditworthiness regs should allow for instances where the past history is affected by disaster. If the detrimental credit is a direct result of the disaster, allowances and/or exceptions to patterns and practices should be included. FSA regulations allow instances beyond the applicant/borrowers control but we are finding that FSA does not relate directly to the credit report. This is critical for farmers who have faced successive years of drought and it is also important to remember that while we agree with disaster programs payments do not often occur simultaneously with the disaster year! (2003 payments were received in 2005)
15. In Indian Country debts that are to be paid or are delinquent to IHS should not be used in credit determinations as most if not all of these are **not** the responsibilities of the farmer/rancher and will eventually be paid by HIS. While we find many offices

will work with us, many farmers/ranchers who are not represented, are deemed ineligible.

16. Allow farmers/ranchers to have more than one 1951-T (Disaster Set Aside) as has occurred in the past and incorporate into the GL regs.
17. It is only 1 month to January when farmers/ranchers who used the "new" disaster programs will be forced to make 2 payments even though they may still be in a drought condition or have recovered from the hurricanes.
18. FSA is not adhering to appeal implementation and far worse we are all beginning to work with farmers/ranchers again with only a **verbal** decision from FSA, thus denying farmers/ranchers access to the appeal process. In Indian Country we are working with farmers/ranchers have a preconceived notion that they will not be approved because of the FLM/FLO actions in the past and it is imperative that all decisions be in writing.
19. In order for the guaranteed loan program to truly work for minority farmers/ranchers FSA needs to work with Congress to obtain additional appropriations for the interest assist program. Current funding levels allow only a small percentage of borrowers to participate in this valuable program. There is also a need for beginning farmers/ranchers to have interest assist available for farm ownership loans.
20. Work with FSA in key areas which cover more that one state and or multiple counties to insure that Tribal members within the reservation have programs delivered equitability and timely.

TITLE VI: RURAL DEVELOPMENT

This title encompasses provisions to promote rural business and infrastructure development. Included are tribal specifics, outlined below. Rural development includes water and waste water infrastructure, telemedicine, broadband access, local television, renewable energy development, rural electrification and telephones, and more. Provides funding for rural areas to undertake strategic planning, feasibility assessments, and coordination activities with other local, State, and Federal officials.

The "flagship" of the Rural Development title appears to be the provisions for value-added agriculture, which encompasses methods to increase the value obtained from agricultural production, such as manufacturing processed foods that sell at a higher price than raw commodities. Rules were relaxed to allow value-added cooperatives greater opportunity to participate in the Rural Business and Industry Program by larger loan guarantees, loans to buy stock in value-added cooperatives, loans for renewable energy systems, and Rural Business Enterprise Grants. Additionally, the Value-Added Agricultural Product Marketing Development Grant pilot program is reauthorized at $40 million per year. All of these programs are expected to increase employment and income share in rural areas, but as there is little research or evidence to date that they are really working.

Tribal Relevant Provisions:

Section 6009 – establishes a community facilities grant for **Tribal College and University Essential Community Facilities**, but provides no funding.

Section 6010 – Authorizes $30 million per year in grants, $30 million per year in loans, and $20 million per year in grants to benefit Indian tribes and for **Water and Waste Facility Grants for Native American Tribes.**

Section 6011 – extends **Grants for Water Systems for Rural Native Villages in Alaska**.

Section 6013 – Loans and Loan Guarantees for Renewable Energy Systems. Makes renewable energy systems, including wind energy and anaerobic digestors for the purpose of energy generation, eligible for under the Business and Industry Program (see Section 6017).

Section 6014 – Rural Business Enterprise Grants eligibility is extended to certain small and emerging private businesses, including those with a principal office in an area that is located on land of an existing or former Native American reservation. Authorization is doubled, from $7.5 million to $15 million per year.

Section 6015 – The nonfederal financial match requirement in the **Rural Cooperative Development Grant** program for 1994 institutions (i.e., tribal colleges) is decreased to five percent (remains at 25 percent for all other eligible

Section 6401 – Authorizes $40 million per year through FY 2007 and establishes a program to fund projects that increase agricultural producers' share of the food and agricultural system, including renewable energy, wineries, high value products from major crops, agri-marketing ventures, and community supported agricultural projects. **Value-added agricultural product market development grants** for FY 2002 totaled in excess of $37 million and included salmon, bison, and "Indian ricegrass." Unfortunately, only two grants appear to have been awarded to Native producers.

Section 9006 – (found at **Title IX: Energy** but relevant to farm and small business operations) Authorizes $23 million per year from FY 2003 through FY 2007 and establishes a grant, loan, and loan guarantee program to assist eligible farmers, ranchers, and rural small businesses in purchasing **Renewable Energy Systems and Energy Efficiency Improvements**.

Discussion Ideas:

-We at NTDA/AICOI have been working with the FSA Youth loan program extensively about 40% of our youth loans are non-ag related. FSA is in the process

of changing this program to all ag type loans. FSA's program is a loan program for chattel and operating so that a youth can establish a modest size business. The age for the youth is 10-20 years. Loan size is up to $5000. We are finding that our youth are making payments on time and we are beginning to have our first participants "graduate" to beginning operations. We now need to look to RD to establish a program for non-ag youth. (NTDA)

- The Rural Utility Service (RUS) has $1.1B funding for telecom infrastructure, with about $660M in an independent phone service fund. This can be a key source for telecom services to help bridge the "analog divide". (Native Telecom)

-A program should be put in place that focuses on the socially disadvantaged, an earmark established, and enables approval at the state level, and eliminates competition for these applications at the national level. (IAC)

TITLE VII: RESEARCH AND RELATED MATTERS

The title authorized $1.3B over 10 years for new and reauthorized agricultural research and extension programs. Reauthorized and established new agricultural research and extension programs. Extended previous funding provisions to fiscal year (FY) 2007 and replaced dollar amounts with "such sums as are necessary to carry out" the research. Increases funding for the Initiative for Future Agriculture and Food Systems and increases program level from $120 million a year to $200 million annually in FY 2006.

Tribal Relevant Provisions:

Section 7206 – Establishes "1994 Institution" (i.e., tribal colleges and universities) **eligibility for the integrated grants program.**

Section 7208 – Adds 20 new **high-priority research and extension initiatives** for competitive grants. A sampling of these areas includes land use management, water and air quality, harvesting productivity for fruits and vegetables, agricultural marketing, and programs to combat childhood obesity.

Section 7405 – The **Beginning Farmer and Rancher Development Program** establishes training, education, outreach, and technical assistance competitive grants. Collaborative State, tribal, local, or regionally based networks are eligible and funds will be specifically earmarked for limited-resource and socially disadvantaged farms.

USDA Meetings Comments:

- Support the Tribal Farm Bill Roundtable recommendation that funding and staff be allocated to improve outreach to tribes about all USDA programs.
- Only two of the 22 tribes in New Mexico have Extension Indian Reservation Programs (EIRP), and USDA should ensure that all 22 tribes and three tribal colleges can participate.

- USDA should ensure a permanent CES program is in each of these communities to provide 4-H, nutrition, health, and specialized natural resource/agricultural extension.
- Form a national task force between CSREES and the National Association of State Universities and Land-Grant Colleges (NASULGC) to focus on EIRP.
- At least five extension agents should cover the 30,000-square-mile Navajo Nation.
- Ensure the next USDA national liaison is from the tribal community.
- Commenter's representing Native American interests generally supported fully funding the Extension Indian Reservation Program (EIRP), and requested more extension agents on Indian reservations.
- Discussed moving the EIRP program within CSREES to gain greater flexibility and visibility and possibly moving the program out into the western region where it is closer to the work being done.
- USDA should provide additional funding to the two 1890 LGUs in Alabama (Tuskegee and Alcorn) so they can continue to expand the successful "Small-Scale and Limited-Resource Farmers Initiative" that was originally supported by NRCS.
- The 1890 LGU Institutions Rural Entrepreneurship Program has been hampered by inconsistent funding and recent budget cuts. The program should be included as a line item alongside the Section 2501 program and it should be funded at $300,000 per institution per year with a minimum 3-year funding commitment.
- We need to fund a culturally based education and outreach program to rural Alaskan landowners to educate them about farm bill programs and provide tailored technical assistance.
- The Navajo Nation wants to be involved with crafting the partnership agreement on enabling Navajo members to have equal access to USDA programs, funds, technical assistance, and education.

Discussion Ideas:

-Make the Extension Indian Reservation Programs more widespread, and ensure that tribal outreach is increased throughout all USDA programs.

-Develop and implement a substantial education and outreach effort targeted to underserved populations in Alaska, primarily Tribes and ANC's. The vast majority of rural Alaska is unaware of USDA-NRCS or its programs. Much progress has been made on this front by the state office and through the efforts of AVI. In order to move forward with this effort, substantial planning and funding will have to be dedicated to accomplishing this task. It is crucial for this to happen before equitable access to NRCS programs will be accomplished. (Alaska Village Initiatives)

- Fund suitable technical assistance programs tailored to rural Alaska landowner's

needs for subsistence agriculture.

