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BEFORE THE

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CONSERVATION

WEDNESDAY, FEBRUARY 28, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9 a.m. in room 328, Russell Senate Building, Hon. Richard G. Lugar (Chairman of the Committee) presiding.

Present: Senators Lugar, Miller, Thomas, Stabenow, Allard, Crapo, Roberts, Harkin, Fitzgerald, Dayton, Leahy, Lincoln, and McConnell.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. Thank you for coming. This hearing of the Senate Agriculture Committee is called to order.

Let me mention to the Member, Senator Miller, who is here on time, we are hopeful at some point, perhaps in the next 45 minutes, of obtaining a quorum of the committee. That would be 11 Senators. At that time, I'll try to interrupt the proceedings to gain consideration of the committee of our budget, our subcommittee rosters, memorandum of understanding between Senator Harkin and myself on the bipartisan conduct of the committee and budget and a whole raft of other things.

This type of procedure is occurring in all committees who are having meetings today or tomorrow, and so it's important that we take action on that. But we will try to count heads, and if we find 11 around the table. So I would ask staff, Democratic and Republican, to alert their Senators, hopefully to bring about their presence, if possible. It is not easy ever to get a quorum this early in the day or in the session. But we will need to have one so that we can move ahead.

At this point, I simply want to say, in my opening statement this morning, that we have begun our work on the new farm bill by receiving testimony from the Commission on the 21st Century Production Agriculture about its recommendations on our legislation. Today our committee begins 2 days of hearings on conservation, a very important part of our farm bill and our Farm bill discussion. Conservation programs were significantly expanded in the conservation title of the 1985 Farm bill. The establishment of the conservation reserve program in the 1985 bill was due to recognition by many of us in Congress of the need to address serious soil erosion problems facing agriculture.

The 1990 and 1996 Farm bills further strengthened agricultural conservation programs. This is one area of farm bills where there has been strong bipartisan support in the Congress.

In my view, there are at least three fundamental questions to consider as we begin debate on the conservation title. First of all, what should be the environmental goals of the next farm bill? How should they be designed to attain those goals through voluntary incentive based programs?

Second, what will be the cost and benefits to landowners and producers of achieving those broad goals? Third, what will be the cost and benefits to society of achieving those goals?

Hopefully the testimony presented at these 2 days of hearings will help us answer these questions and perhaps others that members will pose. One of the challenges facing agriculture today is how to provide food, fiber and industrial raw materials without jeopardizing the future productivity of our natural resources. Private landowners are stewards of over 70 percent of our Nation's land. Our Nation's farmers and ranchers are facing increasingly complex environmental problems and regulations. Increasingly, taxpayers have been demanding and expecting increased conservation achievements from farmers and the agricultural sector.

Given this situation, we have still another request to consider. Should there be a substantially larger investment by the Federal Government in conservation cost share and incentive programs?

As we try to answer these questions, it will be important for our committee to hear about how the current conservation programs are managed, the use and distribution of funding for those programs, the types of agricultural producers and landowners who participate in the geographic distribution of those participants. We're also seeking suggestions for improvements and changes to the current programs and asking whether there is need for new initiatives. We'll be trying to determine the appropriate role for the Federal Government in assisting farmers, ranchers and other landowners in achieving conservation goals.

Now, today we'll gather testimony from representatives of the U.S. Department of Agriculture and the Congressional Research Service about the administration and funding of our current program. At tomorrow's hearings, witnesses will include representatives of farm organizations, conservation and wildlife groups, and State agencies. And we will seek the views on current programs, as well as suggestions for improvements and new approaches.

I welcome our witnesses today, and look forward to hearing their testimony. Before I call upon them, let me ask first of all if there are comments or statements from Senators who were present at the initiation of this hearing. Senator Miller, do you have an opening comment or statement?

[The prepared statement of Chairman Lugar can be found in the appendix on page 34.]

STATEMENT OF HON. ZELL MILLER, A U.S. SENATOR FROM GEORGIA

Senator MILLER. I have an opening comment, but Mr. Chairman, I'd just like to submit it for the record. I want to hear as many of these witnesses as possible.

The CHAIRMAN. Thank you. It will be submitted into the record and published in full in the record.

Senator Thomas.

STATEMENT OF HON. CRAIG THOMAS, A U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman. I, too, will submit it for the record. I just want to say that these programs are especially important in Wyoming. I think, when you look at the environment and those kinds of things, we have a good relationship with NRCS and we look forward to continuing that. But I agree with you, Mr. Chairman, that we've got to look into it and see how we can make it work better and make it a part of the Farm bill. So thank you for this.

The CHAIRMAN. Well, thank you very much, Senator Thomas. Your statement will be a part of the record in full.

It's a privilege to have before us Ms. Katherine Smith, Director of Resource Economics, U.S. Department of Agriculture in Washington, DC.; Mr. Jeffrey Zinn, Specialist in Natural Resources of the Congressional Research Services of Washington, DC.

Let me ask that you try to summarize your testimony and preferably within a 10 minute period of time each. We'll ask you to testify completely, Ms. Smith and Mr. Zinn, and then we'll have questions from the Committee. And as you've heard the explanation, if suddenly I see the magic moment has arrived in which we have a quorum of 11, I will ask you to suspend temporarily your testimonies, so that we can go about that business, and then we will proceed again.

Ms. Smith, would you give us your testimony?

STATEMENT OF KATHERINE R. SMITH, DIRECTOR, RESOURCE ECONOMICS DIVISION, ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Ms. SMITH. Yes, thank you, Chairman Lugar.

The USDA's Economic Research Service makes economic assessments of conservation program options, frequently in collaboration with the agencies that implement those programs, and occasionally as an independent third party evaluator.

My written testimony provides an overview of conservation programs from that perspective, their costs, their benefits and economic insights that we've gained from having evaluated their performance over time. You'll be getting the details of the current programs from other USDA witnesses this morning. In my brief oral comments, I would like to emphasize three points. First, the benefits of conservation and environmental programs have been substantial. We don't even know the total value of the benefits, because many of them are benefits that are not valuated on the market, they're non-market benefits that are difficult to evaluate. And yet we have accumulated quite a total of those that we can evaluate in some way.

The sum of on and off site benefits of a 40 percent reduction in crop land soil erosion over the last 15 years is estimated to be valued at over $2 billion per year. Conservation provisions have drastically slowed the rate of conversion of wetlands to agricultural

uses, thus preserving the wildlife habitat benefits and the environmental restoration benefits of between 2.5 and 4 million wetland acres since 1985.

Wildlife habitat improved by enrolling land in the conservation reserve program is estimated to have provided over $700 million per year in benefits from enhanced hunting and wildlife viewing opportunities alone, without the other wildlife enhancement benefits that have not been able to be estimated in dollar terms. An acre of conservation reserve program land in the great plains pulls .85 metric tons of carbon out of the atmosphere each year. Depending on international greenhouse gas negotiations, this carbon sequestration service could be worth a substantial amount.

Now, my second point is that while some of these benefits are self-sustaining, particularly those that arose from education and technical assistance that informed producers about the benefits they could obtain personally from adopting practices, most of the benefits are transitory. Because in the absence of public programs, producers would have little economic incentive or perhaps limited economic capability to maintain the actions that result in these big benefit numbers. So preserving the gains means continuing some form of public assistance in the conservation and environmental arena.

Third, we've learned from observing the performance of past and present programs that certain program characteristics are more likely to make the programs successful, especially in assuring cost effectiveness of programs. One of those characteristics is that they are coordinated not only with other conservation and environmental programs and regulations, but also with farm programs which can, if we're not careful, work at cross purposes, or to complement. But it has to be kept in mind that the coordination is an important thing to keep at the forefront of planning new conservation programs.

Second is targeting, spatial targeting by region of the country that warrants attention for whatever the environmental goal is that your committee decides is the one or the ones that deserve attention, and also possibly targeting by types of producers that particularly need support in carrying out conservation practices.

A third kind of lesson learned from the past is that flexibility is a good thing. Giving producers the option to decide how to achieve an environmental goal is more cost-effective and more successful than telling them, you must do this particular practice. Working in the flexibility makes it easier to meet a goal.

And finally, some recent work that we've done in the Economic Research Service suggests that there can be unintended consequences to providing support for conservation practices if that support encourages increased production, an increase in the acres under production. If that happens, you may see a reduction in adverse effects on the environment from the initial land farmed that can be overtaken by the environmental consequences of putting more land in production.

So these are some of the things mentioned in greater detail in the written testimony and available in a new report, AgriEnvironmental Policy at the Crossroads: Guidelines on a Changing Landscape, of which we've brought about 50 copies and

would be happy to distribute. Thank you for the opportunity. I'll be happy to take questions after Jeff Zinn.

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

The CHAIRMAN. Well, thank you very much, Ms. Smith.

Let me just ask staff if you can attach some of those copies. It might be well to distribute them to Senators as they come to this hearing today, and members of the staff, so that they will have them. Because that's an important report and we thank you for bringing those copies for us.

Mr. Zinn.

STATEMENT OF JEFFREY A. ZINN, SENIOR ANALYST, NATURAL RESOURCES POLICY, CONGRESSIONAL RESEARCH SERVICE

Mr. ZINN. Mr. Chairman, members of the Committee, good morning and thank you for inviting me to testify today.

The Committee has asked other witnesses to offer recommendations for change in conservation policies and programs. CRS policy, as many of you know, does not allow me to make or take positions on recommendations on the record.

My oral statement summarizes my written testimony, which provides a context for consideration of these recommendations. It reviews the evolution of the conversation efforts since 1985 and characterizes the conservation effort today. It also discusses current programs and activities, and outlines some recent changes in NRCS, the principal USDA conservation agency.

My statement concludes by identifying through several questions issues that may arise as you debate future policy options. Congress has greatly expanded the conservation mission in the last three Farm bills to include numerous new topics and new approaches. New topics include water quality, wildlife, air quality and animal agriculture, among others. New approaches include State technical committees, priority areas for some programs, and the use of easements, among others.

The conservation mission now includes more than 30 distinct programs and activities scattered throughout USDA, but concentrated in the two agencies who will testify later, NRCS and FSA, and depending on whether you're a lumper or a splitter, I think you could list quite a few more programs and activities if you wanted to.

Three of the programs and activities deserve special mention, I believe. Conservation Technical Assistance is a core activity that is critical to the success of almost all other conservation programs and the largest activity in terms of staff demands for conservation. The Conservation Reserve is the largest program in terms of spending. It uses about half the total conservation budget each year, in recent primarily to make rental payments.

The Environmental Quality Incentives program is the main cost sharing program and includes several policy innovations. Many of the other conservation programs or smaller efforts focus on a wide variety of topics.

The expansion of conservation can be viewed in budgetary terms. Total spending grew from about $1 billion in 1985 to $3.6 billion in 1998. USDA subdivides the spending among five categories for

analytical purposes. One of these categories, rental and easement payments, has grown from a negligible amount to about half the total, about $1.8 billion. In the report that Kitty passed out, there's an excellent graph that really shows how this change has worked.

The other four have all grown but at far more modest rates. These changes mean that a significantly larger portion of conservation funds are being paid directly to landowners to provide conservation benefits, while a smaller portion is going to the agencies at USDA who deliver the conservation effort. The Congress has had to respond several times in recent years to constraints at NRCS by enacting supplemental or emergency legislation to provide needed technical assistance funding.

The expansion of conservation can also be viewed in staffing terms. While the conservation mission has grown, total staffing at NRCS has shrunk from more than 13,600 staff years in 1985 to 11,600 staff years in 2000. Its larger mission has meant that local staff who deliver conservation to producers and landowners have many more clients and are often unable to work with them one on one, which historically has been the hallmark of their role in conservation.

Another important result is that far fewer resources are devoted to monitoring and program evaluation, making it more difficult to ascertain what the programs are actually accomplishing. The need for more information has made the Natural Resources Inventory an even more important tool for understanding how land, water and other resources are affected by the conservation effort. It provides data that are necessary to determine how well the programs are working, especially in the area of erosion control.

Questions about the future of lands in the CRP and other land retirement and multi-year contract programs have become more important as the end of some of these contracts starts to approach. In the CRP, land can be offered to be re-enrolled, but it is unclear how program benefits will be retained for the other programs that have multi-year contracts.

Policies to deal with this future need appear to be lacking, although some States are reportedly planning to step in to ensure that some of these environmental or resource benefits are retained. We're just starting to become aware of what some of these efforts might be.

Let me conclude by listing several questions that may arise as you debate policy options for the future. First, will the next generation of conservation policy be driven primarily by opportunities to do more for agriculture, or by pressures from outside forces to alter current agricultural practices?

Second, are additional programs needed? Third, are there opportunities for greater program consolidation or coordination? Should any programs be eliminated? We seem to find it much easier to add programs to the list than to subtract them in the policy making process.

Can some programs be simplified administratively? Should greater emphasis be given to measuring accomplishments and ongoing performance? What is the appropriate balance between programs for working lands and programs to retire land? And finally, should

the conservation mission be expanded or readjusted to provide greater assistance to landowners?

Thank you for the opportunity to talk with you today, and I look forward to answering any questions you may have. Thank you.

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

The CHAIRMAN. Thank you very much, Mr. Zinn.

We'll commence a round of questioning, with Senators limited to 5 minutes each on the first round. If there are additional questions, we will attempt to proceed there.

Let me begin simply by indicating that in your testimony, Mr. Zinn, you have gone through the history of the 1985, 1990 and 1996 Farm bills with the 1985 bill and the Conservation Reserve Program the largest of these programs initiated, as you pointed out correctly, created to help curb erosion. Ms. Smith has pointed out that we've had significant success in this, valued at $2 billion a year each year, I gather, as this has proceeded.

But the debate in the committee then, and I suppose an underlying factor now, was that this was also a way of cutting back production, or productive acres. A good number of Senators saw dual benefit. Even then, in 1985, prices that were unsatisfactory likewise farmers and in some cases that were retiring or elderly and wanted to retire, the Conservation Reserve Program appeared to be a good way to park a good bit of land.

In the 1990 Act, the committee having observed that there were some lands that were environmentally challenged, but a lot of lands that were perfectly good wheat, corn and soybean fields in the program, adopted a scoring program as to how much conservation benefit occurred. So the bidding then occurred on the basis of the scores that were available. So that then led to much more of a conservation emphasis. That appears to have proceeded really, although the 1996 Act was involved, as you pointed out, in expanding the program, most significantly the EQIP, the farm land production program and the wildlife habitat program.

We've had testimony about the tremendous values in each of these situations. The EQIP program of course requires, as you've pointed out, a lot of staff assistance. The cost sharing situations are more complex than the bidding of acres in.

But the net effect of this has been remarkable. Year after year, as we've had oversight hearings, no conservation program of any sort or any other environmental program in America, has had the cumulative effective, or for that matter, the annual effect, of these programs that come right out of the Ag Committee. So we celebrate that each time we take another look at this.

What I would ask of both of you, however, is were we on the right track, in your judgment, in 1990 in trying to zero in on the fact that we have so many acres, so many dollars, and try to get the most conservation effect for those dollars? Has the point system or those criteria that we used worked? Is there a degree of equity or correspondence between actual conservation results and this bidding process? Do either of you have any expert testimony or will you have on suggestions if we were to revise the scoring system, or enhance it in various other criteria as to how we should do that?

Ms. SMITH. You give me an opportunity, Mr. Chairman, to reinforce one of the lessons we learned, one of the points that I made. That is about targeting. The scoring system, the EBI scoring system, is an excellent way to target that land that you do want to set aside in order to obtain specific environmental benefits. It has worked quite well.

In terms of revamping it, really depends on whether you want to stick with the same goals or change the weights associated with those goals or add new ones. But the technique has proved to work extremely well.

The CHAIRMAN. Do you have suggestions about different goals? In other words, you sort of begged the question as to what we want to do, and obviously we'll try and make up our minds. But what would you recommend that we do, from your perspective?

Ms. SMITH. I don't think I'm in a position to make a recommendation that reflects really the national priorities. There are lots of different ways that you can collect that information, by using States or localities to help determine what those weights should be on each of the objectives, by making the weights variable from year to year, rather than fixed in that EBI formula.

The CHAIRMAN. What are our basic objectives? Obviously to stop soil erosion, and you've cited that a good bit of that is occurring, and thank goodness. We have some carbon sequestration going on that is very helpful overall in our environmental picture.

Ms. SMITH.That is not currently an explicit goal.

The CHAIRMAN. It just happens to be one of these byproducts. What else does the program hope to do? In other words, are we enriching soils in some way? Are we doing other things that enhance this general value?

Mr. ZINN. I'm going to comment also, but probably not answer your question well at all. It seems to me there are several questions to think about with the future of CRP, without making specific recommendations. One is, is the size appropriate? Is the total number of acres that we include in it the approximate size we want to be working at in the future? I think you'll be hearing proposals to increase the size.

A second point is that, do you want to have one program that covers everything using the environmental benefits index or whatever formula we use, or do you want to have some sub-programs, as we have now, to deal with especially valuable environmental areas, State cooperative programs and the like. So that's a second consideration.

And then the final thing I would say is that the CRP, from its history, focuses on erosion and cropland. One could ask whether there should be some components in CRP that maybe don't deal with cropland, maybe don't have the requirement of the cropping history requirement, and that's something to consider as well.

The CHAIRMAN. I thank both of you. We've been joined by the distinguished Ranking Member, Senator Harkin, who has had a long time interest in each of these areas, and has been a major proponent of these hearings, as well as legislation. Tom, I indicated before you and some others arrived that at the moment we are able to get eleven of us here, I would like to break into our dialogue to have the business meeting that we need to have for adoption of the

budget, the subcommittees and what have you. But at this moment, we don't have eleven people here, and I would like to recognize you for your statements and questions of our witnesses.

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

Senator HARKIN. Thank you very much, Mr. Chairman. I apologize for being late. Wednesday mornings is when we have our Iowa breakfast for Iowa constituents. We had a big load of them this morning, so I apologize for being a little bit late. Because this is, as you indicated, Mr. Chairman, a long-time interest of mine, and of all of us, I'm sure, on this committee.

We know we've accomplished some good things in the past, the various and sundry conservation programs, some that date back basically to the 1930s. They have done a good job. When I look at the hills in Iowa and I see all the terraces that are out there that date back to, oh, gosh, I suppose they started back in the 1950s some time, 1960s, 1970s, 1980s. It's done a lot to save our soil. The various things that we've done beyond that, the CRP program, the EQIP program, the wetlands reserve, all of these have done really good things in terms of stopping soil runoff.

There have been a lot of questions, of course, in terms of CRP. It has taken a lot of land out of production. Quite frankly, in many areas, it's had some detrimental economic impacts, in local areas. I'm sorry, I just caught the tail end of the Chairman's remarks here, but I wonder if we shouldn't now be looking at a new, sort of a new approach on conservation that's not just soil runoff, but how do we get into the whole new area of nutrients and nutrient runoff. How do we measure that, how do we encourage the best kinds of practices so we don't have this immense nutrient runoff that we have?

How do we deal with the new situations that we have, at least in my part of the country and I think some down in your area, too, with the large confinement operations, and what that's doing to our environment? I think I'm right, I may be a little bit off here, but I think we have about as many hogs in Iowa today as we did when I was younger, 30 years ago. Thirty years ago, we didn't have any problems.

So if we have the same amount of hogs today, why are we having so many problems? Well, 30 years ago, every small farmer had a few hogs. And the animal waste from that, you put on your land. That's what we did. It was never called waste. We didn't call it waste. That was something that was a valuable asset.

Because that was done, it was all spread out, we didn't have a problem with nutrient runoff. But now with these large confinements and stuff we've got all kinds of problems with underground and water pollution, with holding facilities breaking periodically, trying to spread this fertilizer in the wintertime, when it gets run off into the streams. So we have that new dynamic that we have to deal with out there.

Then, looking at the whole green payment and carbon sequestration again, this is going to have to be an area we're going to have to consider in the future, because of our agreements with other

countries. This is an area where I think, again, we can look at how we can develop this for farmers to be eligible for some kind of support for carbon sequestration.

So in my view, it's my little rambling discourse here, that while we've had good programs that worked in the past, I don't know that we have to abandon them, I think they're still valuable. I think we need to build on them for a new system of conservation. I think that's our challenge here on this Committee, to try to find out just what are those new areas and how do we address them.

I'll end on this note. I think most of our conservation in the past, most, not all of it has been paying farmers to not produce, some kind of land reduction. You take this out, you put this aside, you do something that you don't produce on it, and you get a payment. But most farmers I know do things that enhance the environment on an annual basis in their production practices. They use their labor, they use equipment, they even may use some of their own money. But they don't get any help for that, it's just out of pocket.

I'm wondering if now we shouldn't begin looking at some kind of, in the new Farm bill perhaps, process whereby we can on a voluntary basis get farmers to do certain conservation practices in their production patterns. Not to cut down on production, it may even enhance production. But then give them the kind of support they need as they do produce.

We have, I think, in the next 20 years we're going to see a change in agriculture where people are going to be just growing corn for feed. They're going to be growing it for feed and for proteins, for oils, for pharmaceuticals, a whole biotech revolution is upon us. We're going to have soybean fields that are some for soybean meal and some soybeans for lubricants, some soybean fields for edible oils and you're going to have a lot of different designer crops out there.

How do we start fashioning conservation programs to address the new biotech revolution that is upon us? I think that is our challenge. I don't have a specific question right now. But if you just have any thoughts on those areas, I'd be delighted to hear from you on that.

Mr. ZINN. I have a couple of comments I would like to make. One is that historically, before 1985, I think the conservation programs focused on erosion, and because they focused on erosion, the programs were largely limited to dealing with cropland issues. I think cropland production is about 20 percent of the value of all agricultural production.

As the mission has expanded to include other goals, other kinds of lands, and land uses have become important to conservation and to the conservation effort. I think we see the programs maybe still largely as having a big focus on the cropland side. There are pressures that I think you'll be hearing about at tomorrow's hearing to expand the effort, to give more attention to some of these other lands and resources that go with this expanded mission.

A second comment is that the programs deal almost entirely with individual farms. It seems to me that as we get into a more encompassing framework for looking at conservation needs and conservation issues, perhaps we should also look at ways to reward or assist multiple farmers who want to do things in a small area where the

benefits of many of them getting together is more than the benefits of each of them acting individually. So I think this sort of scale at which we approach conservation is also an important issue. Priority areas, start to get at this, but there are some other directions one could go.

And finally, I think as you identified, there are lots of new topics that are being put into the conservation mix. They make solving the problems and designing programs much more complicated. That suggests some challenges for the institutions that do this that perhaps should get a little more recognition than they have in the past.

Senator HARKIN. I appreciate that. Again, as we design these programs in the future, I mean, a lot of our payment programs have changed and are continuing to change. Since there is a societal benefit to good conservation practices, I think we ought to look upon that in terms of not just a burden on the individual producer, but something that we all ought to share in. That's just my own feeling on that.

Thank you.

[The prepared statement of Senator Harkin can be found in the appendix on page 36.]

The CHAIRMAN. Thank you very much, Senator Harkin. Did you have a comment, Ms. Smith?

Ms. SMITH. Yes, I do, thank you. The extremely expert and helpful people sitting behind me gave me literally a long list of different environmental benefits that can arise from conservation and environmental programs. The big three are soil, wildlife habitat and water quality. But there's air quality, farm land preservation, water storage, navigation, it goes on and on and on. So you've got this large list of benefits.

As you mentioned, Senator, you also have differentiated farming operations and site specificity on top of all that heterogeneity. So you end up with all sorts of accommodations and permutations of possible benefits, possible cost, possible actions, on different kinds of operations. So it really underscores the point that there isn't going to be a one-size-fits-all.

Senator HARKIN. I haven't seen the list, but I challenge your thinkers sitting back there, is energy production listed on that?

Ms. SMITH. Yes.

Senator HARKIN. Oh, well, you're way ahead of me.

[Laughter.]

Ms. SMITH. Biomass.

Senator HARKIN. Good for you. OK, that's fine.

The CHAIRMAN. The magic word. Thank you very much, Senator Harkin.

I'm going to recognize the Senators in order of seniority, and let me just sort of go down, so you'll have an idea of about when your turn will come. Essentially, on the Republican side, Senator Roberts, Senator Fitzgerald, Senator Thomas, Senator Allard, Senator Crapo. I have only one alternative on the Democratic side for the moment, you'll be joined, Debbie—well, here, you've already been joined by Senator Leahy.

Very well. Senator Roberts.

STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR FROM KANSAS

Senator ROBERTS. Thank you, Mr. Chairman. I want to thank you for holding this hearing today, and I want to thank Senator Harkin, who just received an award in San Antonio from the corn folks and the soybean folks for his efforts in being a real leader and thinking out of the box in regards to our conservation efforts and how we can make them more environmentally sound but still adhere to the basic thrust of what we're all about. It was an award that was certainly well deserved.

There are going to be many, many hearings in the always very complex task of writing the next farm bill. But I don't think we can underestimate the importance of conservation. These programs have numerous soil and wind erosion, wildlife and environmental benefits, as the Chairman has pointed out, and the distinguished Vice Chairman or Ranking Member and the witnesses.

I want to just raise a little flag of caution, a parochial flag, a high plains flag that is always straight out because of the wind. We have memories of the day of the Dust Bowl in the dirty thirties. Basically it was because of this very terrible event that Congress first got into this business. I applaud the discussion in regards to the CRP program. I would point out there are more acres in Kansas in the CRP program than any other State.

It's been a very popular program, and as a result we've had a lot of folks, I remember, during the 1996 Act, who thought that they could have a similar program benefits. With the budget dollars we have, the only concern I had at that particular time was that we didn't want to rob Peter to pay Paul, or to rob Peter to pay Pat, or Pat to pay Peter, or to rob the high plains for other areas. We were very supportive of some of the changes that were made from the standpoint of the environment, but we had hoped for additional funding, as opposed to taking away the original purpose of CRP, where we still have the needs.

So I'm going to insist, Mr. Chairman, that these important benefits maintain their very proper role in these programs, and we certainly remember the important history of the programs. I was a member of the House Agriculture Committee in 1984 when we first started this. I think I'm listed as one of the co-authors of the CRP program, along with then–Congressman Dan Glickman, who became Secretary. Then we finally got it done in 1985.

Let me just point out that sometimes we have problems in implementing what we're trying to achieve with many varied benefits. When we changed the EBI, the EBI index or criteria, all of a sudden we had farmers whose contracts were in jeopardy because of the red fox, I can't remember what little small fox we were trying to protect, and the burrowing beetle. We looked and looked and looked, and it wasn't so much that we had cited these species that should have been protected, that are protected, we couldn't find any.

But there was a holdup in regards to contracts and payment. I remember we got into quite a meaningful dialogue with Secretary Glickman. He presented me, Mr. Chairman, a box with a burrowing beetle in it during the debate.

I just think we ought to remember that soil is the greatest nontoxic pollutant we have in agriculture, and we still have those primary functions that I think we must address. Let me say that I appreciate the statement by the witnesses. I had some questions for them, but obviously that should come later.

Except for the compliance provisions in the statement by Ms. Smith, and I thank you for an excellent statement, and you mentioned highly erodible land, or what we affectionately call land from hell out in western Kansas. We had a lot of requirements. We almost had a revolt out there, until we got the head of then the SES to come out and take a look at normal cropping practices, at what we're trying to do to actually save the land.

So it's the implementation of some of these things that I think are very important. That's why I think I'm so gratified that Tom Harkin is really hitting up this, because obviously we're all going to be aware of the best laid plans and then how they actually affect our farmers and ranchers.

I think I've said enough, and I don't mean that to be any kind of a warning flag. I just want to say that these are very good programs. We ought to keep that base, and we ought to again think out of the box, as the distinguished Senator from Iowa has indicated, and I think we'll be headed in the right direction.

And I thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Roberts.

Senator Leahy.

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

Senator LEAHY. Thank you, Mr. Chairman. Unfortunately, we're doing two things at once, as so many of us do. Today we're marking up the Bankruptcy bill in Judiciary and I'm going there. But I wanted to, because of the agenda in Judiciary, I've had to be absent from some of the first meetings of this Committee. But I wanted to welcome the new members, Senators Allard and Thomas and Hutchinson and Crapo, and on our side, Zell Miller, Debbie Stabenow, Mark Dayton and Ben Nelson. I see at least four of those new members here now.

I think, Mr. Chairman, you and I have been on this committee for well over 20 years, but I think it wasn't since 1981 that we had these many new members. I was younger, you were the same age.

[Laughter.]

Senator LEAHY. But I look forward to working with you and Senator Harkin on this. One of the things that we have done, this committee is probably the most bipartisan or nonpartisan committee in the Senate. We've been able to pass so much by consensus. I hope we can get money in the budget resolution to pass the farm bill this year, so that we don't get caught up in election fever next year. But that's of course up to others.

I am working with a group of New England and Mid-Atlantic States, they produce about 7 percent of the market value of U.S. farm products, 7 percent, they get around 1 percent of Federal agriculture payments. I think we should look at that part of the country, where oftentimes we feel we get ignored when there's a disas-

ter bill, anything else, we're asked for the tax money, we don't get the help, and we should look at that.

But the most important thing is that we have something we can all support, because it's hard enough sometimes to get a farm bill through the other body. We have to show some very strong support in the Senate to do that.

I also would like to see us work on mandatory funding for the international school lunch program. Our former colleagues, both senior members of this committee, Senator Dole and Senator McGovern, have done so much on that. Of course, our own nutrition programs here. I think we can look at things like even global climate change. We look back 100 years from now, people are going to say, what did we do for our farmers and consumers there. Senator Roberts may be the only one who's around 100 years from now, along with Senator Thurmond.

[Laughter.]

But for the rest of us, I want it to work. I hope that we can avoid divisive regional fights on various subjects like dairy.

[Laughter.]

If we can do that, Mr. Chairman, I know that you have been nominated and rightly so in the past for Nobel Peace Prize. If we can avoid any fighting over dairy, I'll be nominated for one. Thank you.

Senator ROBERTS. Would the distinguished Chairman Emeritus yield?

[Laughter.]

Senator LEAHY. To the other former chairman from the House, of course I would. Because we were part of the chairman caucus who had a certain hairstyle criteria.

[Laughter.]

Senator ROBERTS. Let us just say that the antique furniture in the House and Senate are served best by those with marble tops.

[Laughter.]

We have another former chairman sitting to your left. But the point I would like to make is that both Senator Allard and Senator Crapo are battle-hardened veterans of the sometimes powerful House Agriculture Committee, and have ridden with us well on the infamous Ag posse. I know they're going to do a great job. But I wanted to point that out to the Chairman Emeritus. I thank you.

The CHAIRMAN. The Chair will intervene at this point before the discussion deteriorates any further. Pat, please don't leave for a moment, because we will have deterioration if you leave.

Let me just say that in a moment, I'll move that the Committee rules, the subcommittees and committee memberships and the Committee budget be reported. Before I do so, I want to point out my appreciation to Senator Harkin and his staff, who have worked diligently with our staffs to try to have an understanding of how our committee can best function during the Congress. We have drafted, in fact, a memorandum of understanding. I wanted to reassure all committee members, and copies of that are there. I want to express public appreciation to Senator Harkin for the spirit with which he has entered into it, and all members.

Senator HARKIN. Mr. Chairman, if I could just reciprocate on that. I just want to publicly thank you. We had a very good meet-

ing going over these rules with our staffs, with you and me and our staffs. We've worked all this out. I couldn't have asked for a better relationship and better understanding between us, given the division, even division that we have on the committee and in the Senate. I want to publicly thank you for your generosity and for your willingness to work together in this great spirit. I just want you to know that I support you wholeheartedly in your recommendations.

The CHAIRMAN. I appreciate that. I think this bodes well for the work of our committee. As has been pointed out, we don't really get much credit or time on the Floor unless we come with a pretty good package by consensus. That may not always be possible, but we shall try.

At this point, I move that we adopt the committee rules, the subcommittee membership.

[Whereupon, the committee proceeded to a business meeting.]

[Whereupon, the committee returned to the legislative hearing.]

Senator Fitzgerald.

STATEMENT OF HON. PETER G. FITZGERALD, A U.S. SENATOR FROM ILLINOIS

Senator FITZGERALD. Thank you, Mr. Chairman, and I want to congratulate you on holding these hearings. I generally have been supportive of conservation programs.

I'm not going to have a full blown opening statement. I'll just be interested to learn whether the USDA has done any studies of which of the many conservation programs that the Department offers are the most effective, I suppose both in terms of helping our environment and I suppose one of the goals of these programs is also to try and guard against overproduction, too. Although maybe not explicitly, but I think that's a side benefit of the conservation program.

So I'll be interested in hearing that, and I'm wondering whether we've really ever done any studies to analyze which of the many conservation programs give us the best bang for our buck.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Fitzgerald.

At this juncture, I've received proxy statements from Senator Cochran and Senator Hutchinson, and a statement from Senator Hutchinson with regard to our hearing today, the first with regard to the business we just conducted. I'll ask staff to make these a part of the record.

[The Information referred to can be found in the appendix on page 84.]

Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman. I have Kent Conrad and Senator Daschle and Senator Baucus also.

The CHAIRMAN. Very well, they will all be appropriately reported in the proper places.

Senator Stabenow, it is your turn.

STATEMENT OF HON. DEBBIE STABENOW, A U.S. SENATOR FROM MICHIGAN

Senator STABENOW. Thank you, Mr. Chairman. To you and to Senator Harkin, thank you for holding this hearing. This is a very

important topic, I think conservation is a very important part of our agricultural policy. And also to Senator Harkin, congratulations on your award, your much deserved award, as well.

From my perspective, from Michigan, since 1987 we've had over 278,000 acres that have enrolled in some kind of a conservation program. I would certainly like to see that increase. I have been very supportive, as a member of the House Agriculture Committee, of the CRP program and other programs.

I've noticed that you specifically said it's not your role to make recommendations to us. Although we would like, I think, to hear recommendations specifically from you about ways to expand or move in other directions. But I'm wondering, with the CRP program, if you would be willing to talk about possible other criteria. You've talked a little bit about it today, it's been focused on soil erosion and cropland. What other kinds of areas would seem to be logical extensions, based on what you see in terms of the various demands and interests?

Mr. ZINN. I think that you're really asking two questions. No. 1, is what goes on the list, and No. 2, is in the index, how many points do you give for each of the things you decide you want to put on the list. I think without getting specific, it's important to think of the list as something that can evolve over time, and probably should evolve over time as the merits of relative issues change in the national policy setting.

At some point it might be worth considering regional variations, so that some regions of the country might have a somewhat different list than other regions, because both the agriculture is different and the problems are different. But beyond that, I don't think I do want to get into specifics. I suspect you'll have lots of people coming after us who do want to get into specifics.

Senator STABENOW. Do you want to add to that?

Ms. SMITH. I think Jeff answered it very, very well. There are a range of things that the current EBI does not incorporate that it could incorporate. Whether that needs to be done at a national or regional or State level is an open question. Those weights are all important, really. You can add many, many things to the list and dissipate the effect on any one, or you can just change the weights and change, as some may have expressed some concern about, the principal objectives of the program.

But certainly, carbon sequestration, energy, livestock waste are things that appear to be eliciting greater concerns now than a decade ago. So those might be considerations for change.

Senator STABENOW. Absolutely. Well, thank you. We'll look forward to the others that are coming forward with their specific items that they would like to have us look at. I would again compliment Senator Harkin for always thinking outside the box and I am looking forward to a wide discussion, Mr. Chairman, about the options before the committee.

[The prepared statement of Senator Stabenow be found in the appendix on page 38.]

The CHAIRMAN. Thank you very much.

Senator ALLARD.

STATEMENT OF HON. WAYNE ALLARD, A U.S. SENATOR FROM COLORADO

Senator ALLARD. Mr. Chairman, thank you. I am looking forward to serving here on this committee as a new member.

The CHAIRMAN. It's great to have you.

Senator ALLARD. I served on the House Agriculture Committee during the Freedom to farm bill deliberation, EQIP was under the jurisdiction of the subcommittee which I chaired over there. So I'm interested in that, and obviously interested in conservation programs. We have a particularly unique State in the fact that I like to refer to our State as two miles deep, from the highest point of the State down to the lowest point. So watershed gets to be an important issue. We have peaks over 14,000 feet and the lowest level of the State is somewhere around 3,200 feet. We have a lot of plains area with dry land crops.

So we have a rather diverse State. Conservation programs are very important to the State of Colorado. I think we need to continue to ask the question, how are our dollars are being spent, are the programs effective and what not.

I have a question pertaining to the Small Watershed Rehabilitation amendments of 2000. They became law with considerable support from the Congress. I was just wondering what has NRCS done to aggressively move forward on this Act, if anything.

Mr. ZINN. I think the NRCS people will be coming after us, and can give you some pretty specific answers on that.

Senator ALLARD. Can you comment on the EQIP program?

Mr. ZINN. Yes.

[Laughter.]

Senator ALLARD. Would you comment on the EQIP program, what your perception is on it and what needs to be done, if anything, to improve it?

Mr. ZINN. A couple of comments about EQIP. One is that the use of priority areas has some real pluses for the environment, I think, by focusing effort. But it's had some minuses in the farm community for those people who don't come from priority areas and have found it much harder to access funds that they used to be able to get more easily through ACP. So that's one issue that I think some people will raise, is whether this is working the way it was intended and is providing greater environmental benefits.

Another question, and one I raised in my testimony a little bit, is what happens at the end of these multi-year contracts that people who participate in EQIP get? Are they under any obligation to maintain the facilities they built or the practices they've installed with the money they've received? I don't believe they are, although somebody from the Department who knows the program better might offer some other insights on that. To the degree there's no future requirement of any kind, maybe some of those investments aren't going to be particularly long-lived as landowners change their priorities about what they're doing. I worry that perhaps policy should include something that comes after the EQIP contract.

A third question about EQIP is whether the length of contracts and the funding amounts are really the appropriate sizes. Is that buying the kinds of things we want, or do we need to make the potential for more money available to do larger things?

A final point about EQIP is the animal agriculture, for EQIP, as you know, the first conservation program that's explicitly dealt with animal agriculture. As such, as you go on to design the next farm bill, you should have some lessons that have come out of EQIP that would help in policy formulation for the next generation of conservation dealing specifically with animal agriculture issues.

Those would be my four points.

Senator ALLARD. What about, there's a wildlife habitat incentive program, WHIP. Can you comment about that a little bit?

Mr. ZINN. I know very little about what that Program has accomplished. I've heard lots of stories, anecdotes about good things that have been done in various places. I don't know what the sum of those stories is, and maybe somebody from the Department could answer that better. The other thing about the wildlife program I think is it may be one of those programs that might be combined or more fully integrated with some of the other conservation programs, because it is sort of small and sitting out there by itself in the conservation context. I think the wildlife people might take a different view of it, however.

Senator ALLARD. I think there's just one small area in Colorado that would be impacted by that. It's probably one that the State will look at a little closer. So I am like you, we're going to wait and see how this program moves forward.

I'd like to get back to the EQIP, but I guess my time's out. I'm sorry, Mr. Chairman.

The CHAIRMAN. We'll come around again.

Senator ALLARD. Very good.

The CHAIRMAN. Senator Dayton?

Senator DAYTON. Thank you, Mr. Chairman.

I'd be glad to yield some time if you want to follow up on a question.

Senator ALLARD. No, I'll wait. Thank you.

STATEMENT OF HON. MARK DAYTON, A U.S. SENATOR FROM MINNESOTA

Senator DAYTON. I'm going to be brief, anyway, I have a group of Minnesota farmers out waiting to meet with me. I'd say leading into that that one of the relatively few programs on which I think there's broad consensus and support among all Minnesota farmers, as well as hunters and environmentalists, are the value of the conservation programs. So I strongly support them and look forward to finding out from these witnesses and others how we can strengthen and improve them.

I was particularly interested in your response, Mr. Zinn, to Senator Allard's question about the animal conservation, because in Minnesota, we have a very, very serious and widespread problem with the animal feed lot operations and lagoons, and a lot of producers, large, medium and small, who are really now under serious financial constraints and are also wanting to be responsible stewards of their land, as well as their neighbors and others who in some cases very desperately want to see them make the necessary improvements.

So I'm really interested to see and explore, Mr. Chairman, as we unfold these hearings and look at this, if there's a way in which

that kind of need can be incorporated into one of the existing programs, or one of them can be expanded into permitting that kind of activity to be undertaken. Thank you.

The CHAIRMAN. Thank you very much, Senator Dayton.

Senator Harkin?

Senator HARKIN. I don't have any questions.

The CHAIRMAN. Senator Allard.

Senator ALLARD. Thank you, Mr. Chairman. Just briefly, on the EQIP program. Basically you have the Environmental Protection Agency implementing rules and regulations on feed lots. Then you come in here and give kind of a supporting role, help them comply with those requirements and regulations. Do you feel like you're able to keep up with the requirements that are being imposed on feed lots by the Environmental Protection Agency with the support that you should be getting from EQIP?

Mr. ZINN. I think others from the Department can answer that a lot more precisely than I can. But my impression, is that more resources and more money in this particular instance probably would make a fairly big difference. Also, because the animal agriculture issue has largely emerged since the last Farm bill was enacted, there is very limited policy that gives animal agriculture a priority within the conservation programs.

As you and others are stating, it sounds like that's going to get some serious rethinking. It probably will require some tradeoffs in resources if more goes to animal agriculture and there isn't more to spread around, then it will have to come out of something else that was being done in the past. Those are the kinds of questions that are arising at this point.

Senator ALLARD. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Allard.

I just want to compliment you again, Ms. Smith, on this remarkable publication you have distributed today, the AgriEnvironmental Policy at the Crossroads. Particularly in the opening parts which support your testimony and the charts showing that soil erosion has been significantly reduced. These are impressive figures now, aggregated from 1982 to 1997, at least in one of your charts.

Even more dramatic, the change in the wetland picture, that more wetlands have been restored than lost, so that the graph that you have there, showing from 1954 to 1974 shows in fact a loss, it looks to me like, of over 600,000 acres. Now these are equated, and a very small chart showing a little in, a little out, but in essence a net gain as opposed to a dramatic loss.

Finally, the lessons learned that you have evaluated there are very helpful as we take a look not only at the achievements but some of the problems that have been involved in that and the challenges. So I commend this to all Senators and their staffs and members of the general public, because that will enhance our discussion with the facts.

Mr. Zinn, you have likewise, in behalf of your service, as well as your own personal testimony, been very, very helpful.

So we thank you both and hope that you will continue to be resources for us as we proceed through this chapter of the Farm Bill.

Ms. SMITH. Thank you, Mr. Chairman.

Mr. ZINN. Thank you.

Senator HARKIN. I want to join the Chairman in thanking you both for many years of service. We appreciate it very much.

The CHAIRMAN. It's a privilege to call now our second panel of this hearing, Mr. Thomas Weber, the Deputy Chief for Programs, National Resources Conservation Service of the USDA, and Mr. Robert Stephenson, Director of Conservation and Environmental Programs of the U.S. Department of Agriculture, both coming from Washington, DC.

I'll ask you to testify in the order that I introduced you. First of all Mr. Weber, then Mr. Stephenson. Your statements will be made a part of the record in full. So I ask that you summarize appropriately and hopefully within a 10 minute period, then the Committee will commence questioning. Mr. Weber.

STATEMENT OF THOMAS A. WEBER, DEPUTY CHIEF FOR PROGRAMS, NATURAL RESOURCES CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. WEBER. Thank you, Mr. Chairman, members of the Committee. Thank you for the opportunity to be here today and provide an update on the conservation programs that are implemented by the Natural Resource Conservation Service. As you know, farmers across America are faced with increasing pressures to maintain a productive and profitable business. We know that farmers want to be good stewards of the land, and our mission is to help them to be good stewards with their conservation challenges, and at the same time assure that they remain productive.

The backlog of our program requests is a testament to the commitment of the farmers and ranchers of this country to conservation. Today I would like to highlight the many ways that our conservation programs are making a difference and describe the large demand and interest in these programs that NRCS has serviced.

Our programs are voluntary. And they are to help farmers and ranchers deal with regulatory pressures. The public benefit from these programs has been so eloquently described today, the societal benefits are an improved environment for all of us in America, a point that I feel has not been adequately addressed in this country. In short, I believe the conservation programs that this committee included in the last Farm bill are win-win. They're win-win for farmers, they're win-win for America.

But before I outline these programs, I want to say a word about the cornerstone of everything that we do, that is, the Conservation Technical Assistance Program. Everything we accomplish is contingent upon the talents and skills of those people that are out there in the countryside, in our field staff, and the partners that we work with to help farmers and ranchers. They're trained professionals with the technical tools and skills and standards to get the job done. They're in every community in this country and rural America. They're there to help people. The partnership that we have with State and local people, conservation districts, State conservation agencies, Resource Conservation and Development councils and others are just as important to helping get the conservation done as part of what we do as well.

Having said this, I want to move on quickly to a review of the 1996 Farm bill programs and highlight several of them. First, the Wetland Reserve Program. It has been mentioned on a number of occasions here today. It's meant to preserve, protect and restore wetlands, where functions and values have been depleted or diminished. It is making a substantial contribution to the restoration of the migratory waterfowl habitat in this country, and other habitat for birds and animals, including endangered species.

The 1996 Act authorized a total of 975,000 acres in the program. At the conclusion of fiscal year 2000, the program had almost reached the maximum. However, this year's appropriation provided an additional 100,000 acres, allowing the fiscal year 2001 acreage to increase to 140,000.

We have had five times as many acres offered voluntarily by landowners to be enrolled in this program than what we can provide funds for. It is clear that WRP continues to be a very popular program with farmers and has extremely strong support around the country.

Second, the Wildlife Habitat Incentives Program provides up to 75 percent of the cost share for implementing wildlife habitat practices. The program had an initial funding cap of $50 million. As a result of the strong need for this program, those funds were exhausted in fiscal year 1999, at which time we had 1.4 million acres enrolled in over 8,600 long-term contracts.

At the beginning of 2001, the former Secretary did decide to utilize an additional $20 million for WHIP from funding that was in Section 211(b), which was the Agricultural Risk Protection Act of 2000, for WHIP. Again, our successes and landowner interest indicates that WHIP is a program with very strong support in the countryside.

The next program has to do with farmland protection, a point of interest around this country in terms of development and concern over conversion of agricultural land to other purposes. It does provide cost sharing for development rights and easements. There was $35 million available for it in the initial 1996 Farm bill. At this point in time, all $35 million has been utilized.

Again, the former Secretary in 2001 did decide to place $20 million from the Agricultural Risk Protection Act into the Farmland Protection Program. We know that agricultural land conversion is a growing concern, and we note that the amount of land far overshadows the amount of money available.

I would speak quickly to the EQIP basically to say that we have utilized all of the funds available for the EQIP program in every year that funding has been available. It was authorized for $200 million a year. In many years, we've had $174 million for this program to address the resource needs. And I would point out also in this program, each year we've had three to six times the demand for the dollars that we have available.

These programs have been extremely successful, and we continue to receive many times the applications that we can authorize to fund for these. That's good news.

Mr. Chairman, in closing, I would note that good conservation doesn't just happen. It takes all of us, including Congress, our conservation partners, and most importantly, the people that are liv-

ing on the land that make all of this happen. We're proud of our accomplishments. We look forward to working with you to build on all that we've done for the future. This concludes my statement, Mr. Chairman, and thank you again for the opportunity to appear.

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

The CHAIRMAN. Thank you for that very strong statement. We look forward to questioning you in a moment.

First, we'll call on Mr. Stephenson for his testimony.

STATEMENT OF ROBERT STEPHENSON, DIRECTOR, CONSERVATION AND ENVIRONMENTAL PROGRAMS DIVISION, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. STEPHENSON. Good morning, Mr. Chairman and members of the committee. I'm pleased to appear before you to discuss conservation programs.

The Conservation Reserve Program, implemented by the Farm Service Agency, is the Federal Government's single largest environmental improvement program on private lands. Today the CRP is safeguarding millions of acres of American topsoil from erosion, improving air quality, increasing wildlife habitat and protecting ground and surface water by reducing water runoff and sedimentation. Countless lakes, rivers, ponds and streams are cleaner, healthier and more useful because of the CRP.

The CRP's success, I believe, is accomplished through local voluntary partnerships between individuals and Government. Instead of compelling participation, the program uses financial incentives to encourage farmers to voluntarily establish valuable conservation practices, such as permanent covers of grass and trees on land subject to erosion, where vegetation can improve water quality or to provide food and habitat for wildlife.

Initially, the CRP emphasized reducing soil erosion. However, the public was becoming more sensitive to other environmental issues, such as condition of streams, lakes and rivers, and the need to preserve threatened wildlife species. In the 1990 Farm bill, Congress broadened the program's focus and today, CRP's objectives include improving water quality, turning marginal pasture land into riparian areas, increasing wildlife habitat and other environmental goals.

In 1993, total enrollment stood at 36.4 million acres, which is today's maximum authorized level. Generally, farmers bid competitively for CRP contracts, maximizing the power of each dollar spent. Only the most environmentally sensitive cropland is accepted, while less vulnerable farm land remains in production. The result is an effort that targets the most sensitive land and helps farmers while it keeps productive farm land growing food and fiber at a competitive cost.

The CRP's benefits go far beyond environmental improvement. By idling highly vulnerable and environmentally sensitive cropland, the program has produced a wide range of economic benefits. In an early study, the Economics Research Service indicated that the economic benefits provided by the CRP total an estimated $8 billion or more per year.

In October of 1997, FSA implemented the Conservation Reserve Enhancement Program. That's a partnership between the Federal Government and the States where CREP addresses nationally significant environmental problems by targeting CRP program resources. CREP is working to address water quality problems in the Chesapeake Bay, restore salmon habitat in the Pacific Northwest, protect New York City's water supply, enhance water quality in Illinois and Minnesota, restore a portion of the Great Lakes, improve wildlife habitat in California and North Dakota, protect water supplies for 54 communities in Missouri and restore vital estuaries in North Carolina.

For certain high priority conservation practices yielding highly desirable environmental benefits, farmers and ranchers may sign up at any time without waiting for an announced signup period, provided certain eligibility requirements are met. Continuous signup allows management flexibility in implementing certain special conservation practices on cropland. These practices are designed to achieve significant environmental benefits, giving participants a chance to help protect and enhance wildlife habitat, improve air quality and improve the condition of America's waterways.

Through mid-January of this year, over 1.4 million acres have been enrolled under continuous signup practices such as filter strips, riparian buffers, contour grass strips and grass waterways. The continuous signup effort has significantly increased the enrollment of these environmentally important practices. For example, enrollment of filter strips has increased over 600 percent compared to the land enrolled prior to the enactment of the 1996 Farm bill.

On April 13 of last year, USDA announced new financial incentives totaling up to $350 million over a 3 year period for producers participating in certain practices of the CRP continuous signup. These new incentives included a signing bonus of $10 per acre for every year of the contract, or $100 to $150 per acre. A payment equal to 40 percent of the practice's installation cost, increases in maintenance create incentives for practices involving tree planting, fencing or water developments, and updated marginal pasture land rental rates to better reflect the market value of those lands.

FSA also implements the Emergency Conservation Program, which provides emergency cost share funding to agricultural producers to rehabilitate farm land damaged by natural disasters and for carrying out emergency water conservation measures during periods of severe drought. The Pasture Recovery Program, which provides payments to reestablish permanent vegetative cover to owners and operators who suffered pasture losses and the Debt for Nature Program for persons with FSA loans secured by real estate who may qualify for cancellation of a portion of their indebtedness in exchange for a conservation contract with a term of 50, 30 or 10 years.

I appreciate the opportunity to testify today, and I'll be happy to respond to your questions.

[The prepared statement of Mr. Stephenson can be found in the appendix on page 58.]

The CHAIRMAN. Thank you very much. Let me start the questioning, we'll have a 5 minute round for each of us, and more if indi-

cated. In your testimony, there's a table at the end of it, Mr. Stephenson, you have Conservation Reserve Program current enrollment level, which is a very useful chart, indicating the number of contracts by State, the number of acres in the CRP, and the average rental rate, presumably the number of dollars per acre that were a part of that contract.

The differences between the States and the average rental rates are substantial. There's a good explanation for that. Would you give that? Give us some idea of the bidding process, and why for example, in Iowa, let's take the distinguished Ranking Member's State, the average rental rate is $97.86 an acre. In another State where there are lots of acres, North Dakota, for example, it looks to me like it's $33 an acre.

What would be the differential between an acre in Iowa and an acre in North Dakota, given the fact there are many contracts and many people involved in this?

Mr. STEPHENSON. We have tried to spend considerable resources working with the FSA economists, the NRCS economists, as well as in ERS, to approximate local prevailing rental rates. That is a rental rate for agricultural dry land values. We start the process by asking all of the local FSA and NRCS employees and other USDA employees, such as extension service, to sit down and tell us by soil type, NRCS maintains a data base of soil types nationwide. They approximate those values and our goal is to not affect the market, but to approximate what a farmer would get if it was being cropped.

That's done for each soil type in the country. The farmer, when he makes his offer or she makes her offer, the NRCS will tell us the predominant soil types for that offer. We will take the rental rates that have been established for each soil type and we'll do a weighted average to come up with the maximum amount that we're willing to pay for that acre.

The CHAIRMAN. So you then have some benchmarks, and after this, why, in some States or some districts, this may pile in with all sorts of offers, in that case presumably the final bid is lower than your maximum, maybe substantially. Is that the case?

Mr. STEPHENSON. In part of our evaluation of the offers, if a farmer is willing to accept less than the maximum that we're willing to pay, we give them additional credit, because we view it as saving taxpayer money.

The CHAIRMAN. What do you mean by give them additional credit?

Mr. STEPHENSON. In the environmental benefits index, we consider six environmental factors plus the cost that the taxpayers——

The CHAIRMAN. I see. So that would give him some more points, along with the rest of the economic side of this thing. It was very interesting.

In taking a look at this table, of course it covers the whole country, but what is the current situation with regard to CRP? There has not, as you pointed out, been an overall signup in the fiscal year. But if we were to have another signup, would you anticipate there would be a great many more bidders than acres available in this program?

Mr. STEPHENSON [continuing.] I would expect, and I might ask Mike Linsenbigler, who's here with me, but I would expect that if we had a signup this year, which we are not scheduling one, we would anticipate probably somewhere between 2 and 3 million acres being offered. I wouldn't be in a position to estimate how many of those would be accepted, but we would have about a million acres coming due this fall.

The CHAIRMAN. In the initial idea of CRP, the hope was that many landowners would sign up for very long periods of time because they were going to plant trees. It would not make sense to plant the trees and cut them down after 5 years or some intermediate period. What has been the experience of the program with regard to those acres that are now in trees, and therefore perhaps in a more permanent status of conservation?

Mr. STEPHENSON. Many of those acres have been re-offered for signup, some of which we accepted. I'm not sure—do you have any numbers, Mike?

Mr. LINSENBIGLER. Historically, the rural bank program, about 95 percent of them plan to plant trees, remain in trees.

The CHAIRMAN. So the contract expires, the farmer would not receive more money, but nevertheless received money for the initial contract, planted the trees and has then a timber stand, and as you say, in 95percent of cases, left the timber stand, continued on as an asset for the property.

Mr. STEPHENSON. That's true, except that those acres that were under CRP contract that were about to expire were eligible to be re-offered.

The CHAIRMAN. So perhaps some of these timber stands are re-offered and additional compensation was paid.

Mr. STEPHENSON. That's correct.

The CHAIRMAN. With the other programs that you've mentioned that are less extensive than CRP, is there a similar bidding process for those? How do people get into them and how much are they paid?

Mr. STEPHENSON. Under the Emergency Conservation Program, it's contingent upon some type of disaster condition, tornado, hurricane, drought. Once a geographic area is approved, we will make available cost share funding for approximately 64 percent of the out of pocket costs of a producer.

The CHAIRMAN. Sixty-four percent?

Mr. STEPHENSON. That's correct. Under the Pasture Recovery Program, that is really a very simple program. It's a cost share program for seeding. Our cost share rate is 75 percent.

The CHAIRMAN. How about the wetlands programs? How do people bid to get into that?

Mr. STEPHENSON. I need to defer to Mr. Weber.

Mr. WEBER. Thank you, Mr. Chairman. The Wetland Reserve Program, people would actually come forward with an offer to have either a permanent easement, a 30 year easement or actually full restoration of the land without an easement. There are different cost shares for those, based on the value of the land, or the cost of restoration. Those proposals would come into the State technical committee, which is made up of not only the NRCS that would chair it, but also the other Federal agencies involved, made up of

wildlife groups, other interest groups in the State, agricultural groups.

They actually go through a process of evaluating those, setting point values and ranking them in order. Then based on the money available, they would go down that list in that order and then make offers accordingly.

The CHAIRMAN. So you have a point system or some evaluation also for the wetlands?

Mr. WEBER. That is correct. That's essentially true in any of our programs.

The CHAIRMAN. Of all the programs. Now, is information about these programs widely available to producers throughout America? I presume the answer is yes, but if so, how is it made available? If you are a landowner, somewhere in America and you're interested in any of these programs, how would you find out if you were eligible or how do you go about the bidding process?

Mr. STEPHENSON. I think probably both agencies maintain a very rigorous public information program. Each of our agencies have offices, most of them co-located throughout the country in agricultural areas, where local people answer those questions on a routine basis. In addition to that, we both have I think probably fairly active web sites that get quite a lot of activity where there's extensive information about all of our programs.

The CHAIRMAN. I thank you for those responses. It's obvious from the cumulative totals that you have mentioned that a great deal of conservation good is occurring, likewise, substantial income for many landowners in America. Both are of interest, obviously, to this Committee.

Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman. Thank you both for excellent verbal and written testimonies here. Again, thank you for your leadership in both the FSA and the NRCS.

Mr. Chairman, I think there is some really valuable information here that's been delineated in a concise form, and I appreciate that. The Chairman touched on those with the tables.

Just a couple of things I'd like to hit on here. First was, Mr. Stephenson, let me look on yours, at the farmable wetlands pilot program that we just passed last year. We put the money in the appropriations bill for it. As you point out, this covers sort of the upper Midwest, I don't know how many States, maybe six or seven States total. I've heard from farmers in Iowa who are anxious to sign up in this. They've been waiting and I just want to know, do you have any idea when we're going to be able to start making these signups available, and making these contracts?

Mr. STEPHENSON. We're very hopeful we're going to have something available this spring. Immediately after the bill was enacted, we had a group of field employees come in, and NRCS also participated. We have drafted a rule for the FEDERAL REGISTER, which is in clearance now, in the Department. We're hoping that's going to move very quickly, and then this spring, we'll be able to begin entering into contracts.

Senator HARKIN. Spring out our way is what, April?

Mr. STEPHENSON. I've only been permitted to say this spring.

[Laughter.]

Senator HARKIN. All right. Well, please take back to the Department the urgency of this. There's a lot of people, I'm sure it's true in Minnesota, too, I'm sure they're waiting to sign up there, and ready to go. This again could be a valuable asset and help this year to many of our farmers, especially some of our smaller farmers that have the less than five acres that they could put away and get some help on that. So I hope you'll move ahead on that aggressively.

Second, I've heard some concerns out our way about how well the two departments, NRCS and FSA, are working together. Basically, as we know, you do the technical work and you pay the bills, basically. What I've heard is that in some cases, well, I've heard from some of the FSA people, well, NRCS is not getting the technical work out in time, I heard from the NRCS people, well, FSA is not getting the paperwork done on time and paying it on time.

So I don't want to say that this is something I hear constantly, but I hear it enough to warrant my question to you as to how you feel about the working relationships between your two departments. Is there something that we ought to be looking at here that might provide for a better delivery of these services? I just ask for your comments on that.

Mr. WEBER. Senator Harkin, I'll try to take a shot at that, and Bob, I'm sure, has some thoughts. It's my personal view these two agencies work extraordinarily well together, considering the complexities of all the programs and the interactions that take place, both from the technical side and the financial side. I've worked with a group of professionals, Bob here and his staff, and others, that I have a tremendous respect for. I think we can do business together. Yes, there are times that come up that individuals may not get along out in the countryside. But I think we work through those collectively and together, and we're able to do an excellent job.

I think the agricultural producers that are benefiting from the conservation out there and the payments that they're getting from that process are being served well.

The CHAIRMAN. Mr. Stephenson, anything to add?

Mr. STEPHENSON. Two things come to mind. First off, we have, I think in many cases, vigorous debates down at the Department between us. I think by and large, we end up with a better product. Sometimes we try not to be personal, but sometimes it's certainly loud. But the end of that, I think, generally has resulted in a better product.

As far as the situations where maybe one side of the Agency is pitted against the other out in the field, I think we both committed to each other a long time, for many years now, that when those come up, we try to address those. If there's a problem, we want to get to the bottom of it, because we can burn a lot of resources. That's not our goal.

Senator HARKIN. Well, again, I'm not trying to pick sides here or anything like that. Like I said, it's not something that I hear a lot of, but I hear about it. And it sort of raised a question in my mind, Mr. Chairman, why, we've been doing this this way for a long time and do we need to continue to do it this way? In other words, since NRCS really has the bulk of the work to do, they're the ones that

go out and do the bulk of the technical work and the help and that type of thing. Why shouldn't they be the payers of the bills, too? Why shouldn't they just run the financial end through NRCS, too?

I just ask that as an open question. Maybe there are some reasons why, but I want to test that hypothesis. And I'd like to test it as we move along this year in our programs. Maybe we need to streamline it just a little bit more.

So I leave that out there, I don't need a response on that, but I'd like to kind of look at it as we go along, why can't we just do it through one agency, rather than involving two and have FSA do some other things that maybe they should be involved in. I just leave that out there for that. There maybe some reasons that I am not looking at.

Mr. Stephenson, again, I don't know if I'm duplicating a question here that the Chairman got into. I was trying to listen carefully, and maybe you did respond. You talked about this point system, but I'm trying to figure out, in designing the incentive payments for the continuous signup practices, that only some of them are eligible for these incentive payments. I'm trying to figure out how you determine which practices are eligible for the incentive payments and which are not. I'm talking just about those incentive payments now.

Mr. STEPHENSON. On the incentive payments, they were born out of a number of meetings that NRCS conducted out in the countryside, a number of meetings that FSA conducted out in the countryside. Then I believe there were some joint meetings where farmers were basically asked, what are the impediments to enrollment and what can we do to remove those. What we were told by those groups is by and large, what resulted in the incentive payment and the structure and the amounts that we came up with. I think we were very responsive to what we were told out in the countryside by the summation of all those several meetings that occurred over a couple of year period.

Senator HARKIN. In other words, it was based on NRCS's?

Mr. STEPHENSON. NRCS did a series of public meetings and FSA did a series of public meetings, then I believe there were some joint agency meetings too.

Senator HARKIN. So out of that, that's how you determined what practices would be available for the incentive payments?

Mr. STEPHENSON. Yes.

Senator HARKIN. Do you get much feedback on that from your customers out there? Have they been pretty satisfied?

Mr. STEPHENSON. As to the levels today? The major complaint we're getting now, or that I've received anyway, and essentially the only complaint, it has been because we did not make them retroactive, has been the concern that's been raised to me, about what the new levels were.

Senator HARKIN. And I hope this may not, I ask this question, but you may not need to answer it, maybe we need to get other people from the Department up, some of the budget people. But you pointed out, Mr. Weber, how much over-subscribed these programs are. It's been my experience, too, out in the field, that they're just way over-subscribed. I think that doesn't really tell the whole story. They're over-subscribed, but I think there's a lot of

people that, they see how long it takes, the odds are they're not going to get in, so they don't even sign up anyway, they get discouraged from coming in. I think that may be another added amount onto that that's not reflected in the figures. EQIP you said was four-times greater?

Mr. WEBER. It varies from three to 6 times, depending on the year.

Senator HARKIN. Well, do you have a table, or do you have something that would show us how over-subscribed each of the programs are?

Mr. WEBER. I have individual figures. I don't have it all in a table. I could outline it very quickly for you, verbally, if you wish.

Senator HARKIN. Well, I don't know if I want to take the time of the committee here. I'd kind of like to take a look at it. Send it up, or something like that. What I'd like to see is, what data do you have on what each, line up each one of those programs and give me a little bit of history on the subscription rate and how much they've been over-subscribed. Then I'd like to know some figures on the funding, because I want to see what would the funding level be required if we were to meet 100 percent of the people that subscribed. That's what I'm trying to get a handle on.

Maybe that's some place, you've got those figures handy. I just could not get my hands on them the other day and I'd like to take a look at them.

Mr. Chairman, thank you very much.

The CHAIRMAN. Thank you very much, Senator Harkin. In fact, I think the question that Senator Harkin just asked would be of really great interest to the whole committee, because clearly as a part of our legislative work, we're going to try to evaluate the demand for the programs. We are not at liberty as a committee to determine all the monies, and we'll have to be working with others on that. But it would be useful to know the parameters, and that testimony, if you could give that to the committee, as well as to the Ranking Member, it would be much appreciated.

Mr. WEBER. We'd be pleased to provide that.

[The information can be found in the appendix on page 56.]

The CHAIRMAN. Senator Allard.

Senator ALLARD. Mr. Chairman, I want to follow up on that last question that I tried to ask the other panel. I felt like you would be more in a position to answer that. It has to do with the watershed program, to be more specific, the Small Watershed Rehabilitation Program. I'd like to have you comment on what's happening with that program.

Mr. WEBER. Thank you, Senator Allard. The Small Watershed Rehabilitation Amendments to the 2000 Public Law that was passed and signed by the President in November authorized us to work with sponsors of small watershed projects that come under Public Law 556, Public Law 534 and Resource Conservation Development Acts.

We have identified and we provided a report to Congress, I think it's probably been a year or two back now, identifying in a quick assessment, and I need to underline quick, that we have at least 2,200 structures in this country, and I'm talking dams, small dams, that are in need of significant renovation, rehabilitation or breach-

ing because of potential hazards to life and property. The cost of that we had estimated from that quick study was about $543 million.

This is a major issue in terms of public health and safety, we believe. The legislation has been authorized; however, there are funding issues that need to be dealt with of course by Congress in that. At this point, there are no dollars funding that effort. There are dollars for pilot rehabilitation projects that were authorized under the Emergency Watershed Program, the last supplement that came through, the last two supplements actually, a total of $16 million.

Those States are Wisconsin, Ohio, Mississippi and New Mexico that are now going through pilot efforts to road test the process that we need to go through to actually rehabilitate these structures. Those States continue to work through as sponsors. We have roughly 15 dams we're looking at starting this spring or summer to actually do construction to rehabilitate.

So that's where we're actually doing some things out there on the landscape under emergency legislation. However, under the new legislation for rehabilitation there are no dollars at this point.

Senator ALLARD. The sponsors of these are responsible for operation and maintenance, do I have that right?

Mr. WEBER. That is correct.

Senator ALLARD. Then the Federal Government is supposed to come and provide cost share for rehabilitation. How do you divide that responsibility up and how does that work?

Mr. WEBER. The legislation prohibits expenditure of Federal funds for operation and maintenance issues. Where operation and maintenance has not been carried out in fulfilling the responsibilities under the original project.

Senator ALLARD. Now, my question is, how do you draw the line between maintenance and rehab?

Mr. WEBER. Basically, a rehabilitation issue would be things like where concrete has passed its useful life, let's say 50 years. You have spoiling, you have cracking, you have deterioration. That would not be a normal operation and maintenance issue. You have metal pipe that corrodes and over 50 years, you would certainly in parts of this country have major problems there for replacement. That's how we go out and look at every one.

Senator ALLARD. Let me ask you about the size of the dam. The Bureau of Reclamation has some responsibilities for dams. I'm not exactly sure how far that goes. Is there some overlap between what you're doing on the small watershed side with dam safety and what-not, and what the Bureau of Reclamation may be doing?

Mr. WEBER. That's an excellent question. My answer is no, because we do have, both organizations, including the Corps of Engineers, have a clear distinction in terms of their authorization. We work on watersheds that are less than 250,000 acres under our legislation, and the others work on the bigger projects. So our dams tend to be much smaller. But we do have roughly 10,000 of them around the country.

Senator ALLARD. Two hundred fifty thousand acres, that probably limits you pretty much to flatter land areas? In Colorado, they're larger because of our heavy slope and what-not, I would

guess in many of those areas it would go into the Bureau, is that correct?

Mr. WEBER. Probably, I would guess, and we would have the data. Most of the projects in Colorado I believe are in eastern Colorado.

Senator ALLARD. Or they could be maybe even real high in the mountains, where there's not much drainage up above.

Mr. WEBER. Right.

Senator ALLARD. OK. The States have passed dam safety laws and what-not like that. We've had some high mountain reservoirs which break in Colorado, cause a flood all the way down. Have you gotten involved in any of those kinds of issues, high reservoirs, perhaps a small drainage area that would qualify, then there's a break or something? Have you been involved in any of that?

Mr. WEBER. Not to my knowledge in the high country. We have had some other structures through flood events that we've had damage to.

Senator ALLARD. In Colorado, we have a lot of, we have some State laws passed on dam safety and everything. We have a problem with some of these structures with developments occurring below the structure, it raises the issue about dam safety and what-not. How do you think the program is working in coordination with States like Colorado that have dam safety laws, that pass at the State level what you're trying to do at the Federal level with these small watershed structures?

Mr. WEBER. In the work we're doing out in the States, we're working directly with the State dam safety officials. Georgia is a great example. The State is putting in several million dollars a year to upgrade these structures to the current standards, which is another issue that we need to deal with.

Senator ALLARD. Who sets the standards?

Mr. WEBER. Essentially the States.

Senator ALLARD. So they kind of drive your expenses?

Mr. WEBER. Yes, they would have the criteria requirements. But we work directly with them.

Senator ALLARD. Is there an advantage to the State to have high standards so they drive more spending by the Federal Government? Does that happen?

Mr. WEBER. I don't believe so. I'm not that familiar with each State's standards.

Senator ALLARD. Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much, Senator Allard.

Gentlemen, we thank you very much for your testimony. Senator Allard's questions brought forward again what you have mentioned, and that is the programs of many of our States that are significant. All of these programs work best where American Federalism is the most vital, that is, the Federal Government and the State governments, and on even some occasions, local governments, because of particular situations.

I can recall just anecdotally from our own family situation, my dad attempting to work with whoever was there in the 1930s, 1940s, 1950s, and the programs we've talked about today are truly remarkable as I reflect back on that time. We've had wonderful hearings, I think Senator Harkin would agree with me, testifying

bit by bit over the course of the last 15 years or so, of how America has been transformed.

We look at this, and we should, in the nitty-gritty of who signs up and who gets paid and so forth. That is very important in terms of equity, and we've got to try to work that out. But the overall number of acres have transformed the interior of many, many of our States. This is exciting to see. I can recall the flood control, erosion control business in Indiana, even when I was young enough to understand all this, in the 1940s, really came down to just getting a bulldozer on your own and using the vacation money to put more dirt on top of the levee or to clear whatever had to be cleared. There really wasn't much governmental impetus to this.

But if you planned to farm there for a good long while, you had your own conservation ethic. It was your soil and your land that was going to be affected.

More recently, when the CRP was founded, I had the privilege of entertaining the Secretary of Agriculture, John Bloch, out on the Lugar farm, to announce this thing, much to the horror of Dave Stockman at the time, who was not aware that it was going to cost so much.

[Laughter.]

The CHAIRMAN. But in any event, I've always seen Jack Bloch, thanked him for coming, and for his own commitment. Because USDA really was at the forefront of that, and an advocate for these programs.

We appreciate again your testimony today. We look forward—I would mention, for all members and staff, I convey that, our hearing tomorrow will be in the Hart 216, the larger chamber. It will be at 9 o'clock again, and we look forward to a large number of witnesses who will come in from all over America to comment on these programs.

Do you have any further comments, Senator Harkin?

Senator HARKIN. No, Mr. Chairman, again I thank you for your leadership in this area over the past. We really have made some great progress in this country, thanks to your departments, both of you, and the programs we've had out there. As I said earlier, I don't mean to repeat myself, but I think we now have to think about what's down the pike here. Again, how we utilize the great program that Senator Lugar started, the CRP program, that, we have some test programs going now to use the biomass off that for energy.

But still, it's still CRP, it's not erodible, you're not plowing anything up, you're planting grasses on that. There's also carbon sequestration that takes place there. Perhaps we can utilize some of that for other purposes other than just sitting there. It's still wildlife cover and everything. So I think we're thinking about ways of enhancing some more farm income while not stepping back from our commitment.

Thank you, Mr. Chairman.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 11 a.m., the committee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

FEBRUARY 28, 2001

OPENING STATEMENT BY CHAIRMAN DICK LUGAR

CONSERVATION HEARING

FEBRUARY 28, 2001

Beginning our Committee's work to reauthorize the Farm Bill, we started out this year receiving testimony from the Commission on 21st Century Production Agriculture about its recommendations for future farm legislation. Today our Committee begins two days of hearings on conservation, a very important issue for the Farm Bill debate.

Conservation programs were significantly expanded in the conservation title of the 1985 Farm Bill. The establishment of the Conservation Reserve Program (CRP) in the 1985 Farm Bill was due to recognition by many of us in Congress of the need to address serious erosion problems facing agriculture. The 1990 and 1996 Farm Bills further strengthened agricultural conservation programs. This is one area of the past farm bills where there has been strong bipartisan support in Congress.

In my view, there are at least three fundamental questions to consider as we begin debate on the conservation title:

* What should be the environmental goals the next farm bill should be designed to attain through voluntary incentive-based programs?

* What will be the costs and benefits to landowners and producers of achieving these broad goals?

* What will be the cost and benefits to society of achieving these broad goals?

Hopefully, the testimony presented at these two days of hearings will help us to answer these questions.