-USDA needs to provide Tribal Liaisons to ensure support and technical assistance to Tribal Conservation Districts.

TITLE VIII: FORESTRY

As with the conservation provisions of the 2002 Farm Bill, the Forestry Title (Title VIII) appeared to be a boon for environmental stewardship efforts. There are significant advances over the 1996 Farm Bill, which did not have a Forestry Title at all, and a portion of forestry funding in the 2002 bill is mandatory, another new precedent in federal forestry policy. There is a great deal of forest management flexibility in this bill, in addition to an apparently strong commitment to public input. Finally, this title includes the first cost-share forestry program ever to receive mandatory funding in a farm bill.

Tribal Relevant Provisions:

Section 8002 – The **Forest Land Enhancement Program** (FLEP) is designed to provide assistance to State foresters, and to encourage the long-term sustainability of nonindustrial private forestlands, by "investing in practices to establish, restore, protect, manage, maintain, and enhance the health and productivity of the nonindustrial private forest lands in the United States for timber, habitat for flora and fauna, soil, water and air quality, wetlands, and riparian buffers."

Section 8101 – Funds under the **Sustainable Forestry Outreach Initiative**, an amendment to the Renewable Resources Extension Act of 1978, are available only to Land Grant Institute Extension Services. The purpose of this program is to "educate landowners about the value and benefits of practicing sustainable forestry" and "the variety of public and private sector resources available to assist landowners in planning for and practicing sustainable forestry."

The 2007 Forestry title may include not only forestry, but also ecosystems services. This would essentially provide market based approaches for clean water and air, and set up infrastructure. A key concern in forestry, as well as many other programs in Indian Country, is gaining authority to work directly with the US Forest Service rather than with the states.

Discussion Ideas:

-The farm bill might also be a good place to look at obtaining reauthorization of the Tribal Watershed Forestry Assistance (Title III, Healthy Forests Restoration Act of 2003), which has received no appropriations though authorized for $2.5 m/yr through 2008.

-The Intertribal Timber Coalition proposes two sections in the Forestry title of the Farm Bill, as follow:

1) To authorize Forest Service financial, technical, educational and related assistance to tribes for –
   A) Tribal consultation and coordination with the Forest Service on
      - access and use of Forest Service land for traditional purposes,
      - coordinated or cooperative management of shared resources,
      - provision of tribal traditional or cultural expertise or knowledge;

   B) tribal conservation education and awareness projects and activities;
   C) technical assistance for tribal forest resources planning, management and conservation,
   D) conservation easements on land subject to tribal jurisdiction.

2) To authorize –
   A) Reburial of Native American remains and cultural items on Forest Service land,
   B) Tribal utilization of forest products from Forest Service land for cultural and traditional purposes,
   C) Temporary closure of Forest Service land for tribal cultural or traditional purposes,
   D) Protection of confidential tribal information disclosed to the Forest Service for research of to help guide Forest Service decisions.

The first section seeks to provide direct assistance authority to tribal governments for programs like those now provided state and private forestland holders in the Cooperative Forestry Assistance Act. The second section is based on recommendations of the Forest Service Tribal Relations Implementation Team that the Forest Service submitted to the 109th Congress as draft legislation.

- We strongly support the provision (Section 8002) which will "encourage the long-term sustainability of non-industrial private forestlands by investing in practices to establish, restore, protect, manage, maintain, and enhance the health and productivity of the non-industrial private forest lands in the United States for timber, habitat for flora and fauna, soil, water and air quality, wetlands, and riparian buffers." We also agree with provisions of Section 8101 to "educate landowners about the value and benefits of practicing sustainable forestry… and the variety of public and private sector resources available to assist landowners in planning for and practicing sustainable forestry." (Aleutian Pribilof Islands Association)

- Broadening the Forestry title to include ecosystem services is a good forward thinking concept to meet the environmental and stewardship needs of non-industrial forest land owners today and to prepare for the future. Southeast Alaska is experiencing economic collapse as the Tongass National Forest proves to be incapable of managing its forest to sustain Alaska's forest industry. Intensive forest management must be practiced today on non-federal forest lands, which includes Alaska Native Corporations, in order to create a sustainable forest industry for Southeast Alaska. This must be integrated with ecosystem service management to manage all the resources and benefits that come from the forest. It is a win-win benefit from:

1. the economic development from actually performing the land management tasks that will create an ecological uplift
2. land owners ability to market the ecological uplift from such management;
3. ability to purchase ecological service credits by those in need of such credits for the development projects they need to do,
4. increased ecological service benefits to the public, and
5. Creation of well managed forests to meet future timber supply needs in a sustainable manner.

Qualification as a non industrial forest land owner for Indian Tribes and Alaska Native Corporations must be maintained for FLEP and other Department of Agriculture purposes.

Alaska Native Corporations have received significant benefit from FLEP and the Forest Stewardship Program. These programs should be continued and funded at a significantly increased level to meet the existing need.

The administration is advocating in the 2007 Farm Bill combination of conservation programs into the Natural Resource Conservation Service (NRCS) Environmental Quality Incentive Program (EQIP) program. NRCS and Farm Service Agency (FSA) have at best a checkered track record of working with Alaska Native Corporations, whereas the State Division of Forestry through the Forest Land Enhancement Program (FLEP) have proven to be much more efficient. Concentration of this important conservation service into a single program to be administered by an agency with an unnecessarily bureaucratic, confusing and inefficient contract process is of concern. (Sealaska)

TITLE IX: ENERGY

The title authorized $405M over 10 years in incentives to develop renewable energy and biomass energy supplies and to increase energy efficiency. Established new programs and grants for procurement of bio-based products to support development of bio-refineries; to educate the public about benefits of bio-diesel fuel use; and to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems. Reauthorizes and broadens the bio-energy program.

Tribal Relevant Provisions:

Section 9006 –Authorizes $23 million per year from FY 2003 through FY 2007 and establishes a grant, loan, and loan guarantee program to assist eligible farmers, ranchers, and rural small businesses in purchasing **Renewable Energy Systems and Energy Efficiency Improvements**.

Discussion Ideas:

This title is going to receive a lot of attention, as bio-based renewable energy production is sure to receive more attention this session and has already been the subject of Congressional hearings in the 110th Congress. It seems essential to ensure that tribes are included in this effort.

- We strongly support reauthorization of this section, particularly Tribal-relevant Section 9006 which authorizes funding a grant, loan, and loan guarantees program to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems and energy efficiency improvements. (Aleutian Pribilof Islands Association)

TITLE X: MISCELLANEOUS

Section 10605 – Establishes the **Farmers' Market Promotion Program** to make grants for projects to establish, expand, and promote Farmers' Markets, community-supported agriculture programs, and other direct producer-to-consumer market opportunities.

Section 10607 – Provision included for the first time for research on and technical assistance for organic agriculture. Organic producers who produce and market only organic products will be allowed an **exemption from** paying conventional **marketing assessments** under any commodity promotion law. Through the USDA Cooperative State Research, Education, and Extension Service, funds will be used to identify marketing and policy constraints on the expansion of organic agriculture, production, marketing, and socioeconomic research among other subject areas. (See also Title VI and the Value-Added Agricultural Product Marketing Development Grant pilot program.)

Section **10707** – Requires the Secretary to carry out **Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers** in owning and operating farms and ranches and in participating equitably in the full range of agricultural programs offered by the Department. Such a program is required to "include information on commodity, conservation, credit,

rural and business development programs, application and bidding procedures, farm and risk management, marketing, and other activities essential to participation in agricultural and other programs of the Department."

USDA Meetings Comments:

Socially Disadvantaged Farmers and Ranchers:

- The 2501 program has been successful despite limited funding. It should be funded at the full authorized level of $25 million.
- The 2501 program should be expanded to additional communities such as Native Americans, Hispanics, and new immigrants. These funds should be administered through the USDA Office of Civil Rights and allocated to institutions that have a proven history of serving the target communities.
- In our experience working with these (above) programs, they are more unbiased through CSREES. With that said if the full authorization was appropriated, many areas of concern would be addressed so we believe that to work on approps for full funding is more beneficial than proven history as is stated above. Also we believe that to state institutions only is erroneous as the language should include CBO's, non-profits and even tribal projects. (NTDA)

Statistics and Economics:

- The National Agricultural Statistics Service (NASS) should ensure its statistics covering Indian reservations are accurate.