One of the challenges facing agriculture today is how to provide food, fiber, and industrial raw materials without jeopardizing the future productivity of our natural resources. Private landowners are the stewards of over 70 percent of our nation's land. Our nation's farmers and ranchers are facing increasingly complex environmental problems and regulations. Increasingly, taxpayers have been demanding and expecting increased conservation achievements from farmers and the agricultural sector. Given this situation, we have another question to consider: Should there be a substantially larger investment by the federal government in conservation cost-share and incentive programs?

As we try to answer these questions, it will be important for our Committee to hear about how the current conservation programs are managed, the use and distribution of funding for the programs, the types of agricultural producers and landowners who participate and the geographic distribution of participants.

We are also seeking suggestions for improvements and changes to the current programs and asking whether there is a need for new initiatives. We will be trying to determine the appropriate role for the federal government in assisting farmers, ranchers and other

landowners in achieving conservation goals.

Today we will gather testimony from representatives of the U.S. Department of Agriculture and the Congressional Research Service about the administration and funding of our current conservation programs. At tomorrow's hearing, witnesses will include representatives of farm organizations, conservation and wildlife groups, and state agencies, and we will seek views on current programs as well as suggestions for improvements and new approaches.

I welcome our witnesses today and look forward to hearing their individual testimony.

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OVERSIGHT AND REVIEW OF USDA CONSERVATION PROGRAMS
SENATOR TOM HARKIN (D-IA), RANKING DEMOCRATIC MEMBER
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
February 28, 2001

Mr. Chairman, thank you for holding today and tomorrow these very important hearings regarding conservation on private agricultural lands. I welcome our witnesses and thank them for testifying.

Farmers and ranchers have proven over the years their critical role as stewards of America's private lands. Given the opportunity and the proper assistance, they will voluntarily do even more to maintain and restore our natural resources. We must do our part to provide better support for conservation on private lands, especially land in agricultural production.

Agricultural conservation efforts have delivered solid benefits, but much more can be done. Soil erosion on highly erodible lands decreased nearly 40% over the period 1982-1997, mostly because of conservation compliance and the Conservation Reserve Program (CRP). Yet soil erosion is still at 1.9 billion tons annually. Over 900,000 acres of wetlands have been protected in the Wetlands Reserve Program (WRP), and farmers are now responsible for more wetlands restoration than any other group. Nevertheless, we continue to lose thousands of acres of wetlands in agriculture each year.

The upcoming farm bill provides a tremendous opportunity to help increase conservation on private agricultural lands by strengthening and improving existing conservation programs and developing new ones. To accomplish that, we will have to devote the necessary resources. WRP has a long waiting list and is quickly running out of money despite added funding last fall. The demand for the Environmental Quality Incentives Program (EQIP) vastly exceeds the available money, with many farmers being turned away when they seek EQIP assistance for their conservation efforts.

Farmers must be fully involved if conservation on private agricultural lands is to succeed. They have the insight and experience to know what will work, and what will not. To complement and enhance the individual efforts of producers, farm and commodity groups are voluntarily developing and promoting farmer-driven conservation and environmental initiatives. Private and local groups and volunteers – including conservation districts, wildlife and environmental organizations – are contributing greatly to these efforts. Supporting these private-public initiatives is integral to conserving private agricultural lands.

As we move forward to strengthen conservation in the new farm bill, we must first evaluate our current programs. What are the goals of these programs? Are we achieving these goals? Which farmers and landowners enroll and take part in the different programs? What gaps remain in the current array of programs?

Today's hearing promises to shed light on these questions. I look forward to our panelists' testimony about private lands conservation efforts and the programs that support them.

Thanks you Mr. Chairman.

Opening Statement
Senator Debbie Stabenow
Senate Committee on Agriculture, Nutrition and Forestry
February 28, 2001

Chairman Lugar and Senator Harkin, thank you for convening today's hearing on conservation. I believe conservation is a critical component of agricultural policy. Without fertile soil and safe and plentiful water, our nation would not need an agricultural policy because there would be no farmers or ranchers. I believe our nation has taken great strides to develop sound conservation programs.

Current conservation programs such as CRP (the Conservation Reserve Program) and WRP (Wetlands Reserve Program) have made a real difference in my state and across the nation. Since 1987, 278 thousand acres in Michigan have been enrolled in some kind of conservation program ranging from wildlife habitat restoration to providing riparian buffers.

I would like to see those numbers increase. By offering incentives to farmers who voluntary choose to implement conservation practices or set aside environmentally sensitive land, these

conservation programs have been extremely popular and I know demand exists to permit even greater participation.

I am pleased that our committee is focusing on the conservation component of the Farm Bill at such an early date and I look forward to working together with my colleagues throughout this process to strengthen and improve these proven programs.

I would like to welcome all of the witnesses who will be participating in this two-part hearing and I look forward to their testimony.

TESTIMONY OF KATHERINE R. SMITH
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ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY

FEBRUARY 28, 2001

Thank you Mr. Chairman for inviting me to testify before this Committee on conservation programs in the current farm bill. The conservation title is an important component of farm policy, and it is most appropriate for the Committee to review these programs as it prepares to develop new farm legislation.

Agricultural production affects the environment in many ways. Over the past 15 years, better conservation and stewardship efforts have improved agriculture's performance, reducing soil loss, improving wildlife habitat, improving air and water quality, and preserving and restoring wetlands. However, in recent years changes in production (e.g., the proliferation of large confined animal feeding operations) have produced new environmental problems. Emerging issues include damage to water quality from crop and livestock nutrient runoff, carbon sequestration to mitigate global warming, and air quality problems from particulate matter, chemicals, and livestock-produced odor.

USDA Programs

The U.S. Department of Agriculture offers farmers an array of conservation and environmental programs, ranging from land retirement that reduces soil erosion and provides other environmental benefits, to easements that protect farmland from urban sprawl. In all, USDA spent more than $3.4 billion on conservation and environmental programs in FY2000. A sense of how USDA conservation funds have been spent over the last 15 years is provided by considering four broad categories of programs, classed according to the approach taken to promote conservation and stewardship, that account for most USDA expenditures.

Land retirement and easement programs ($1.8 billion in FY2000) compensate farmers and landowners for the income foregone from farming when they agree to plant permanent vegetative cover or restore wetlands on cropland. These programs also provide the producer with technical assistance and cost-sharing for practices to establish the cover or restore the wetland. In the Conservation Reserve Program (CRP), producers also receive an annual rental payment on land retired from crop production to a conserving use. The Wetland Reserve Program (WRP) restores wetlands on agricultural lands by purchasing easements from willing landowners. The Farmland Protection Program (FPP) provides matching funds to state, tribal, and local farmland protection programs that purchase development rights on agricultural land.

Land retirement programs have dominated agricultural conservation expenditures since the mid-1980s, accounting for more than half of USDA spending on conservation since 1986. The CRP alone accounted for 96 percent of spending on land retirement programs. WRP (starting in 1992) and FPP (starting in 1996) expenditures are more modest. Since 1996, CRP

rental payments averaged $1.5 billion per year, while annual expenditures on WRP easements ranged from $73 million in 1997 to $211 million in1998. A total of $35 million was authorized for FPP in the 1996 farm bill. All of these funds were obligated as of September 1998 for financial and technical assistance in farmland protection.

Cost share and incentive payments ($209 million in FY2000) encourage farmers and landowners to adopt specific production or structural practices such as conservation tillage, nutrient management, terraces, and windbreaks. Programs include the Environmental Quality Incentives Program (EQIP), and the Wildlife Habitat Incentives Program (WHIP).

Since the mid-1980s, cost share and incentive payments have accounted for just under 10 percent of USDA conservation spending. Annual funding for cost sharing has declined from an average of $233 million over 1988-1996, to less than $200 million in 2000.

EQIP combined and refocused the Agricultural Conservation, Great Plains Conservation, Colorado River Salinity Control, and Water Quality Incentives Programs. Unlike the programs it replaced, half of EQIP funds are earmarked for practices or systems relating to livestock production. Overall, 58 percent of EQIP funds have gone to livestock operations and 20 percent of program funds have been allocated to livestock waste management, a 50-percent increase in total funding for livestock waste management compared to 1995.

Technical assistance and extension programs ($600 million in FY2000) provide information and technical expertise to farmers and landowners to develop and implement conservation plans. Conservation-related extension activities and technical assistance not tied to land retirement or cost-share programs accounted for 16 percent of USDA conservation and environmental spending over the past 15 years. Technical assistance funding was higher in the 1990s than it was in the 1980s.

Compliance provisions require adoption of conservation practices as a condition of eligibility for other farm program payments. Under highly erodible land (HEL) conservation provisions (known as Sodbuster), producers who bring highly erodible land into production must apply a strict conservation plan if they want to remain eligible for farm program participation and payments. Conservation compliance on previously cropped HEL requires less stringent soil conservation systems than required by Sodbuster. Wetland conservation provisions (Swampbuster) deny farm program payments to producers who convert wetlands for agricultural production. Compliance provisions require no direct expenditure, "leveraging" expenditures in other farm programs to produce an incentive for conservation. Because of broad participation in other farm programs, 109 million acres of highly erodible cropland and 77 million acres of wetlands are subject to compliance and Swampbuster provisions. However, development of conservation plans, wetland delineation, and monitoring and enforcement activities do require USDA staff and funding resources.

Additional USDA funds for conservation purposes are administered by the Forest Service for forestland conservation, under public works programs such as the Emergency Watershed Protection program, and for conservation data collection and research.

Benefits From USDA Programs

Since 1985, agriculture's environmental gains have been impressive, both in physical terms and in estimated economic benefits due to environmental improvement. Neither the full costs nor all the benefits of conservation programs have been estimated, primarily because benefits from conservation are largely not priced in markets. While it is difficult to separate the influence of programs from the effects of changing market conditions and technical advances, ERS analysis suggests that conservation and environmental policies have played a critical role in producing these gains.

Soil erosion on cropland fell nearly 40 percent from 1982 to 1997, dropping from 3.08 billion tons per year to 1.89 billion (1997 National Resources Inventory, National Resources Conservation Service, USDA). Both wind and water erosion declined, and reductions occurred on both highly erodible and non-highly erodible cropland. Benefits of erosion reduction enjoyed by producers and society as a whole due to conservation compliance are estimated to exceed $1.4 billion per year. Benefits from erosion reductions alone on acreage enrolled in the CRP are estimated to exceed $690 million per year, compared with average annual program outlays of $1.5 billion.

Wetland conversion for agricultural use fell from 593,000 acres per year in 1954-74 to 26,000 acres per year in 1992-97 (*Agricultural Resources and Environmental Indicators, 2000*, Economic Research Service, USDA). During 1982-92, farmers were net wetland creators, restoring 11,000 more acres of land to wetlands than were converted to agricultural uses. The Wetlands Reserve Program has been the single largest federal wetland restoration effort, enrolling over 990,000 acres since 1990, an average of roughly 100,000 acres per year (including the Emergency Wetlands Reserve Program expenditures in 1993-94). Swampbuster provisions are estimated to have discouraged conversion of 1.5 to 3.3 million wetland acres to agricultural uses. While the benefits of wetland habitat restoration have not been measured, wetlands are among the most biologically productive ecosystems in temperate regions, rivaling tropical rain forests.

Wildlife habitat improved by enrolling land in the CRP is estimated to provide over $700 million per year in benefits from enhanced hunting and wildlife viewing opportunities (Feather, Hellerstein, and Hansen, *Economic Valuation of Environmental Benefits and the Targeting of Conservation Programs: The Case of the CRP,* Economic Research Service, USDA; see www.ers.usda.gov/publications/aer778/). In the prairie pothole region of North and South Dakota and Minnesota, the CRP contributed to a 30 percent improvement in duck production, or 10.5 million more ducks, between 1992 and 1997.

Carbon sequestration, while not the original objective of the CRP, is significant on lands enrolled in the CRP. An acre enrolled in CRP in the Great Plains pulls approximately 0.85 metric tons of carbon out of the atmosphere each year.

There have been significant accomplishments from USDA's conservation efforts. However, gains can be transitory because in the absence of Federal and State programs, producers have little economic incentive to maintain conservation practices.

New Challenges

Despite this substantial progress, conservation and environmental problems for agriculture may be expanding. Before 1990, environmental policy for agriculture focused largely on conserving soil to preserve agricultural productivity. The 1990 farm act expanded agri-environmental objectives to include water quality, air quality (dust), and wildlife habitat. More recently, nutrient runoff from agricultural sources has been identified as a key source of remaining U.S. surface water quality problems. Nutrient runoff from commercial fertilizer, animal waste, and non-farm sources is reducing water quality in estuaries throughout the United States. Flows of nutrients to the Gulf of Mexico are the suspected cause of a large zone of hypoxic (oxygen-depleted) waters (Goolsby, 1999), creating a "dead zone" largely devoid of marine life.

It will be a challenge to maintain environmental gains achieved to date and to address an expanded range of environmental problems. Results will depend on program design, implementation, and funding. CRP and conservation compliance provisions (Sodbuster and Swampbuster) provide valuable lessons for effective policy design. Some features that have proven particularly cost-effective are discussed below.

Environmental targeting channels funding to those areas where the environmental benefits are greatest relative to costs. One approach to environmental targeting—accepting bids based on an Environmental Benefits Index (EBI)--- has been successfully applied in the Conservation Reserve Program (CRP). The EBI is a comprehensive scoring system that scores the environmental benefits of acres offered for enrollment.

Producer flexibility allows farmers to work with local USDA staff to devise a least-cost approach to meeting environmental goals, rather than imposing a uniform, one-size-fits-all approach. This flexibility has been successfully applied in implementation of conservation compliance provisions: More than 1,600 different conservation systems (combinations of conservation practices) have been approved, reflecting the diversity in American agriculture. Practices included in conservation systems vary widely depending on climate, crop mix, soils, and topography.

Program coordination ensures that programs do not duplicate or offset each other. Coordination is complicated because of the wide range of programs provided and environmental regulations imposed by Federal and State agencies. Implementation of conservation compliance provisions in 1985 demonstrated successful coordination of environmental and income support programs.

A more complete discussion of lessons learned from present conservation programs and analyses of potential new conservation policy tools are available in a new ERS report, *Agri-Environmental Policy at the Crossroads: Guideposts on a Changing Landscape*, available from ERS (www.ers.usda.gov).

Statement of
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Senate Agriculture Committee
February 28,2001

CONSERVATION AND THE NEXT FARM BILL

Mr. Chairman, Members of the Committee, thank you for inviting me here today. Resource conservation is expected to be an important issue in the next farm bill. The Committee has asked other witnesses to offer recommendations for changes in resource conservation policies and programs. My testimony provides a context for considering these recommendations. In keeping with CRS policy, it does not take positions on any of these recommendations. I will briefly review the evolution of the federal conservation effort, and characterize today's conservation effort, including the programs and their effectiveness, and the principal agency that delivers conservation.

History of The Conservation Effort

USDA provides conservation assistance through many agencies, but primarily through the Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA). This assistance is almost all voluntarily available to those who qualify, and participation is attracted by providing incentives in the forms of financial assistance, technical assistance, education, and research. Prior to the 1985 farm bill, almost all conservation programs were designed to enhance crop productivity by reducing soil erosion or providing water at a desirable rate and pattern. These programs were concerned with improving conditions on the farm and most did not address the effects of agricultural practices on resources or the environment beyond the fence line. Land owners who wanted conservation assistance could work one-on-one with professionals who combined technical skills, especially in areas of soil science and engineering, with knowledge of local conditions and needs.

The 1985 farm bill (P.L. 99-198) expanded the conservation mission by enacting the Conservation Reserve Program (CRP) and the three compliance programs (Conservation Compliance, Sodbuster, and Swampbuster). Except for Swampbuster, these programs were all concerned with reducing soil erosion, although the CRP also included language that gave USDA the option of enrolling lands that provide off-farm environmental benefits as well (an option that initially it chose to neglect). The CRP was widely supported because it addressed other needs of agriculture in addition to erosion control, including reducing excess production, and thereby marginally increasing crop prices, and helping to stabilize low land prices associated with a recent farm credit crisis. The largest conservation concern in the early 1980s was the high rate of erosion, said by some to rival the dust bowl days. It was widely believed that sodbusting, especially in the High Plains, was a major cause and needed to be addressed. Sodbuster received the most attention, by a wide margin, of the 4 major programs enacted in 1985. While both Chambers passed sodbusting legislation in 1984, the House included a conservation reserve program of less than 1 million acres in its bill. This legislation was rejected by the conference committee largely because of budgetary

concerns. One year later Congress enacted a reserve with an enrollment goal of 40 to 45 million acres.

The 1990 farm bill (P.L. 101-624) added little to erosion control efforts. By 1990, however, the Department had used its authority to expand the CRP to consider other factors in addition to reducing soil erosion and was starting to use an Environmental Benefits Index (EBI) when comparing bids to decide which land to enroll. Among the new programs created by Congress in the 1990 law were the Wetlands Reserve Program, the Water Quality Incentives Program (a cost sharing program), the Environmental Easement Program, the Integrated Farm Management Program Option, State Technical Committees and a new pesticides record keeping program. This law also gave USDA the authority to create an Office on Environmental Quality, and amended both the 1981 farmland protection program and water quality research and education programs. While the overall conservation theme in this law was water, it greatly expanded the breadth of the conservation mission and approved the use of easements for several purposes.

The 1996 farm bill (P.L. 104-127) again expanded the conservation mission, adding numerous programs that addressed new topics. Among the most significant programs were the Environmental Quality Incentive Program (EQIP), the Farmland Protection Program, and the Wildlife Habitat Incentive Program. In addition, the compliance programs were made more producer-friendly, and perhaps of greatest immediate interest to the agriculture community, the CRP was reauthorized. Other provisions dealt with assigning responsibilities for air quality concerns to the NRCS, authorizing a grazing land initiative, and providing an option that would integrate conservation and commodity program payments called the Conservation Farm Option. By most accounts the most important new actions in this law were adding a wildlife conservation theme and making a majority of the conservation funding mandatory through the Commodity Credit Corporation (CCC).

As a result of these three farm bills, the conservation mission has grown to address a broad array of resource issues, and now consists of many more, mostly small, programs. These laws do not include provisions that encourage or require coordination among most of these programs. In general, the conservation effort has expanded from a focus on managing lands that are producing food and fiber to an emphasis on land retirement, and from a focus on on-farm challenges for producers to an emphasis on environmental concerns beyond the fence line that may result from farming activities. As this farm bill debate approaches, you are likely to hear calls for expanding the conservation effort in two different directions; (1) to increase the size of land retirement programs while also making other lands, such as grazing lands and high-risk flood prone areas eligible, and (2) to give more attention and funding to programs that help land owners manage "working lands". These two directions are not mutually-exclusive, but expansion in both directions may be particularly difficult depending on budget constraints.

Conservation Today

Today, USDA administers more than 30 conservation programs and numerous supporting activities. One analogy might view the overall agricultural conservation effort as a bolt of fabric, with each of the threads representing a distinct program or activity. One set of activities, regarded as so critical to the overall effort that the entire fabric could unravel without it, is Conservation Technical Assistance (CTA). This is the foundation upon which NRCS delivers conservation programs to landowners. It is the increasingly dominant NRCS staff activity, according to the agency's workload analysis. NRCS describes CTA as the "intellectual capital of the agency", combining expertise in soils and other sciences and engineering with knowledge of local conditions.

The "handbook" for CTA is the Field Office Technical Guide, which specifies standards for the design and implementation of approved conservation practices.

Among conservation programs, the CRP is important to single out because it is by far the largest one, in terms of funding. The CRP now consumes about half the total conservation budget each year. It retires environmentally sensitive and highly erodible lands under multi-year contracts lasting 10 to 15 years. The program has expanded from an erosion control program in its initial years to a multi-purpose conservation program, in which erosion is now treated equally with wildlife and water quality. Three other program factors, albeit of lower priority, are; the enduring nature of the benefit, the location of the proposal in a priority area, and air quality. CRP also has 2 subprograms, a continuous enrollment option for smaller parcels of land that offer especially high environmental benefits (such as stream buffers and shelter belts), and an enhancement program where states provide additional resources to increase incentives to participate in small areas of a state where environmental challenges are concentrated. Many in agriculture might not be aware of some of the other conservation threads, but there are few who do not know about the CRP.

The next largest conservation program, as measured by funding, is the Environmental Quality Incentives Program (EQIP), a cost-sharing effort authorized at $200 million annually. EQIP, created in the 1996 farm bill, replaced 4 programs that were abolished in the same law. It made several important changes from past cost-sharing programs. First it concentrated funding in state-identified and federally approved priority areas; 65% or more of the EQIP funds in each state are spent in these areas. Second, half the funds are to address the needs of livestock producers, making it the first time conservation funds have been targeted in law to this group. Combining the expanded list of eligible activities with other changes in the program that make each participant eligible for far more money than under the abolished programs has meant that interest in participating has greatly exceeded available funding. In FY1999, for example, NRCS received almost 52,000 applications totaling $386 million for EQIP, but was able to fund only about 19,000 of these applications, according to USDA.

The three compliance programs deserve mention because they are so different from other conservation programs. These programs – Conservation Compliance, Sodbuster, and Swampbuster – deny access to certain federal farm program benefits to producers who respectively (1) do not implement a conservation plan for lands judged to have high erosion potential, (2) bring such highly erodible land into production without following a conservation plan, and (3) alter wetlands to produce crops. Debates among various interests have centered on these programs' impact on farming and their effectiveness in providing environmental benefits. Interest in considering possible changes to the compliance programs may be based on perceptions of how strictly or consistently they are administered.

The other threads in this fabric consist of: (1) very small programs, as measured by funding (the Snow Survey, for example); (2) scientific or technical support programs and activities that have usually been uncontroversial (the Soil Survey and the Natural Resources Inventory are examples); (3) programs that have a narrow focus (the Farmland Protection Program, Forestry Incentives Program, Wetlands Reserve Program, and Wildlife Habitat Incentives Program are examples) ; (4) programs that are only implemented under unpredictable circumstances (the Emergency Conservation Program and Emergency Watershed Program are examples); (5) programs that are a set of activities that support many other programs rather than a distinct program (the State Technical Committees are an example); or (6) programs that are agency or departmental initiatives rather than legislated mandates (the National Conservation Buffer Initiative and the Unified National Strategy for Animal Feeding Operations are examples). A few programs, including the Watershed Operations

Program and the Resource Conservation and Development Program, are considered important to the conservation effort and do not fit neatly into one of these 6 categories. Other programs have been enacted in most of the recent conservation titles that were never or only briefly implemented, usually because appropriations were not provided. Examples from the 1996 farm bill include the Conservation Farm Option, the Natural Resources Conservation Foundation, and the Flood Risk Reduction Program.

The proliferation of programs has been accompanied by an expansion of goals for the conservation mission. Before 1985, when most conservation programs were about reducing erosion, the goals were clear. Measurements could be taken to determine whether they were being attained. Conservation programs now have many different goals that include protecting land and productivity, but also restoring some resources, retiring some types of land, and establishing practices that provide benefits to resources or the environment as well as agriculture.

The rapid expansion of the conservation mission through many new programs has major implications for farmers and landowners, USDA agencies, and various agricultural, conservation, and environmental interests. Some conservation program participants offer anecdotes that identify complicated participation procedures and inconsistent or difficult administrative procedures as frustrations that diminish interest in participation. They have called for some combination of simplification and greater flexibility to increase interest. There has been no systematic examination of whether these complaints are isolated incidents from among thousands of potential program participants, or are widespread and deserve attention. For USDA agencies, program administration grows more demanding as the mission expands and the number of programs increases. Each program has its own rules and procedures, and may require its own expertise. It is unclear how much coordination there is or should be between programs; legislation has not provided much guidance, and any search for opportunities to coordinate programs does not appear to have been an implementation priority. Many of the various interests involved in debating conservation policy offer strong support for specific programs or topics rather than the overall conservation package. This approach by these interests likely contributes to the fragmentation of the conservation effort.

Several observations can be drawn from this review of the evolution of the overall conservation effort. First, it has been far easier to create new programs than to eliminate ones that are no longer being used or are needed. Authorized but unimplemented or unfunded programs have continued to accumulate. The elimination of 4 programs at the time that EQIP was enacted is unusual. Second, it has been easier to add new programs then to modify old ones. For the most part, new issues, such as wetland protection, wildlife enhancement, or farmland protection, have been addressed primarily through new programs. In many cases, such as for wildlife enhancement, amendments also added these topics to other programs. However, the flagship effort for most issues is an identifiable and distinctive program. Third, with the proliferation of programs, the expectations may have grown as well. These expectations, which can be measured by anticipated accomplishments, new opportunities for constituents, or expanded activities at USDA, have become harder to meet. The next section explores why some of these expectations may not have been met in recent years.

Institutional Impacts of Conservation Today

At the core of the conservation effort are the NRCS and the FSA. This section focuses on the NRCS because it provides the technical assistance and the delivery system that works one-on-one with farmers and landowners to implement conservation on the ground. It has become even more central to the conservation effort since it was assigned responsibility for administering some of the cost-sharing programs formerly administered by FSA in a 1994 reorganization.

Agencies in USDA, especially the NRCS, have sometimes found it difficult to adjust to the expansion of the conservation mission. Prior to 1985, the vast majority of conservation professionals at NRCS were soil scientists or engineers. Expansion of the mission since 1985 has required NRCS to add significant capability in wetland science, water quality, biology, archeology, and animal agriculture, among other things. Many of the experts employed in these areas have not followed the traditional career path in NRCS, which starts as a district conservationist working directly with individual landowners. NRCS Chief Paul Johnson conducted a reorganization in 1994 that placed a higher portion of the total staff in positions where they would be working directly with landowners. The reorganization has been counterbalanced by a decline in the total number of staff.

The total staff years available at NRCS has shrunk from more than 13,600 in FY1985 to about 11,600 in FY2000. At the same time, its mission has expanded. The combination of less staff and expanded mission has meant that staff at the local level are dealing with far more landowners, according to the agency's work load analysis. This heavier client load can constrain the ability to work one-on-one with interested persons, which was once a hallmark of the conservation effort. Another important effect of fewer staff at NRCS is that it (and other agencies administering conservation programs) has devoted fewer resources to evaluating program accomplishments in recent years. Reportedly offsetting this staff decline, in part, has been a growing commitment of resources for staffing and programs by states, soil conservation districts, and others. Partnerships have always been important in conservation; they appear to have grown in number in recent years, both because the expanding mission has increased the list of potential partners, and because NRCS may be more aggressively seeking partners to offset declining staff resources. The expanded use of computers also has been credited with offsetting declining staff.

Total federal funding for conservation has grown tremendously over the past 15 years. According to data compiled by USDA, funding for all conservation activities, which totaled just over $1 billion in FY1985, had grown to more than $3.6 billion in FY1998. A majority of this growth is in one of five general categories that USDA uses in its analysis of conservation funding patterns, rental and easement payments to producers. These payments grew from $8 million to more than $1.8 billion over this period. Funding for the other four categories – staffing, cost-sharing, public works, and research and data -- grew at more modest rates. These trends in funding and staffing raise questions about the technical assistance needed to support the rental and easement programs. A lack of funding in 1998 caused NRCS to temporarily suspend support for CRP signups until additional funds were provided. The next section provides some observations that might help explore solutions to this problem, in addition to more funding and staff.

Effectiveness of the Current Conservation Effort

A considerable amount of information is available to characterize some aspects of the current conservation effort. Data are available about the amount of money that is being spent through each program and where, and what conservation practices are being installed, by amount and location. For example, for the CRP, the Farm Service Agency (FSA) can provide detailed information about number of miles or acres of practices being installed with each signup. FSA maintains a cumulative balance sheet that accounts for land entering and leaving the program. NRCS should be able to translate this information into an assessment of what is being be accomplished, assuming all practices are properly installed and maintained. For the most part, once practices are in place under any of the programs, there has been less attention to monitoring and program evaluation. The accomplishments discussion in the budget notes in recent years for many conservation programs, for example, is limited to a number of anecdotes about successes at specific sites, but little or no cumulative data or information which might indicate the total program accomplishments.

One tool that provides periodic information about changing resource conditions is the Natural Resources Inventory (NRI). Conducted every 5 years, this survey of more than 800,000 sample sites provides a snapshot of conditions, and when compared to previous surveys, can be used to show trends. Information is collected at each site on physical conditions (soils, water, and conservation practices), land use and habitat. This tool is critically important in offering guidance about where changes are occurring and the degree of change.

An example of how it can be used may be instructive. The total national erosion rate (wind and most water) was at about 3.2 billion tons per year in 1982, before CRP and compliance. It declined to 2.1 billion tons by 1995, in large part because of these programs. Everyone agrees that less erosion is better than more, but would everyone agree that 2.1 billion tons per year, a widely-used erosion rate estimate for the period since 1995, is an acceptable level? In deciding whether 2.1 billion tons is acceptable, a question to consider is what would be the total amount if erosion on all land was reduced to "T", the long-term level land can tolerate while retaining its productive capability. Using 1997 NRI data, one soil scientist has calculated that amount to be 1.1 billion tons per year. Such analysis may provide a useful perspective about the overall effectiveness and limitations of the existing package of erosion control programs.

Much less is known about some other aspects of the current conservation effort. We know much less about how well the conservation effort is maintained, and very little about what happens to the land in retirement programs after payments cease. For example, some portion of land that was in the CRP is re-enrolled after the contract expires, and the remainder is either returned to production or lies idle. FSA can tell us which portion re-enrolled and the conservation practices that are installed and maintained on that land, but not the other two. More importantly, from the standpoint of conservation, there is little information about changing conditions on those lands. Overall, there is very little known about how resource conditions change, beyond what can be learned from the periodic NRI, mentioned above. This question is expected to become more important as landowners reach the end of multi year contracts in several programs.

An example may help explain the limits for policy that this lack of knowledge can cause. A geographer at the University of Minnesota found that about 21 million acres were enrolled in the CRP in several Corn Belt and Northern Plains states by the early 1990s, but that total crop land acreage had declined by only about 4 million acres. He learned through interviews with many producers that they had brought this land into production to replace other lands enrolled in the CRP. This "slippage" raises several questions. One is: how does the magnitude of environmental and erosion problems on the land that was brought into production compare to ones on the land that was enrolled into the CRP? A second is: how does the mix of crops grown on the new land compare with the crops that were grown on the retired land? A third is: what, then, is the CRP's actual contribution to commodity price stabilization by decreasing production? Today, one could ask whether this "slippage" is still occurring at such a high rate either nationally and by crop region, given the changes in commodity policies and markets since the early 1990s. The "bottom line" for CRP arguably is whether a full accounting of its accomplishments should include environmental and resource costs that come from new crop lands that are brought into production to replace land enrolled in the CRP.

An overall question for evaluating the conservation programs when the accomplishments of all the programs are combined, and when all the costs are factored in, is what is the result for resources, for production, for the environment, and for the federal Treasury. The answer today is a qualitative response: by most measures, conditions that conservation programs were established to address have improved. However, it is difficult to say how close the country is to attaining its conservation goals.

Such an evaluation is made more difficult because the conservation mission continues to change. Not only are the issues that defined conservation 15 years ago different than the ones that define it today, but further change is likely, with the emergence of both new issues since the last farm bill, such as those associated with animal agriculture and non point pollution, and with new opportunities, like those being touted for sequestering carbon.

STATEMENT OF THOMAS A. WEBER
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UNITED STATES DEPARTMENT OF AGRICULTURE
Before the
SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY

February 28, 2001

Mr. Chairman and Members of the Committee. Thank you for the opportunity to appear today and provide an update on the Conservation Programs implemented by the USDA Natural Resources Conservation Service (NRCS).

Mr. Chairman, as you know, farmers across America are faced with ever increasing pressures to maintain a productive and profitable business. Prices for many farm commodities have been the lowest in years and poor weather and growing conditions have been issues in many areas. Production costs have increased due to many factors including rising prices of nitrogen fertilizer and natural gas. In addition to these concerns, farmers face increasing pressures associated with natural resources. In recent years, concern regarding the health of our soils, water supply, and air have made farming and ranching increasingly difficult.

We know that farmers want to be good stewards of the land. They know that stewardship is in the best interests of long-term productivity of farming operations. And by and large, it is also important to farmers and ranchers who want to leave improved natural resources and a better environment for future generations. Our mission is to help farmers and ranchers meet the challenge of sustaining their natural resources while maintaining a productive and profitable business.

Today, I would like to highlight the many ways our conservation programs are making a difference around the countryside. Since the enactment of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), NRCS has experienced an increased national demand for participation in conservation programs. Farmers are utilizing these programs for a variety of benefits, including managing nutrients to save on input costs

and protect water quality, restoring and protecting wetlands to create wildlife habitat, installing grassed waterways to control erosion, and designing grazing systems to increase forage production and manage invasive species.

Land users are using conservation to improve the productivity and sustainability of their operation, while also improving the asset value of their farm even during times of such dire economic strain. Our programs are voluntary. In response to new environmental regulations at many levels, we are helping farmers and ranchers meet some of the regulatory pressures they may face. In turn, the public benefits from conservation programs go well beyond the edge of the farm field. Mr. Chairman, I believe that conservation programs the Congress included in the 1996 Act, when coupled with our historic conservation programs, and the state and local delivery system are proving winners for the farmer, and the country as a whole.

Conservation Technical Assistance

The cornerstone of our conservation activities is the NRCS workforce. Everything we accomplish is contingent upon the talents and technical skills of our field staff around the country. They are trained professionals with the technical tools, standards and specifications who get the job done. NRCS has operated since its creation through voluntary cooperative partnerships with individuals, state and local governments, and other Federal agencies and officials. That partnership may be even more important today if we are to meet the challenging conservation problems facing our Nation's farmers and ranchers.

While we are accomplishing much through the 1996 Act programs, it is important not to lose sight of the importance of our ongoing Conservation Technical Assistance program. For more than 60 years, the NRCS has used conservation technical assistance to build a foundation of trust with people who voluntarily conserve their natural resources. Each year, the NRCS provides information, education, planning, and/or application assistance to more than 1 million land users. On average, the Agency's conservation assistance

leverages more than $1 in contributions for every Federal dollar invested. And through the National Cooperative Soil Survey, approximately, 22,000,000 acres have been mapped each year, so that natural resource decisions are based upon sound science and complete information about the natural resources.

NRCS accomplishes its goals by working with 3,000 local Conservation Districts that have been established by state law and with American Indian Tribes and Alaska Native Governments. We also leverage our resources with the help of more than 348 Resource Conservation and Development (RC&D) Councils. State and local governments contribute substantially, with both people and funding to complement NRCS technical and financial assistance. Approximately 7,750 full time equivalent staff years are provided annually by NRCS partners and volunteers.

Wetlands Reserve Program (WRP)

Next, I would like to highlight the accomplishments of the Wetlands Reserve Program. WRP preserves, protects, and restores valuable wetlands mainly on marginal agricultural lands where historic wetland functions and values have been either depleted or substantially diminished. Program delivery is designated to maximize wetland wildlife benefits, to provide for water quality and flood storage benefits, and to provide for general aesthetic and open space needs. Approximately 70 percent the WRP project sites are within areas that are frequently subjected to flooding, reducing the severity of future flood events. The WRP is also making a substantial contribution to the restoration of the nation's migratory bird habitats, especially for waterfowl.

As directed in the 1996 Act, the enrollment is separated into three components (permanent easements, 30-year easements, and cost-share agreements). Pursuant to appropriations act directives, enrollment is being balanced to respond to the level of landowner interest in each of these three components.

The 1996 Act authorized a total cumulative enrollment of 975,000 acres in the program. At the conclusion of FY 2000, the program had almost reached maximum enrollment. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill for FY 2001 provided an additional 100,000 acres, raising the cumulative enrollment cap to 1,075,000 acres and allowing 140,000 acres to enroll in FY 2001.

From inception of the program in 1992 through 2000, interest in WRP has been exceptional. Historically, there have been more than five times as many acres offered than the program could enroll. One benefit of WRP is the amount of resources we have been able to leverage with other federal programs as well as non-governmental organizations. It is clear from our experience to date, Mr. Chairman, that the WRP continues to be very popular with farmers and ranchers and is a program that clearly has strong support around the countryside.

Wildlife Habitat Incentives Program (WHIP)

The Wildlife Habitat Incentives Program provides up to 75% cost-share for implementing wildlife habitat practices to develop upland wildlife habitat, wetland wildlife habitat, threatened and endangered species habitat as well as aquatic habitat. The WHIP also helps landowners best meet their own needs while supporting wildlife habitat development, and to develop new partnerships with State wildlife agencies, nongovernmental agencies and others.

The program was initially funded at a total of $50 million in the 1996 Act, to be spent over a number of years. As a result of strong need for the program, those funds were exhausted at the end of FY 1999, at which time 1.4 million acres were enrolled in 8600 long-term wildlife habitat development agreements. For FY 2001, the former Secretary decided to provide $20 million for WHIP from funding in Section 211(b) of the Agricultural Risk Protection Act of 2000, as authorized in the FY 2001 Consolidated Appropriations Act. NRCS has made an enormous effort to develop partnerships and

outreach methods with government and private organizations to develop a program that targets specific state concerns.

Farmland Protection Program (FPP)

The FPP protects prime or unique farmland, lands of State or local importance, and other productive soils from conversion to nonagricultural uses. It provides matching funds to leverage funds from States, Tribes, or local government entities that have farmland protection programs. The FPP establishes partnerships with State, Tribes, and local government entities to acquire conservation easements or other interests in land. It ensures that valuable farmland is preserved for future generations and also helps maintain a healthy environment and sustainable rural economy. The program was initially funded in the 1996 Act at a level of $35 million, to be spent over a number of years. To date, those funds have been exhausted, and local interest in the program continues to be strong. For FY 2001, the former Secretary utilized additional funding provided in the Agricultural Risk Protection Act of 2000 to fund the FPP at $30 million. On January 22, 2001, a request for proposals was published in the Federal Register. Eligible entities have until March 8, 2001 to submit their proposals. After the evaluation process is concluded, successful applicants will be notified in June, 2001.

Forestry Incentives Program (FIP)

To increase timber production, FIP was authorized by Congress in 1978 to share the costs of tree planting, timber stand improvement, and other related practices on nonindustrialized private forest lands. The Federal share of these costs ranges up to 65 percent.

Mr. Chairman, the demand for sawtimber, plywood logs, and quality hardwood logs continues to be strong. To meet the demand for these products, more trees must be

planted and more forestland placed under good forest management. FIP is designed to share the expense with eligible, private landowners to produce timber. For the life of the practices, additional environmental benefits accrue including wildlife habitat and carbon sequestration.

Funding for FIP for FY 2001 is $6,325,000. With these funds 4,049 participants were enrolled with forest management plans on 151,015 acres of private forestland. Of this total, 117,026 acres of trees were planted, 23,709 acres of timber stand improvements were accomplished, and 10,230 acres of site preparation for natural regeneration was implemented. We would estimate that since 1975, landowners have established nearly 4 million acres of tree planting and 1.5 million acres of timber stand improvement.

Environmental Quality Incentives Program (EQIP)

EQIP provides technical, financial, and educational assistance to farmers and ranchers who face serious threats to soil, water, and related natural resources on agricultural land and other land. The 1996 Act authorized $200 million, annually for EQIP, utilizing funds of the Commodity Credit Corporation (CCC). For fiscal year 2001, the final appropriation was $200 million. In previous fiscal years, Congress blocked $26 million for savings, allowing only $174 million to be spent annually. Consistent with the authorizing legislation, the program is primarily available in priority conservation areas in order to maximize the benefits of each Federal conservation dollar. The priority areas consist of watersheds, regions, or areas of special environmental sensitivity or having significant soil, water, or related natural resource concerns that have been recommended through a locally-led conservation process. For FY 2000, nearly 85 percent of the EQIP financial assistance funding was provided within priority areas.

The program has been extremely successful. We received nearly 76,168 applications in FY2000. After NRCS ranked the applications based on criteria developed at the local and state level, 16,443 long-term contracts with farmers and ranchers were approved. Since inception of the program, EQIP has averaged about 6 times the number

of applications than could be approved with available funding. Certainly the demand for the program remains high around the country.

Conclusion

Mr. Chairman, in closing, I would note that good conservation doesn't just happen. It takes all of us, including the Congress, the conservation partners, and most importantly, the people living on the land working together to make it happen. As exemplified through the many programs and activities we have underway, there is a great deal happening on the ground. And the work is not only helping farmers and ranchers build more productive and economically viable operations, but also is building a better natural resource base for the future. We are proud of our accomplishments and look forward to working with you to build on all that we have done thus far. This concludes my statement, Mr. Chairman, and thank you again for the opportunity to appear. I would be happy to answer any questions the Committee might have.

STATEMENT BY ROBERT STEPHENSON

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FARM SERVICE AGENCY

U. S. DEPARTMENT OF AGRICULTURE

BEFORE THE SENATE AGRICULTURE, NUTRITION, AND FORESTRY COMMITTEE

February 28, 2001

Mr. Chairman and Members of the committee, I am pleased to appear before you to discuss conservation programs.

The Farm Service Agency (FSA) offers a variety of conservation programs for our Nation's farmers and ranchers including the Conservation Reserve Program (CRP), Emergency Conservation Program (ECP), Pasture Recovery Program (PRP), and the Debt for Nature Program. These programs provide needed financial assistance to protect and enhance the environment.

CONSERVATION RESERVE PROGRAM

When initially authorized in 1985, CRP's maximum enrollment level was 40.0 to 45.0 million acres through the 1990 crop year. In 1990, amendments to the Food Security Act of 1985 (1985 Act) maintained the same maximum enrollment range but reserved up to 1.0 million acres for Wetlands Reserve Program enrollment, making for an effective CRP enrollment authority of 39.0 to 44.0 million acres through the 1995 calendar year.

By the end of 1990, 33.9 million acres were enrolled and from 1991 through 1995 an additional 2.5 million acres were enrolled bringing total enrollment to 36.4 million acres.

Subsequent appropriation and budget reconciliation legislation prohibited further enrollment or reduced the authorized enrollment level, effectively capping CRP enrollment at 38.0 million acres through 1995. The Federal Agriculture Improvement and Reform Act of 1996 (1996 Act) amendments to the 1985 Act capped CRP's maximum enrollment at any one time at 36.4 million acres, which was the enrolled acreage at the time, and authorized enrollment of land in CRP through the 2002 calendar year. This level still allowed fr new enrollments because, by then, early CRP contracts were expiring.

Current Enrollment Level:

Allowing for enrollment of acreage in the continuous signup practices and the Conservation Reserve Enhancement Program and contracts already expired, CRP enrollment is expected to total 33.9 million acres at the end of Fiscal Year (FY) 2001.

Budgetary Estimates:

Budget baseline projections indicate that the maximum enrollment level under current legislation, 36.4 million acres, will be achieved in FY 2003 and maintained at that level (assuming reauthorization of CRP under the next Farm Bill).

General Signup Accomplishments:

Prior to 1990, CRP targeting was primarily based on soil erodibility. The current CRP targeting method is based on a broader range of environmental effects. Central to the current targeting method is a land-scoring process known as the Environmental Benefits Index (EBI). After the CRP signup period closes, each parcel of land offered under the program is scored based on the EBI. Parcels with the highest score are given priority for acceptance into the program. The EBI includes physical characteristics of land offered under the program. Parcels with the highest score are given priority for acceptance into the program. The EBI considers soil erosion, water and air quality, wildlife habitat, proximity to priority areas, enduring practices that are likely to persist after the end of a contract--such as trees and restoration of rare and declining habitat--and cost.

Soon after the 1996 Act was enacted, many of the CRP contracts entered into in the mid-1980's began to expire. Since then, over 29.5 million acres have been enrolled under a competitive offer process that considers the costs and benefits of a particular offer using the EBI.

For many of the offers accepted since the 1996 Act was enacted, producers agreed to significantly enhance wildlife cover by planting mixes of native and introduced grasses, shrubs, or trees that are better suited for wildlife. Producers also agreed to establish more enduring practices such as tree planting, wetland restoration, and rare and declining native habitat restoration.

One-Year Extensions:

On January 10, 2001, the FSA announced that CRP participants with acreage under contract which scheduled to expire on September 30, 2001, but which were for a term less than the maximum allowed by the CRP statute, could be extended, at the producer's option, for a period of one year. The Agency also announced that no general signup was scheduled for FY 2001.

Continuous Signup:

Through mid-January 2001, over 1.4 million acres have been enrolled under continuous signup practices which addressed special concerns such as reestablishment of filter strips, riparian buffers, contour grass strips, and grass waterways. The continuous signup effort has significantly increased the enrollment of these environmentally important practices. For example, enrollment of land for the establishment of filterstrips has increased over 600 percent compared to the historic (signups 1 through 13) program.

On April 13, 2000, USDA announced new financial incentives totaling up to $350 million for FY 2000 through FY 2002 for producers participating in the CRP continuous signup. These new incentives included:

- An up-front signing incentive payment of $10 per acre for every year the contract is effective. Over the 10-15 year term of the contracts,this amounts to $100 to

$150 per acre at the beginning of the contract to help defray up-front installation costs for filter strips, riparian buffers, grassed waterways, field windbreaks, shelter belts, and living snow fences.

- An incentive payment, which is treated as a rental payment for maximum payment limitation purposes, equal to 40 percent of the practice installation cost in addition to the 50 percent cost-share paid by FSA for establishing certain approved practices.

- Increases in maintenance rate incentives paid as rental payments for certain practices involving tree planting, fencing, or water developments. Between $2 to $5 per acre may be added to existing maintenance rate incentives.

- Updated marginal pastureland rental rates nationwide to better reflect the market value of these lands.

Conservation Reserve Enhancement Program (CREP):

The CREP is a results-oriented community-centered State-Federal conservation partnership program targeted to address State and nationally significant water quality, soil erosion, and wildlife habitat issues related to agricultural use. CREP combines Federal CRP funds with State funds to provide financial incentives to encourage farmers and ranchers to voluntarily to remove lands from agricultural production for at least 10-15 years. This results-

oriented community-centered conservation program provides a flexible design of conservation practices and financial incentives to address environmental issues. Currently 15 States have CREP agreements.

Biomass Pilot Projects:

Section 769 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000 (2000 Appropriations Act), amended the 1985 Act, and authorized not more than 6 pilot projects, no more than 1 of which may be in any State, under which land enrolled in CRP may be harvested for biomass to be used for energy production.

A Federal Register notice was issued on October 20, 2000, to provide the opportunity for those interested in conducting pilot projects on the harvest of biomass from land enrolled in the CRP for energy production to submit an application for consideration to State FSA offices by December 19, 2000. State FSA Committees, in consultation with NRCS and the State Technical Committee, recently submitted recommendations to the National office. An inter-agency team met to review the biomass pilot project applications. That team is nearing the completion of that review. We anticipate announcing approved biomass pilot projects by mid-March.

Farmable Wetlands Pilot Program:

Title XI of the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act, 2001 (2001 Appropriations Act), amended section 1231 of the 1985 Act to provide a Farmable Wetlands Pilot Program for the enrollment, in the States of Iowa, Minnesota, Montana, Nebraska, North Dakota, and South Dakota, of certain wetlands and buffer acreage on a pilot basis into the CRP.

Enrollment under this pilot may not exceed 500,000 acres for the six States, or more than 150,000 acres in any one State. The maximum enrollment for both the wetland and buffer acreage, of an owner or operator, can not exceed 40 acres per tract. Wetlands also must not exceed 5 acres in size to be eligible for enrollment. Acreage enrolled must be cropland that has a cropping history in at least 3 of the most recent 10 years. Acreage offered under this pilot program will be offered under the continuous signup provisions.

Water as Acceptable Cover and Equitable Relief:

Section 817 of the 2001 Appropriations Act provided that a CRP contract may not be terminated for failure to establish approved vegetative or water cover if the failure to establish cover was due to excessive rainfall or flooding. However, the land subject to the contract that could practicably be planted to such cover must have been planted to such cover, and the land that could not be planted or established must subsequently be planted or established after the condition that prevented the planting subsides.

Section 755 of the 2001 Appropriations Act provided for equitable relief to producers who violate their CRP contracts based on a good faith reliance on the action or advice of certain USDA representatives. If an owner or operator has been injured by such good faith reliance, the owner or operator may: (1) retain payments under the contract; (2) continue to receive payments under the contract; (3) keep all or part of the land covered by the contract enrolled in the program; (4) re-enroll all or part of the land covered by the contract; or (5) be eligible for any other equitable relief the Secretary deems appropriate. The owner or operator is required to take such actions as are necessary to remedy any failure to comply with the contract. These new provisions apply to contracts in effect on January 1, 2000, and contracts entered into thereafter. Relief is not available when there is a pattern of conduct in which an authorized representative of the Secretary takes actions or provides advice which the parties know is inconsistent with law.

Emergency Conservation Program

The Emergency Conservation Program (ECP) was authorized by the Agricultural Credit Act of 1978, as amended, and funding for the program is appropriated on an as-needed-basis. The ECP provides emergency cost-share funding to agricultural producers to rehabilitate farmland damaged by natural disaster and for carrying out emergency water conservation measures during periods of severe drought.

The natural disaster must create new conservation problems, which if not treated, would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land;

(3) represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and (4) be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use. Conservation problems existing prior to the disaster involved are not eligible for cost-sharing assistance.

Emergency practices to rehabilitate damaged farmland may include debris removal, providing emergency water for livestock, fence restoration, grading and shaping of farmland, restoring conservation structures, and emergency water conservation measures. Other emergency conservation measures may be authorized by the county committee with approvals by the State committees and FSA's Deputy Administrator for Farm Programs.

Eligibility for ECP assistance is determined by local committees on an individual basis taking into account the type and extent of damage. The ECP makes cost-share assistance available at levels of up to 64 percent with a maximum benefit limitation of $200,000 per person per disaster.

Pasture Recovery Program

The Pasture Recovery Program (PRP) was authorized by Section 825 of the 2000 Appropriations Act. The PRP provides payments to reestablish permanent vegetative cover to owners and operators who suffered pasture losses due to drought in 1999. The PRP was limited to counties that were approved to receive assistance under the Livestock Assistance Program for

1999 [for which there was a 120-calendar-day payment period], and which were also approved for ECP for drought designation for 1999. The land eligible for the PRP must have been pasture land on which livestock were normally grazed.

The PRP provided cost-share payments to reestablish pastures that had been severely damaged or destroyed by drought during 1999. Payments were based on 50 percent of the average cost of reseeding and participants agree to maintain the seeding for a minimum of 3-years after planting. Producers who had gross revenues of more than $2.5 million were not eligible to participate. Forty million dollars was provided to help producers with reseeding their pastures that were damaged in 1999.

Section 806 of the 2000 Appropriations Act, authorized the Secretary of Agriculture to make available up to $40 million to further carry out the PRP for pastures damaged in 2000. Section 806 also stipulated that payments would be based on 65 percent of the average cost of reseeding. The 2001 PRP will be available to counties that have been approved for ECP for any natural disaster damage during 2000.

Debt for Nature Program

The Debt for Nature Program, also known as the Debt Cancellation Conservation Contract Program, is available for persons with FSA loans secured by real estate. These individuals may qualify for cancellation of a portion of their FSA indebtedness in exchange for a

conservation contract. A conservation contract is a voluntary legal agreement to restrict the type and amount of development that may take place on a landowner's property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation, and wildlife purposes.

As of September 30, 2000, FSA had closed 206 conservation contracts which brings the total amount of land enrolled in the program up to 82,225 acres.

All FSA borrowers who have loans secured by real estate are eligible provided they have land that qualifies for a conservation contract. This includes both borrowers who are current on their payments as well as those who are experiencing difficultly in keeping their loans current. A conservation contract may be considered alone or in conjunction with FSA's Primary Loan Servicing Programs or new loans which are secured by real estate.

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

Eligible lands include:

- Wetlands;
- Highly erodible lands;

- Lands containing aquatic life, endangered species, or wildlife habitat of local, regional, or national importance;
- Lands in 100-year floodplains;
- Areas of high water quality or scenic value;
- Historic or cultural properties listed or eligible for the National Register of Historic Places;
- Aquifer recharge areas of local, regional, or State importance;
- Buffer zones necessary to protect proposed conservation easement areas; and
- Areas within or adjacent to Federal, State, or local conservation areas.

In general, the maximum amount of a borrower's FSA debt that can be canceled is calculated by considering the present market value of the farm, the borrower's FSA debt secured by real estate, and the number of acres to be covered by the contract. For borrowers who are up-to-date on their loan payments or receiving a new loan secured by real estate, no more than 33 percent of the loan principal can be canceled in exchange for a contract. For delinquent borrowers, the amount of debt canceled may surpass this amount, provided it does not exceed the appraised value of the land on which the contract is placed. Conservation contracts can be used in conjunction with other FSA primary loan servicing options available to delinquent and financially distressed borrowers.

The term of a conservation contract may be either 50, 30, or 10 years. In general, the following activities are prohibited:

- Building, construction, or other development;
- Altering the vegetation or surface or ground water on the contract area, except for the purpose of wildlife habitat restoration or management functions;
- Allowing access for livestock, unless necessary to provide drinking water;
- Harvesting timber;
- Agricultural Production; and
- Placing refuse, wastes, or other debris or contaminants on the contract area.

The borrower retains the right to control public access to the contract area, and may use the area in a manner compatible with the contract (e.g., hunting and fishing if allowed by the management plan). Access to the contract area must be provided to FSA for enforcement purposes.

Attached to this statement are performance data for CRP, ECP, PRP, and Debt for Nature.

I appreciate the opportunity to testify today and I will be happy to respond to your questions.

Exhibit 1

Conservation Reserve Program - Current Enrollment Level

As of mid-January 2001, CRP enrollment, by number of contracts and acres, average rental rate, and estimated annual rental payment, is:

STATE NAME	TOTAL NO. OF CONTRACTS	TOTAL CRP ACRES	AVERAGE RENTAL RATE	ESTIMATED RENTAL PAYMENTS
ALABAMA	9,698	482,550	44.86	21,647,193.00
ALASKA	58	29,376	33.05	970,876.80
ARIZONA	1	33	9	297.00
ARKANSAS	2,689	156,686	42.96	6,731,230.56
CALIFORNIA	434	136,931	28.79	3,942,243.49
COLORADO	11,198	2,201,543	31.12	68,512,018.16
CONNECTICUT	24	315	66.96	21,092.40
DELAWARE	292	3,417	81.65	278,998.05
FLORIDA	1,967	90,980	37.42	3,404,471.60
GEORGIA	8,387	321,385	39.62	12,733,273.70
HAWAII	1	2	246.1	492.20
IDAHO	4,912	796,318	39.01	31,064,365.18
ILLINOIS	47,832	886,302	94.8	84,021,429.60
INDIANA	17,840	282,294	82.8	23,373,943.20
IOWA	66,743	1,778,351	97.86	174,029,428.86
KANSAS	34,683	2,655,964	38.62	102,573,329.68
KENTUCKY	9,361	301,743	70.49	21,269,864.07
LOUISIANA	2,646	207,421	44.17	9,161,785.57
MAINE	785	24,576	50.06	1,230,274.56
MARYLAND	2,946	39,657	92.93	3,685,325.01
MASSACHUSETTS	17	121	103.24	12,492.04
MICHIGAN	10,262	278,377	58.3	16,229,379.10
MINNESOTA	37,946	1,586,938	54.33	86,218,341.54
MISSISSIPPI	15,974	848,656	39.48	33,504,938.88
MISSOURI	27,962	1,536,139	65.46	100,555,658.94
MONTANA	17,205	3,420,975	33.33	114,021,096.75
NEBRASKA	17,935	1,135,035	53.27	60,463,314.45
NEVADA	1	151	16.72	2,524.72
NEW HAMPSHIRE	13	183	51	9,333.00
NEW JERSEY	111	2,246	50.71	113,894.66
NEW MEXICO	2,574	592,766	31.3	18,553,575.80
NEW YORK	1,969	56,607	42.06	2,380,890.42
NORTH CAROLINA	5,717	107,139	52.75	5,651,582.25
NORTH DAKOTA	31,469	3,318,245	33	109,502,085.00
OHIO	14,640	293,781	78.29	23,000,114.49
OKLAHOMA	8,513	1,029,455	32.47	33,426,403.85
OREGON	2,327	454,402	46.49	21,125,148.98
PENNSYLVANIA	2,301	71,286	46.03	3,281,294.58
PUERTO RICO	20	671	89.05	59,752.55

STATE NAME	TOTAL NO. OF CONTRACTS	TOTAL CRP ACRES	AVERAGE RENTAL RATE	ESTIMATED RENTAL PAYMENTS
SOUTH CAROLINA	8,271	218,203	34.85	7,604,374.55
SOUTH DAKOTA	18,168	1,419,733	40.15	57,002,279.95
TENNESSEE	6,680	248,480	53.79	13,365,739.20
TEXAS	23,748	4,047,471	35.34	143,037,625.14
UTAH	1,005	197,573	30.39	6,004,243.47
VERMONT	34	436	50.85	22,170.60
VIRGINIA	2,095	45,894	43.08	1,977,113.52
WASHINGTON	8,909	1,267,578	51.22	64,925,345.16
WEST VIRGINIA	47	918	41.05	37,683.90
WISCONSIN	25,804	635,426	65.86	41,849,156.36
WYOMING	994	277,712	27.31	7,584,314.72
-U.S.-	**515,208**	**33,488,444**	**45.99**	**1,540,133,539.56**

Acreage currently enrolled in CRP by signup type, as of mid-January 2001, includes:

Signup Type	Number of Contracts	Number of Acres
General	388,022	32,082,835
Continuous Non-CREP	119,532	1,279,525
Continuous CREP	7,654	126,083
Total Continuous/CREP	127,186	1,405,608
Total	515,208	33,488,444

CRP's remaining enrollment authority (through 2002) includes:

	Acres
Statutory Enrollment Maximum	36,400,000
Current Enrollment	-33,488,000
Currently Under Cap	2,912,000
Remaining Expirations through 12/31/2002	+1,838,000
Total Room Available	4,750,000

Exhibit 2

Conservation Reserve Program - Accomplishments

A summary of acres and selected environmental criteria enrolled under the historical CRP (signups 1 through 13) and general signup opportunities since enactment of the 1996 Act include:

	Historical CRP	Signup 15	Signup 16	Signup 18	Signup 20
Approved Acres	36,400,000	16,800,000	5,900,000	4,987,061	2,460,238
Approved Offers	375,000	160,428	75,284	61,559	39,508
Payment Rate/Acre	$50.00	$39.39	$45.15	$45.50	$52.76
Average Erodibility Index (EI)	23	16	13	11	13
Highly Erodible Land (Acs)	28,000,000	13,532,155	4,340,440	3,228,161	1,629,098
EI>15 (Acs)	13,000,000	6,531,798	1,586,902	1,082,700	699,722
Cropped Wetland (Acs)	300,000	197,500	107,722	156,373	51,917
Trees (Acs)	2,400,000	1,312,000	295,419	431,119	274,133
National Priority Areas (Acs) /1	6,600,000	3,507,473	1,432,405	1,486,241	622,576

/1 Includes longleaf pine plantings after signup 16.

Exhibit 3

Conservation Reserve Enhancement Program

USDA has entered into these CREP agreements:

State	Acres	Cost (Millions) USDA	Non-USDA	Total	Target Area	Environmental Objective
California	12,000	$19	$5	$24	North Central Valley	Enhance wetland habitat for T&E species and waterfowl. Improve surface water quality.
Delaware	6,000	$8	$2	$10	Inland Bay, Delaware Bay, Chesapeake Bay	Reduce nutrient loading, sedimentation, and increase wildlife habitat through: • filter strips; • riparian buffers; • hardwood trees; and • wildlife habitat.
Illinois	100,000	$202	$48	$250	Middle Illinois River	Reduction of sedimentation and soil erosion with: • 85,000 acres of riparian buffers, wetland restoration, emphasis on native species and • 15,000 acres of highly erodible land (HEL).
Maryland	100,000	$170	$25	$195	Chesapeake Bay	Reduction of nutrient loading with: • 70,000 acres of riparian buffers; • 20,000 acres of HEL; and • 10,000 acres of wetland restoration.
Michigan	80,000	$130	$35	$165	Raisin River, Saganaw Bay, Macatawa watersheds	Water quality improvement. Reduce sediment and phosphorous loading by 50 percent — buffers, grasses, wetland restoration, and windbreaks.
Minnesota	100,000	$163	$60	$223	Minnesota River	Water quality benefits from sediment and nutrient reduction and mitigation of flood damage by planting native grasses and hardwoods, restoring wetlands, and use of and filter strips.
Missouri	50,000	$66	$17	$83	Drinking water reservoirs in 36 counties	Improve drinking water quality for 58 communities served by the reservoirs.
New York	5,000	$8	$3	$11	New York City watershed/ Catskill/Delaware system	Risk reduction of nutrient, pathogen, and sediment inputs to streams and reservoirs that supply drinking water to New York City through riparian buffers, filter strips, and erosion control on highly erodible land.

State	Acres	Cost (Millions)			Target Area	Environmental Objective
		USDA	Non-USDA	Total		
North Carolina	100,000	$221	$54	$275	Chowan, Neuse, Tar-Pamlico Basins and Lake Jordan Watershed	Reduction in nutrient loading, sedimentation; *Pfiesteria* control; biological oxygen demand reduction; restoration of shellfish habitat through: • 65,000 acres of forested riparian buffers; • 20,000 acres of filter strips; and • 15,000 acres of wetland restoration.
North Dakota	20,000	11	4	15	South-Central and southwestern ND	Establish long-term wildlife habitat that will contribute to reduced erosion and nutrient loading. 20,000 ac Coverlocks (5ac shelterbelts, 15ac perm. wildlife habitat, with 5th year change of 5ac wildlife habitat to foodplot)
Ohio	67,000	$167	$34	$201	Western Lake Erie watershed	Reduce sediment and nutrient loading --filter strips, rip. buffers, wildlife habitat
Pennsylvania	100,000	$137	$77	$214	20 counties in the Susquehanna and Potomac watersheds.	Reduction of nutrient loading and restoration of wildlife habitats--75,000 ac HEL, buffers, grassed waterways.
Oregon	100,000	$200	$50	$250	Streams providing habitat for endangered salmon and trout Statewide	Restore ecosystem and increase population of salmon/trout through riparian buffers, filter strips, and wetland restoration.
Virginia	35,000	$68	$27	$95	- Chesapeake Bay and Southern Rivers Nutrient/Sediment Reduction Project - Southern Rivers Wildlife Enhancement Project	Water quality: Reduce sediment and nutrient transport; assist VA in addressing the agricultural component of 40% nutrient reduction goal. Additional wildlife habitat benefit anticipated with respect to numerous threatened and endangered species.
Washington	100,000	$210	$40	$250	Salmon spawning streams Statewide	Restoration of habitat for native anadromous fish species using riparian buffers.
Total	975,000	$1,780	$481	$2,261		

Exhibit 4

CRP Continuous Signup - Accomplishments

Continuous and CREP acreage enrolled through mid-January 2001 includes:

STATE	CONTINUOUS NON-CREP ACRES	CONTINUOUS CREP ACRES	TOTAL CONTINUOUS ACRES	ESTIMATED RENTAL PAYMENTS
ALABAMA	6,879	0	6,879	$361,216.29
ALASKA	40	0	40	$2,654.00
ARIZONA	0	0	0	$0.00
ARKANSAS	6,563	0	6,563	$440,049.15
CALIFORNIA	1,539	0	1,539	$96,356.79
COLORADO	2,901	0	2,901	$118,708.92
CONNECTICUT	79	0	79	$6,602.03
DELAWARE	647	930	1,577	$158,027.08
FLORIDA	68	0	68	$2,711.84
GEORGIA	923	0	923	$43,879.42
HAWAII	2	0	2	$492.20
IDAHO	3,002	0	3,002	$158,775.78
ILLINOIS	160,217	57,851	218,068	$30,361,207.05
INDIANA	37,465	0	37,465	$4,696,612.40
IOWA	247,536	0	247,536	$35,850,638.88
KANSAS	27,136	0	27,136	$1,698,442.24
KENTUCKY	22,723	0	22,723	$2,301,839.90
LOUISIANA	2,172	0	2,172	$115,181.16
MAINE	241	0	241	$16,901.33
MARYLAND	2,912	21,649	24,561	$2,642,325.93
MASSACHUSETTS	27	0	27	$2,836.62
MICHIGAN	10,686	184	10,870	$1,092,152.12
MINNESOTA	118,425	15,424	133,849	$12,286,331.62
MISSISSIPPI	32,379	0	32,379	$1,893,847.71
MISSOURI	33,492	23	33,515	$3,042,569.44
MONTANA	145,635	0	145,635	$5,439,467.25
NEBRASKA	21,903	0	21,903	$2,051,654.01
NEVADA	0	0	0	$0.00
NEW HAMPSHIRE	172	0	172	$8,802.96
NEW JERSEY	93	0	93	$7,412.10
NEW MEXICO	0	0	0	$0.00
NEW YORK	3,155	332	3,487	$201,593.46
NORTH CAROLINA	6,014	14,039	20,053	$1,903,758.31
NORTH DAKOTA	104,663	0	104,663	$4,291,183.00
OHIO	23,825	4,080	27,905	$3,248,387.45

STATE	CONTINUOUS NON-CREP ACRES	CONTINUOUS CREP ACRES	TOTAL CONTINUOUS ACRES	ESTIMATED RENTAL PAYMENTS
OKLAHOMA	10,774	0	10,774	$464,790.36
OREGON	2,953	2,598	5,551	$426,561.50
PENNSYLVANIA	335	5,481	5,816	$551,471.51
PUERTO RICO	0	0	0	$0.00
SOUTH CAROLINA	28,839	0	28,839	$1,522,987.59
SOUTH DAKOTA	111,254	0	111,254	$7,146,956.96
TENNESSEE	4,092	0	4,092	$316,311.60
TEXAS	12,701	0	12,701	$534,839.11
UTAH	32	0	32	$1,451.20
VERMONT	314	0	314	$17,235.46
VIRGINIA	1,201	2,191	3,392	$226,280.18
WASHINGTON	63,565	1,301	64,866	$4,555,048.91
WEST VIRGINIA	67	0	67	$3,053.86
WISCONSIN	18,852	0	18,852	$1,862,954.64
WYOMING	1,031	0	1,031	$46,405.31
-U.S.-	**1,279,525**	**126,083**	**1,405,608**	**$132,218,966.63**

Exhibit 5

Emergency Conservation Program - Historical Accomplishments

1980 - 2000

Fiscal Year	Number of Farms	Total Assistance * ($ in thousands)
2000	37,781	91,079
1999	11,277	31,654
1998	9,245	38,300
1997	18,129	29,723
1996	6,555	25,992
1995	9,227	26,368
1994	12,515	34,312
1993	4,929	21,814
1992	4,907	9,534
1991	6,877	12,578
1990	8,958	12,469
1989	4,861	7,228
1988	2,365	4,377
1987	2,191	3,901
1986	3,997	7,409
1985	6,144	11,309
1984	3,495	12,638
1983	6,230	10,300
1982	3,248	4,251
1981	10,033	15,409
1980	14,431	21,818

- Does not includes funds reimbursed to NRCS for technical assistance.

Exhibit 6

Emergency Conservation Program - FY2000 Accomplishments by State

STATE	FARMS	TOTAL ASSISTANCE ($1,000's)
ALABAMA	228	370
ALASKA	-	-
ARIZONA	2	88
ARKANSAS	123	344
CALIFORNIA	87	1,757
COLORADO	362	1,137
CONNECTICUT	28	259
DELAWARE	5	11
FLORIDA	7	56
GEORGIA	372	1,187
GUAM	-	-
HAWAII	3	46
IDAHO	2	7
ILLINOIS	265	450
INDIANA	127	212
IOWA	1,496	5,777
KANSAS	9	15
KENTUCKY	6,531	7,572
LOUISIANA	-	-
MAINE	13	95
MARYLAND	109	406
MASSACHUSETTS	132	992
MICHIGAN	1	*
MINNESOTA	90	255
MISSISSIPPI	141	398
MISSOURI	3,628	9,370
MONTANA	427	1,858
NEBRASKA	221	625
NEVADA	9	61
NEW HAMPSHIRE	16	90

STATE	FARMS	TOTAL ASSISTANCE ($1,000's)
NEW JERSEY	-	-
NEW MEXICO	20	27
NEW YORK	529	2,246
NORTH CAROLINA	11,583	24,320
NORTH DAKOTA	69	99
OHIO	2,074	5,688
OKLAHOMA	726	1,777
OREGON	-	-
PENNSYLVANIA	682	2,391
PUERTO RICO	-	-
RHODE ISLAND	35	255
SOUTH CAROLINA	51	79
SOUTH DAKOTA	580	1,085
TENNESSEE	560	710
TEXAS	2,059	7,825
UTAH	15	131
VERMONT	197	603
VIRGINIA	747	3,000
VIRGIN ISLANDS	13	25
WASHINGTON	11	61
WEST VIRGINIA	3,217	6,480
WISCONSIN	176	773
WYOMING	3	65
TOTAL	37,781	91,079

Exhibit 7

1999 PASTURE RECOVERY PROGRAM PERFORMANCE

State Name	Number of Payments	Number of Producers	Dollars Paid
WEST VIRGINIA	4,834	3,455	$ 4,243,281
KENTUCKY	11,761	8,581	$ 10,523,529
HAWAII	14	14	$ 24,063
ARKANSAS	1,633	1,252	$ 1,857,237
MASSACHUSETTS	59	40	$ 35,704
TENNESSEE	1,369	1,139	$ 1,556,419
NEW YORK	166	90	$ 101,822
PENNSYLVANIA	416	300	$ 348,792
OHIO	1,647	1,284	$ 1,359,130
GEORGIA	558	428	$ 553,183
MARYLAND	141	109	$ 149,856
MISSOURI	4,076	2,826	$ 3,400,801
INDIANA	817	598	$ 621,273
VIRGINIA	1,225	903	$ 1,277,291
NORTH CAROLINA	209	101	$ 87,699
CONNECTICUT	18	13	$ 12,218
OKLAHOMA	104	88	$ 109,177
ALABAMA	1,175	809	$ 1,089,804
VERMONT	54	47	$ 62,835
TEXAS	98	73	$ 100,313
RHODE ISLAND	4	4	$ 1,415
NEW HAMPSHIRE	2	2	$ 446
MONTANA	3	3	$ 569
Total	**30,383**	**22,159**	**$ 27,516,857**

Exhibit 8

Debt for Nature - Performance

State	Debt Cancelled	Acres Under Contract
Arkansas	$ 210,395.87	194.5
California	$ 1,448,245.41	5,551.8
Connecticut	$ 39,531.50	14.2
Idaho	$ 221,997.39	752.7
Illinois	$ 955,417.97	876.7
Indiana	$ 100,688.71	64.4
Iowa	$ 250,232.89	209.7
Kansas	$ 267,001.15	1,132.0
Kentucky	$ 317,520.49	395.0
Maine	$ 3,861,416.14	8,449.2
Massachusetts	$ 64,669.45	49.0
Michigan	$ 1,186,570.63	974.5
Minnesota	$ 1,135,768.06	4,930.3
Mississippi	$ 247,809.84	553.6
Missouri	$ 312,426.12	561.0
New Hampshire	$ 184,920.00	313.6
New Jersey	$ 60,785.07	15.0
New York	$ 649,750.13	466.8
North Carolina	$ 341,968.44	1,374.0
North Dakota	$ 67,936.67	326.9
Ohio	$ 138,408.31	95.7
Oregon	$ 385,118.36	352.0
Pennsylvania	$ 1,776,238.88	686.3
Rhode Island	$ 36,527.30	55.8

State	Debt Cancelled	Acres Under Contract
South Carolina	$ 9,981.00	27.3
Utah	$ 33,381.55	237.8
Vermont	$ 1,144,093.84	1,506.1
Virginia	$ 316,222.55	491.3
Wisconsin	$ 1,026,993.06	1,173.9
Wyoming	$ 382,000.00	379.0
Total	$ 17,174,016.78	32,210.1

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2001

Tim Hutchinson

SENATOR TIM HUTCHINSON
Opening Statement

Senate Committee on Agriculture
Hearing on USDA Conservation Programs
Wednesday, February 28 at 9:00 a.m. in SR-328 (enter through SR-336)

Mr. Chairman, I think you may have heard this before, but Arkansas' nickname is "The Natural State." Arkansans care for the natural resources we are entrusted with and steward them through a long list of state and federal conservation programs. In Arkansas' Delta region, rich farmland, bayous, wetlands, and streams provide the ideal habitat for wildlife and countless waterfowl migrating south for the winter months. The northwest corner of Arkansas is home to the Ozark Mountains and some of the finest trout streams, recreational lakes and forests in the Southeast United States.

Conserving these natural resources is critical to the future of my state. Agriculture is the backbone of Arkansas' economy. Row crop farmers, livestock and poultry growers, fish farmers, and foresters take advantage of conservation programs to ensure the future use of their resources. For example, Arkansas ranks third nationally in the number of acres enrolled in the Wetlands Reserve Program (WRP). That is why I introduced the Wetlands Reserve Program Enhancement Act during the 106th Congress, with the hope of increasing the annual acreage cap to accommodate landowners awaiting admission to the program. Since the 1996 FAIR Act, USDA has spent tens of millions of dollars on federal conservation programs in my home state. These programs are working in Arkansas.

Mr. Chairman, many farmers in Arkansas are enthusiastic about conservation, but there is another issue my agriculture community is talking about—they are concerned about the overall regulatory burden facing farmers and private landowners. The portfolio of conservation measures are not confined to USDA. Both voluntary and non-voluntary air and water quality regulations are being implemented by EPA and various state-level environmental agencies each year. If the Congress wants to encourage greater public-private cooperation, we should not allow the conservation programs farmers and ranchers have grown to trust to blur into the barrage of state and federal regulations facing landowners. In other words, we can't bury farmers under a pile of burdensome federal regulations and expect them to desire a closer working relationship with USDA or any other government agency. It is my hope that we will consider ways to balance successful conservation programs with the overall regulatory burden facing agriculture in every state.