Disaster Recovery

- Remove limits on the number of horses eligible for disaster assistance, especially on Indian trust land.
- As stated at the beginning of Ag Credit issues we think that it will work better to have USDA recognize the working horse ranch as an agricultural enterprise as in doing so these producers will be covered on all issues. (NTDA)
-

Pests and Diseases

- Establish a farm bill program to control weeds on Indian reservations.

Conservation Planning and Tech Assistance

- The Navajo Nation wants to be involved with crafting the partnership agreement (with NRCS, Technical Service Providers) on enabling Navajo members to have equal access to USDA programs, funds, technical assistance, and education.

Other:

- One additional piece that we want to add language to is the GMO seed and crops. Any preparation that is done in the farm bill needs to address tribal concerns in this area. (NTDA)

- **Provide for advances on contracts instead of requiring lengthy reimbursement procedures**. As described above, cash is not plentiful in rural communities. Requiring the applicant to expend substantial funds and wait for lengthy reimbursement puts a severe burden on the applicant. Allowing for advances would have no fiscal implications for the agency but would have very positive impact on applicants and projects. (AVI)
- The 2007 Farm Bill should include an equitable funding formula that insures Alaska's private landowners, and in particular Alaska Native landowners receive an equitable share of USDA program funds and that the 44 million acres of ANCSA lands are considered eligible for USDA programs.
- Designation of rural Alaska as geographically disadvantaged for targeted programs and services
- The definitions of "subsistence" and "eligibility" for Farm Bill Programs need to include private Native corporation lands.
- USDA should fully recognize the unique needs of rural Alska and the fact that current farm programs are structured for lower 48 agriculture and need adaptation to rural Alaska, especially for Farm Service Agency and Natural Resource Conservation Service programs.
- We strongly support Section 10605 to establish a Farmer's Market Promotion Program to make grants for projects to establish, expand, and promote Farmers' Markets, community-supported agriculture programs, and other direct producer-to-consumer market opportunities. We also strongly support Sections 10607 and 10707, to provide for research on and technical assistance for organic agriculture and provide outreach and assistance for socially disadvantaged farmers and ranchers, respectively. (Aleutian Pribilof Islands Association)
- Place a moratorium on foreclosures of land until Keepseagle case is settled.
- Ensure American Indians are considered "socially disadvantaged" farmers.

Sage Creek Watershed Alliance
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FARM BILL – CSP SPECIFIC COMMENTS
SENATE AGRICULTURE COMMITTEE HEARING
JULY 2, 2007 GREAT FALLS, MT

Sage Creek Watershed was one of the first to be eligible for the Montana CSP program. The SCW Alliance is the local producer organization working with conservation districts. The Alliance offers the following suggestions to improve the CSP in the 2007 Farm Bill based on our experience with the process. The following are improvements the Alliance believes would enhance a good program.

- Simplify the eligibility process. The current program eligibility booklet is lengthy and confusing. Supplying three years of history of practices needs to remain a criteria, but consolidate the categories to two instead of four or five.

- Change from three "tiers" to two, minimum and advanced, for example. Advanced would be addressing all of the resources concerns relative to that operation. Minimum would be basic with deficiencies and a plan to address the deficiencies in two years. Producers with just one deficiency, such as lack of regular soil testing, should not be totally eliminated from eligibility, especially when the natural resources are being protected and fertilizer and pesticides are not being over applied. In the MT semi-arid conditions, a soil test older than three years is often still adequate. Reduced fertilizer use because of drought and/or economical considerations should not be an elimination factor for CSP. Producers meeting requirements should be able to enroll in CSP at a minimum level and then have the opportunity to correct the deficiency in two or reasonable number of years, and then move up in levels.

- Modification (tier movement) needs to be simplified. The local/area NRCS offices do not have the administrative time or staff, on a continual basis, that it took to modify the existing contracts in 2006. It takes away from valuable technical assistance that would be a better use of time. Agriculture is dynamic and changing, the CSP contract needs to have the flexibility to be easily modified to reflect the constant changes.

- The crop rotation associated with a contract needs to have some flexibility to respond to weather and prices for inputs and commodities. A producer should be able to change his rotation without being in danger of contract violation as long as he is protecting the resource to the best of his ability. Consolidate the SCI rating to two categories instead of four to allow for a rotation change without affecting the SCI index category.

- There needs to be flexibility in the rotation schedule for a pasture that is used at the same time every year. For example, most ranchers have a pasture used in early spring for calving and post-calving every year. The reason being the pasture provides shelter for spring storms, access to water that does not freeze, location near a power source and veterinary equipment, corrals, sheds, and headquarters for frequent calving checks and to provide protection from predators. Expecting producers to have two or three pastures equipped to handle these special situations to fit a "rotation schedule" is unreasonable.

- Enhancements for saline seep reclamation and management need to be included in CSP. Because these management practices are an intensive, expensive, long-term commitment, the Alliance believes they should be included as CSP contract enhancements. Specific recommendations are enclosed with this letter.

- All producers need to have the ability to compete for CSP contracts. It is extremely unfair and discriminatory that only producers in a certain watershed are eligible. Neighbors just a few miles away are not eligible and by the current pace of implementation, not all watersheds are going to have access to CSP within the next ten years. The current qualification and modification process needs to be simplified where appropriate.

- The current CSP rules state that producers must share in the economic risk of livestock production to have their land eligible for CSP. At this point that is being interpreted as the producer must have ownership in the livestock, which eliminates producers that do not own some or all the livestock that utilize their pasture and forage resources. However, producers actually do share in the risk if they maintain the fences, provide adequate water sources, determine pasture rotation systems, move the livestock, provide and/or make available animal health needs (supplements, medications and veterinary care), provide facilities to pen, load and unload livestock. Producers do take a risk in managing livestock for others because if the owners are not satisfied with the weight gain and animal health, then the producer may receive less payment or have leases canceled. These producers should be eligible for CSP.

Sage Creek Watershed producers look forward to an enhanced CSP component of the next Farm Bill legislation. The Environmental Quality Incentive Program and the Conservation Reserve Program have also both provided significant technical and financial assistance in addressing our major resource problems (erosion and salinity). Please consider these suggestions as you work on the conservation aspects of that legislation.

Proposed CSP enhancements supported by Sage Creek Watershed Alliance.
March 2007

Utilize a shallow ground water investigation to plot ground water flow direction and identify recharge area controlled by the CSP producer. Monitor the ground water level in shallow wells on annual or semi-annual basis to measure reclamation success and trends. This can be done with the assistance of an experienced consultant such as Montana Salinity Control.

Establishing perennial vegetation on identified recharge area. Rotation from current cropping system is expensive, including this as an enhancement would offset some of these expenses. Perennial forage retained longer than an EQIP contract (six years) requires ensures that reclamation of the saline area is complete.

Rotation from perennial forage back to intensive annual cropping based on measured improvement on ground water levels and electrical conductivity of soil.

Establishment of salt tolerant forage stands in the defined seep area to compete with weeds and aid in reclaiming the affected saline seep area.

Mapping the saline affected area using current and historical aerial photos, GPS, or soil EC measurements every two years to measure success of treatments.

Saline affected areas are expensive to reclaim. These areas require significant long-term management and investment. SCWA believes these enhancement options for CSP contracts are essential in Montana and are also applicable on a national level.

Sage Creek Watershed became eligible for CSP in Montana in 2005. Contract holders have also gone through the contract modification process.

Senate Agriculture Committee
Field Hearing July 2, 2007
Great Falls, Montana

Senator Baucus and Members of the Committee;

Thank you for convening a field hearing in Montana on the upcoming 2007 Farm Bill.

I am Larry Mires from Glasgow, Montana. I am with Two Rivers Economic Growth, a local economic development organization for Glasgow/Valley County and serving as the Executive Director of the St. Mary Rehabilitation Working Group.

The Bush Administration's new farm bill proposal – presented three months ago - creates a new $1.75 billion ten-year cooperative conservation program, called the **Regional Water Enhancement Program (RWEP)**, and aimed at improving water quality and water conservation on working agricultural lands on a regional scale. This program is included in the redesigned Environmental Quality Incentives Program (EQIP). Notably, the U.S. Department of Agriculture would deliver RWEP on a larger-scale basis (covering an entire watershed or irrigation basin) basis. The program would target concerted cooperative efforts on working agricultural landscapes and other high priority areas identified by the partnership. Recipients, including water districts, non-profits, or farming groups, would administer funds to achieve clear water quality and conservation goals.

The proposed RWEP would focus on cooperative approaches to enhancing water quantity and/or quality on a regional scale. This new program - in tandem with multiple conservation tools (including farmland management practices, easement purchases, and ecosystem restoration assistance) - is intended to provide flexibility to cooperative conservation partners to achieve improved water quantity and quality goals.

While previous water conservation measures undertaken undoubtedly contributed to improved water use efficiency on individual farms, the EQIP program was intended solely for on-farm purposes. Irrigation districts and other, larger entities were not eligible to compete for these funds in the last Farm Bill.