With that said, I look forward to hearing from today's witnesses and thinking about ways to improve conservation in agriculture.

Opening Statement
Senator Blanche L. Lincoln
Conservation Hearing
2/28/01

As a senator from the "Natural State" of Arkansas, I know the importance of our conservation programs. EQUIP, WHIP, CRP, and WRP, among others, have given Arkansas farmers and ranchers the incentive based tools they need to take marginal land out of production and protect our state's environment.

These programs are so popular that, in many instances, we've reached maximum authorized capacity for program enrollment. It is important that we are having these hearings to highlight the successes of our conservation efforts. I hope we will work to improve conservation programs where applicable so that our farmers' commitment to land stewardship can be rewarded.

My father always used to say that the farmer is first and foremost a conservationist. If he is not taking care of the land, then his land will not be taking care of him. I look forward to hearing from the witnesses today and look forward to working with the committee as we address our nation's conservation needs.

CONSERVATION

THURSDAY, MARCH 1, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 9:02 a.m., in room 216, Senate Hart Building, Hon. Richard G. Lugar (Chairman of the Committee) presiding.

Present: Senators Lugar, Thomas, Nelson, and Harkin.

The CHAIRMAN. This hearing of the Senate Agriculture Committee is called to order.

In our hearing yesterday we heard testimony from representatives of the U.S. Department of Agriculture and the Congressional Research Service and others about the administration and funding of our current conservation programs.

As the author of the Conservation Reserve Program in the 1985 Farm bill, I was heartened to hear about the significant reduction in soil erosion that has been achieved because of this program.

A recent report prepared by USDA's Economic Research Service details the important environmental gains that have resulted from USDA's conservation programs in general.

Another example cited was the Wetland Program. Through the Wetlands Reserve Programs created as a part of the 1990 Farm bill title, agriculture has become the single largest source of the U.S. wetland restoration.

In my opening statement yesterday I stated that there are at least three fundamental questions to consider as we begin debate on the conservation title of the new Farm bill.

First of all, what should be the environmental goals of the next farm bill designed to attain through voluntary incentive-based programs and what will be the costs and benefits to the landowners and producers of achieving these broad goals? What will be the costs and benefits to society of achieving those goals?

One of the challenges facing agriculture today is how to provide food, fiber and industrial raw materials without jeopardizing the future productivity of our natural resources. Private landowners are the stewards of over 70 percent of our Nation's land.

Our nation's farmers and ranchers are facing increasingly complex environmental problems and regulations. Increasingly, taxpayers have been demanding and expecting increased conservation achievements from farmers and the agricultural sector.

Given this situation, we have another question to consider. Should there be a substantially larger investment by the Federal Government in conservation cost share and incentive programs? By

seeking answers to these questions we will be trying to determine the appropriate role for the Federal Government in assisting farmers, ranchers and other landowners in achieving conservation goals.

Today, our hearing witnesses will include representatives of farm organizations, conservation and wildlife groups and State agencies. We will seek views on current programs as well as suggestions for improvements and new approaches.

I welcome our witnesses today. We look forward to their individual testimony. Before I call upon the first panel, I call upon our distinguished Ranking Member, Senator Harkin, for his opening comments.

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

Senator HARKIN. Mr. Chairman, thank you again for holding today's hearing on Conservation and America's private agricultural lands.

I first want to welcome my good friend, long-time friend and fellow Iowan, Paul Johnson. As you know, he is the former Chief of the Natural Resources Conservation Service and former Director of the Iowa Department of Natural Resources and a farmer from Decorah, Iowa. He has been a true friend of farmers and a visionary conservationist in the mode of Aldo Leopold himself. I appreciate his long leadership in this area.

I also want to welcome two other Iowans: Craig Cox, the Executive Vice President of the Soil and Water Conservation Society from Ankeny, and Dan Specht, a farmer from McGregor, Iowa, who, like Paul Johnson has got a long history of hands-on active involvement in conservation and with practical farmers of Iowa trying to figure out how we can keep more family farmers on the farm and keep them actively involved in our conservation of our natural resources.

So I welcome them here. I know we will have a lot to learn from them.

As we learned yesterday, our farmers and ranchers have made great strides towards protecting natural resources. Their role as conservationists of our lands for future generations is every bit as important as the food and fiber they grow.

We need to provide them with the tools they need to succeed and expand our tradition of promoting conservation on private agricultural lands.

I commend our distinguished colleagues, Chairman Lugar and Senator Leahy for their unwavering dedication to conservation in past farm bills. I think in this new farm bill conservation must once again be an integral part of farm policy. In fact, I would go so far as to say that in the next farm bill I think that conservation ought to be the centerpiece of our next farm policy because it encompasses, really, everything we are trying to do.

I will get into that more later on, but I think it ought to be the centerpiece of our next farm bill.

It goes without saying that our farmers and ranchers are facing stiff economic challenges, low prices for their crops. Our rural areas

are being decimated and we need a different view on how we can reach out to help our farmers and ranchers and at the same time give them the tools and the expertise and the financial help that they need to continue to be good stewards of our soil and water and air.

With that, Mr. Chairman, again I look forward to the testimony from our witnesses. Thank you again for holding these very timely hearings.

[The prepared statement of Senator Harkin can be found in the appendix on page 142.]

The CHAIRMAN. Well, thank you very much, Senator Harkin. As if obvious, I share Senator Harkin's view of the importance of the conservation title. That is one reason that we both decided to have these hearings first.

We had one hearing from the Commission that was mandated by the farm bill, summarizing an overall national point of view. But in terms of chapters or categories, this is our first attempt and we believe it is an important one.

I want to recognize Senator Thomas if he has an opening comment this morning.

STATEMENT OF HON. CRAIG THOMAS, A U.S. SENATOR FROM WYOMING

Senator THOMAS. No, Mr. Chairman. All of us are having to come and go. I just would make the observation that I agree with what both of the gentlemen have said. It does seem it is our responsibility to examine and see which of these several programs are the most efficient and effective, how could they be done more efficiency, should some of them be combined and where should our priorities be. It seems to me those are important issues as well.

So thank you.

The CHAIRMAN. Thank you very much, Senator Thomas.

Let me introduce now the first panel this morning. First of all, Mr. Craig Cox, the Executive Director of the Soil and Water Conservation Society, a former Senate Agriculture Committee staff member for Senator Leahy.

Mr. Cox moved to the USDA as Acting Deputy Under Secretary for Natural Resources and Environment before taking his current position with the SWCS. The SWCS is an international, nonprofit organization of conservation professionals.

It is a special pleasure to greet Mr. John Hassell, who is Executive Director of the Conservation Technology Information Center [CTIC], which is based at Purdue University and a part of the National Association of Conservation Districts and a public-private partnership.

CTIC promotes the use of conservation tillage and residue management in ways to protect water quality. They also promote watershed planning as a basis for protecting water quality.

Mr. Nathan Rudgers is Commissioner of the New York State Department of Agriculture and Markets. He represents the National Association State Departments of Agriculture. We are delighted to have you on the panel this morning.

As Senator Harkin has mentioned, Mr. Paul Johnson is first of all an Iowa farmer. He is a former Chief of the Natural Resources

Conservation Service and former Director of Natural Resources for the State of Iowa. Mr. Johnson testified at the Senate Agriculture Committee hearing reporting IDNR on the total maximum daily load issue last February. We appreciated that testimony.

He lives on a farm in Iowa and is testifying today as a farmer.

I will ask each of you to testify in the order that I introduced you, starting with Mr. Cox. If you could summarize your remarks in 5 minutes, that would be great. We will be somewhat liberal in allowing some spillage beyond that, as you have seen our practice before. But to the extent that we can have those summaries, we will get into the questions that the members will want to raise with you.

Mr. Cox.

STATEMENT OF CRAIG COX, EXECUTIVE DIRECTOR, SOIL AND WATER CONSERVATION SOCIETY, ANKENY, IOWA

Mr. COX. Mr. Chairman, Senator Harkin, and Senator Thomas, I want to thank you so much for the opportunity to appear before you this morning, and particularly on such an issue that is so critical to agriculture and to the American public.

I would like to applaud you for taking conservation on so early in this process. I think that sends a good signal to all of us who are so concerned about American agriculture and the American landscape.

The Soil and Water Conservation Society held a series of workshops last year. We are in the process now of analyzing the content of what we heard at those workshops and what it should mean for reform in the farm bill.

We will issue a report in April with a set of detailed recommendations that we hope will be of service to you in your work on the Farm bill provisions.

But even our preliminary analysis to day, I think, makes three things clear that perhaps respond to some of the questions, Mr. Chairman, that you asked at the outset. First off, we found that people are worried. Participants across the country universally reported that USDA conservation programs are not meeting their critical need for assistance, both technical and financial, to deal with the environmental problems that they face.

That is making them worried both about the environmental and making them worried about the sustainability and future of the farms and ranches in their community.

The second thing we heard that was clear is that in this case money matters a lot. Participants across the board wanted significant increases in existing conservation programs in order to address these critical natural resource needs. In fact analyzing the proposals from participants for increased funding, we come up with a proposal to double funding for existing conservation programs to create about a $5 billion annual program.

That, in the opinion of our participants, would be a sufficient investment to deal with the most basic needs of agriculture in terms of ensuring the sustainability of the agricultural enterprise by improving its environmental performance.

But, in fact, participants want to do much more than that. That is what they are worried about. But what they hope for is an in-

vestment sufficient to go beyond pollution prevention and go beyond damage control to actually encourage widespread enhancement of the environment across this country.

In that context, our participants are really envisioning about a $10 billion annual conservation baseline program.

Now, I know at first blush talking about increases of that magnitude might seem outlandish, but I think if we take them in perspective we get a different view. Creating a $5 billion annual baseline would be an increase comparable to what you accomplished in the 1985 Farm bill.

A $5 billion annual program would be about 20 percent of what we spent last year in income and disaster assistance to farmers. Now, even a $10 billion baseline would make this conservation effort about 10 percent of the total program outlays projected for USDA in 2001.

We heard yesterday a report of over-subscription rates of three, five or six times what we are able to satisfy with current funding. So in that context, perhaps a $10 billion increase seems almost conservative.

The other thing we thought was clear is that there is no single program or authority that can address all of these concerns. What we really need is a comprehensive conservation title that has the following components, we think:

First, a major emphasis on technical services and technical assistance, a major new emphasis on assistance to working lands and farmers producing food and fiber whileprotecting the environment.

Strengthening our land retirement programs that thankfully we have in place today, leveling the playing field so good stewards are rewarded and not penalized for what they do and creating more authority and flexibility at the State level to tailor these programs to unique circumstances.

I think, in conclusion, taking these kinds of actions would, in fact, move conservation to the center of farm policy with tremendous benefits both for the American public and, I think, for the agricultural community itself.

Again, thank you for the opportunity to appear here today. The Soil and Water Conservation Society would be more than willing to do whatever we can to help you in the months ahead as you shape critical conservation policy for this country.

[The prepared statement of Mr. Cox can be found in the appendix on page 144.]

The CHAIRMAN. We thank you for your testimony and your specific listing of objectives, funding as well as organization, of this title.

Mr. Hassell.

STATEMENT OF JOHN HASSELL, EXECUTIVE DIRECTOR, CONSERVATION TECHNOLOGY INFORMATION CENTER, W. LAFAYETTE, INDIANA

Mr. HASSELL. Better soils, cleaner water for our nation's environment and greater profits and a brighter future for our farming families. I want you to know that this is the message that we receive from farming families across the nation as we go out and talk about conservation programs.

Good morning, Mr. Chairman, and members of the Committee. As I was introduced, I am John Hassell with the Conservation Technology Information Center, a nonprofit, public-private partnership. We are a part of the National Association of Conservation Districts; however, we are separately governed by a board of 25 directors, made up of industry representatives, farm press, conservation groups, environmental organizations and producers.

We also have nine cooperating Federal agencies that provide assistance to us. So we are truly a public-private partnership promoting conservation on America's working lands.

What I wanted to do today was deliver to you information on three points: One, information about the work that CTIC did during the 1985 and 1990 farm bills, a new initiative called Core 4 Conservation on which I have handed out some information to you, and also recommendations for the next farm bill that came from the NACD Farm bill task force.

CTIC was previously known as the Conservation Tillage Information Center and was started to promote conservation tillage and residue management. CTIC supported the 1985 and 1990 farm bills by instituting what was known as the Crop Residue Management Initiative. We worked with producers to help them meet the compliance portion of their conservation plan.

Because of this effort, 75 percent of the compliance plans that were written included Crop Residue Management. If you go back and look at the chart that I handed out to you earlier, the blue and red one; one side shows No-Till Adoption and Soil Erosion and the other side shows Conservation Tillage Adoption and Soil Erosion. Both show that during this Crop Residue Management Initiative, that we had an increase in conservation tillage adoption and no-till adoption and a decrease in soil erosion.

[The information referred to can be found in the appendix on page 169.]

This is really significant. If you look at where both flattened out, this is when CTIC dropped its Crop Residue Management Initiative. There is quite a correlation between the two.

We believe that this particular initiative was a success for several reasons. One is that we are a public-private partnership that worked toward a common goal. There was new technology available that allowed no-till implementation to be successful and be delivered.

The third was that we had a national marketing campaign that delivered a consistent message about the benefits of crop residue management.

Now, our new initiative is something that we call Core 4 Conservation. I am going to tell you the principles several times because I don't want you to forget them. The principles of Core 4 Conservation are: Better soil, cleaner water, greater profits and a brighter future.

Core 4 Conservation utilizes a systems approach to land treatment that provides environmental benefits while at the same time looking at the economic benefits to producers.

So many times in environmental programs we push the environmental end and we never come back and talk about the economic benefit to the producer. Producers are a lot more likely to adopt

something that is economically beneficial to them as opposed to environmental, even though they want to do the right thing.

The practices that we recommend under Core 4 Conservation and the systems approach are: conservation tillage, buffers, nutrient management, and integrated pest management, along with other practices that would be determined upon a site-specific approach.

We understand from the scientists and experts that have looked at these practices, that we can address 80 percent of the environmental issues on cropland if we use this approach. That is significant.

I believe that Core 4 Conservation is also a banner for all of agriculture to rally under. I really believe that today agriculture is somewhat fractured and we really need something that we can all unite under.

The goals of Core 4 Conservation are very clear and concise: Better soil, cleaner water, greater profits and a brighter future.

Members of the CTIC Board of Directors were participants on the NACD farm bill task force. They took the Core 4 concepts to that task force and they were implemented within the proposals of the NACD final report. In that final report, and we agree with this, and it does meet Core 4 Conservation, we want to maintain a voluntary incentive-based approach. We think that this is extremely important:

Increasing local involvement in setting priorities and also in carrying out programs; utilizing science-based technology to make decisions; and increasing the technical assistance.

The task force also saw that there was something missing, so they recommended the Conservation Incentive Programs similar to Senator Harkin's proposal that would reward producers for being good stewards.

Now, the best intended programs are doomed to fail without a mechanism for implementation. I think that we need to continue to utilize the 3,000 local conservation districts as a delivery system and at the same time we need to increase the funding for technical assistance through our partners, the NRCS.

Federal programs can't do it alone. We need the private sector involved in it. We are a public-private partnership and the private sector not only brings the necessary resources to promote conservation to their constituents, but they also provide us with cutting edge research and products that make conservation affordable and achievable for American farmers.

Without a vision on how American agriculture will profit and thrive in the future, any conservation program will fail. We need a mechanism for delivering information to agribusinesses, to technical advisers and producers.

We believe that Core 4 Conservation does have that. I think that you will agree that everybody can buy into this approach. I believe that if we look at better soils, cleaner water and greater profits for farm families that will result in a brighter future for all of us. Core 4 Conservation is conservation for agriculture's future.

Thank you.

[The prepared statement of Mr. Hassell can be found in the appendix on page 156.]

The CHAIRMAN. Thank you very much, Mr. Hassell.

Mr. Rudgers.

STATEMENT OF NATHAN RUDGERS, COMMISSIONER, NEW YORK STATE DEPARTMENT OF AGRICULTURE AND MARKETS, NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

Mr. RUDGERS. Good morning, Mr. Chairman, Ranking Member Harkin and Senator Thomas. Thank you for the opportunity to offer testimony this morning on the conservation provisions of the next farm bill.

My name is Nathan Rudgers and I am the Commissioner of Agriculture from the State of New York. I am here today, honored to represent the National Association of State Departments of Agriculture. I am joined this morning by Commissioner Robert Wells, from Alaska and Director Joe Hampton from Illinois, who have chosen to join us this morning as well.

Today I will present a broad outline of a new environmental program for America's open space resources that are under the care and stewardship of agricultural producers. I would like to stress that this proposal is a work in progress. It is the product of extensive discussions over the past several months among commissioners, secretaries and directors of agriculture representing all regions of the country.

It was formally adopted as NASDA policy during our mid-year meeting on Monday. We will further refine our proposal in upcoming months based on continued discussion with other stakeholders and the input from this committee.

While we support the continuation of the existing conservation programs and increased funding of those programs, we are recommending certain changes in WHIP, EQIP and CRP. For example, NASDA recommends that USDA give State more flexibility and discretion in administering the EQIP Program by allowing one-year contracts, removing the payment cap, and removing the national size restriction for livestock projects.

These and other proposals are described in detail in my written testimony.

Despite the overall usefulness of existing programs, we see gaps in coverage that are probably inevitable in any set of programs designed with the entire country in mind. In addition, we have seen that Federal environmental regulation and policy has evolved to further address issues such as concentrated animal feeding operations that were probably not prominent when existing conservation programs were designed.

Because meeting changing environmental demands is a make-or-break challenge for certain producer groups, many of our State departments of agriculture have taken the initiative to design their own programs tailored to address resource needs unique to their States that cannot be met by existing conservation programs.

For example, through the leadership of Governor Pataki New York has a highly successful Agricultural Environmental Management, or AEM, Program. It offers technical and financial assistance in nutrient management planning and cost share assistance for improvements carried out under approved plans.

The primary goal of this voluntary, incentive-based program has been to assure that New York farmers can meet environmental requirements while maintaining the economic viability of the farm.

The AEM Program is a partnership effort with local sewer and water conservation districts and NRCS field staff, as well as staff from my department, Cooperative Extension, farmers and people in the community.

AEM and similar programs in other States supplement existing Federal conservation programs while helping farmers bear the cost of what we see as substantial public benefits such as open space conservation, resource preservation for future generations, clean air and water.

Just as the Federal Government has provided cost sharing to help local governments upgrade water treatment infrastructure to meet Clean Water Act requirements, we believe the Federal Government should provide assistance to States to help farmers and ranchers meet environmental requirements.

Moreover, this assistance should be provided with enough flexibility so that States can target these funds to their own resource needs.

Consequently, we are recommending the establishment of a new block grant program for agriculture environmental stewardship with these guidelines: First, money would come through cooperative agreements between USDA and State Departments of Agriculture which would be the lead agencies in designing and carrying out these programs.

Second, program parameters would recognize activities that enhance protection of land, air, water and wildlife, defined in the broadest terms possible to permit local flexibility while avoiding duplication of existing planning systems and infrastructure.

Third, States would have the flexibility to allocate dollars between payments to producers and/or technical assistance based on local needs and priorities.

Fourth, producer participation would be voluntary, incentive-based and targeted towards those environmental enhancements supported by sound science and producing measurable results.

Fifth, contract payments to participating producers would be made on an annual basis.

Finally, all programs would have provisions to protect individual producer privacy and data confidentiality.

We note that expenditures in the environmental area are likely to be considered "green box" payments in the context of our WTO commitments, since their impact on commodity output would certainly be neutral.

We are also sure that our proposal will keep farming operations that are most heavily burdened from failing while we work to improve opportunities for growth and profitability in agriculture as a whole.

Speaking for all my State colleagues, I appreciate the opportunity to present views on how we can support good agricultural environmental stewardship in every region of the country.

We look forward to working with the Committee on development of a Federal agricultural policy that provides necessary tools for a

healthy and profitable agricultural industry that helps farmers continue to be good stewards of the land.

Thank you.

[The prepared statement of Mr. Rudgers can be found in the appendix on page 171.]

The CHAIRMAN. Thank you very much.

Mr. Johnson.

STATEMENT OF PAUL JOHNSON, FARMER, DECORAH, IOWA

Mr. JOHNSON. Thank you. Senator Lugar, Senator Harkin and Senator Thomas, it is an honor to be here today to share some ideas with you.

Since Aldo Leopold was already mentioned, I think I will start with a quote from him written more than 60 years ago when he wrote that "It is the American farmer that weaves the conservation carpet on which America stands."

He went on to say, "Should he weave it with the sober yarns that warm the feet or shall he also add the colorful yarns that warm the heart and the eye."

I think we can say at this point that we do have the sober yarns woven into America's land. It has come about because of through work that you have done in this committee and the conservation policies that you have put together over the years.

At that same time, 60 years ago, Hugh Hammond Bennett, the first chief of the Conservation Service was up here and actually delayed a hearing similar to this until the storm clouds moved in with dust from the Great Plains. Out of that hearing came the Soil Conservation Service.

I won't delay. On the other hand, within 2 months the Des Moines River will probably be very high in nitrates to the point where the largest nitrate removal plant in the country will not be able to handle it. We will ask people to not give babies water from Des Moines.

We do still have problems. We have made great progress. We do have problems and that is what we are about here today.

You are very important. If you went out and asked Americans where conservation and environmental protection takes place in this town, they will tell you the Department of Interior and the EPA. I would suggest you are more important than both of them put together, particularly over the next decade as we craft our policy. I don't need to tell you, most land is private. Most wildlife habitat is on private land. Most air quality, most water quality at this point is dependent on what you do. Your failure to act has consequences that I think we have all talked about.

None of us like to farm under a heavy regulatory hand. Yet, I think that will come if we don't continue to make progress.

I would like to suggest five ideas for your consideration as we move forward. First, I would suggest that you look at crafting a clear, unambiguous national private lands conservation act.

Every 5 years or so we talk about conservation as productivity of a farm bill. I think this is where it belongs, in this committee. But just as we have a Wilderness Act and we have a Clean Water Act and a Clean Air Act, places where the Nation focuses on these

issues, I think it is important that we consider doing that for private lands as well.

We suffer from a lack of support and a lack of understanding across this country. I think that something like that could help to do it. I don't know exactly how it should be done, but I think it should be a fascinating task to begin. I suggest that you take a look at that.

I believe that it is time that we set a national goal to make sure that a basic conservation carpet covers all of our land, cropland, grazing land, and non-industrial private forestland.

I think that we know how to do it. We have been at this 60 years now. I think we know how to be landowners to do it. It is called "money." The conservation payment to every landowner in the country who is willing to achieve a sustainable level of soil conservation and water protection would do more to advance conservation and environmental protection in our country at this point than anything we have ever done. I think you ought to consider that.

Craig Cox mentioned $10 billion. I think that he is in the ballpark. Can we do it? We are the wealthiest Nation this world has ever seen. We are in good shape right now as well. I would urge you to take a look at that.

Leopold once wrote that, "Conservation occurs when the farmer takes care of land, but also when land takes care of the farmer."

I think that a basic conservation payment for doing basic soil and water conservation will do more to have take care of farmers across this country than just about anything else we could do as well. So as you talk about conservation policy, I would certainly include that.

You have a wonderful set of tools to put those colorful yarns into our carpet, CRP, WRP, WHIP, EQIP, Farm Land Protection. All of these are very, very good programs and I would urge you to keep them. They all need additional funding. I think they all need more flexibility as well.

I will cite an example of the continuous CRP. In Iowa, if you have a waterway that you put in 10 years ago because you were a very good farmer you are not eligible for a CRP contract. If you plow it out and put soybeans in it for two years and come back, you will get it in. I think this is downright dumb. I think that it needs to be changed.

While we are on that issue, I think the possibility of partial field enrollment, small pieces of a break in a field or a corner that is hard to farm, if it meets a high enough EBI, I think it ought to be included in that CRP as well.

Imagine a working land across this country that has a good conservation carpet in it with residue management and good nutrient management and at the same time has these colorful pieces throughout it of wildlife habitat. I think it would be an exciting landscape for us to work on.

The conservation infrastructure is in place and I think many people in front of you have suggested that we need additional resources there.

When I came in and headed up the NRCS in 1994, I was handed a ten percent cut. We lost ten percent of our people across this country. These are conservation technicians and soil conservation-

ists. Don't let that happen this time. I think a Nation that is so well off, please don't let that happen.

Number five, I would certainly expand our research in conservation. I view the commodities, things that come off of good conservation as conservation commodities, whether they are clean water or wildlife habitat.

I would suggest that you put a great deal more effort into the research to make sure that we can provide these conservation commodities to the American public.

Thank you for the opportunity to be here. I will be open to further questions or comments.

[The prepared statement of Mr. Johnson can be found in the appendix on page 182.]

The CHAIRMAN. Well, thank you very much, Mr. Johnson.

As an overall comment, let me make the point that your papers all of them, will be made a part of the record in full. They are a comprehensive chapter in themselves in terms of their recommendations.

For instance, the broad idea of having, as you were suggesting, Mr. Johnson, conservation acts equivalent to the Wilderness Act or Clean Air Act, or what have you is a remarkable concept itself.

As I read your paper before you came, I was still trying to envision technically how we do that, not that it is impossible in this Congress, but nevertheless, trying to think through the jurisdictions. It is generally agreed among our colleagues that we have jurisdiction to deal with CRP and WHIP and what have you.

Perhaps our ambitions should be broader or should take others into consideration. But it is an interesting idea, certainly. I just wanted to comment, Mr. Cox. Imbedded in your paper is some very interesting data in which you point out, as some others have, that about 36 percent of farmers currently receive farm payments, as we think of these, trying to supplement income, a safety net.

Your suggestion is that that could be a much broader net if we centered much more of our income sufficiency on the conservation situation, not supplanting the crop-by-crop or category-by-category idea, but nevertheless, historically, the program crops whereas other programs have come in and we have tweaked the system to try to use those programs.

Each of you in a way has talked about this broad carpet of land in our country, the stewardship that is involved, how comprehensively, either State by State or as a Nation, we try to coordinate this.

So I thank you, really, for the height of your imagination, but likewise your experience in dealing with all of this.

Now, let me just pick up one thought that was given to me yesterday by an official in my own home State who has taken responsibility for conservation and soil programs and what have you. She pointed out that in Indiana— and I was not acquainted with is the whole digital process now where all of the soil types for farm by farm, county by county, may be available fairly shortly on the Internet or at your personal computer—a farmer can take a look at what his or her land looks like.

In fact maybe even an evolution of this would be to be various overlays on this. This is an exciting idea. It hasn't happened yet

in Marion County, Indiana, but will, I am advised, maybe within 18 months or so. So this is a way all of us can be better informed wherever we are sitting about the precise soil situations that we have now and the possibilities for the land for which we have some stewardship.

Along with the information, of course, comes the possibility for responsible action for the type of promotion, public relations, that have been discussed today.

Just as I say, as we started out with the farm bill, in trying to think through, given your guidance today, what do we do on the general support of American agriculture through money?

Mr. Johnson says it helps to solve a lot of problems. Where should the money go? One way, as you are suggesting, Mr. Cox, but I want all of you to comment, is that much more of our support as a people, as a Federal Government, should come through the conservation, through the stewardship of land situation, perhaps as opposed to bushel-by-bushel subsidies or crops or what have you?

I am not certain, as we have other panels that will come in, that everyone will agree with that. As a rule, when we take up farm bills, we hear from wheat growers, corn growers, cotton growers, rice growers, category by category, vegetable and fruit growers, people in sugar, tobacco, a lot of people who have very specific and urgent needs for preservation of what they are doing.

Occasionally, somebody comes in with the whole farm idea that we ought to be supporting whatever people want to do as opposed to doing it category by category because some categories always get left behind, may not have been a part of the last farm bill. So they try to get additional support in the next one.

But what you are suggesting is really something more fundamental than whatever the produce happens to be from this process and that is really the land, the stewardship, the basic assets that we are stewards of for a fairly short time, but are a part of our national heritage, maybe much more a part of our national responsibility.

Do any of you want to venture into this dangerous territory and comment about money? Now, you might say, well, we should do all of the above. In other words, there is nothing wrong with supporting the price of corn, but at the same time, why, I do believe something more for stewardship of the land and maybe that is what we will end up doing.

My guess is ultimately there will have to be decisions in terms of priorities. Some things are likely to be substituted in part, not in full. So if you can, give us some underpinnings that we ought to be thinking of.

Who of you would like to start?

Mr. RUDGERS. Mr. Chairman, I think it is very important to the Commissioners, Secretaries and Directors of Agriculture across the Nation that the next farm bill really be an integrated approach.

Let me offer a thought as to why conservation programs and additional assistance in the area of conservation has a direct impact on all those commodities that you mentioned.

We are expected to compete globally and most, if not all of the commodities you mentioned have an export outlook. Their future success is tied to their ability to export. In order to do that, they

need to be competitive. In order to be competitive, they need to have a level playing field.

That are expectations in this country and environmental action and environmental care on our land is very high. In order to meet those expectations, producers are already expected to provide significant impacts on their land and within their livestock operations.

In order to be competitive, though, they really need additional support and additional investment to level that playing field. That is why this type of an approach fits very well with the commodity programs as well.

The CHAIRMAN. Mr. Johnson.

Mr. JOHNSON. In 1985, with the Food Security Act, we put together conservation compliance. We said that if you receive these supports of various kinds, then you meet this basic requirement.

As we moved away from that, and I am not quite sure where you are going to go this time around, but as we move away from it, we lose that connection. That is why I suggest the basic conservation payment to meet basic soil conservation requirements and basic—probably nutrient would be the key issue when it comes to water quality, that plus soil conservation.

We are spending, still, in the neighborhood of $20 billion a year or more in agricultural policy. There are many ways to get that money to support agriculture.

The problem out across the countryside today, as I see it from where I am, is what is the Nation getting in return for this? I think to shift a good chunk of that to paying for conservation commodities, and these are things that the Chicago Board of Trade doesn't pay you for. Yet, they are extremely important to the American public. That is one way to look at it, to move in that direction, I think.

I would urge you to take a look at that. I know that is a radical change from where we have been. There are those who will say, "But farmers will do it anyway, so why should we worry about it?"

Well, everywhere else in our society we get rewarded for doing good things. I think most farmers will go above that with those colorful yarns that I was talking about. But that basic conservation mat across the country, I think the public would be very pleased with.

The CHAIRMAN. Well, it is an unusual but important responsibility for this committee. Some would see this committee as being purely advocates for producers. What you are suggesting is that the committee should be advocates for the total American public.

Mr. JOHNSON. That is right, but the producer gains from it as well and has some security. We have talked often about revenue assurance for agriculture. What better way to do it than this?

Mr. COX. Mr. Chairman, I think the question you ask is very fundamental. The way I think about it is you are really asking what do we want from agriculture? There are some other numbers in my testimony that I find even more shocking in that 8 percent of farmers produce over 70 percent of the monetary value of agricultural production. From a conservation point of view they are doing that on only 32 percent of the acres in farms.

Not to be, perhaps, too outspoken, but if all we want from agriculture is abundant supplies of food and fiber, it is hard not to

come to the conclusion that we can do that with fewer farmers and fewer acres in production.

I think moving conservation to the center provides us a way to engage much of the rest of agriculture in a way that produces something in addition to food and fiber, which is environmental enhancement.

I wouldn't tread too deeply into suggesting how you balance traditional commodity support objectives with conservation objectives, but if there is a bright spot, it would be that perhaps moving conservation to the center would provide additional options for producers, especially those producers who really aren't touched by the existing commodity programs and yet still have the same responsibility to manage their lands as those farmers and ranchers who are being supported through commodity programs.

So it may be that bringing conservation to the center could allow you to fashion an agricultural policy that is tailored more to the realities of the diversity of agriculture and more to the realities of the structure of agriculture.

Maybe perhaps even achieve some cost savings from having, essentially, a one-size-fits-all commodity program that works well for some producers and maybe not so well for other producers and yet costs a fair amount of money.

The CHAIRMAN. Mr. Cox, you have introduced an idea. I think one of the Sparks, Incorporated reports gets into structure. I cited that in another hearing. But 8 percent of the entities that are family farms, with $1,000 in sales or more qualifying to have a farm entity. There are about 1.9 million such entities in our country.

But just 8 percent of these, 160,000, do produce, I think according to Sparks, much more than 70 percent of everything that occurs. If you take the next 10 percent, another 18 percent of the farms do at least 7/8ths of all the business.

This leaves 82 percent of entities, 1.5 million plus. Sparks would contend that 100 percent, on a net basis, of the income of all of these farms comes from off the farm. This doesn't mean that some of the 1.5 don't make some money, but the rest lose enough that as a net group 82 percent are getting all their money from off the farm somewhere and almost making nothing on the farm.

That is a structural revolution that is not well understood. But we sort of plow into a farm bill thinking about 1.9 million farms, as you say, one-size-fits-all, something that is sauce for the goose is sauce for the gander, but without relationship to who is there and what they are doing.

But now this is a radical suggestion that you are making because some would say the purpose of agriculture is to produce food and fiber. That is what the public interest is.

Now, you are saying, well, that is a part of the public interest, but as a matter of fact, it is being satisfied, roughly, 7/8ths of it, by very few people.

So what about the other 4/5ths? Because these are people who are farming or tending or conserving land for the rest of America. If I gather, and I don't want to put words in your mouth, but you are saying the major objective of agriculture in America ought to be the support of these people, in essence. Further, if we are going to have a public interest, it ought to be principally geared to that,

as opposed to the 8 percent who are corporate, commercial, family, but in any event, good sized farmers with entities that are currently among, I suppose, the 36 percent of farms that you point out get some money. The other 64 percent don't.

Do you want to amplify further or am I mischaracterizing where you are headed?

Mr. COX. No. I think you are characterizing it correctly. I think, you know, what makes agriculture unique as an economic sector, I think what really makes agriculture unique is the land. I mean there is no other sector of our economy in which 2 percent of our population is entrusted with the care of over 50 percent of the land in the United States.

If there is anything about agriculture that is different than the local dry cleaner or the hardware store, it is because of both the responsibility and the unique characteristic of farmers and ranchers as the fundamental land managers and environmental managers in this country.

I want to make clear that the top 20 percent who are managing all this land and producing all these commodities will need environmental assistance. But they may need a very different kind of environmental assistance than the large group of individuals who are managing the largest portion of our landscape.

So I don't think we can ignore the top producers, so to speak, from an environmental point of view. But what the changes in structure does provide is a real opportunity to clearly recognize as a public the responsibility and the opportunity of harnessing the skills and labor and management of that large group of producers out there specifically for environmental enhancement.

The CHAIRMAN. Mr. Hassell, do you have a thought about this?

Mr. HASSELL. I think that is real interesting when we start looking at the environmental issue because the agricultural community is affected by it tremendously today.

When you look at some of the reports that are turned out, whether they are accurate or not, they are still public record about agriculture being the leading non-point source contributor today. That is disturbing to me, working in agriculture, because I know there are a lot of people out there that do good work. One of the things that I think, and the point that I want to make is that—and somebody said this yesterday—we don't have the dust storms like we did 50 or 60 years ago. We don't see this environmental challenge out there that we have to work with.

But you know what? Conservation is every day. It is not a one-time fix. We go out and we take land out of production to put it into CRP lands or wetlands or whatever, and that is good because they are probably lands that needed to be taken out. But we also need to be looking at those lands that are in production and providing conservation support for those so that we can continue to have a good, cheap, healthy supply of food and fiber and energy.

A recent report came out, and I can't cite who it came from, that the majority of the soils within our world today are degrading at a faster rate than they were assumed to be degrading 20 years ago. We lose almost two million tons of topsoil per acre in this country of ours. That topsoil takes years to reproduce or to produce the amount that we lose.

Paying for conservation on working lands is probably one of the most important things that we can do. Less land is available today for food and fiber production than there was 25 or 30 years ago and we continue to have more and more taken out as we get urban encroachment and other types of activities that do that.

So conservation on these working lands is probably one of the most important things that we need to do if we are going to provide the food and fiber to this country and other countries at the cost that we provide it today.

The CHAIRMAN. Thank you.

Senator Harkin.

Senator HARKIN. Well, Mr. Chairman, thank you. This has been a fascinating interchange because we are getting into some of the philosophical basis of what we are going to do on this next farm bill and how we are going to move.

It seems to me that what we do here sends signals topeople as to what they ought to do and how we ought to act. Many of our programs over the last 15 years or so have been really geared towards income support based, as the Chairman said, on the bushel basis. How much you produce, that is what you get supported on. That is the bottom line factor.

So what that has done is it has sent a lot of signals to get bigger and get bigger and get bigger, because the bigger you are, the more you produce and the more you get. So we sort of sent those signals out.