RWEP, in part, is intended to address these types of challenges. There is a need to fund projects that provide water quality or water quantity benefits at a scale that benefits more than just one or two producers. RWEP would provide substantial grant money to irrigation districts or other water agencies, which would be placed in a lead position to work with multiple producers to achieve locally-generated water quality and quantity objectives. If consensus at a regional level can be reached on a common approach, there will be a better chance of positive community participation and ultimately, a better bang for the federal buck.

While the RWEP initial proposal appears solid from a conceptual standpoint, we all know the devil will be in the details. As this concept is further advanced, the Family Farm Alliance, a grassroots organization of family farmers, ranchers, irrigation districts and allied industries in 16 Western states, is advocating for at least four key recommendations to further improve upon a great initial concept:

1. Administrative costs associated with any work performed by the Natural Resources Conservation Service (NRCS) should be capped at a reasonable level;

2. The role of the Bureau of Reclamation and how that agency coordinates with NRCS in the implementation of this program in Western states must be well thought out, and should compliment the collaborative philosophy (between the Departments of Agriculture and Interior) embedded in the "Bridging the Headgates" initiative endorsed by the Administration;

3. Limitations should be established to ensure that these monies truly benefit agriculture, and not urban municipalities with relatively "token" amounts of agricultural lands or "hobby farms" within their boundaries; and

4. The program should provide assurances that the intent is not to reallocate water away from agriculture. It must also recognize the traditional deference of federal agencies to state water allocation systems.

As you consider the 2007 Farm Bill, I would encourage you to seriously consider the RWEP program as a tool for assisting Montana's many rural water issues.

In addition to the RWEP, alternative disaster assistance needs to be addressed in drafting the Farm Bill. The recent severe weather event along the Montana Hi-Line brought to light the need for assistance following these types of events. They are financially short of qualifying for federal emergency assistance – but still leave producers and irrigation districts in the storms path with unmanageable expenses. I would encourage the Committee to establish a permanent disaster fund for producers and irrigation districts that lose crops or infrastructure to drought, floods or other severe acts of nature.

Thank you for this opportunity to provide input on the 2007 Farm Bill, which is very important to our family farmers and ranchers and the economy of Valley County, Montana.

Respectfully,

Larry Mires
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USA Dry Pea
& Lentil Council

STATEMENT BY
USA DRY PEA & LENTIL COUNCIL
TO THE
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
HEARING CHAIRMAN MAX BAUCUS

"2007 FARM BILL COMMODITY TITLE"
July 2, 2007

Introduction.
Senator Baucus and Senator Tester my name is Grant Zerbe. I produce cereal grains and pulse crops in the northeast corner of Montana near Lustre. Today, I am testifying on behalf of the USA Dry Pea and Lentil Council. The USA Dry Pea and Lentil Council is a national organization representing producers, processors and exporters of dry peas, lentils and chickpeas across the northern tier of the United States. Montana ranks second in the production of dry peas and lentils in the United States with over 300,000 acres planted this year. Dry peas, lentils and chickpeas do not require nitrogen fertilizer; they are good for soil health and break weed and disease cycles in crop rotation with cereal grains.

The biggest challenge facing U.S. commodity producers is securing an adequate safety net to protect farmers during periods of low prices and natural disaster. Right now commodity prices are up. But some day prices will drop and when they do our farm policy must protect our producers from continued subsidized competition, high tariffs, phyto-sanitary barriers and exchange rate manipulation.

The crafting of a new farm bill provides an opportunity to maintain an adequate safety net for U.S. producers. It also provides an opportunity to reward producers for being good environmental stewards of our natural resources. As Congress writes a new farm bill we ask that it include the following programs:

2002 Farm Bill- Pulse crops entered the farm program family in 2002. Our organization would like to thank the Senate Ag Committee for creating the Pulse Marketing Loan/LDP program. The program has provided a needed safety net for producers of dry peas, lentils and chickpeas across the northern tier. In the 2007 Farm Bill we seek to be included and treated equally with other farm program commodities.

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USA Dry Pea & Lentil Council

2002 Farm Bill
Pulse Loan Program

Loan Rates, Direct Payments and Target Prices for Covered Commodities						
		Loan Rate		Direct Payment	Target Price	
Crop	Unit	2002-2003	2004-2007	2002-2007	2002-2003	2004-2007
Corn	Bu.	$1.98	$1.95	$0.28	$2.60	$2.63
Sorghum	Bu.	$1.98	$1.95	$0.35	$2.54	$2.57
Barley	Bu.	$1.88	$1.85	$0.24	$2.21	$2.24
Oats	Bu.	$1.35	$1.33	$0.024	$1.40	$1.44
Wheat	**Bu.**	**$2.80**	**$2.75**	**$0.52**	**$3.86**	**$3.92**
Soybeans	Bu.	$5.00	$5.00	$0.44	$5.80	$5.80
Minor Oilseeds	lb.	$0.0960	$0.0930	$0.0080	$0.0980	$0.1010
Cotton	lb.	$0.5200	$0.5200	$0.0667	$0.7240	$0.7240
Rice	cwt.	$6.50	$6.50	$2.35	$10.50	$10.50
Dry Peas	**cwt.**	**$6.33**	**$6.22**			
Lentils	**cwt.**	**$11.94**	**$11.72**			
S. Chickpeas	**cwt.**	**$7.56**	**$7.43**			

Title I – Commodity Programs

Marketing Loan Program/LDP- The marketing loan/LDP program provides the best safety net for U.S. pulse farmers facing dips in market prices. The table below shows the pulse loan rates set by law in the 2002 farm program and our request to continue this program at the same level for dry peas and lentils with adjustments to the chickpea marketing loan program.

Pulse Marketing Loan History and 2007 Farm Bill Request

Pulse Crop	Loan Rate Basis (by law)	2002-2003	2004-2007	2007 Farm Bill Request
Dry Peas	Feed Peas/$cwt.	$6.33	$6.22	$6.22
Lentils	No. 3 grade/$cwt.	$11.94	$11.72	$11.72
Small Chickpeas	No. 2, Grade /$cwt. (below 20/64^{ths} round hole screen)	$7.56	$7.43	$10.41
Large Chickpeas (New Program)	No. 2 Grade/$cwt. (above 20/64ths round hole screen)			$18.44

Large Chickpeas- The 2002 farm bill created a marketing loan program for **small chickpeas**. The loan rate for **small chickpeas** should increase to **$10.41/cwt.** based on a No. 2 grade chickpea that falls below a 20/64ths round hole sieve. No. 2 small chickpea prices over the past five years have averaged $11.80/cwt. (95% of $11.80 equals $10.41). Our organization supports the creation of a marketing assistance loan program for large chickpeas in the 2007 farm bill. We ask that the loan rate be set at **$18.44/cwt.** for **large chickpeas.** The loan rate should be based on a No. 2 grade large chickpea that stays above a 20/64ths round hole sieve.

2. Pulse Energy Conservation Incentive Payment (PECIP).

To reduce our dependence on foreign oil, we support a strong energy component in the 2007 Farm Bill. The most effective way to reduce our dependence on foreign oil is to encourage U.S. farmers to implement a sound energy conservation strategy. To encourage energy conservation, we propose the creation of a Pulse Energy Conservation Incentive Payment (PECIP).

Dry peas, lentils and chickpeas are legumes that do not require the use of nitrogen fertilizer in the production cycle. In fact, university research shows that the production of dry peas, lentils and chickpeas provides a 40 pound per acre nitrogen credit for the next crop in the rotation. In addition to conserving energy, pulse crops also fix nitrogen in the soil which provides a significant offset to "Green House Gas" emissions. The program would be delivered as a direct payment to those producers who plant energy conserving crops like dry peas, lentils and chickpeas. The payment would be based on multiplying the nitrogen credit saved by planting a pulse crop (40 lbs/ac.) times the current cost of nitrogen fertilizer ($0.38/lb.). The payment would be roughly $15.00 per acre for pulse crops with current nitrogen fertilizer prices.

Pulse Energy Conservation Incentive Payment (PECIP)

	Pulse Crop Nitrogen Credit Lbs./Acre	Cost of Nitrogen ($ per lb.)	PECIP $/Acre
Dry Peas, Lentils, Chickpeas	40 lbs	$0.38/lb	$15.00/Acre

As Congress works on providing new incentives for the creation of biofuels, we ask that equal weight be given to providing incentives to produce pulse crops that conserve our energy resources.

3. Pulse Direct Payment Program

Pulse crops are grown in rotation with wheat, barley and minor oilseeds across the northern tier of the United States. Each crop in the rotation has a direct payment except for pulse crops. We support the creation of a direct payment for dry peas, lentils and chickpeas equal to the direct payment received for wheat. The current direct payment for wheat is $0.52 cents per bushel. The table below establishes a pulse direct payment based on the current wheat direct payment program.

Pulse Direct Payment Program

Crop	Pulse Direct Payment	Avg. Yield Per Acre (10 yr) (bu./lbs)	Direct Payment Per Acre
Wheat ($/bu.)	$0.52/bu. ($0.86/cwt.)	40 bu. (2400/lbs)	$20.00
Dry Peas ($/cwt.)	$1.05/cwt.	1900/lbs	$20.00
Lentils ($/cwt.)	$1.67/cwt.	1200/lbs	$20.00
Chickpeas (Small and Large) ($/cwt.)	$2.00/cwt.	1000/lbs	$20.00

Pulse Base Acres- Our organization supports the creation of a USDA/FSA base for dry peas, lentils and chickpeas in the 2007 Farm Bill in order to receive a direct and counter cyclical payment. Producers should be allowed to sign up their current "free acres" for the pulse direct and counter cyclical payment programs.

4. Pulse Counter-Cyclical Program
The counter-cyclical program provides an additional safety net to producers facing a downturn in the market. We support the creation of a pulse counter cyclical program for dry peas, lentils and chickpeas equal to 130% of the pulse loan rates established in the 2002 farm bill. The following table shows the Pulse Counter Cyclical Target Price based on 130% of the pulse marketing assistance loan rates.

Pulse Counter Cyclical Program
2007 Farm Bill Request

Pulse Crop	Counter Cyclical Based On	Loan Rate 2004-2007	2007 Pulse Counter Cyclical Target Price (130% Loan Rates)
Dry Peas	Feed Peas/$cwt.	$6.22	$8.09/cwt.
Lentils	No. 3 grade/$cwt.	$11.72	$15.24/cwt.
Small Chickpeas	No. 2. Grade /$cwt. (below 20/64th round hole screen)	*$7.43 (No. 3)* $10.41 (No.2)	$14.25/cwt. (No. 2)
Large Chickpeas	No. 2 Grade/$cwt. (above 20/64ths round hole screen)	$18.44*	$25.23/cwt.

* Large Chickpeas were not included in the 2002 Farm Bill. The $18.44/cwt. on large chickpeas is a suggested loan rate level for Large Chickpeas for the 2007 Farm Bill.

5. Remove Chickpeas from Fruit & Vegetable List.
Producers need planting flexibility to respond to market signals. Over 90% of the chickpeas produced in the United States are grown in WA, ID, MT, ND, and SD. Currently chickpeas are classified as a vegetable crop and are not eligible to be planted on farm program base acres. The growers producing chickpeas in the northern tier primarily produce program crops that are eligible to be planted on farm program base acres. The USADPLC supports the inclusion of chickpeas (Small and Large) as an eligible crop to be planted on farm program base acres in the 2007 Farm Bill.

In summary, the U.S. dry pea, lentil and chickpea farmers believe the 2007 farm bill should continue the current pulse marketing loan program with the addition of large chickpeas. We believe the safety net for pulses should be expanded to include a pulse direct payment and counter cyclical program. We ask Congress to implement our Pulse Energy Conservation Incentive Payment program to encourage producers to conserve energy.

We also have several suggestions on how to improve conservation, market development, food aid, and crop insurance for the pulse industry. These suggestions are provided in my complete testimony.

I would like to thank the committee for the opportunity to speak to you today, and I would be happy to answer any questions.

Title II - Conservation Programs

The USADPLC supports farm policy that rewards producers for managing their soils based on long term environmental sustainability on working lands. We offer the following suggestions on how to improve existing conservation programs in the 2007 farm bill:

Conservation Security Program (CSP). The USA Dry Pea & Lentil Council (USADPLC) supports equal access and full funding of the CSP program to provide incentives to farmers to achieve improvements in soil, air and water quality. USADPLC supports continuing the CSP with the following improvements:

a. **Fully fund the Program**. CSP should provide equal opportunity to all producers without artificial restrictions to access based on funding limitations. Restricting the program to a limited number of watersheds every eight to ten years gives significant economic advantage to those producers in the watersheds selected.

b. **Realistic Nitrogen Credit**. The current credits for planting an N fixing crop like legumes are not realistic in an annual cropping system. The base requirement exceeds the value of any crop planted for Nitrogen replenishment. There should be a credit to the producer for any reduction of N use due to the rotation.

c. **Develop a wildlife credit for annual cropping**. Annual cropping provides year around cover for many animals. Producers should be encouraged to utilize measures that provide increased wildlife habitat.

d. **Increase technical staffing for CSP**. USDA is implementing this new program while cutting staff. The data collection requirements and the self evaluation process required by the program are daunting for most producers. In addition, NRCS is tasked to provide technical support and distribute funds. USADPLC supports the use of FSA to distribute funds and administer finances and to at least maintain current staff levels at both NRCS and FSA offices to facilitate full implementation of the CSP program.

Title III - Trade

Market Development

MAP & FMD- The Market Access Program (MAP) and Foreign Market Development (FMD) Program have allowed our industry to penetrate new markets around the world. We support an increase in MAP program funding to $325 million and an increase in the FMD program to $50 million in the 2007 Farm Bill.

Food Aid

Our organization fully supports the continuation of the U.S. P.L. 480 Title I, P.L. 480 Title II, McGovern-Dole Food for Education, and Food for Progress food aid programs. These programs serve as a bridge between the United States and developing countries and help feed starving people with nutritious food from American farmers and food processors.

We believe that U.S. food aid funds, provided by the American taxpayer, should purchase only U.S.-produced commodities for the nation's food aid programs. Therefore, we do not support the use of P.L. 480 Title II funds for local commodity purchases overseas.

In light of the importance of these humanitarian U.S. food aid programs to their recipients overseas and to the U.S. agricultural community, we request Congress to:

1. **Reauthorize P.L. 480 Title I.** This government-to-government program provides U.S. agricultural commodities to developing countries on credit or grant terms. Concessional credit sales are available to those eligible countries that choose to participate in them for food aid purposes. In addition, Title I funds are a major funding source for Food for Progress, which is discussed more below.
1. **Reauthorize P.L. 480 Title II.** This program provides for the donation of U.S. agricultural commodities to meet emergency and non-emergency food needs in other countries, including support for food security goals. We support a program that is predictable and sufficient to address growing global needs for both emergencies and non-emergencies.
2. **Reauthorize Food for Progress' (FFP) Commodity Credit Corporation (CCC) Funding.** The FFP program provides for the donation or credit sale of U.S. commodities to developing countries and emerging democracies to support democracy and to assist with the expansion of private enterprise. In addition to its CCC funding, FFP also has received as much as 40% of its funds from P.L. 480 Title I. In the President's FY2008 budget proposal total FFP funds have been decreased by the amount received from Title I, leaving only CCC as the program's funding source.
3. **Reauthorize and Give Permanent Authority for Administration of the McGovern-Dole Food for Education (FFE) Program to the U.S. Department of Agriculture.** The FFE program helps support education, child development, and food security for some of the world's poorest children. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education. In the 2002 Farm Bill, the President has the authority to designate the administering federal agency. We believe this authority should be given to the U.S. Department of Agriculture permanently.

Title VII – Research

To compete successfully in the global economy we need to increase our investment in agricultural research. The USDA Agriculture Research Service and our Land Grant Universities have faced flat or decreasing budgets for years. We support increasing agricultural research budgets in the next farm bill.

Title X – Crop Insurance

Our organization supports establishing Federal Crop Insurance programs for all dry peas, lentils, and chickpeas that manage risk at an affordable price. We recommend the following issues be addressed to improve crop insurance for pulse producers:

1. **Pulse Long Term Revenue (LTR) Coverage-**

The 2002 Farm Bill required RMA to develop new "revenue" policies for non-program crops. Revenue coverage is not presently an option for producers of dry peas, lentils or chickpeas. Our organization has been working with RMA to create a "revenue" program for pulses since 2001. Our commodity was chosen to participate in an RMA initiative to develop a new revenue based insurance program for pulses. Unfortunately, we still do not have a revenue insurance program for dry peas or lentils. The 2007 Farm Bill needs to put additional pressure on RMA to create new programs for minor crops with firm deadlines.

2. APH Crop History- Pulse producers are required by RMA to have 4 years of production data to establish an Actual Production History (APH). Pulse crops are grown in a 3, 4 and sometimes 5 year crop rotation. It could take 12 to 20 years to establish an APH for a new grower. Last year RMA created a pilot program in North Dakota that would allow producers to generate an APH history in a shorter amount of time. Under the "Personal T Yield" pilot program a producer can generate production history each year for all units across his farm even if the unit did not produce pulses. This pilot program needs to be expanded to all growing regions raising pulses in the 2007 Farm Bill.

I would like to thank the committee for the opportunity to provide this testimony to you today.