I think now there is question as to whether or not we ought to continue to send those signals. This is the chart here that you were talking with Mr. Cox about. It is a little worse than what you said. It is $32 billion that we outlaid last year for all payments to farmers and $1.9 billion in conservation.

Your figures were at 2.5. But it is really $1.9 billion in conservation. So we spent $32 billion. Again, AMTA payments went out. A lot of people got the AMTA payments. It was not related to price. It wasn't related to anything. It just went out. A lot of these people got AMTA payments that weren't even producing anything.

There have been a lot of questions raised about that, about whether or not that was a wise thing to do, just continue to give those AMTA payments.

Well, if we are going to take this amount of money next year, and I hope we will have at least that much in our baseline budget, do we want to continue to do that or do we want to refocus it?

I think you are suggestion of going up, doubling, is a little low. I think it ought to be more than double. EQIP, we heard yesterday, had a four to six times greater demand than the funding available; farmland protection, six-times greater than the money available; and wetlands reserve, five-times the level of funding in terms of the requests. There are probably more. Those are the ones I just happen to have handy.

I think the idea, if you get down to the philosophy of this, as Paul Johnson said, and I wrote this down: "The conservation commodities." Well, why don't we look upon it as a commodity? People say, well, you can't eat it. It doesn't really make you money. So how can it be a commodity?

Well, maybe it is like a reservoir. Maybe it is just something that you store up and you keep for the future, just in case, aside from the Leopold concept of the aesthetic value and what it means for just warming the eye and the heart.

Perhaps we ought to consider how this might be a reservoir of land that we keep for generations. Whereas a reservoir might not make you any money right now, but gosh, if you have a drought and you have to use that water, it is sure nice to have had that reservoir.

So maybe that is the way we ought to look upon conservation, as a commodity that we have to invest in now for future generations. Hopefully, we can move ahead in that direction. I still think it should be the centerpiece of our next farm bill.

Mr. Rudgers talked about State involvement. One thing I got to thinking about when I was reading your testimony and listening to you that occurred to me, is if we are going to be refocusing efforts to put money out there for incentive payments on conservation, should we require State matching moneys? The only reason I say it is because if you are going to have the State involved and your testimony was about keeping the States involved, should we have State matching requirements?

Mr. RUDGERS. There are many examples already where States are contributing significant investment into these activities. So the answer to your question is yes. However, the challenge is what level of investment do States have in making that approach be fair across the Nation.

For example, in my State, not only do we have State contribution significantly for farmland preservation and for non-point source pollution abatement, but we also have participation of the City of New York in the Watershed Agricultural Council, which over several years has provided $35 million in funding to provide improvements on the land for the farmers in that watershed because the city recognized the value of keeping agriculture as a preferred land use in that watershed and helping farmers stay on that land.

The alternative is development, the loss of that land for the water quality benefits that it provides in the hands of the steward, namely the farmer.

You have across the Nation several examples of State investment. So I think that is a reasonable expectation. But I think to set a certain percentage would probably be unfair.

Senator HARKIN. Well, I am just trying to get more bang for the buck, obviously, here.

Mr. RUDGERS. Absolutely.

Senator HARKIN. I don't want to have something out there that would discourage people from being involved in conservation because the State didn't do something. But on the other hand, if we could get this up to, say, $10 billion, for incentive payments for farmers, which I hear all of you sort of saying, one way or the other, if we could get the State to come in with a little bit, we could leverage that money up a little bit.

Mr. RUDGERS. I don't have this answer, but it would be interesting to see what that number looks like if you add in the State contributions that are already in place.

Senator HARKIN. We ought to do that. I would like to find that out, what States are doing out there and what they have put into that in the past and add that on top of that. That would be a good figure. Does anybody else know that figure?

Of the total spending that we spend here, how much have the States kicked in of their own money. Do you have any idea, Paul?

Mr. JOHNSON. It really varies from State to State. Some States have a huge amount going into it. Missouri, for example, has a dedicated percentage of a sales tax going to conservation, both soil and water and wildlife.

The State of Iowa probably matches the cost share funds that we put out through the USDA. Other States may have almost nothing. So it really does vary from State to State.

Senator HARKIN. Any other thoughts on matching requirements at all? I don't know if you have any thoughts on that at all. It might be one way of leverage. I have to get some data on that to find out what the States are doing.

The other thing is what you talked about earlier, Paul, the National Private Lands Conservation Act. You have talked about this before. Is there anything out there? Is there any kind of a draft proposal on that floating around anywhere?

Mr. JOHNSON. I certainly don't know of one. We have a process that goes on that certainly ought to be folded into it, the RCA process that reviews private lands, agriculture lands in particular, every few years. So we wouldn't be starting from scratch.

My concern is to get it elevated to the point where America understands the good that agriculture does in providing conservation benefits to our Nation. Right now, as I say, go out on the mall and ask people where conservation takes place and they will point to Interior or EPA. They won't even look at Agriculture.

Yet, as I said, we are more important, I believe, if we do it right. So if this committee would call for the beginning of that process, I think there are a lot of good minds in this country that would love to work on it with you.

Senator HARKIN. The last thing I would say is that all of you seem to agree on at least one thing and that strain through all of your testimony is this present system that we have where if you have already been practicing good conservation you don't get anything, but if you haven't been and then you start, you get something. That is just nonsense.

We ought to come in and start helping those people who have already been practicing good conservation, who have put in their waterways and put up their buffer strips and things like that. A lot of people have done this on their own. Farmers who have spent their own time, their own money, their own labor and their own equipment-it is like you say, the only way you are going to get it is plow it up, put it into soybeans and then put it back in again, then you are going to get something. I think that is nonsense.

So I think all of you have said that we have to come in and at least provide support for those farmers and ranchers who have already been doing good conservation.

Again, from what I have heard from all of you this figure is way too low. Do you all agree on that?

Mr. COX. Yes.

Senator HARKIN. It has to be raised. I think most of you feel strongly that it should be done on a voluntary basis, that it ought to involve the technical help and support of the Conservation Service to do that.

I asked one question yesterday. I still don't know them answer to this. Since you have been there, maybe you can help answer this, Paul. The Conservation Service does all the technical help and stuff and the Farm Service Agency pays the bills.

I have gotten some communication in Iowa where they have not been working closely together. I have to question why that is, why shouldn't the Conservation Service do the technical thing and just pay the bills? Why do we have that split?

Mr. JOHNSON. This began in the 1930s. I am not sure I want to go there, other than to suggest that I think that the infrastructure that we have out there, Extension, Research, Farm Services, Rural Development, NRCS, all have important roles to play.

I think where we have suffered is we have pitted one against the other over the years. I think what would do more good for this country in the delivery of these services is to probably better define what each does and certainly the Farm Services does provide a lot of administrative work.

But unfortunately, NRCS, from my perspective, isn't able to make all the conservation decisions. I think that you need to help define their positions, but you also need to remind them that they do good work. We really do run each other down, and I think that that is terrible. I think we ought to be able to work through it.

Senator HARKIN. Well, Mr. Chairman, I don't know, the more I'm getting into this the more I am thinking we really ought to take a look at those structures out there, the old structures that have been build up over the years and see if maybe there ought to be some changes in any of these services.

Mr. JOHNSON. One thing I would like to caution you on as you do this, the Natural Resources Conservation Service is an agency of professional people and I hope that that doesn't get compromised as you work through this.

You need to have independent technical assistance and opinion out there. It should not be compromised with a more political approach from administration to administration.

Senator HARKIN. No. That is a legitimate concern and I don't want that to happen either.

Mr. RUDGERS. Also, Senator, States have stepped up and provided the opportunity to create a table where both Federal and State agencies can come around and work on these issues effectively. That has effectively brought Federal partners together for conversation and for action, which has been effective.

So the perception that things are not quite getting along as well as they should might not be universal. I can offer my own State as an example. We have both a State technical committee with active participation of those Federal agencies and State agencies and also our State Soil and Water Conservation Committee and the AEM Steering Committee under that which provide the opportunity for those folks to gather around the table and then agree on objectives and act on those objectives effectively, using both State

and Federal dollars. It is an excellent model and it helps solve some of the concerns that you have which I think are legitimate.

Senator HARKIN. Thank you all. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Harkin. I would just follow through once again with a more parochial note.

Yesterday the NRCS Director in Indiana drew my attention and this is apparently true throughout the nation-that as they took a look at NRCS staffing levels in our State of Indiana, that in 1987 there was the equivalent then of 330 work-year persons. This is now down to somewhere around 240 in the year 2000.

Their suggestion is, given the mandates of the last farm bill that we passed, that they needed 290. So even with the economies that might have occurred, there would appear to be a 20 percent plus shortage in terms of the people giving the technical assistance to farmers in the field, with regard to EQIP or these other programs.

Senator HARKIN. Is this just Indiana?

The CHAIRMAN. Yes, this is just Indiana's situation. I would gather probably NRCS could provide similar charts for every other State, but perhaps because of the urgency of these hearings and the fact that Senator Harkin and I were going to chair on yesterday, they provided this.

But it was very interesting and it is instructive of the point you are making. These are technical people. They point out about 83 percent of their entire workforce are technically gifted people in these fields.

So even as we have important ideas about how the stewardship should occur and the Federal contribution to this, we have to be thinking through in the field who is available. We have armed services objectives, people who can use smart weapons, and recruiting these people is sometimes difficult, and particularly if there is not the budget provided.

I would just reassure you at least that we are attempting to factor these things into our own consideration and going to school as we listen to you.

We thank all four of you for your testimony, for coming today and staying with us throughout this period.

Mr. JOHNSON. Thank you, Mr. Chairman.

The CHAIRMAN. I would like now to call on our second panel. That will include Mr. Bob Stallman, the President of the American Farm Bureau Federation, Washington, DC.; Mr. Dan Specht, Sustainable Agriculture Coalition of Washington, DC.; Mr. Tom Buis, Executive Director of the National Farmers Union in Washington; and Mr. Rollin D. Sparrowe, President of the Wildlife Management Institute of Washington, DC.; and Mr. Gerald Cohn, Southeast Regional Director of the American Farmland Trust, Washington, DC.

Well, I will ask you gentlemen to testify in the order in which we have introduced you. It is always a pleasure to have the President of the American Farm Bureau Federation with us. We thank you for coming. Would you please commence your testimony,

Mr. Stallman.

STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION, WASHINGTON, DC

Mr. STALLMAN. Thank you, Mr. Chairman, Senator Harkin. It is a pleasure to appear before this committee to allow AFBF to present our views. I am a rice and cattle producer from Columbus, Texas.

Increased regulatory costs on all levels-Federal, State and local-are placing a heavy burden on individual farmers and ranchers as well as distorting the traditional structure of our industry.

The unintended consequence is the inability of small and medium-sized family farms to compete in a highly charged regulatory environment. The Farm Bureau believes there is a need for new environmental policy framework.

We need to move beyond the current debate over whether the public has the right to mandate features and/or farming practices in the rural landscape. If a voluntary incentive is offered for a desired environmental outcome, farmers will overwhelm America with improved soil, water and air quality and wildlife habitats.

In order for a conservation incentive program to work well, public policy must recognize the inherent limitations that command and control regulations have in attaining desired public benefits. Efficient public policy is one where the thing demanded by society is the thing that is being produced.

Farmers and ranchers can produce and market more than traditional agricultural commodities. We can also produce and market environmental benefits. Under this concept agriculture and the Government program must come together to create an alternative market for environmental improvements or amenities that the public desires.

Specifically, Farm Bureau policy supports expanded incentives to encourage voluntary improvements in the environment, expansion of the funding baseline in the commodity, specialty crops, livestock, conservation, research, trade and risk management titles; voluntary participation in a direct payment program that would comply with the WTO green box requirements and providing willing producers with additional voluntary incentives for adopting and continuing conservation practices.

Our vision is to capture the opportunity and efficiencies of providing producers with additional conservation incentives. Specifically, I would like to highlight three programs for which we would like to see new funding.

First, the Farm Bureau supports a limited increase in the amount of acreage eligible to be enrolled in the CRP with new acreage targeted toward buffer strips, filer strips, wetlands, or grass waterways.

Second, the current Environmental Quality Incentives Program does not provide livestock and crop producers the assistance needed to meet current and emerging regulatory requirements. EQIP must be reformed and funding increased.

We support the following reforms to EQIP: No. 1, elimination of language that prevents large livestock operations from being eligible for cost share. No. 2, broader third-party technical assistance authority, which would allow farmers to hire consultants to provide technical assistance. No. 3, elimination of priority areas, which

would allow all producers, regardless of location, to participate in the program. No. 4, simplification of program participation.

Finally, I wish to express our support for a new voluntary environmental program that would provide producers with additional conservation options. This program would provide a guaranteed payment to participants who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices.

The management plan should be a flexible contract, designed and tailored by the participant to meet his or her goals and objectives while also achieving the goals of the program.

We support an increase in the budget baseline of $3 billion annually for the three conservation initiatives I have outlined.

Two other conservation programs supported by the Farm Bureau are the Farm Land Protection Program and the Grazing Lands Conservation Initiative. The Farm Bureau supports funding for the Farmland Protection Program.

There have been attempts in recent years to make nonprofit organizations eligible for this funding. The Farm Bureau would oppose this change.

Additionally, we oppose the imposition of a farm management plan on the property. The intent of the Farmland Protection Program is to avoid development pressures, not dictate farming practices.

The Grazing Land Conservation Initiative is a program providing additional technical assistance that are NRCS for range and pasture management. We support the continuation of this program.

One last item before concluding: Confidentiality of USDA information has become an increasing concern and priority for farmers and ranchers. We have seen attempts by other government agencies to secure NRCS and NASS data for regulatory purposes.

There have also been attempts by non-governmental organizations to secure farm and ranch data from FSA and APHIS. The Farm Bureau strongly supports establishment of statutory authority that protects the confidentiality of all data collected by USDA on individual farms and ranches.

Thank you for the opportunity to be here today. I will be ready for questions when the time comes.

[The prepared statement of Mr. Stallman can be found in the appendix on page 185.]

The CHAIRMAN. Thank you, Mr. Stallman.

Mr. Specht.

STATEMENT OF DAN SPECHT, SUSTAINABLE AGRICULTURE COALITION, WASHINGTON, DC

Mr. SPECHT. Good morning. Thank you for the opportunity to testify. My name is Dan Specht and I am a fourth generation farmer from northeastern Iowa. I am testifying today on behalf of the Sustainable Agriculture Coalition. I started farming in 1971 with my parents and three of my brothers. I have been farming on my own since the mid–1900s.

I now raise crops and livestock on about 700 acres. Most of my land is considered highly erodible. My farm is just outside the Big Springs Study Area. Many of you may have heard about it.

This study was started as part of Iowa's Ground Water Protection Act and it studied the movement of nitrates into surface and ground water.

Although many of my friends and neighbors in recent years have been forced to earn off-farm income and are no longer raising livestock, I am actually very optimistic about the future of agriculture. I am optimistic because I have been able to produce crops and livestock using low-cost methods that are profitable and environmentally sound.

I have been able to market those products with preserved identity through farmer-owned organic marketing cooperatives.

Besides raising organic soybeans, I have also converted a large part of my farm to a system of grass-based beef production called "management intensive rotational grazing."

Despite my optimism, I am distressed at the barriers current farm policy put in front of farmers like myself who are trying to adopt methods that are more environmentally sound and economically viable.

I think the existing commodity programs have three fatal flaws. First, if you were a farmer like myself who was making hay, grass and small grains a big part of your rotation during the base-building years of the 1980s, you are not eligible for AMTA payments on those acres.

The more land you planted into row crops then, the more money you qualify for now. Because of my diversity, I am only receiving AMTA payments on a tiny fraction of a corn base out of the 500 acres that I own.

Neighbors of mine who farm similar land qualify for AMTA payments on nearly 100 percent of their crop acres because they have a high corn base.

Doubling AMTA payments, which has happened in the last couple of year, has only doubled this inequity. Now, the system of LDP, Loan Deficiency Payments, is adding insult to injury.

Unlike the AMTA, which has prospective planting flexibility, LDP monies flow only to the program crops, creating further barriers to resource conservation and environmental improvement. This bias puts diversified, conservation-oriented farmers at a competitive disadvantage in all kinds of situations, including land markets.

How would you like to be put in a position like I have been in and have to explain to a landlord that because I was farming his farm in a soil-conserving rotation his farm isn't worth as much today because he has a small corn base.

The second fatal flaw is that the program allows actual cash prices for the crops to fall below the cost of production. We now have the worst of two worlds. We have no limits on production, coupled with what amounts to direct payments as LDPs to increase production even more.

This gives a competitive edge to industrial livestock producers who can buy the raw material, feed, at less than the cost of production, while a farmer feeder has to have the real production cost paid.

The third fatal flaw in this program is the lack of effective targeting to family farm income or any effective payment limitation.

The current program is "the sky is the limit." The program exacerbates the first two problems. It provides a public subsidy for land concentration and reduces diversity and continues environmental problems.

These flaws mean we are losing the potential to capture many of these social benefits that diverse crop and livestock farms can provide. I believe that the first thing Congress needs to do in addressing conservation in the Farm Bill is to take a hard look at farm programs and take serious steps towards making them consistent with widely shared public support for good stewardship. Incentives for over-production and land consolidation need to be reduced. Barriers to diversification need to be removed and real requirements for basic conservation need to be reinvigorated.

I have witnessed some of these resource and environmental benefits firsthand on my own operation and I would welcome any members of the committee to come out and see my farm with its improved wildlife habitat, erosion control, and water quality. Pheasant season is open in November. Deer season is December. Turkeys are April and May.

I am always looking for an excuse to go fishing. I have the Mississippi River right next door. There are a lot of trout streams and farm pond in northeast Iowa that you would be welcome to visit.

But I would like to share with you what the scientific community is finding about sustainable farming systems that I am using. One of these systems is management intensive rotational grazing.

The Minnesota Cooperative Fish and Wildlife Unit has found that rotational grazing significantly reduces the amount of sediment flowing into a waterway. In one instance, a single storm dumped 10 tons per acre of soil off cropland but only 4 pounds per acre from the adjacent rotationally grazed paddocks.

Researchers have also found that life in the stream degraded by overgrazing and sedimentation starts to recover as it flows through a rotationally grazed area.

The University of Vermont has found that a grass-based operation burns 24 percent less fuel than a row-crop farm.

University of Wisconsin researchers recorded more than twice the number of nesting grassland songbirds in a rotationally grazed paddock when compared to the same acreage of a continuously grazed pasture and almost no nesting in adjacent cropland.

The CHAIRMAN. Mr. Specht, let me just ask if you would summarize a little bit more. That would be appreciated because in fairness to all of our witnesses, I suggested at the beginning, perhaps before you got here, about a five minute summary. If you could do that I would appreciate it.

Mr. SPECHT. Well, this testimony is in my written remarks.

The CHAIRMAN. Yes, and it will be made completely a part of our record.

Mr. SPECHT. One thing I do want to bring out today are the health benefits that have been recently discovered by ARS researchers and researchers at the University of Wisconsin. Worldwide studies have shown where cows who graze exclusively have dramatically higher levels of conjugated linoleic acid, CLA, in their milk. Laboratory studies done throughout the world on CLA in both meat and milk have shown it can help prevent breast cancer

and other malignant growths. It also is a very heart-healthy substance.

The fascinating thing about CLA is that what an animal eats determines what the CLA content is in the product. CLA in meat and milk from animals getting their diet from grazing is five times more concentrated than milk from confined and grain fed animals.

I wanted to make sure that everybody in the room heard that fact because it is very new scientific information.

The CHAIRMAN. I appreciate your highlighting that as well as the other elements of your testimony. It was important.

I make the point for all of the panel that all of your statements will be published in full in the record.

[The prepared statement of Mr. Specht can be found in the appendix on page 196.]

Mr. Buis.

STATEMENT OF TOM BUIS, EXECUTIVE DIRECTOR, NATIONAL FARMERS UNION, WASHINGTON, DC

Mr. BUIS. Thank you, Chairman Lugar, Senator Harkin, and Senator Nelson. It is an honor to be here today to share with the Committee the National Farmers Union's positions and recommendations on current conservation programs and a couple of new initiatives.

The conservation programs currently authorized under the FAIR Act have generally been very sound programs. They have served to conserve our soil resources, enhance our wildlife and improve the quality of both air and water through incentives and technical assistance.

However, we do believe there is room for improvement in two general areas. First, it is important that the level of funding be adequate to ensure the long-term success of these initiatives. Second, a key priority of these programs should be to target assistance to family-sized farm and ranch operations.

We believe such an approach will serve to promote the broadest possible development in application of conservation measures while reducing the likelihood these programs encourage further concentration in agriculture.

After reviewing the current programs, we would make the following observations and suggestions. The Conservation Reserve Program has been the most successful conservation program in our nation's history, thanks in large measure to your foresight in introducing that legislation 15 or 16 years ago and the determination of this committee and other committees in Congress to keep it going.

It has significantly reduced soil erosion, dramatically improved wildlife habitat by idling highly erodible and environmentally sensitive land. We thank you for that.

We also support in the CRP Program raising the cap on total enrollment to at least 40 million acres, reducing the emphasis on whole farm enrollment, ensuring compensation rates are tied to local rental rates, reviewing and enforcing the aggregate county entry levels, reviewing the requirements and benefits of planting expensive and often unneeded five-way seed mixtures as cover crops, and for re-enrolling existing CRP acreage we think a re-

quired field inspection should be conducted to determine whether the current cover crop contains desired multiple plant species, not just based upon what was planted originally.

We also feel that allowing whole field enrollment is a wise way to go, as well as authorizing enrollment of farmable wetlands similar to a pilot program that is about to be implemented in South Dakota.

For the Wetlands Reserve Program, we recommend removing the cumulative acreage cap and providing such funds necessary to address the current and future demand.

We also recommend additional funding and support for the EQIP Program, Conservation and Technical Assistance Program, Private Grazing Land Initiative, Wildlife Habitat Incentives Program and the Farmland Protection Program.

There is tremendous demand out there for these programs and we would encourage their continuation.

In addition, we think there are some improvements that need to be made and some programs adopted. First among these is the Conservation Security Act—and I want to commend Senator Harkin for the outstanding work he has done on that proposal. We think it is a great proposal that would provide incentivepayments to producers for the application of appropriate conservation measures on land that is currently and likely to remain in production.

The Conservation Security Act, I think, is designed to target those payments to family farmers and ranchers who are engaged in production agriculture in a way that is consistent both with our obligations to the WTO while encouraging increased levels of environmental stewardship.

We think this framework is a way to reward both those who have undertaken the establishment of conservation practices in the past and those who implement future activities. We highly recommend the committee take that into consideration.

A second new initiative that we have been talking about is the Soil Rehabilitation Program. In many parts of the country there are significant areas of cropland that have been decimated by adverse weather, disease and/or pests. The incidence of these problems has reduced the productive capacity of the land and poses an ongoing threat to the producers in the short and intermediate term.

The program would provide both technical and economic assistance to family farmers so that they may undertake the needed stewardship activities to restore their resources to their historic level of productivity.

For example, in the Northern Plains the disease fusarium head blight, also known as "scab," has reduced the yield and quality potential of wheat, durum and barley production significantly in recent years. Due to the accumulation of the disease inoculum in the soil, lack of resistant grain varieties and agronomic limitations on alternative crop production, producers must either assume the excessive production risk of discontinue production of those traditional crops.

We think either scenario is beyond the economic capacity of these producers and we would encourage the Committee to adopt it.

Briefly, we also support appropriate incentives, and maybe this can be worked into the Conservation Security Act provisions of

Senator Harkin for support for carbon sequestration efforts at the farm and where farmers cannot only benefit but be able to have a market for carbon sequestration credits that is open to both producers and cooperatives.

Mr. Chairman, I thank you for the opportunity. I will be glad to answer any questions.

The CHAIRMAN. Thank you, Mr. Buis. It is always good to have testimony from the National Farmers Union. Thank you for coming this morning.

[The prepared statement of Mr. Buis can be found in the appendix on page 205.]

Mr. Sparrowe.

STATEMENT OF ROLLIN D. SPARROWE, PRESIDENT, WILDLIFE MANAGEMENT INSTITUTE, WASHINGTON, DC

Mr. SPARROWE. Thank you, Mr. Chairman. I really appreciate being here to speak on behalf of a very large array of wildlife interests who have become increasingly involved in farm programs over the last couple of decades.

We appreciate the great progress made during the past few years with wildlife as a co-equal status with soil and water conservation.

We think there have been some wonderful opportunities that we are doing our best to take advantage of. You have heard much about the benefits from the hearing yesterday and some of the speakers today, so I won't repeat the specifics at this point. We have some in our testimony about gains for such things as waterfowl and game birds and so on.

What I would like to talk about is what we in the wildlife community have been up to to try to answer a fundamental question we anticipated we would be asked, and that is: how much is enough and what does it do for wildlife and what are the broad benefits?

We think a lot of these programs have returned excellent benefits to farmers and they help make the continuing case for conservation programs to be a big part of agricultural expenditures.

We have conducted workshops bringing wildlife and agricultural interests together to address this issue and talk about problems and implementation. We have maintained an e-mail network with farm bill active people across the country, both in the agricultural sector, private sector, and in the State fish and wildlife agencies.

This has been very helpful in sorting out issues related to implementation. It hasn't solved them all. But it is a good forum to have. Our big energy has gone into producing the document that we attached to our testimony which is the "How Much is Enough for 2002" document.

One of the most interesting things about this is on the opening page under "acknowledgements," there are 60 agencies and organizations that contributed to both the input and the support for putting this together.

This is a demonstration of the interest and the willingness of wildlife organizations and agricultural organizations to work together. Based on these assessments, there are lots of details presented on a regional basis. That is one of the messages that comes out of this assessment, that there are differences in what needs to

happen on the land, both for farmers, for crops, and for wildlife in California versus North Dakota versus Georgia.

We think there is an increasing need to take that into account. The examples of specific success are many. But there are some areas of the country that have not benefited as much. The northeast and the southeast and some parts of the west have seen this as a farm program, a wildlife program for the upper Midwest.

There is great interest in expanding the reach to deal with some real problems on the land that farm activities affect in other parts of the country.

I want to call your attention to an NRCS publication, a comprehensive review of farm bill contributions to wildlife conservation, which, in response to the demand to work together, Pete Heard of the Wildlife Habitat Management Institute led with some of our wildlife colleagues.

They put together a really excellent compendium of what the science base is for what we now know some of those benefits are.

We are engaged in a very important coalition-building effort at this point, looking at such data on evaluating program impact, working toward coalitions that, at the State level, bring farm operators, wildlife biologists, agribusiness representatives and others together, some folks who don't talk to each other in all circumstances.

In some State we have seen great success and great advances in people sitting down together, particularly States where the State technical committee has flowered and pulled people in to work together. We think those coalitions which we now have going on in 20 States can be a very important contributing factor.

We have a few recommendations that are specific. The technical assistance area has been of deep concern to us. The wildlife community has worked with three successive chiefs of NRCS, unsuccessfully, to make our case that while downsizing and other things have been going on, that without technical assistance at the field level, these programs can't be delivered. I think you have heard that from several other speakers.

Our radical proposal is that there is one alternative to more Federal staffing and that is for some Federal funding to be made available directly to the State wildlife agencies and other agencies within the States for that matter and even to non-government organizations to help with this technical assistance.

One of the big discussion points a few minutes ago here was on what the States are contributing. Actually, States and NGOs have put up an awful lot in the technical assistance arena. We would be pleased to work with you to try to document some of that.

We have strong feelings that agricultural support payments should be linked to conservation compliance. We certainly endorse as much of that being voluntary as is possible, but compliance is a necessary part.

We think there needs to be flexibility in implementation of farm programs, not only on a regional basis, but even in the traditional agricultural arenas. Conservation tillage, as an example, was designed and did a good job to retard soil erosion from wind and water. But it also provides great wildlife benefits by leaving some cover on the land.

We need to look at grazing and cropping and other things in collaboration with some additional research to find those things we can do with existing agriculture that can also lead to additional wildlife benefits.

Finally, one program we think should be thought about is a native grassland easement program. This would provide for needs in many areas of the country, particularly the west. We are ready to work with you. We think we have a good documentation of what some of the benefits and needs for the future are. We thank you for this opportunity.

[The prepared statement of Mr. Sparrowe can be found in the appendix on page 209.]

The CHAIRMAN. Thank you very much, Mr. Sparrowe, for coming this morning.

Our next witness is Mr. Gerald Cohn, the Director of the Southeast Region of the American Farmland Trust. We appreciate your coming.

Please testify.

STATEMENT OF GERALD COHN, SOUTHEAST REGIONAL DIRECTOR, AMERICAN FARMLAND TRUST

Mr. COHN. Thank you very much. The American Farmland Trust appreciates the opportunity to provide your committee with our views on how the Conservation Security Act will help farmers and ranchers improve their bottom line and meet the increasing public expectation of agriculture to produce environmental benefits as well as food and fiber.

We also thank the Committee for recognizing the need for a comprehensive farm bill. You will need all the programs, including research, conservation, and forestry to help farmers meet today's challenges.

I am the Southeast Regional Director for AFT. With my family, I run a small, diversified produce and livestock farm in Snow Camp, North Carolina. We have enrolled pieces of our farm in the CRP and CREP programs. They are a valuable management tool for profitability and to demonstrate the multiple benefits of farmland to our community.

American Farmland Trust is a national nonprofit organization with 50,000 members, working to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment.

When most people think about farmland protection they think it is just about protecting the land. It is not. It is also about protecting the community and protecting the farmer. That is why the Conservation Security Act is so important to farmers, ranchers and agricultural communities around the country who face increasing challenges from urban sprawl, tightening environmental standards, and global and local food markets.

As Congress starts its discussion of the next farm bill, two key issues from AFT's farm bill meetings around the country. Farmers and ranchers want to improve the conservation practices and the public expects them to do it.

Unfortunately, the current menu of conservation programs doesn't come anywhere close to meeting the demand from farmers, ranchers or voters.

I would like to enter into the record a letter to the Senate Budget Committee from over 30 organizations that highlights the number of farmers and ranchers seeking Federal assistance to meet the Nation's pressing environmental challenges, but are turned away.

Looking at the backlog of farmers and ranchers waiting to participate in conservation programs, Federal support needs to at least double in the next farm bill.

Although the demand for conservation programs has climbed significantly since the 1996 Farm bill, funding for these programs has dropped from 30 percent of agricultural spending to just eight percent.

How can we continue to turn away farmers and ranchers who want to do the right thing? I think the public has begun to ask, how can we spend $32 billion a year on farm programs and not address this overwhelming need?

These programs still miss a large sector of American agriculture that is producing the majority of agricultural value in the United States and face some of the most significant environmental challenges. I am referring to those farmers and ranchers in urban influence areas who face the same price and supply challenges as traditional commodity agriculture, but also face the many problems brought by urban development, nuisance suits, trespassers, transportation nightmares and escalating land values.

In addition, the pressure on these producers to clean up the environment is greater than in more remote areas. These farmers receive little to no Federal assistance and yet are the farmers and ranchers most of us living in urban areas think of when agriculture is mentioned.

The Conservation Security Act is one big step toward creating a safety net for these farmers and ranchers. Let me give you a couple examples of just a few of the challenges facing farmers in my region and how the Conservation Security Act will help farmers meet them.

The first challenge faced in the southeast is rapid growth. USA TODAY recently included four southeast cities in the top five most sprawling metro areas. Our best farmland is being consumed by this tidal wave of sprawl.

How do we keep these lands and farms and not become housing developments? The first step is to protect the land through the purchase of development rights. The only Federal program supporting this, FPP, is oversubscribed by 600 percent.

Also, make it economically worthwhile to keep producing. That means paying farmers not just for the food and fiber they produce, but also the environmental benefits they provide.

The Conservation Security Act would do that by compensating growers, not just sharing the cost for implementing and maintaining conservation practices.

The next biggest threat to agriculture in my region is the changing in the tobacco and peanut industries. As quota for these commodities is being reduced, farmers are either getting out of farming

altogether, or struggling to find profitable alternatives to replace their lost income.

Successful diversification requires risk and time and the Conservation Security Act would provide an income safety net to help farmers through this transition period and promote green practices that potentially could open new markets for their production.

The CSA would also bring more regional equity to farm programs simply because every farmer would be eligible. Right now States in the Southeast receive only 5 cents in Federal farm assistance for every dollar they produce, compared to some States receiving more than 25 cents per dollar.

We need to start focusing farm policy on those farmers and ranchers who produce the greatest environmental and economic benefit to the taxpayer. The CSA is a good start to finding that balance.

By giving farmers and ranchers the tools and financial assistance to meet their environmental challenges, we can build the public support necessary to make sure the next generation of farmers doesn't have to ask if their children will be able to carry on the proud farming legacy.

Thank you.

[The prepared statement of Mr. Cohn can be found in the appendix on page 219.]

The CHAIRMAN. Thank you very much, Mr. Cohn.

Let me ask a question of you, Mr. Specht, because I was intrigued by your analysis of the AMTA payments that have been made the last twoyears. Then you pointed out LDP payments on top of that, I think you said were sort of a double insult.

Given the particular choices you have made in how to manage your farm, and in fairness, we have had a debate here in the committee and my colleague, Senator Harkin, has raised some of those issues.

I voted in favor of the AMTA payment route because pragmatically, in an attempt to get income to American farmers we had lists, we were able to use computers. We were able to cut checks. Money got to farmers. They paid country banks and they stayed in business.

I think all this is well known, although our oilseed payments that sort of came along in a way with the second round of this are now just being distributed. We got ours in the last 10 days or so and I gather that is probably true of many people who are soybean farmers after a much more laborious process, sort of finding out who is there and how many bushels and so forth.

Others who were affected by the Farm bill payments last year, in an attempt to help in those emergencies are still receiving payments or will at some point, I hope during calendar 2001, even as we contemplate the future.

So this is sort of the nature of this type of business. However, on my farm we have 200 acres now devoted to a timber improvement stand. We planted 60 acres of walnuts, oaks, and cherry, what have you.

The thought occurs to me as I listen to you that I am not getting an AMTA payment on these acres. One option was to plant corn on those acres, at least pragmatically the yields, given the soil

types, the yields would not have been as good as they are in my bottomland and various other places.

So that was part of the consideration and it is always, as we try to manage our land successfully. But another part of the consideration was my grandchildren like trees and we now have 12 herd of deer in there and lots of other things that get to the wildlife and other considerations of the joy of having such a property.

I am not sure how you evaluate all of this. I have wrestled with this a good bit as have Senator Harkin and other members of the Committee, both in terms of the safety net for income, yet we had the testimony which I cited before this morning that just 36 percent of farmers are receiving these checks, these payments, which means 64 percent are not.

Even after you think of the structure of agriculture which we recited today, all these overlays are very confusing to the members of this committee as to how we ought to proceed. I mention this because I sort of ask of you, is your testimony essentially that we ought to proceed by de-emphasizing in the next farm bill the AMTA route and try to think of some new formula that is more conservation based. That is a pretty broad category, but thinking through various practices that have been suggested today, various land conservation management plans, and just pragmatically, how many people will be required to evaluate all this or can you or your organizations collectively, not today, but in the months to come be helpful in trying to think through if you were philosophically to move in this direction, how would we do it?

I will just ask you for a short comment rather than off the top of your head reciting legislative language we should adopt. This is sort of a long lead up to a philosophical inquiry.

Mr. SPECHT. No. I think the original goal of the last farm bill to try to move toward market-oriented goals is a worthy goal, reducing the emphasis on producing for the program. It would be very logical, if you want to support farmers, to do it with a conservation stewardship type of a payment. That would make a great deal of sense from my point of view.

I think the consumer would get more out of it and it would not be dictating a type, like if you live in southwest Wisconsin and you have very steep, hilly ground that happens to also be very productive ground, people who have been growing strip cropping with alfalfa and small grains and feeding their cows alfalfa and small grains are now currently being penalized because they were doing it that way versus growing corn on those same hills. So I don't think commodity-type legislation should be dictating what farmers grow. They shouldn't be growing crops for a commodity program. They should be growing crops to make money in the market.

The CHAIRMAN. Mr. Sparrowe, let me ask a different type of question. You have suggested that State game and fish agencies might take on more responsibility in implementing some of the conservation programs. Perhaps. But this strikes me just from my own experience in my own State that it would create some anxiety level on the part of farmers.

I am not certain how many of these folks they want wandering around the farm inspecting the situation and sometimes we get into a kind of adversary proceeding over this.

How can all these people be friends or do you have some idea from your experience of how this might work out?

Mr. SPARROWE. Obviously, personal behavior and sensitivity to the needs of people working on the land is something that a biologist has to have. Otherwise, they are not going to be successful.

We have some notable successes. We worked to help Kansas and NRCS collaborate on this in the early stages of the Farm Act. It worked very well. I think six or eight employees of the State were supported to quickly advance the cause of some of this. A State like Missouri which has a larger, well-funded program of its own has recently decided to co-locate its biologists who work with private lands issues with NRCS offices. So people are working hand in glove, day by day.