To Senator Max Baucus;

Dear Senator:

With reference to July 2, 2007 Agricultural Hearing - Great Falls, MT

Have earlier this year written my feelings to you in regard to the new farm bill now being considered but wish to reiterate some of those points.

It appears there is a push again to chop-off all forms of farm subsidies with the indication that the farmer should compete against each other or get out of the way. This mind-set has been around a long time and when I read such dia-tribe I am first steamed of course, but on second thought I know this persons or group to be merely badly informed. The direct payments from the 2002-07 Farm Bill of course were of help but a very small percentage of the cost of operation.

My personal feeling is that the grain farmer has been subsidizing the consumer for many many years. The consumers have had safe, cheap food. When you consider an investment of a million dollars, which is small in this industry now, you are lucky to net 3% on that investment with zero return for your labor.. With the 100% increase in fuel, fertilizer along with any service that consumes fuel, we are expected to just suck it up, unlike most businesses that inform the public "We are sorry but we are forced to increase the price of our product or service due to increased cost of fuel, etc." This is what the opponents of a strong farm program need to know. The farmer has nowhere to recoupe those costs except his own pocket. I feel sure you are willing to help get this word out to the uninformed and it would be most appreciated. A recent poll by the Great Falls Tribune showed a result with approximately 67% against any farm subsidies. This in Montana. Getting out the information on the plight of the farmer, I deem to be important to the passage of a beneficial bill with the urban climate of the present Congress.

Would strongly urge you to resist any attempt to dump the commodity loan program which has served as a surviall tool for the small farmer & since the demise of the high cost of government storage of large amounts of grain, this program has cost the federal government very little. The program coupled with the once called Federal Crop Insurance Corporation has served to ease my mind each spring for 60 years, that I would be able to plant one more crop.

Respectively submitted,

Henry L. Armstrong.

Comments for 2007 Farm Bill

My name is Robert Bold of Winifred, MT,and I thank you, Max, for hearings you are sponsoring around the great state of Montana. It is appreciated and noticed. Thank you.

Concerning the major items and points in the next Farm Bill, I will be brief, but they are as follows:

Direct Payments to Montana's wheat & barley producers are a must. They need not be reduced. They need not be traded away for conservation or other national expenditures. Direct payments are a mechanism for economic stability in rural communities at the same time as a production catalyst for crops such as those needed for the productions of food, fiber and domestic energy.

The safety net of Crop Insurance needs to be increased—by coverage and coverage amounts. The coverage of crops needs to be increased to include more crops. The amount of coverage needs to reflect production costs and crop values. Currently, there is too large of a lag time for crop values to be set. The tools and mechanisms are all there and already in place. Just at little fine tuning is required.

The Counter-Cyclical Program is great program for price protection and rural community preservation. Currently the target price for Montana wheat & barley need to be increased to make the program equitable and to reflect production costs and crop values. This program is used only in years of low commodity prices—not in years like this year. However, this safety net needs to be updated for prices and crop values, made equal and equitable for all crops and adjust the target prices to reflect the current production costs.

World trade needs to be increased and protected. However, the United States can not afford to give in at the WTO table just to get an agreement. A bad agreement (and we have had them) is worse than no agreement. Direct Payments are WTO compliant and need to be maintained. The US needs to make sure that the WTO does not grow into an ugly giant like the UN.

World trade agreements like most of those we have had in the past (NAFTA) have over all been good for the US and its neighbors and trading partners. If the US keeps making individual trading agreements with individual countries, that appears to be the best and more effective than a large WTO agreement. Fast Track needs to be extended. The Senate still have the responsibility to vote an agreement in or out. Without Fast Track negotiating authority, no negotiations take place at all. That is not good for US agriculture which relies on trade.

Stay away from bad treaties like the KATO treaty. It ignores countries like China and India and penalizes those countries in the treaty. It also penalizes US agriculture.

Conservation needs to be adequately funded. It has not been adequately funded in the past. Conservation needs to have it own funding—not displacing or taking funds from Direct Payments.

Carbon credits need to be implemented. Agriculture's role need not be limited to only 15% as introduced legislation so stipulates. Agriculture and forestry is a live and viable solution that needs not be limited in the free market place

Thank you for your hearings and coming to Montana. I hope is helpful and useful to you and the Senate.

MY NAME IS LINDA DAUGHERTY, I HAVE BEEN A DUCKS UNLIMITED VOLUNTEER FOR OVER 25 YEARS AND AM CURRENTLY SERVING AS THE DUCKS UNLIMITED MONTANA STATE CHAIRMAN. DUCKS UNLIMITED MEMBERSHIP IS OVER 700,000 WITH OVER 6,500 MEMBERS IN MONTANA ALONE. DU MEMBERS COME FROM ALL WALKS OF LIFE AND MANY OF OUR MOST AVID MEMBERS ARE FARMERS AND RANCHERS.

I AM HERE TODAY TO TALK ABOUT THE IMPORTANCE OF CONTINUING WRP AND CRP IN THE 2007 FARM BILL.

SINCE 1990, WRP HAS RESTORED MORE THAN 2 MILLION ACRES OF WETLANDS ON MARGINAL FARMLAND, PROVIDING CRITICAL HABITAT FOR WATERFOWL AND MANY OTHER WILDLIFE SPECIES. WRP IS INTEGRAL IN HELPING TO OFFSET THE 80,000 ACRES OF WETLANDS THAT CONTINUE TO BE LOST IN THE U.S. EACH YEAR. WRP HAS BEEN ONE OF THE MOST SUCCESSFUL FEDERAL WETLANDS CONSERVATION PROGRAMS, PROVIDING A VOLUNTARY, NON-REGULATORY, INCENTIVE-BASED PROGRAM FOR PRIVATE LAND OWNERS, FARMERS AND RANCHERS TO PROTECT AND RESTORE THE FUNCTIONS AND VALUES OF WETLANDS ON THEIR PROPERTY. WRP PROVIDES SOCIETAL BENEFITS SUCH AS IMPROVED WATER QUALITY AND QUANTITY, REDUCED FLOOD DAMAGE,

GROUNDWATER RECHARGE AND ENHANCED FISH AND WILDLIFE HABITAT. PRODUCER DEMAND FOR THIS PROGRAM OUTSTRIPS AVAILABLE FUNDING BY AT LEAST 3 TO 1.

IF FUNDING IS NOT PROVIDED, CONGRESS IS TELLING LANDOWNERS THAT BEING A GOOD STEWARD OF THE LAND IS LESS IMPORTANT THAN PLOWING CROPS ON MARGINAL LANDS.

THE U.S. FISH AND WILDLIFE SERVICES ESTIMATES THAT 7.8 MILLION ACRES OF CRP IN THE PRARIE POTHOLE REGION ADDS A MINIMUM OF 2 MILLIONS DUCKS TO THE FALL FLIGHT EACH YEAR. MOST OF THESE ACRES CONSIST OF LARGE, CONTIGUOUS BLOCKS OF GRASSLAND COVER INTERSPERSED WITH AN ABUNDANCE OF PRARIE WETLANDS. CONTRACTS ON NEARLY 6.4 MILLION OF THE 7.8 MILLION ACRES ARE SET TO EXPIRE BETWEEN 2007 AND 2010. THOUGH IT IS APPARENT THAT CRP IS A CRITICAL COMPONENT OF THE LANDSCAPE, IT IS CURRENTLY UNDER THREAT.

AS WORK CONTINUES ON THE 2007 FARM BILL IT IS CRITICAL THAT WE PROMOTE WATERFOWL CONSERVATION PROGRAMS THAT CONTRIBUTE TO THE ECONOMIC VIABILITY OF AMERICA'S FARMERS AND RANCHERS AND A HEALTHY ENVIRONMENT. WE MUST ALSO ENSURE

CONSERVATION PROGRAMS PROVIDE PRIVATE LANDOWNERS WITH VIABLE FINANCIAL INCENTIVES TO RESTORE AND PROTECT LARGE TRACTS OF GRASSLANDS AND WETLANDS THAT BENEFIT NORTH AMERICAN WATERFOWL AND OUR LANDSCAPE.

I ENCOURAGE ALL FOLKS HERE TODAY, IF YOU FEEL AS I DO, TO CONTACT OUR SENATORS AND RESPRESENTATIVE TO LET THEM KNOW YOUR THOUGHTS ON THESE IMPORTANT ISSUES.

IN CONCLUSION, I WOULD LEAVE YOU WITH THIS ONE THOUGHT: FARM THE BEST, CONSERVE THE REST.

Testimony for Senate Agriculture, Nutrition and Forestry Committee
by
Ron de Yong

Mr. Chairman and members of the committee,

My name is Ron de Yong, I have a family farm in northwestern Montana, just south of Glacier National Park near the city of Kalispell. The last seven years I have been teaching economics and agricultural policy classes at California Polytechnic State University. Last year we rented our farm to a local dairy farmer and I worked as an economist for National Farmers Union in Washington D.C. for the summer. My duties included conducting listening sessions and receiving input for the next farm bill from farmers and ranchers from Texas to Wisconsin.