In many cases, starting back with Chief Richards, we noted that while there is a lot of biological expertise in NRCS in the field, the new people being hired were generally not very heavy on biologists. They were heavy on other kinds of skills.

So not only is it numbers, it is the focus that has been placed on this. We are just suggesting strong attention to this.

Another notable success has been Ducks Unlimited, which has very widespread private land programs. They have been providing extensive, both cost-sharing and technical assistance on the ground.

Pheasants Forever in the upper Midwest has done this and other organizations now as different geographic regions of the country kind of come awake to the opportunities are trying to weigh in.

The CHAIRMAN. It is interesting that you mentioned Ducks Unlimited and Pheasants Forever. They have been coming into our hearings with enthusiasm for these programs. We are grateful that there has been this marriage of a good number of Americans and a different constituency.

Senator Harkin.

Senator HARKIN. Thank you very much. I have just a couple of things. I will try to be quick here.

Mr. Buis, on the carbon sequestration that you mentioned, we already have that in the CSA bill. I would ask you and any others who are interested in carbon sequestration to take a look at that. Any suggestions or advice you have on how we might modify it, change it, make it better, we need that input.

Mr. BUIS. We would be glad to. Also, you might want to look at the soil rehabilitation idea that we had where you had diseased lands that really need to be idled to get beyond the scab infestation and some other challenges we face.

I don't know if that could work in that program as well.

Senator HARKIN. I don't see why not. On the whole issue of carbon sequestration, again, I ask all of you to be thinking about that. Any further input you have on that, we would sure appreciate it.

Mr. Cohn, I want to thank you for your strong support of CSA. I appreciate that very much. Again, I ask for any advice or suggestions you have. Two things you mentioned that I think we have not kind of focused very much on and that is this whole issue of urban sprawl.

The same is happening, I am sure, in your State and mine and everywhere else. We are losing a lot of this good land to urban

sprawl. I don't know exactly how we stop some of it, but you had a suggestion that maybe in the CSA that kind of the payments for conservation and enhancement might help keep some of this land in farmland and in wildlife.

Again, I want to get a better idea of how that might work. That is something that we have not really focused on but it might be a good thing to focus on.

So if you have some suggestions on how we might wrap that into the bill itself, I don't know. It seems to me then you get into the thing about people bidding up the price of land and that type of thing. I am concerned about that.

Mr. COHN. I think, you know, the key step to keeping farmland in farmland is to make it profitable to be a farmer and having a range of options available to the farmer where he can respond to changes in the marketplace and changes in environmental conditions is the best opportunity farmers have in order to compete on the urban edge.

Another piece I would add, if I can go back to your question of the previous panel about the State and local match, the Federal Farmland Protection Program in the first $35 million that it was authorized for that program leveraged $230 million of State and local funds.

So it really evidenced very well the commitment on the local level to protecting farmland.

Senator HARKIN. Thanks for those figures. The other thing is about the tobacco farmers. I think that is another thing that we are going to have to look upon there and the way we transition them out.

We haven't really focused on that. While I may have strong feelings about people not smoking, I don't think the tobacco farmers can be held to blame for that, for crying out loud. They are going to have to transition, so this may be another good element of a conservation-based payment system to get support out to them in a way they can transition to some other type of agriculture.

Dan, you mentioned, for example, in your testimony—I was hoping you would mention it verbally but you didn't get to it. But you said one important improvement under the Conservation Security Program that could be made would be to direct USDA to take all necessary steps to ensure that organic farming plans developed under the new National Organic Program were going to also meet the terms of the Conservation Security Program.

I underline that and asterisk that because I think you are right. I don't know that we have focused on that too much. Since there is more and more demand for organic foods, we see it in our farmers' markets. We see it in Fresh Fields, the stores that are going up all over that can't even meet the demand of people coming into them. So perhaps we need some focus on organic farming in a conservation type of a bill.

Again, if any of you have any thoughts on that, I would appreciate it. Dan, do you have any thoughts on that at all?

Mr. SPECHT. Well, I think a lot of people who haven't had much experience with organic farming don't realize that it does take some long-range planning and if you are going to be producing

from the soil, you have to be building your soil to get production from an organic system.

So a lot of the soil conservation and soil improvement type goals are naturally a part of trying to raise healthy, organic crops. You are trying to build your soils and soil conservation is a part of most of the farmers I know.

Senator HARKIN. I guess I am thinking out loud here, but, you know, if you have an incentive-based program which is voluntary, which is the way we are moving, and if people want to voluntarily engage in organic farming, that is fine.

Perhaps we ought to have some focus in a bill. I guess I am asking, do you think there ought to be some added incentives for people to engage in organic farming? Obviously, it costs more money, I think, in many cases than it does for non-organic farming.

Mr. SPECHT. Well, I think we have to be careful because so far it has been a market-driven, demand-driven business and I think most of the people who are currently producing from organic markets would hate to see the organic marketplace become another commodity-type business where government incentives create oversupply.

So I think you have to be careful. There would be room. Thinking out loud again, I can see there is a requirement for organic production to be buffered by a 25- to 30-foot strip from chemical applications. Possibly organic buffer strips, if they meet other conservation requirements, could be included in a buffer initiative along fence rows.

On either side of the fence, I would be happier if my organic farm could produce up to the fence and I could talk my neighbor into putting the buffer on his side of the fence. It would be nice to see them both qualify.

Senator HARKIN. Mr. Sparrowe, you think CRP ought to be increased to 45 million acres. Does your organization have other data on the value of CRP's improvements to wildlife, viewing and pheasant hunting? You estimated a $704 million a year. You cite a study here.

If you have any other data on that, I would like to have it. I would appreciate it if we could see that because it has been hard to get a handle on what has been the economic impact of using conservation land for hunting purposes, that type of thing.

Mr. SPARROWE. We will look at that.

Senator HARKIN. I am like you, I am a hunter. I like it, but I don't know how much economic benefit it has provided. As bad a shot as I am, it has probably added a lot.

Mr. Stallman, again, I thank you for your testimony. It seems that the Farm Bureau, is basically in favor of an incentive-based voluntary approach to a conservation program that would be a part of the new farm bill, at least that is what I understood anyway.

Mr. STALLMAN. Yes, Senator, that is correct. That is one tool in our whole toolbox of farm policy that I presume we will be laying out before this committee at some point.

Senator HARKIN. From your standpoint, from Texas, you say you are rice and something else?

Mr. STALLMAN. Yes, Sir, rice and cattle.

Senator HARKIN. Again, we have to think about this conservation thing in a broad aspect, from the fruit and vegetable growers, the cherry farmers in Michigan that Senator Stabenow has been telling me about, to our livestock producers. On the rangeland in the West, they are good stewards, too, and they don't get anything for it either. So they ought to be involved in this, too. So I appreciate your support on that approach. Again, any further advice and suggestions you have, we would like to have that.

Mr. SPECHT. We will certainly continue to work with you, Senator.

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

The CHAIRMAN. Thank you very much, Senator.

Mr. Specht, in your sort of thinking outside the box, it is intriguing when you mention you are not sure you want the organic farmers into the program crop group.

We had some testimony of this. This is anecdotal, perhaps, and it may be broader from some of the farmers who are producing fruits, vegetables and nuts and other things that are sometimes thought of as being niche crops but now are very much larger as a part of the total farm income, making this the same point that risk is involved in these areas and so prices are higher.

Once you have a program crop, cotton, rice, corn or wheat, as a matter of fact, however else we talk about it, there are strong incentives to over-produce and prices remain low, almost bound to remain low. That is a problem. How we liberate the system from this situation or simply accept the fact that this is the way the world works, I don't know, but it is an interesting thought.

You know, in equity, why should not organic folks get into the situation, along with peaches and cherries and nuts and whatever or tobacco, cotton, rice, almost anybody in equity. But it makes an interesting predicament in terms of those equities, you know, how the pie is going to be sliced.

In the past, we have not been too constrained. We have just said more of everybody and built a broad coalition.

But, nevertheless, we are doing a new farm bill. We have an opportunity to take a look presently. So I appreciate even these unconventional suggestions from unconventional questions.

Senator Nelson.

Senator NELSON. Thank you very much, Mr. Chairman. I hear a lot of concern about the programs that are coming into place that I think are great incentive programs, but they tend to reward new applications. They don't necessarily go back and take care of those who have already engaged in significant environmental work.

I know it is true that virtue is its own reward, but I have found that if you can help compensate and help take care of those who have done the right thing, that is also advisable. It may even inspire others to do so.

Do any of you have any specific suggestions, about what we might do to go back and reward those who have already engaged in favorable practices, who have already done "the right thing" so that we do take care of that? It is not just about new applications and new applicants.

Mr. SPECHT. Senator Nelson, that is the environmental incentive payment portion of our toolbox. We do understand the importance of maintaining what has already been done as opposed to, as you accurately suggest, programs in the past that talk about implementing practices. That is an important component, too.

But, we do think it is very important to maintain good practices and that is why our environmental incentive payment approach is a part of our toolbox.

Senator NELSON. It would be retrospective as well as prospective?

Mr. SPECHT. Yes.

Senator NELSON. Thank you.

Mr. Buis, you recommend increasing the CRP acres and I think others have as well—certainly, I agree with that—and making itcomparable to local rental rates. Making it competitive, making it attractive, certainly is advisable.

Do you have a sense of how much this might cost us overall, being that somebody is always watching the bottom line, I am interested in knowing if you have identified anything of that sort.

Mr. BUIS. Well, if we increase the acreage cap by another three million acres, roughly, if you add an average rental rate of, say, $60 per acre, it is going to cost some money. But I think all these programs are going to cost money.

You know, in agriculture today our backs are very much against the wall from the budget perspective. I know we and most of the farm organizations recently sent a letter to the budget committees saying that if we are going to address the challenges we face, we are going to have to make that commitment to the budget.

But we think CRP is a valuable tool and one that pays back in the benefits to rural America.

Senator NELSON. Thank you. I also noticed, Mr. Buis, that you mentioned that the programs should be aimed to really benefit family arms. I recall the Chairman referring to his farm as a transitional farm. I have not figured out whether he is transitioning up or transitioning out. He may not know either.

But, is there a size factor, not necessarily total acreage, but size on the basis of the kind of agricultural producer you are talking about?

Mr. BUIS. I think there is. Our delegates actually are meeting this weekend in Rochester, New York to try to put some more pieces to the puzzle for the conservation provisions. But, I think there is a size limitation.

One of the big concerns that we see growing out of here is in the nature of livestock manure management systems and who is eligible for those benefits and who is not and what kind of competitive advantage that gives a large, integrated operation over an independent hog producer. We have seen over 75 percent of them disappear in the past 10 years.

So we are very concerned about that. We want to make sure that assistance is available because money is hard to come by to put in new management tools out there right now. We will be glad to share that with you after our convention.

Senator NELSON. Well, clearly, there is a difference between the size of a farm with low rainfall or no access to significant irrigation

or other modifications and one that maybe can produce the same level of income on a much smaller plot.

So I would hope there would be some effort to help us identify what is big. I am concerned about what transition means, Mr. Chairman. I hope you are transitioning up. My fear is that you are not.

Thank you.

The CHAIRMAN. Well, thank you very much.

Senator HARKIN. Ben, I don't know if you were here earlier to see this, but these are the payments we had last year to CCC: $32 billion and $1.9 billion for conservation. The point I made earlier, and I will make it to this panel again and anyone else who will listen is that things have not improved that much in rural America pricewise so we can say, "Oh, now we can forget about the $32 billion, we can just forget about that."

No, we can't, because prices are still low. Our rural communities are hurting. Our farm families are hurting. The question is: Do we continue to put it out the way we did or do we raise this up and put more emphasis on a conservation-based voluntary incentive program that might be more equitable and might be more widespread in terms of involving more farmers from around the country, in different parts of the country, that have not been involved before, down in the southeastern part of the United States, down in the Plains States, where they really haven't gotten much of this.

So that is sort of the point I keep trying to make, that maybe this has to go up, not that we cut that down, but we bring this up.

The CHAIRMAN. Well, Senator Harkin presents a very appealing picture for everybody in this room. I suppose that we will have to work with the rest of our colleagues as to whether we can simply add on both sides. They may be willing to do that. Otherwise, we get back, as we often do, to the priorities.

Senator HARKIN. Don't misunderstand. I am saying that I don't want to change the total. This may have to go. This kind of a payment may have to come down, but I am just saying don't reduce the total because we can't afford it in rural America. That is all I am saying.

The CHAIRMAN. I suspect that is about right.

I just want to reassure Senator Nelson that I was surprised to find that my farm was in transition, but I was citing the Sparks, Incorporated study which showed that we sort of come into the second group of ten percent after the larger eight percent. The point they made is that farmers in this and this category, about 57 percent of their income comes from off the farm and 43 percent comes from on the farm.

So it raises a good question because probably that indicates that if you were going to support a middle-class income family, send your children to college and other things that people want to do, you need to be farming more land. Now, you may not own all of it, but our experience, at least in Indiana, is that many farmers with, say, 1500 acres, 2000, rent part of that, and maybe more, to amortize their unit cost and so forth.

So there is a certain sense of transition by generation as to how to make it profitable, as you know from your own experience in Nebraska.

Well, we thank each one of you as witnesses for your testimony, for listening to our colloquy both with you and each other, and we look forward to working with you as we proceed in this title and in others.

Now, I would like to call our third panel: Mr. David Stawick, President of the Alliance for Agricultural Conservation and Mr. Paul Faeth, Director of the World Resources Institute.

We welcome our witnesses. Most of you know that David Stawick is a former member of our staff of this committee. He was very active during the formation of the 1996 Farm Bill.

The alliance that he heads is a new project of several agribusiness firms including Cargill, ConAgra, Farmland Industries, Monsanto, Pioneer and Syngenta. I would like to mention furthermore that Mr. Faeth, Director of World Resources Institute heads an organization that provides very comprehensive data on a broad array of environmental, economic and social issues.

Among other things, Mr. Faeth will be summarizing a report he co-authored, discussing the use of nutrient-trading mechanisms to enhance the environment and provide additional income for agriculture.

The WRI has a very informative website for those interested in that, at www.wri.org.

We are delighted to have both of you. Mr. Stawick, would you proceed and try to summarize your comments. As you will remember from your days with the committee, 5 minutes more or less, followed by Mr. Faeth and then questions from Senators.

STATEMENT OF DAVID STAWICK, PRESIDENT, ALLIANCE FOR AGRICULTURAL CONSERVATION, WASHINGTON, DC

Mr. STAWICK. Good morning, Mr. Chairman, Senator Harkin and Senator Nelson. Mr. Chairman, if I may say so, it was always an honor to sit behind you at a hearing like this and it is a privilege to sit in front of you for a change. Thank you.

I appreciate the opportunity to testify. I am very excited about the hearing so early in the process, as has been mentioned.

The mission of our new Alliance for Agricultural Conservation is to advocate additional financial incentives for farmers and ranchers to apply conservation measures on working agricultural lands.

More incentives, focus on working lands. I know certainly that you and Senator Harkin share that focus with your work on EQIP, Mr. Chairman, in 1996, and Senator Harkin, with your Conservation Security Act now. We appreciate that.

I would like to describe four conservation issues that we suggest you tackle in the conservation title of the next farm bill. The first is to address this issue of the shortages in incentives for conservation practices.

You have heard a lot of estimates from the very fine panels we have had earlier today. I would simply say that none of those are unreasonable from where I sit, at least in terms of those total numbers.

There are also some possibilities for improving the EQIP Program or whatever program might supplant it or accompany it in the future. I mention them in my written testimony and if you would like to discuss them later, I would be happy to do so.

Your staffs have asked this panel to kind of get out of the box a little bit more, as has been done earlier. Some of those issues have already been touched upon. I will take that path with our three remaining issues.

The second of those is to leverage conservation funds through market-based initiatives. In many regions there is very strong, but untapped, economic justification for utilities or business entities or States and local governments to provide incentives to landowners who adopt conservation practices.

This kind of gets to the whole issue of the value of conservation. You were talking about conservation commodities and the value of those to the public at large, people in urban areas.

Now, Mr. Faeth is going to talk about one approach, credit trading. He has a very interesting piece of testimony. I will defer to him on that.

Another idea, though, that you may consider is the establishment of local best management practice funds, BMP funds, from which EQIP-style payments could be channeled to participating landowners.

Now, these BMPs would reduce pollutant loadings at the source so that expensive, for example, drinking water treatment facilities down closer near the tap wouldn't be needed. The savings to rate payers can be huge. Mr. Rudgers alluded to that type of activity in his statement as something that is already going on with the dairy farmers in the New York City watershed.

Now, the Federal Government role in these otherwise market-oriented strategies might be to assist in the initiative capitalization of BMP funds or credit trading scenarios.

For example, in qualifying projects, the Federal Government might kick in a dollar for every $2 or $3 that a non-Federal entity would put in for a BMP fund or for buying pollutant credits—and those Federal dollars should be passed on to farmers.

BMP funds and credit trading are not a substitute, I would say, for other incentive programs such as EQIP, but they hold tremendous potential. They are not just pipe dreams. They have gone on in various places, Mr. Chairman. For example, they have gone on in the Fort Wayne watershed. We have seen them in New York City.

Paul is going to talk about his website. So these are not arcane concepts whatsoever.

The third issue is to increase agricultural landowners' access to conservation technical assistance. Environmental challenges to farmers and ranchers have proliferated, but as Paul Johnson mentioned earlier, the ability of the Federal Government through the NRCS to provide necessary technical assistance has declined.

I want to be very clear that we very strongly support NRCS and its local conservation district partners. But current realities and likely future demands dictate a rethinking of NRCS's role in the delivery of conservation technical assistance.

One option might be to focus NRCS field staff on the needs of landowners with limited resources. At the same time, larger, more capitalized landowners could employ private crop advisers and engineers, and agronomists, whose qualifications to make those rec-

ommendations would be certified by NRCS. So it would be an expanded certification process for that agency.

I understand this is a very sensitive area for people in the conservation world. I simply suggest that recent history strongly suggests that NRCS as currently focused and funded will not be able to provide the technical assistance that is needed in the countryside.

Strategic issue four is to examine a comprehensive national policy for working lands conservation. You have talked about that before this morning as well. Our Nation's natural resources are protected by a series of somewhat overlapping laws and regulations authorized by several statutes under the authority of many different committees.

The environment is generally well served by this regime, but it can provide exasperation for landowners and actually hinder better environmental stewardship. We know the examples, the wetlands programs, the Clean Water Act Programs.

The jurisdictional hurdles that I mentioned will prevent this committee from solving this problem in this farm bill. But there may be a couple of things that you could do as the Agriculture Committee in the short run.

One would be to authorize an outside group that would identify legislative and regulatory overlaps, point out the jurisdictional barriers that exist in Congress and suggest strategies for moving legislation that could bring more regulatory certainty to landowners who participate in USDA conservation programs, sort of have a legislative road map that you as Chairmen and Ranking Members could use to link arms and move forward.

Another idea might be to direct the agencies themselves to look at a similar investigation.

I close, Mr. Chairman, with two final suggestions that impact on all these strategic issues that I mentioned. First, I suggest that you delineate goals for what the conservation title of the next farm bill should accomplish through voluntary incentive-based programs. How much should we reduce agriculture nonpoint source pollution? What percentage of land should meet the soil loss tolerance? I am talking about specific things, strong goals that will help focus on what approaches and funding increases are appropriate and will also help generate necessary support from outside this committee when you go to the Floor and when you get to conference.

Second, make environmental performance paramount. This is relevant when you discuss, as you have this morning, replacing to some degree commodity supports with payments that are based on conservation.

New conservation funds, I would suggest, must really result in environmental gains. Anything less would ultimately be cruel to landowners who are staring down the gun barrel of environmental regulation and it would also be hollow for the urban dwellers, the taxpayers, who stand to benefit from conservation on working agricultural lands.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stawick can be found in the appendix on page 222.]

The CHAIRMAN. Thank you very much, Mr. Stawick, for a very important paper and for your summary this morning.

Mr. Faeth.

STATEMENT OF PAUL FAETH, DIRECTOR, WORLD RESOURCES INSTITUTE, WASHINGTON, DC

Mr. FAETH. Thank you, Mr. Chairman. By way of introduction, I would like to say, for those of you who do not know, that the World Resources Institute is a private, nonprofit, nonpartisan environmental think tank. What we try to do is figure out good ideas and implement them to change the way things work to improve the environment and also people's lives.

Our goal is to identify and implement and protect policies that protect the environment in ways that maintain and improve farm income in this area of conservation.

In recent years much of our work has focused on the development of markets for environmental services that can be cost-effectively provided by farmers. The two most likely opportunities that appear to be able to be generated in the near term include markets for reductions in nutrient runoff and greenhouse gas emissions.

Water quality is consistently rated by the public as the number one environmental issue. EPA has identified nutrients as the biggest cause of water quality problems with as many as 3,400 waterways impaired by nutrients.

In addition, nutrient over-enrichment also leads to hypoxic zones, areas where the oxygen in the water is too low to support life. The largest of these is the so-called "dead zone" in the Gulf of Mexico, an area the size of New Jersey.

As directed by Congress, EPA recently released a task force report that calls for reduction in the size of the "dead zone" through voluntary actions by nonpoint sources and existing regulatory control of point sources in the Mississippi Basin.

The cost of meeting clean water goals could be quite high with traditional approaches of command and control, coupled with more or less untargeted subsidies. But a cap and trade system, a market, could cut the cost dramatically.

Under the Clean Water Act, impaired waterways will eventually face some sort of a limit on loads. Point sources like municipal sewage treatment plants and industrial treatment works will have new obligations to cut nutrient loads.

This is handled currently through the TMDL or Total Maximum Daily Load process that sets a maximum load and allocates it among the dischargers in the watershed.

With that process, basically you are half way to a cap and trade system. The only element missing is to create markets to trade surplus nutrient reductions through investments in agricultural BMPs. With that, we need clear Federal guidance to do so and that doesn't now exist.

We worked with State agencies in Minnesota, Michigan and Wisconsin to do studies to explore the cost and benefits of market-based mechanisms to support nutrient load reductions such as those under a TMDL.

We found that compared to traditional command and control regulations on municipal and industrial dischargers, nutrient trading

could cut the cost of meeting environmental goals by 62 to 88 percent in those States.

The simple idea here is that point sources could pay farmers to install cost-effective best management practices for nutrient management and take credit for reductions under the Clean Water permits.

We are currently developing and testing a website called "nutrientnet" at www.nutrientnet.org to create nutrient trading markets and provide farmers with tools to participate. Mr. Lugar, you mentioned earlier about mentioning maps and a variety of systems that are now available. We are using just this technology to implement this website.

We are testing this and implementing it with State agencies and other stakeholders in Michigan, Idaho, and the Chesapeake Bay Watershed.

One of the fascinating elements of nutrient trading that I have found, specifically for nitrogen, is that it can also help meet the climate challenge. The largest source of greenhouse gases from agriculture is nitrous oxide, largely, but not solely from excess fertilizer use.

There is a very tight synergy between water quality management and climate protection for this reason, as well as another opportunity for the creation of an environmental market. For comparisons sake, a 10 percent reduction in nitrous oxide emissions from agriculture would be about equal to all the carbon sequestered annually in the CRP.

If the U.S. someday decides to constrain its greenhouse gas emissions and uses a cap and trade system to do that, then farmers could generate credits to sell in such a market through a variety of BMPs that not only have climate benefits, but also reduce nutrient loads, protect the soil, and provide wildlife protection.

So how does all this relate to the farm bill? The key, I think, is to help farmers get ready to participate in environmental markets and make conservation programs behave more like markets. To that end I have a few suggestions.

First, I think it is important to provide incentives to encourage farmers to provide more environmental services to society. Not only could this help farmers address their own environmental issues, but also help them to create environmental benefits for the rest of the economy.

In the context of the Farm bill, I think this means increasing the funding available for programs like EQIP, WRP and new programs perhaps such as the Conservation Security Act. This would be a good first step.

A number of conservation organizations are putting forward a plan for spending increases which I think is generally in the right direction.

Second, there is no substitute for doing the research. Markets dependent on the ability to be sure about what one is buying. That means we need to be able to measure environmental services, verify and monitor.

Third, conservation subsidies, to the extent possible, should be based on performance. The Environmental Benefits Index and the

Conservation Reserve Program is one example. But it could be extended to other programs.

Going one step further, and finally, I would recommend that the next farm bill include pilot programs that are fully market based. Why not allocate money for a pilot nutrient trading program or greenhouse gas program? The government could act as the buyer, which essentially would be a market-based type program. Farmers could use the Internet to estimate how much it would cost to generate a nutrient or greenhouse gas credit and sell it to the Government in a competitive way.

Such programs could help prime the market, so to speak, so when the time comes farmers will be fully able to take advantage of this.

Building on what Dave said, I would also like to mention strategy. I wouldn't be from a think tank if I did not somehow talk about or think about strategy.

If you look at through variety of policy opportunities like the Farm Bill, the Clean Water Act, the Hypoxia Action Play, perhaps the Kyoto Protocol, with the right lens you see opportunities for farmers to provide services to the rest of the economy, and also, and not secondarily, put a few bucks in their pockets.

Thank you very much.

[The prepared statement of Mr. Faeth can be found in the appendix on page 227.]

The CHAIRMAN. Well, thank you very much, Mr. Faeth.

Let me just comment briefly that the Congress faced in the Clean Air Act this market-based strategy up front and the trading of those credits with utilities or others who are creating some clean air problems and other people who are taking mitigating strategies, or had at least much more clean air focus that had been going on for some time.

The result has been, among other things, cleaner air in the country, a reduction of a number of situations. Now, this has not gone without some criticism and I suppose that this is most focused in the most recent international conference in which the Europeans rejected out of hand the proposal by our Department of State that somehow when you come to clean air in the world that this credit system would be favorable, as they saw it, to the United States, having developed these markets and the concept.

Those who wanted the clean air wanted some punishment for the polluters. In other words, as opposed to simply mitigating the amount of pollutants in the air in the world, etc., they wanted to get at the malefactors, or it could simply have been, in some cases, an allegation of sheer protectionism. That is, some continents felt this that still gave American producers too much of an edge and they wanted a little punishment to sort of mitigate their advantages.

Well, whatever may have been the problem, it did not work out in that conference. Now, this is an interesting idea as you move along now more toward the water business and the clean water and the creation, certainly, of problems of point and nonpoint pollution which we have been hearing about a good bit today.

I think the idea is a remarkable one on its merits, but it also gets at the problem that underlies a part of our farm bill consider-

ation: What about the 64 percent of farms who get no payments under the current income support situations, or farmers who are not planting for either the subsidies, either the safety net, however one wants to characterize the situation?

We had testimony earlier about the management of land by a farmer in Iowa who is doing a number of things. It would appear to be conservation-oriented and very specific for his own satisfaction, but there are occurring societal benefits.

Now, to the extent that we are able to work out markets, whether they be in carbon sequestration of the sort that has been talked about with the planting of trees or no-till or various other situations, or whether we work at it—and you have pointed out with the nitrous oxide that could be reduced, and these mechanisms that you are suggesting, clearly, there is a potential for income for a lot of farmers who engage in sound conservation practices.

We have not really come to a decision in the Committee or even begun to debate this in the Congress as to what the major objectives ought to be of landowners, including farmers, and producers in America. But clearly there is some consensus that a major one ought to be stewardship.

In terms of our national interests, why do taxpayers who are not farmers, not producers, want to put money into all of this? One reason may very well be the national interest is to have cleaner air, cleaner water, preservation of our basic assets, which include stopping soil erosion or problems of nutrients leaving the soil.

I think this is an extremely important concept. The problem that I see thus far is that most working farmers are not able to envision exactly how this works. They hear discussions such as this. They watch C–SPAN and their eyes light up. But there doesn't seem to be anything out there that follows through on this.

I visited with some people. One of our jurisdictions is the Commodity Futures Market, the CFTC authorization and those who deal in these sorts of things. I visited with leaders in that industry a month or two ago to discuss how they are coming, say, with the carbon sequestration markets. They are coming along pretty fast. There may be some possibilities of some markets on a much broader scale than simply a pilot project. I don't demean that for a moment.

Your suggestion here is, I suppose, based on the thought that with such a new idea for this committee or this Congress or this administration to tackle it wholesale may be a bridge too far, that you sort of work at it.

But nevertheless, we are talking about a farm bill of several years duration, probably. How income comes to farmers, why there is a Federal interest in providing income to farmers beyond that which occurs directly in the sale of commodities.

I appreciate your outlining this and I take this time to underline that because it appears to me that this is a very important objective in terms of the public interest as well as farm income and perhaps for those of us—and most of us are interested in the overall environment of our country or our world—a distinct contribution.

Now, in the work that you are doing in the pilot projects now, and I have not had a chance to visit the website you cited this morning, what happens on that website? Are people contemplating

hypothetical trading situations? Can you describe to us what you might find for those who might want to get into this?

Mr. FAETH. Yes, Sir. We have copies of a brochure on the website. It is available and it is functional now. We had been doing tests on this; our first live test with farmers and point source discharges was in Kalamazoo, Michigan a month ago. The State of Michigan is going statewide with regulations allowing nutrient trading in probably July or August.

In Kalamazoo, Michigan, they have a TMDL and the site will be operational in support of the TMDL process for Kalamazoo. Basically, it is a set of maps. So when you go to the site, if you are a farmer, you click on your watershed and you see a picture of the Kalamazoo watershed. It has the county boundaries and the interstate highways, etc.

Then you click on the county where you live and you come up with a road map. You click again and you get closer to where you live. When you click there, what actually happens is that it pegs through with a soils map, a topographic map, a land use map, and a map of distance to the nearest stream, which the farmer never even sees.

So all the information that you need to actually calculate nutrient loads are pegged there, but the user never even knows it.

Then the next step is, you say, okay, what am I doing now? I am growing corn and beans with a no-till, etc. You run through scenarios of, "Well, what if I put in a buffer strip" for example, or "What if I want to create a wetlands?" There are a series of different options you can run through and it tells you the cost per pound to remediate that is $8 per pound of phosphorous kept out of the stream.

Next you go to a marketplace and you can post an offer, "I will be willing to sell phosphorous credits, 200, at $15 a pound."

Clearly you will want to do it at much higher than your cost. But then the point sources can post bids to purchase. We had 30 players in our last demonstration and we had about 20 trades that occurred between the parties.

The CHAIRMAN. These are actual commercial trades?

Mr. FAETH. These are demonstration trades at the moment. This will be live in support of the TMDL for Kalamazoo in July.

The CHAIRMAN. Somebody would transfer some money? In other words, somebody made a bid of $10 for this phosphorous and pays some farmer who offered?

Mr. FAETH. That is right. Then these are registered with the State agencies as appropriate. That is the next and final step to actually register the credits and the trade and it becomes real.

The CHAIRMAN. Well, you mentioned the TMDL. The last hearing we had with regard to that was a very volatile hearing because most people who came in who were farmers or with farm organizations did not like the idea at all. As a matter of fact, they wanted to stop.

Now, the people dealing with TMDLs, "Well, we don't want to do that." But it wasn't really aimed exactly at farmers. We had some sort of amelioration of discontent in the process aimed at other big polluters and so forth.

But, nevertheless, it was sort of out there and it came largely because of disputes with the forestry interests. As I recall, that particular hearing brought it to the fore. But it is interesting that in Michigan there is a TMDL and people still taking it seriously.

So as a result, even though farmers were saying, "We are not the ones," here is a farmer prepared, as you say, to adopt the new plan. It is going to remove something, nonpoint though this may be, from the waterways of Michigan.

Somebody else is willing to pay for that process. So I think that is a very interesting and important breakthrough which probably will engage more than 30 players after some money passes hands and there is a commercial transaction.

Mr. FAETH. We are developing a version of the site for the Mississippi Basin as a test, beginning next year. Paul Johnson mentioned trading on the Chicago Board of Trade; we share the same vision.

The CHAIRMAN. Well, I hope, in a parochial way again, it will extend to White River in Indiana or the Wabash or some places of this sort in due course.

Senator Nelson.

STATEMENT OF HON. BENJAMIN E. NELSON, A U.S. SENATOR FROM NEBRASKA

Senator NELSON. Thank you, Mr. Chairman.

Mr. Stawick, I must commend you. You are the first person to come that I have had the pleasure to hear saying that maybe the Federal Government could give $1 dollar or $2 dollars to get $4 somewhere else. Usually, it seems to work in the reverse.

I agree with you that the EQIP Program is probably under-funded. I think in your testimony you said that the payments have been about $200 million and yet applications are probably in the range of $600 million.

One of the ways that Nebraska has attempted to deal with this is to use the leverage of local funds to be able to attract EQIP funds and so there are stakeholders who could conceivably help expand the availability of the results by staying somewhere near or on the total dollars that are expended under the EQIP Program at the Federal level.

I have to make a pitch for what I did. I created an environmental trust fund. Part of the funding that goes into the environmental trust fund comes from the Nebraska Lottery. That was before Senator Harkin's State had so many riverboats on their side of the river.

While this is not the generous level of support that the total gambling provides, it has provided a significant amount of money aimed at helping create co-activity in environmental stewardship.

We have several examples of where the environmental trust fund has funded on a multi-year basis projects that have then qualified for EQIP funds to try to create the kind of leverage that I think you had reference to. I would hope that other stakeholders would find similar ways to come in and leverage and expand the capacity of these funds to do good on so many other levels. I hope that that will in fact occur.

Mr. STAWICK. Senator, there is one other very good example that was touched upon by Mr. Stevenson in yesterday's testimony. That is the Conservation Reserve Enhancement Program which is a sort of subset of the Conservation Reserve Continuous Signup which is very explicitly involving State governments in getting additional incentives to landowners atop the CRP payments.

That is underway in, I think, about 12 States now, Illinois, the Chesapeake Bay, Minnesota, etc.. So that is another very substantial program that is out there. There are more of these so-called CRP agreements, more and more every year.

Senator NELSON. Well, I hope we continue to create these kinds of partnerships on a multi-government basis because we certainly can get more leverage out of the dollars from both sides of the contributions.

Mr. Faeth, I am taken by the trade of environmental transactions that you are talking about here. How are you flying under the radar to not attract attention of the SEC to begin with or the local Blue Sky laws within the States? I hope you are able to stay under that radar.

For example, as you do that and there are dollars exchanging hands ultimately, how do you have, first of all, the collection of the dollars, but second, how do you have enforcement because if I pay for these environmental practices, I want to make sure that they occur at the other end.

Mr. FAETH. There are a variety of ways that these are being worked out. Most of the programs that have been tried are experimental programs right now. For example, in Michigan, which is the first State to go statewide with a regulatory program, the first step is that when there is a trade between any of the two parties that it is registered with the State.

If one party has an NPDES permit and does a trade with another party, for example, it may be two point source dischargers who both have a permit.

Senator NELSON. So you have the equivalent of some sort of exchange. It may not be the stock exchange or it may not be something out of Chicago, but you have some mechanism.

Mr. FAETH. That is what our site does. It is a bulletin board where you post offers to buy and sell. Parties look at the site and they decide what they want to pay, look at their own remediation costs. If they can buy cheaper than they can treat, then they go ahead and do so.

For rural communities this could be a huge help. In Minnesota one of our cases, has 212 point source dischargers, only about 25 are larger than one million gallons a day in effluent discharge. The rest are tiny. The cost per unit of treatment is much higher for small facilities than for large facilities. So for rural communities that face the highest cost of water treatment, trading is probably the best way to keep those costs down and make it more equitable in terms of what the water treatment costs would be for those communities.

So when you trade, you have a contract. One of the things that has been tried is a loan that the point source might provide to the farmer to implement the practice and then the loan it is paid back in credits.

Senator NELSON. How do you enforce? It is better to have a contract than not have a contract. But sometimes both parties don't always comply.

Mr. FAETH. Under the Michigan rules, if you voluntarily undertake a trade with a party that has an NPDES permit, you provide a commitment under law that you will meet the obligation you set out in your trade.

So if you say, for example, I am going to exclude cattle from the stream and you make that promise and take money to do so, if you don't do it, you have to provide three times the credits that you said you were going to provide.

So if you said this will generate 100 pounds of phosphorus reductions and it is discovered that you don't, the owner of the credits or the buyer of the credits has the right to enforce and the State has the right to enforce as well.

If you voluntarily do that and you are found not to have done it, then you owe 300 credits to the system. The credits that the point source discharger was using to apply are invalid and they have to go back into the market and purchase credits.

Senator NELSON. So enforcement may be civil or——

Mr. FAETH. It can be both. There are opportunities for both.

Senator NELSON. [continuing.] Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Nelson, for illuminating further this process because as we get back to our CFTC responsibilities, the whole clearing process is of the essence. Where you are sitting, Mr. Faeth, we had a trader in corn last year. With a screen there in front of him, one that we could watch, he sold 1,000 bushels of corn somewhere in Europe, right here in the hearing room.

The problem then is enforcement, the contract clearance of all of this. He went through a rather elaborate explanation as to how it works. But this would be of the essence with a State or with a Governor or with a court system.