I believe that the next farm bill needs a strong conservation title and a strong energy title, but I do not want the safety net provided by the commodity title weakened in the process of strengthening other titles. Today prices are higher than normal partly because of increased use of corn for ethanol. Some individuals think that there will be no need for a safety need in the future because corn must meet both food and energy needs. Those individuals are wrong just as they were in 1973 when prices were higher due to grain purchases by the Soviet Union. Input prices have followed grain commodity prices upward and when adequate supply of those commodities is assured commodity prices will decline, but input prices will not, leaving farmers in the all too familiar cost-price squeeze.

I am pleased that the House subcommittee passed a five year extension of the current program with minor changes for LDPs and direct payments, but no overall funding changes for the commodity title. Wheat producers did not fare as well as cotton and rice producers with the current program so minor adjustments need to be made to increase their safety net. Given the current budget and political environment, I believe that an extension of the 2002 farm program is the best option that can be achieved in the limited time available. However, the 2002 farm program has some serious problems that will have to be solved in future legislation.

As you know direct payments are not countercyclical, which, as Senator Harkin as said, makes them difficult to justify when prices are high and they are inadequate when prices are low. Since direct payments are calculated on an historical base they become capitalized into land rents. Farmers on average rent half of the land they farm so the landlords end up with half of the payment, which results in a very inefficient program since the targeted producers end up with only 50% of the benefits. The WTO however, likes direct payments because they do not encourage production and distort trade qualifying them for the green box.

LDPs are countercyclical and the benefits go to the producer rather than the landlord, but the WTO does not like them because they encourage production and distort trade, which puts them in the amber box. Also, all three income support payments in the current program are determined by arbitrary support levels that were determined in 2002 that do not take into account the recent dramatic increases in cost of production.

We are going to have to lay the ground work for a more creative solution to solve these problems in the future. The three income supports in the current program are all attempting to cover the farmer's cost of production when we experience the low part of the price cycle so that we do not lose hundreds of thousands of farmers like we did in the 1980s. It is better and costs much less to provide a safety net than face the destruction of rural infrastructure and precipitate a national recession during those cycle lows. Since cost of production is what the program is really attempting to cover, I propose that the most efficient program would address it directly. I would combine the current three income support payments into one income support payment based on cost of production. This is also what National Farmers Union is proposing but I would do it in a slightly different manner.

Today I would like to briefly give you the solution that I have arrived at from my farming and teaching experience, which I fine tuned after the listening sessions with farmers last summer.

We need to provide an adequate safety net for family farmers only on production consumed domestically with no subsidies on production that is exported. The U.S. does not have a right to destroy prices for farmers in other countries with subsidized production that is exported, but we do have the sovereign right to protect our farmers with income support on production consumed domestically since they experience higher labor and environmental costs. This fits within the philosophy of the WTO but rules defining the green, amber and blue boxes will have to be modified to accommodate the change. If USDA's estimated cost of production is greater than the average market price for a given commodity then the difference should be paid as income support on production consumed domestically.

Another problem that could be mitigated at the same time is the loss of farmers in the middle. Small farmers can sell their entire volume through niche markets and very large producers often receive higher prices with retail connections, but farmers in the middle are too large to niche market and not large enough to have retail connections and thus are price takers. That is why USDA's statistics show a loss of farmers in the middle, the very farmers who provide the greatest amount of support for rural infrastructure. Therefore, I propose that the maximum payment for a given commodity be no larger than what the average size farmer in that commodity is eligible for. Very large producers would receive the same payment as the average size producer in that commodity. The American public does not believe that very large producers should have a very large safety net and we are in danger of losing all safety nets if we do not address this issue.

My proposal adjusts for increasing input costs with a cost of production mechanism and targets payments toward farmers in the middle where losses are the greatest. The following example for wheat demonstrates how easy the mechanism could work.

1. Divide the previous year's production by the number of true wheat farmers to determine average wheat production. Very small producers would not be included in the calculation of the average size producer to give a more accurate number, but they would be eligible for payments.

2. Multiple this average production per producer by the percent consumed domestically. This is the maximum amount that a producer may receive payments on. The payment per bushel is USDA's estimated cost of production minus the average market price for the previous year. Cost of production would include management costs and return on investment as is normal for all businesses.

3. If a farmer's production is less than the average production per producer consumed domestically, then he is eligible for a payment on his entire production. If the farmer's production is greater than the average he will receive a payment no larger than what the average farmer would receive.

We could also build a disaster program into the income support calculated above. A farmer who has production greater than his payment eligibility could store enough to meet next year's eligibility requirements to cover a potential future disaster and receive storage payments from the USDA. This stored grain would be eligible for 100 percent of the payment, whereas a supplemental permanent disaster program not based on stored grain would allow only a 65% payment. Any coverage beyond this supplemental disaster program would have to be done with unsubsidized private insurance.

This cost of production income support program with a built-in payment limitation and built-in disaster aid program would provide an adequate safety net for family farmers in the United States and would not harm family farmers in other countries. It would provide fairness between commodities by using cost of production rather than arbitrary numbers for target prices and marketing loan levels. It would actually enhance negotiations at the WTO, because countries could reduce barriers to market access to a greater degree if they knew that they could maintain the livelihood of their family farmers with a safety net that covered their cost of production on production consumed domestically.

Thank you,

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WRITTEN comments for oral testimony, 2 Jul 07 Farm Bill Hearing, Great Falls
Richard D. Liebert, rancher and retired Lt. Colonel, US Army Reserve, Chair of Citizens for Clean Energy, Inc., a grassroots citizens organization focused on promoting clean, green energy solutions for the Great Falls community, not obsolete and toxic fossil-fuel energy generation.

"How can Congress allow the USDA to squander funds on an obsolete and toxic coal plant that will harm local farming communities, pollute our air and water and degrade the Lewis and Clark portage route, a national landmark? Congress has the power to invest in better and cleaner energy technology, not stay tied to fossil-fuel lobbyists and19th century thinking."

"As a retired Army officer, I value the courage and persistence of Captains Lewis and Clark to portage around the Great Falls, and it's shameful our federal government would even consider placing an industrial site on a national landmark of this significance. The National Park Service itself had determined the Highwood Generating Station should Be moved as its adverse impacts cannot be mitigated."

"The plant developers say the landmark isn't Valley Forge, and they're right – the portage is **unique** in its prominence in the growth and character of our nation's development and values. What if we put the coal plant in the shadow of Pompey's Pillar next the the Yellowstone River? Would citizens down there be outraged?" Should we measure each historical site on its age, how many died, gallons of blood compared to commercial investment values? A casino next to Gettysburg is just as shameful as a coal plant on our Lewis and Clark Trail."

"Congress, and the Departments of Agriculture and Energy should be working together to establish a new REA – this time a Rural Energy Act incorporating renewable energy and coal gasification technology with sequestration. 70 years ago, Congress and FDR had the courage in the midst of the Great Depression to take a bold move and bring electricityto farms, ranches and rural communities. A new REA – Rural Energy Act – could fulfill the recent USDA/DOE rhetoric of promoiting a new 'Rural American Renaissance' agreed upon last Oct 2006 in St. Louis.

Senator Max Baucus proposed USDA cost-sharing for renewable energy technology for Ag producers, but a bold new REA could invest major funding for farms, ranches and rural electric co-ops to exploit renewable energy systems, establish net-metering, practice greater conservation (Gov. Schweitzer of MT says that's #1 on his energy focus), reduce rural electric load demands so urban/suburban consumers would be actually getting not only food and fiber from American's heartland, but also ENERGY.

"No idea can be defeated whose time has come" said Victor Hugo, and that idea is responsible clean and green energy. As an Eagle Scout myself, I would find any act that would defile our land, air, water and national heritage as against the scouting philosophy of citizenship in the nation, community and conservation of natural resources.

Honorable Senator Max Baucus:

Thank you for this opportunity to testify regardig the new farm bill.

I raise wheat and barley small grains fourteen (14) miles north of Great Falls Mt, on the Bootlegger Trail in southern Chouteau County Montana. My spring barley crops have been affected by drought conditions and/or hai the past eight years..

I believe requiring Multiple Peril Federal Crop Insurance (MPCI) in subsequent years as a condition of previous disaster aid is justified.

I think disaster aid should be part of the program fully funded and not funded by offsetting other benefits

The assumption of previous disaster legislation is a single crop failure not succesive.ones. Previous disaster bills covering 1 of 2 or 1 of 3 years is flawed because of that. Crop insurance pays 75% of an average yield history. Something Senator Testor referred to is that with successive droughts the average yield drops reducing the safety net .
This makes achieving the guaranteed "T" yield (75%) more probable with no compensation just premium payment.. The profit in farming is in above average yields. Operating margins rarely can handle successive 25% losses Most other industies would scream if their losses were reduced 25%.

Loan Deficiency Payments (L D P) - This is paid on bushels produced. In a drought or hail loss there is no product, So those not affected receive a bonus that those with poor crops are precluded from. Widening the disparity between those affected by disaster and those with normal or better yields. Perhaps the " FSA crop bases" could become a minimum payment level regardless of production.

The proposed "Savings Accounts " for low years sounds easy to implement provided you are coming off of good crop years, not sucessive drought and the resulting accrued debt. Give us back the IRS income averaging.

I thank you again for providing the field hearing in Great Falls Mt and the opportunity for dialogue.

Sincerely

Gordon A McKerrow
1961 Darby Road
Floweree, Mt 59440
$06-452-9059

July 2, 2007

Senate Agricultural Committee:

My name is Martin Molinario, and together with my wife,Toni, and son, Damon, we have a grain farm in Chouteau County, MT. raising primarily winter wheat and spring wheat.

I have been a full time grain producer for over 42 years, and I can truthfully say I would not be in business today without the USDA payments received throughout those years. And I know most of my neighbors have experienced the same scenario. Several situations which have caused these payments to be so critical include gov't. grain embargoes, poor crop yield and low grain prices, good crop and low grain prices, low grain yield and good grain prices, and other weather related problems such as hail and freeze damage. I want to be on record stating too much moisture has never been a problem. I have been waiting to feed the world since the Russian grain deals of 1974, hoping for a consistently decent grain price year after year, and I am still waiting.

One thing that has been increasing is my operating expenses. Fuel and fertilizer prices have more than doubled in recent years, and the price of equipment, even used, is outrageous. The projections for these major expenses is to increase further. Can I plan on the present high grain prices to be here later this month and next when I harvest, or for next years crop? The answer is no! The only time I recall two years in a row of good grain prices was 1974 and 1975. This present scenario occurs once every ten to eleven years, and is usually weather related.

The recent problems with imported food items, whether it be for human or animal consumption, should raise a red flag to the American consumer about food safety, and a safe, reliable supply. The budgeted amount of funds set aside for U.S. producers is a very, very minor sum compared to the whole, and not all these funds are distributed every year. They are cheap insurance to maintain our abundant food supply. The U.S. consumer does not want to have the same scenario as our energy supplies. As for the amount of payments I receive; if I have a profit, part of those funds go back to the federal treasury as taxes. What a deal for the American public.

I am not in favor of taking funds from direct payments and place them in more conservation programs. These do not work for all producers. For example I inquired about the EQUIP program for conservation tillage or no-til farming, which most producers have been practicing for years. Since I was already doing this, I did not qualify. I inquired about the CSP program. About half the farm is in the Teton River drainage, which may qualify some year, while the other farm half is in the Missouri River drainage, which I was told will probably never qualify for CSP because of its drainage size. Producers with all their land in the Missouri drainage may never participate in this program.

In summary, I hope I have explained how important the USDA farm programs have been through the years, both in keeping the U.S. producer in business through disastrous times,

whatever their cause, and supplying the American consumer with a safe and reliable supply of food and fiber. This support should be continued, and even increased to give some relief from increasing expenses which are beyond our control.

Thank-you for this opportunity to express my thoughts.

Martin Molinario

Martin Molinario
Box 909
Ft. Benton, MT. 59442
[406] 622-5346

Senator Conrad

To: US Senate Ag Committee, Senator Max Baucus, Committee members

Senator Jon Tester

For the Record, My name is ROBERT MOOG and I farm in northern Liberty and Hill counties, in the Joplin, Montana area, which is north of Great Falls about 100 miles.

As you are working hard on the new Farm Bill Reauthorization, I implore that you consider increasing the Direct Payments to wheat and barley producers. We are still experiencing the effects of this continual ten year drought and the hardship that places on individual farms and our business communities. I feel that my farm needs the FSA Direct Farm Payments to survive. I think, no, I know my banker would also agree.

I don't need to tell you, but for the record, over the last 3 years, we have seen 100% increases in many of our major production costs-fuel, fertilizer and chemicals. I am not looking forward to any program cuts that are on the table during this Farm Bill Reauthorization. I feel that the Federal Government's "CHEAP FOOD PROGRAM" places too much weight on the backs of the American farmer.

It is hard for me to understand how our Government can justify spending, I've heard estimates of 1 Billion dollars **per day** to fight a civil war in the sand, on one hand. On the other hand, there seems to be a faction that would squeeze a few million dollars **per year** from the Farm Direct Payment program that benefits an industry that provides the CHEAPEST, SAFEST, HIGHEST QUALITY, **FOOD SUPPLY** in the world!

America's farmers provide a renewal resource that adds **NEW** money to our Gross National Product EACH YEAR. Ag producers provide exported ag products that help offset the balance of payments with other countries.

As you deliberate the new Farm Bill, please remember in the mid 1980's when the Conservation Reserve Program was introduced. It looked good on the surface because it put 1,000's of acres of highly erodable soil into permanent perennial vegetation. The unintended results in our area were, after the grass was established, farmers left the area with their money. Slowly there after, down town businesses closed along with the farm implement dealers, local schools closed and a good source of farm laborers left the area. Can our nation's wheat and barley producers stand more belt tightening? What repercussions will this cause down the road?

Finally, to quote John Stoessel, TV Commentator, "Give us a break!"

Sincerely,

Robert H Moog
Joplin Mt. 59531-0005
406-292-3300

Thank you Max for the Farm Bill hearing and all the support you have given to Agriculture. You are the best.

1. I would like to see country of origin labeling as soon as possible. Americans need a choice in the purchase of their food. Labeling would be advantageous to American producers.

2. I would like to see CRP left alone. It has been so successful and it has benefited the wildlife immensely. Payment reductions have been made in the past while property taxes and other expenses have increased substantially. The payment reductions are making a financial hardships on the farmers.

3. Young farmers need to have the desire and work ethic to prove to their bankers that they have what it takes to be successful. There is land available but the youngsters must be willing to put in the hard work like their predecessors.

4. The job services have plenty of applicants that are willing to do the work so it is not necessary to hire illegals. The employers want the low wages and refuse to purchase the machinery that would ordinarily to the work.

Thank you.

Sincerely,
Mrs. Irma J. Tweedy

Mr. Chairman and members of the Committee, thank you for the opportunity to present to you my thoughts on the 2007 farm bill.

My name is Bing Von Bergen and I am a wheat and barley farmer from Moccasin, Montana and currently I am the Treasurer of the Montana Grain Growers Association.

The Central Montana area where I farm is considered a high plains desert as our rainfall falls in the 10 to 15 inch per year range and most of the farm land is around 4,000 feet in elevation. It is an important grain area in the state that raises very high quality grain but it is an area that can suffer through prolonged droughts and severe hail storms. If I did not have the Direct Payment that I do now to help maintain my budget it would put a tremendous burden on my operation and in the drought years I may not have survived. The Direct Payment is the only safety net that I can rely on. The Counter Cyclical Payment would be another payment that would help in years that the price of grain is low but our Target Price is positioned too low for this payment to be a viable safety net. If the Target Price was raised high enough on wheat and barley then the Counter Cyclical Payment would be a good safety net and one that I could rely on. The Direct and Counter Cyclical Payments benefit All farmers, whether you are a small farmer, an organic farmer, or a big farmer. These payments benefit even energy crop producers as it gives them the stability of the payment on base acres with the flexibility of seeding energy crops on those base acres while still being WTO compliant.

The payments that we receive are turned over many times in my local community and if these payments were cut or ended, the rural communities of Montana would suffer immeasurably. I also own a Seed Plant where I condition and sell seed to my local farmers and I know my business would suffer greatly were these payments lost.

All of our farms are getting bigger out of necessity to be able to compete. There is a real effort to penalize the bigger operations by trying to limit payments but how fair is that really. The bigger operations in my area are still family farms and they have a lot more potential for a big year but also a lot more potential for a big loss. The safety net is just as integral to their operation as it is for a small operation.

There has been much talk of "gap coverage" or permanent disaster being part of the Farm Bill. My concern is that this would be funded with cuts in the Direct Payments or other cuts in our safety net. If it is funded as such I would be very much against it as the Direct Payment is something we can rely on every year

whereas the gap policy is not. A permanent disaster program where the producer has a stake in it by putting money into a savings account with the government providing a match that can only be taken out in times of disaster seems a workable program to me.

The CSP program is a program that appears to have great merit but it has to be available to all producers and not just specific watersheds. It also can not be funded by cuts in our Direct Payments.

Thank you again for letting me express my views to you.

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