Still, it is very important. I am glad you have thought through those aspects. As you say, you are in the pilot project part. Questions that we raise as lay people hopefully will get back to those who are working in the system.

Mr. Stawick, when you mentioned the EQIP Program in your testimony you suggested that, as has been pointed out, the demand exceeds the funds. Perhaps one way of looking at this would be small farms, those who do not have the resources of large farms, for example, might have, through a priority, use of the technical personnel that are now available and others might employ consultants who then have some validation through the professionals of their programs and their results.

Can you illuminate that any further without asking you what the cut-off is between those who ought to be using or have priority and those who are larger entities who might hire consultants for more complex plans? Have you given any thought to where we might demarcate that?

Mr. STAWICK. One way of answering that, Mr. Chairman, might be to look at what the reality is in a lot of areas already. I suggest for technical assistance purposes, as you say, that the NRCS field staff perhaps be considered as the—you will be familiar with this

term for agricultural lending—perhaps NRCS field staff could be considered the technical assistance source of last resort, so to speak, for persons of limited income.

The fact is, that is the case in a lot of counties in a lot of conservation districts around the country right now. If you look at the other end, there are the larger landowners who say, "I know I need to do something."

It may be a confined animal feeding operation that has an NPDES permit. You know, they have to address those permit requirements or they may want to put in conservation buffers but may not want to go through the encumbrance of an EQIP contract or a CRP contract. They say, "I just want the technical assistance. I need somebody to tell me how wide that buffer should be and what type of cover should it have," etc., and they are willing to do that themselves, but they don't have the technical help they need to answer those questions because, again, the stretched NRCS staff is looking at other, more limited resource people.

I don't know, Mr. Chairman, where that line is, but I would suggest that if we got some more information from NRCS to look in a lot of these areas, you know, who they are able to help, who they are literally able to help with the current staffing levels.

That may help drive us to some answers to your questions.

The CHAIRMAN. That could be. Obviously, NRCS would like to have more staff and that may be the will of the Congress, to provide more. My guess is if we were generally successful many of the things we have been talking about today are going to stimulate a lot more interest in conservation around the country.

So even as we get the staff, we hope that there will be a broader population of interest. We would come back to this problem again and again in terms of the smaller farmers of America, in terms of marketing strategies, to be able to use puts and calls and future trading or this type of thing which we found using the Sparks, Incorporated study that we talked about, that the larger farmers, the eight percent, are apparently selling corn for about 30 cents more a bushel than are the group of smaller farms.

This is in part because they employ sophisticated marketing strategies. They have people, who assist them, go to extension courses or do more marketing education. It is not a question of the rich getting richer or the poor getting poorer. But in terms of technical expertise, this is very important. The question is how do we get this more broadly disseminated? How do we get people to ask for it, to know that it is even there and to have confidence? So these are questions at least some Senators are probing.

Mr. STAWICK. Could I raise one other market potential on this very question of technical assistance?

The CHAIRMAN. Yes.

Mr. STAWICK. You might consider in the farm bill a system in which there was some kind of technical assistance funding, perhaps in the form of vouchers that could be given broadly to landowners and which could be traded.

Depending on your size, depending on what are the requirements in the TMDL in the watershed where you live, you may want to take that voucher and redeem it for assistance directly from NRCS or you may say, "I'm fairly well set with my technical assistance

needs, perhaps I can sell that voucher to somebody else who could then accumulate a few if necessary and then get the technical assistance that they need."

Those vouchers perhaps also could be redeemed by private sector entities that I mentioned that could stand to get into the technical assistance business if we could just get them certified by NRCS.

So while that is obviously not really as well thought-out as Paul's ideas on credit trading, that may be another way of using some market forces to get technical assistance and allocate our technical assistance resources, even the Government technical assistance resources, where they are needed the most.

The CHAIRMAN. Senator Nelson, do you have any further questions?

Senator NELSON. Well, I was just going to say that if we keep finding ways with securities and other kinds of trades, we might find a way to make agricultural profitable.

The CHAIRMAN. Exactly. That is just what we are about.

I thank you very much for coming to us today. We thank all the witnesses. We will try to take carefully into consideration the papers that we made a part of the record in full.

The hearing is adjourned.

[Whereupon, at 11:55 a.m., the committee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

March 1, 2001

HEARING ON THE FUTURE OF USDA CONSERVATION PROGRAMS SENATOR TOM HARKIN (D-IA), RANKING DEMOCRATIC MEMBER COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY March 1, 2001

Mr. Chairman, thank you again for holding today's hearing on the very important topic of conservation on America's private agricultural lands.

I want to welcome my good friend and fellow Iowan, Paul Johnson. Paul is a former Chief of the Natural Resources Conservation Service, as well as Director of the Iowa Department of Natural Resources and is a farmer from Decorah. He is a true friend of farmers and a visionary conservationist in the mold of Aldo Leopold. I also welcome two other Iowans, Craig Cox, the Executive Vice-President of the Soil and Water Conservation Society from Ankeny, and Dan Specht, a farmer from McGregor.

America's farmers and ranchers have made great strides using common sense to protect our natural resources. Their role as stewards of the land for future generations is every bit as important as producing food and fiber. However, farmers also face harsh economic realities. To help them succeed as conservationists we must continue and strengthen our tradition of financial support for voluntary conservation on private agricultural lands.

Conservation holds great promise for future agricultural policy. I commend my distinguished colleagues, Chairman Lugar and Senator Leahy for their unwavering dedication to conservation in past farm bills. In the next farm bill, conservation must once again be an integral part of farm policy. To be sure, farm programs will continue to support production-based income in agriculture. But let us also devote the money that is needed to focus on helping farmers and ranchers who are good stewards remain on the land and keep on conserving vital natural resources for future generations.

Payments to support conservation provide badly needed economic assistance to farmers in a way that is consistent with our international trade obligations. In return farmers provide public benefits in the form of enhanced resources, an improved environment and increased wildlife. We have some very good USDA conservation programs now. We should strengthen and improve them, and provide NRCS the funding it critically needs to assist agricultural producers and landowners.

We should also adopt a new comprehensive national program of payments for voluntary conservation on private agricultural land. I have authored the Conservation Security Act to address a gap in current programs: conservation on land in production. My proposal would reward those who continue previously adopted conservation practices as well as those who adopt new practices. The bill was introduced last fall with bipartisan support in both the Senate and House of Representatives. I look forward to reintroducing the legislation soon along with Senator Gordon Smith and others -- and then working with my colleagues to enact it.

I wish to submit for the record, statements of support for the Conservation Security Act from the National Corn Growers Association, American Soybean Association, National Association of

Conservation Districts, Sustainable Agriculture Coalition, and Defenders of Wildlife.

Thank you Mr. Chairman.

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

Written Statement of Remarks by

Craig Cox, Executive Vice President

Soil and Water Conservation Society

March 1, 2001

Mr. Chairman, Senator Harkin, Members of the Committee, I want to thank you for the opportunity to appear before you today representing the Soil and Water Conservation Society (SWCS). SWCS is an international, not-for-profit society, founded in 1943. Its mission is to foster the science and art of natural resource conservation. Our 10,000 members include professionals ranging from technicians who work one-on-one with landowners to researchers who seek to improve our basic understanding of conservation problems and solutions.

Agricultural policy and the farm bill are critically important to our members. Indeed, we think the farm bill will be the single most important piece of conservation and environmental legislation Congress will consider in the next two-years.

Last spring SWCS initiated a two-year project, *Seeking Common Ground for Conservation*, to help key stakeholders and policymakers shape the conservation provisions of the 2002 farm bill. We hope to achieve that goal by (1) working with agricultural and conservation leaders at state and local levels to identify ways to improve U.S. agricultural conservation policy and programs, (2) helping translate those ideas into proposals for incremental and large-scale change in the conservation provisions of the farm bill, and (3) communicating the meaning and importance of the proposals to policymakers and opinion-leaders.

In the latter half of 2000, SWCS invited state and local leaders with first-hand experience of the strengths and weaknesses of current agricultural conservation policy and programs to a series of five regional workshops. Participants representing the agricultural, water resources, and fish and wildlife communities were asked to develop two agendas for the reform of conservation policy and programs: (1) An incremental agenda, consisting of refinements in existing programs that would allow current authorities and programs to work better for agriculture and the environment, and (2) an agenda for large-scale change in our nation's approach to land stewardship that would dramatically accelerate progress toward improving the economic health and environmental performance of farms and ranches.

Briefly, we think we heard the following messages at those workshops that have particular significance for agricultural and conservation policy.

• The growing conservation gap

Agriculture faces a dramatically expanded conservation and environmental agenda. Workshops

participants agreed that--at current levels of funding--USDA conservation programs cannot possibly meet agricultural producers' demands or the public's demands for conservation and environmental quality. Many more producers now ask for conservation assistance each year than can be accommodated, and local, state, and federal conservation initiatives--both voluntary and regulatory--are multiplying. This conservation assistance gap is increasing the risk of soil, water, and environmental degradation as pressing conservation needs go unmet. The gap also is driving a wedge between people at state and local levels as they compete for funds and technical services to address their legitimate but differing priorities for soil conservation, air and water quality improvement, fish and wildlife habitat enhancement, and farmland preservation. Most workshop participants expected this gap between demand for conservation assistance and its supply to widen over the next few years unless action is taken soon.

• Expand the reach of existing programs

Participants recommended expanding the reach of existing USDA conservation programs through a combination of increased funding and programmatic reform, with increased funding being far and away the most important of these two concerns. Specifically, workshop participants recommended: (1) Funding conservation technical services and financial assistance programs at about $5 billion annually--roughly double current spending; (2) enhancing the quality and quantity of technical services available from both the public and private sectors; (3) making sure conservation programs work for all producers, in all regions of the country, by eliminating the current bias toward producers of row crops and by providing more flexibility at the state level to tailor USDA programs to state and local needs; (4) striking a better balance between land management and land retirement by increasing technical and financial support for managing land producing crops and livestock in environmentally sound ways; (5) simplifying the application and conservation planning process for participation in USDA conservation programs; and (6) providing regulatory assurance for USDA conservation program participants by unifying planning and technical standards among local, state, and federal agencies; providing one-stop shopping for landowners and land managers; and creating "safe harbor" options for producers.

• Harmonize commodity/risk management programs with conservation

Workshop participants also wanted to make sure that the structure of farm commodity and risk management programs did not exacerbate conservation and environmental problems by encouraging producers to break out fragile land, keep environmentally sensitive land in production, or intensify production of subsidized crops that are particularly risky for the environment. Participants disagreed about the extent to which commodity and risk management programs currently encourage producers to use and manage land in environmentally risky ways. As a result, they also disagreed about the need to reform such programs. There was general agreement, however, that current conservation compliance and swampbuster provisions should be maintained and extended to all farm support programs, including crop insurance. There was substantial support as well for extending the soil conservation provisions to all cropland, not just highly erodible cropland.

• Reward good actors

There was strong feeling among workshop participants that current conservation programs often penalize farmers and ranchers who are already doing the "right thing" or who were early adopters of new conservation systems. Farmers who did the right thing by keeping fragile land in pasture or rangeland, for example, are ineligible to participate in the Conservation Reserve Program, while their neighbors who broke out fragile land for crop production purposes are paid to put that land back into grass cover. Similarly, producers who invested in good manure handling or nutrient management systems at their own expense watch as their neighbors receive public subsidies to do the same thing. Participants felt strongly that this was both unfair and counter-productive. They wanted to find ways to reward the good actors as well as encourage others to catch up.

• Keep people on the land through conservation

Workshop participants also wanted to use conservation programs as a way to support farmers and ranchers economically, ensure a sustainable agricultural system in the long run, and support rural communities. As environmental performance becomes a more important element of commercial viability, they argued, conservation becomes a more integral part of the bottom line. Participants also wanted to find a way to turn conservation into an economic opportunity for farmers and ranchers by paying them for the environmental goods and services they produce on their operations.

SWCS, with assistance from a 15-person policy advisory committee, is now working to understand the implications of what we heard at the workshops for program and policy reform. We hope to bring the best judgment of professional conservationists and experts to bear to recommend reforms that will address the concerns and hopes of workshop participants. We have not finished that task yet, but we have done enough work that I think we are safe in suggesting the following ideas for your consideration.

Clearly, our existing conservation programs and our existing conservation budget fall far short of addressing the concerns and realizing the hopes of workshop participants. To address those needs and realize those hopes we will need to construct a set of complementary programs and policies explicitly designed to work together at all levels--from the farm to USDA's South Agriculture Building here in Washington, D.C. Creating such a comprehensive conservation effort will require:

o Increasing current conservation funding for technical services and financial assistance to somewhere between $7 billion and $10 billion annually.

o Strengthening the technical services and applied science infrastructure--in both the public sector (federal, state, and local government) and the private sector.

o Creating a broad-based program to deliver conservation technical services and financial assistance to all farmers and ranchers in all regions of the country.

o Expanding and refining the reach of existing programs.

o Leveling the playing field for farmers and ranchers.

o Creating more flexibility and real authority to shape USDA programs at the state and local level.

I would like to discuss each of these components individually:

• Increase funding

Taken together, workshop participants recommended that current funding for existing conservation technical services and financial assistance programs be doubled to about $5 billion dollars annually. That increased funding would be spread among all existing programs, with particular emphasis on increases for technical services and financial assistance to working farms and ranches that produce food and fiber, rather than retiring more land from production. Participants suggested that a doubling of funding for existing programs would be sufficient to address their basic concerns--preventing environmental degradation while facilitating agriculture production.

But most participants wanted to go well beyond that basic goal and harness the land management skills of farmers and ranchers to achieve widespread enhancement--not just protection--of the environment. They also wanted to use conservation as a way to keep people on the land by paying farmers and ranchers to produce environmental goods and services through a broad-based stewardship program. Participants envisioned a program funded at levels equivalent to current funding for land retirement ($2 billion annually) or current funding of market transition payments ($5 billion annually). Achieving that vision would require a conservation program for technical services and financial assistance of $7 billion to $10 billion annually.

These funding increases appear large when compared to what we currently spend on conservation, but they need to be put in perspective. A $5 billion conservation effort is about the same as we were spending for conservation in 1937--in real dollars. A $5 billion to $10 billion annual conservation effort is somewhere between a fifth and a third of what we spent last year in income and disaster assistance for agriculture. A $10 billion annual conservation effort would be about 10 percent of the total USDA program spending projected for 2001.

• Strengthen technical services

The capacity to deliver high quality technical services consistently across all counties is the single most serious obstacle to conservation in this country. In constant dollars, federal investment in the conservation infrastructure has not grown since 1985. But people cost more today than they did in 1985. As a result, the number of professional conservationists on the ground and the number of technical specialists who support them have both declined. Staffing within the Natural Resources Conservation Service, for example, has declined 16 percent since 1985. As a result, serious gaps are opening in the technical services infrastructure across this country.

Workshop participants reported experiencing a shortage of technically trained staff at the field level to work one-on-one with producers, communities, and other units of government on an on-going basis; time lags in updating technical standards and guidelines to cover new issues, meet the needs of new users, and incorporate new science and technology; few economically feasible options from which producers can select to address conservation and environmental problems; lack of tools and support for work at watershed or other geographic scales larger than a single farm or ranch operation; limited ability

to package and deliver farmer friendly, multidisciplinary conservation systems that provide comprehensive solutions covering multiple tracts, programs, and problems; and inability to meet new demands for accountability, such as quantifying the performance of best management practices, measuring progress toward goals, and evaluating the effect and performance of conservation systems, projects, and programs.

These gaps already are constraining our ability to take full advantage of the willingness of farmers and ranchers to get conservation on the ground and of our existing financial assistance programs.

Applied science, technical advice, and education are the foundation of conservation. Conservation is not a program or a practice; it is a way of thinking. Conservation depends on the extent to which landowners and managers understand their land and the way their operations and decisions affect the land. No amount of financial assistance can substitute for that knowledge, and there is no way we can expand the conservation effort without expanding our investment in scientific and technical services--research, technology development, technical assistance, and education.

The health of this conservation infrastructure, at the federal level, is largely in the hands of appropriators and the annual appropriations process. But I would urge the Committee to consider two actions in the context of a farm bill: (1) Mandating sufficient funding for scientific and technical services as a percentage of existing and new conservation financial assistance programs and (2) encouraging states to invest in scientific and technical services by matching those investments with federal funds.

• Create a broad-based stewardship program

In our regional workshops, participants were asked to imagine they could "wipe the slate clean" and design a conservation program from the ground up--without regard for current programs and political or fiscal feasibility. In all workshops, a vision of a broad-based stewardship program was the proposal that created the most common ground. In nearly all cases, participants wanted to create such a stewardship program as a complement to existing conservation programs, not as a substitute for those programs.

Such a broad-based stewardship program would bring important and unique elements to a comprehensive conservation effort if it were designed to:

o Emphasize keeping people on the land by fitting conservation into working farms and ranches rather than by restricting the use of agricultural land.

o Making all agricultural land and all agricultural producers eligible regardless of commodity produced or location within priority areas.

o Rewarding good actors--producers who have been investing in and implementing conservation systems often without any governmental assistance or financial compensation.

o Funding technical services and financial aid to maintain existing conservation systems and habitat as

well as to implement new systems or restore habitat.

o Addressing conservation opportunities comprehensively on farms and ranches.

o Creating one-stop-shopping through a single conservation planning process and a single application and administrative process.

From a purely conservation perspective, creating such a broad-based program would strengthen existing programs by (1) ramping up technical and financial assistance to manage land producing food and fiber in environmentally sound way--the major gap in existing programs and (2) emphasizing prevention and maintenance as well as treatment of problems. Achieving these two conservation purposes in a meaningful way will require funding such a program generously--our workshop participants envisioned at $2 billion to $5 billion annual program. Making such a program work will require major investments in our technical services infrastructure--both public and private--and creating within our national agricultural policy a stewardship program that is funded generously enough to make it truly open to all agricultural producers who want to make conservation and resource stewardship a fundamental part of their operations. If such a program is not adequately funded, it will lead to more rather than less fragmentation and more rather than less competition among legitimate conservation priorities and purposes.

• Expand and refine the reach of existing programs

Existing programs provide two critical elements of a comprehensive conservation program that would not be provided by the broad-based stewardship program described above: (1) Authority to intensify conservation efforts within geographically defined problem areas, and (2) authority to take land out of production or change the use of agricultural land to restore habitat or protect environmentally sensitive areas.

These two elements, along with enhanced technical services, should define the core--the minimum requirements of an effective conservation effort. Fortunately, existing programs, with some refinements and substantially more funding, can provide this core function of a conservation effort.

Our analysis of the workshop findings is identifying numerous opportunities for reform and refinement of existing programs. Many of those reforms and refinements entail changes in rules, regulations, or administration rather than changes in legislation. I would like to highlight two of the most important reforms that would strengthen the core of our national conservation effort and would require legislative action:

Expanding and refining the Environmental Quality Incentives Program. The Environmental Quality Incentives Program (EQIP) currently serves some of the purposes outlined above for a broad-based stewardship program. The program emphasizes managing working land in an environmentally sound way; most agricultural land and production operations are eligible; and incentives are provided to address conservation comprehensively on farms and ranches. Unfortunately, the program has been crippled by inadequate funding--less than one-third of the recommended funding level when the program

was first introduced by Senators Lugar and Leahy. As a result, the program is effectively available to only a small percentage of eligible producers, and the more comprehensive conservation planning approach envisioned at the program's outset has become a burden to producers and conservationists alike rather than an effective tool for conservation and environmental enhancement.

If a broad-based stewardship program were available to assist willing producers in every county, then EQIP could and should be strengthened and refined to become our primary vehicle to focus technical and financial resources on geographically defined areas to solve pressing environmental problems. Based on our preliminary analyses I would recommend the following changes to accomplish that objective:

- Fund EQIP at $600 million annually.
- Make all producers within a priority area eligible to participate.
- Provide for a continuous sign-up within priority areas.
- Link EQIP with the Conservation Reserve Program (CRP) continuous sign-up by (1) eliminating the cropping history requirement for CRP within EQIP priority areas and (2) extending indefinitely the enhanced incentives for buffers recently promulgated by USDA.
- Allow up to 50 percent of EQIP funds to be used to enhance technical services by increasing the staff and capacity of the public (federal and nonfederal) and private sectors.

These changes would create a powerful programmatic tool to address pressing environmental concerns--animal feeding operations, Clean Water Act TMDL and clean-up provisions, source-water protection, species recovery plans under the Endangered Species Act, and control of particulate emissions under the Clean Air Act--in a way that works for agriculture and the environment.

Refine and expand the Conservation Reserve Program and the Wetlands Reserve Program. The Conservation Reserve Program (CRP) and the Wetlands Reserve Program (WRP) are highly effective programs that currently comprise the other half of a core conservation program--taking land out of agricultural production and/or changing the use of agricultural land to restore habitat and/or protect environmentally sensitive areas. Taken together, these two programs have made great strides in environmental enhancement--particularly for wildlife habitat. They are the most important wildlife habitat conservation programs on agricultural land in this country.

Based on preliminary analysis of our regional workshop findings, I would suggest the following actions be taken to strengthen these programs:

- Reauthorize WRP with a goal of enrolling an additional 1 million acres.
- Reauthorize CRP with a goal of enrolling a total of 45 million acres.
- Provide for expanded economic use of land enrolled in CRP and WRP--consistent with conservation

objectives.

o Modify or eliminate the cropping history eligibility requirement for enrolling land in CRP to encourage the maintenance, if not enhancement, of critical habitat and environmentally sensitive land.

CRP and WRP have been two of the brightest spots in the conservation effort over the past decade--a compelling example of what adequate conservation funding can produce. We need to maintain and extend the gains we have made through these two programs.

• Level the playing field

Requiring some measure of soil and wetland conservation in return for farm subsidies is the most controversial policy we have inherited from the 1985 farm bill. It also is the most effective in terms of measurable results. Erosion on cropland has declined 40 percent, and rates of wetland conversion have slowed significantly. Still, about a third of our cropland is eroding at a rate that exceeds the soil tolerance level--T--and more than half of that cropland is not considered highly erodible.

Workshop participants agreed that agricultural commodity and risk management programs should not exacerbate conservation and environmental problems by encouraging production on environmentally sensitive land or by intensifying agricultural production systems. There was sharp disagreement among participants, however, on the degree to which current commodity and risk management programs actually create incentives to break out sensitive land or intensify production and, therefore, on the need to decouple payments or reduce incentives to plant row crops. Some participants felt that current programs (agricultural market transition payments, loan deficiency payments, subsidized crop insurance, etc.) do not encourage expanded production--especially when commodity prices are low. Others felt that, although the incentives created by individual programs, particularly loan deficiency payments and subsidized crop insurance, may be limited, their cumulative effect is large. Still others felt they did not have enough information to conclude one way or the other, but they did feel strongly that commodity and risk management programs should at least be neutral in their effect on the conservation decisions made by landowners and land managers.

We are currently attempting to review existing and ongoing research to evaluate what we know about the magnitude of the effect of commodity and risk management programs on the environment. We will use that analysis to shape our final recommendations on the future role of compliance provisions in agricultural policy.

Compliance provisions, however, help level the playing field for conservation. The commodities we currently subsidize accounted for about 20 percent of all cash receipts from farming in 2000. A relatively small subset of producers benefits from current commodity and risk management programs, but all producers have a responsibility to care for their land. Setting a minimum standard for elemental soil conservation practices is an appropriate way to level the playing field among all agricultural producers.

In our workshops, there was nearly universal support for continuing current conservation compliance and swampbuster provisions and broad support for attaching those provisions to all commodity and risk management programs, particularly crop insurance. There was substantial support as well for broadening

the reach of the compliance provisions to include basic soil conservation practices on all agricultural land, but with a real reluctance to divert conservation personnel from implementing conservation programs to implementing expanded compliance provisions and exacerbating tensions between landowners and conservation staff.

I think it is time to finish the job we started in 1985 by expanding conservation compliance to include non-highly erodible land as well as highly erodible land--if we also invest in the infrastructure to get the job done.

• Flexibility and authority at state and local levels

Workshop participants made it clear that USDA conservation programs are operating in a much more complex environment at the state and local level than they were ten years ago. In some cases, state or federal regulatory programs, in addition to USDA's voluntary programs, now touch producers. Most participants anticipated that state or federal regulatory programs would touch many more farmers in the next five years. Many states have expanded their own conservation technical and financial assistance programs. Those programs have strengthened the conservation effort, but also added to its complexity. The unique characteristics of landscapes, watersheds, agriculture, and values among states add to the complexity created by multiple federal, state, and local conservation policies and programs.

Clearly, we need to find ways to provide greater flexibility and authority at state and local levels to modify the rules and regulations that determine eligibility, priorities, and funding allocations for all USDA conservation programs. There was much discussion and debate about the best way to effectively deal with this complexity. Our discussions highlighted two current approaches to enhancing state and local flexibility that I think should be explored: (1) Strengthening the role of existing state technical committees to shape implementation of all USDA conservation programs and (2) providing greater flexibility and increased funding based on state conservation plans.

We heard from participants that existing state technical committees, in several states, were providing an effective mechanism to tailor USDA conservation programs to unique state circumstances and to leverage state and local investments in the conservation effort. We should build on that success by strengthening the authority of these committees to shape implementation of all USDA conservation programs at the state level.

We also heard from participants about the value of using statewide conservation plans as a mechanism for providing greater flexibility and authority to tailor USDA programs to unique state needs. Participants noted the Conservation Reserve Enhancement Program and the Wildlife Habitat Incentives Program as successful examples of using statewide plans and agreements to increase flexibility at the state and local levels. I suggest we build on those approaches to develop a mechanism for states that would provide more flexibility--and perhaps more money--to states that develop a comprehensive conservation plan laying out how they would like to use USDA conservation programs, jointly with state programs, to address conservation and environmental concerns.

Mr. Chairman, Senator Harkin, members of the Committee, as we have moved forward with our *Seeking Common Ground for Conservation* project, we have found it easy to lose our way among the many proposals for reform of existing programs and creation of new programs. I am concerned that I may have contributed to that sense of fragmentation today. Creating a comprehensive conservation program out of

multiple authorities and addressing multiple priorities simultaneously is a difficult task. The details are extremely important, but it also is easy to become lost in those details.

I would like to close by trying to give you a sense of the bigger picture that is emerging from our analysis of what we heard at our workshops.

It seems to me we must ask ourselves two questions about what role conservation should play in future farm policy: (1) What do we want from conservation, and (2) what do we want from agriculture?

It seems to me that what we want, at a minimum, from conservation in farm policy is what we have always wanted--to facilitate, if not enhance, the growth and development of the agricultural enterprise. But conservation will play that role in a very different way than it has historically. Instead of developing soil and water resources as inputs to agricultural production, the primary challenge will be to develop agricultural production and conservation systems that protect the environment.

Environmental performance will become a key determinant of commercial viability for agricultural producers. For producers operating animal feeding operations or irrigating cropland or pasture, that day is already here. Fortunately, we have most of the tools--both policy and programs--in place that will allow conservation to enhance the environmental and, therefore, the commercial viability of agriculture. We can do that job, but only if we (1) double the funding for and make key reforms in existing conservation policy and programs, (2) ensure that commodity and risk management programs do not exacerbate environmental problems, and (3) elevate the importance of conservation and environment in agricultural policy and in the U.S. Department of Agriculture.

These actions can all be taken within the context of existing programs and within the framework of the conservation title of the farm bill. The funding increase recommended is about the same as that provided for in the Food Security Act of 1985.

As a conservationist, and someone representing a conservation organization, I think this is the minimum goal we should seek to achieve in the next farm bill.

But most conservationists are also agriculturalists. What we see across the agricultural landscape troubles us deeply. To date, it seems, we have wanted agriculture, first and foremost, to produce cheap, abundant, and safe supplies of food and fiber. The productivity of the modern agricultural enterprise is a marvel. In fact, the productive capacity of American agriculture is so great that, according to USDA's Economic Research Service, almost 70 percent of the value of agricultural production is produced by only 8 percent of producers--about 175,000 farmers--operating but 32 percent of all farm acres. If all we want from agriculture in the future is cheap, abundant, and safe supplies of food and fiber, then it appears we can do with fewer producers and far fewer acres in production.

The implications of these figures and such a conclusion for conservationists, agriculturalists, and farm policy are staggering. Government subsidies have tripled since 1997--reaching $28 billion last year--and

still apparently are not enough to overcome the reality of what has happened to the structure of U.S. agriculture. In the meantime, we have learned that:

o Only 36 percent of all farms received government payments, according to the 1997 Census of Agriculture (USDA-ERS Agricultural Outlook, October 2000).

o The major field crops that receive nearly 100 percent of those government subsidies accounted for only 20 percent of total cash receipts from farming in 2000 (USDA-ERS Agricultural Outlook, October 2000).

o Only 37 percent of farm subsidies payments went to farmers in counties where those payments would be expected to play a significant role in the local economy (USDA-ERS Agricultural Outlook, October 2000).

Given these facts, it is not surprising that current and historic approaches to farm policy are being questioned and that many farmers, ranchers, opinion leaders and policymakers are calling for a whole new approach to agricultural policy. In that context, it may be time to go well beyond strengthening existing programs to make conservation among the most important components of a new farm policy.

Conservation as a centerpiece of farm policy has unique advantages for both the public and producers. For the public, such a policy change would create the opportunity to go beyond pollution prevention and damage control to widespread enhancement of our environment. What if we were to harness the management skills of America's farmers and ranchers to become the primary agents for enhancing the environment? Just as the land use and management decisions made by producers can impair the environment, those decisions can create fish and wildlife habitat, produce clean and abundant supplies of water, protect against the risks of climate change, and create recreational opportunities. Conservation at the center of farm policy would take us beyond simply helping (or requiring) farmers and ranchers to prevent environmental damage to rewarding farmers and ranchers for enhancing the environment--for using their labor and capital to provide environmental goods and services.

For agriculture, such a policy change would create the opportunity to use conservation as a means of keeping people on the land and to escape some of the contradictions created by current farm policy. The land and its management would drive conservation rather than the amount or kind of commodities produced. That means all farmers and ranchers, producing all kinds of commodities, in all regions of the country could participate in environmental enhancement. Conservation could and should reach those 92 percent of farms operating 68 percent of the acres, but producing only 31 percent of the value of food and fiber. Though not big players in the commodity market or in international trade, those producers are, or could be, big players in the conservation market. Producers in Canada, Mexico, Argentina, Brazil, and France can compete in corn, soybean, wheat, and beef markets; they cannot compete with our farmers in producing clean water or fish and wildlife habitat. The environment is a niche market, but one in which every farmer and rancher has a niche.

Perhaps most importantly, bringing conservation to the center of farm policy would take us a long way toward creating an agricultural policy out of what increasingly appears to be a limited and contradictory farm policy. It would provide more options for policymakers and producers, instead of attempting to fit

an increasingly diverse agricultural sector into a one-size-fits-all subsidy program in which 8 percent of farmers receive 40 percent of all farm program payments. We could diversify agricultural policy to reflect the needs and unique circumstances of different farming and ranching operations. We could design a policy that works for those handful of producers who dominate commodity markets and trade, and we could design a policy that works for all those other producers in whose hands we entrust the management and care of most of our land, water, and wildlife. We could create an agricultural policy that is truly open to all of agriculture and built on a solid foundation--the unique status and responsibility of farmers and ranchers as the caretakers of our land, water, and wildlife.

To achieve those objectives, we must step outside the current framework of conservation and farm policy and create something new. At a minimum, we must create the kind of broad-based stewardship program I discussed earlier. But we must also strengthen existing programs at the same time to create the capacity to deliver technical services and financial assistance to producers on a scale not seen in this country since the 1930s.

It will require moving conservation to the center of farm policy with funding and attention equivalent to that now provided commodity and risk management policy.

In closing, I would like to thank you Mr. Chairman, Senator Harkin, and members of the Committee for inviting SWCS to testify today at this important hearing. The farm bill will be the single most important conservation and environmental legislation before Congress in the next two years. SWCS is anxious to help you in any way we can as you take on this task.

Statement of

John Hassell, Executive Director

Conservation Technology Information Center

National Association of Conservation Districts

to the

Senate Committee on Agriculture, Nutrition and Forestry

Relative to Conservation Programs in the Farm Bill

March 1, 2001

Good morning Mr. Chairman and members of the Committee. I am John Hassell, executive director of the Conservation Technology Information Center, commonly known as CTIC. Established in 1982 by a group of agribusiness, governmental agency and agricultural association representatives, CTIC functions as an off-site branch of the National Association of Conservation Districts (NACD).

CTIC operates under the charter of NACD, which is a nonprofit conservation organization, representing the nation's nearly 3,000 conservation districts. An independent 25-member board, with input from 9 cooperating federal agencies, administers CTIC's public/private partnership. The CTIC Board of Directors comprises representatives from agribusiness, farm press, agricultural associations, conservation groups as well as independent agricultural producers. CTIC is a self-supporting organization with resources derived from corporate, institutional and individual memberships, agency funds, foundations and other sources. CTIC's mission is to develop partnerships that promote the enhancement of soil and water quality by equipping agriculture with realistic, affordable and integrated solutions. Located at Purdue University Research Park, CTIC receives in-kind support from the Indiana land grant university as well as other land grant and international institutions.

Background

CTIC has long been promoting the adoption of conservation tillage and residue management. During the late 1980s and mid-1990s, CTIC supported the 1985 Farm Bill by implementing a national promotion of conservation tillage as a means to reducing soil erosion on agricultural croplands.

When CTIC began operation in 1983, 10 percent of the nation's cropland used some form of conservation tillage, or cropland systems that leave about one-third of the soil covered with crop residue after planting. CTIC and its partners established a national Crop Residue Management (CRM) initiative to help producers implement their conservation compliance plans, which were required for producers to remain eligible for federal farm program benefits. Adoption of conservation tillage, especially no-till (where residue is undisturbed until planting), steadily increased as producers sought farming techniques for saving soil, improving efficiency and improving their bottom line. More than 75 percent of compliance plans included residue management because of its economically efficient method of reducing soil losses from cropland.

The CRM initiative was a success. No-till adoption increased 125 percent from 1990 to 1994. In addition, as conservation tillage adoption increased, soil erosion decreased. The initiative succeeded because: (1) the public/private partnership work toward a common goal, (2) new

technology enabled successful no-till cropping systems and (3) a national marketing campaign delivered a consistent message about the benefits of crop residue management.

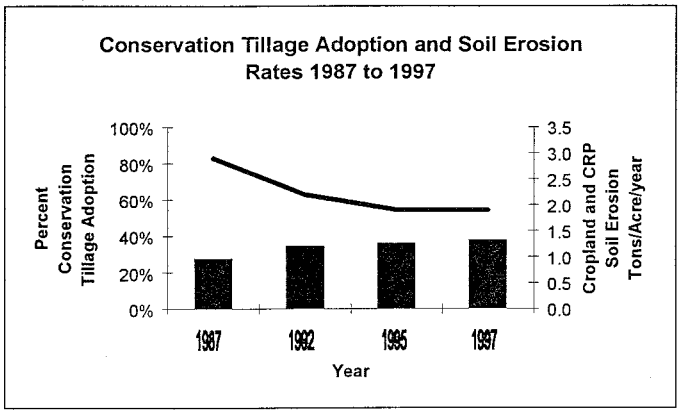


Figure 1. Soil loss decreased as conservation tillage adoption increased from 1987 to 1994. Since then, both soil loss and conservation tillage levels have changed little. Sources: Soil loss data from NRCS National Resources Inventory, 2000. Conservation Tillage data from CTIC National Crop Residue Management Survey, 2001.

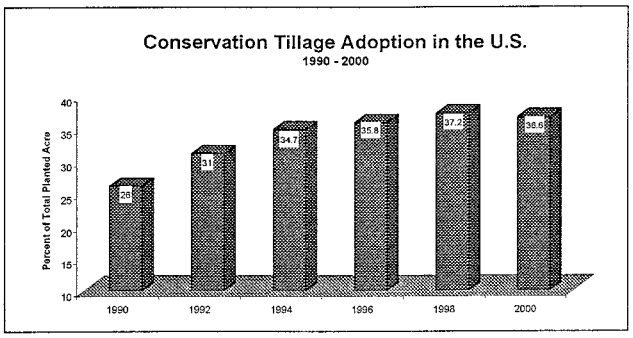


Figure 2. Conservation tillage adoption in the United States has leveled off in the last five years. Source: Conservation Tillage data from CTIC National Crop Residue Management Survey, 2001.

After the CTIC partnership ended the CRM initiative, both conservation tillage adoption and soil erosion reduction leveled off, showing minimal increase in the last five years (see Figure 1). Conservation tillage usage in 2000 was 36.6 percent of total cropland acres (see Figure 2).

Another of CTIC's principal roles is providing scientifically accurate and credible information on various conservation technologies to the people and entities that influence farm management decisions. As a technology transfer center, CTIC reviews and communicates new research, technologies and innovative approaches and connects the people who practice conservation on the ground with those specialists who can help them.

I would like to present to you today information concerning challenges facing agriculture, a campaign that has been initiated by CTIC that all sectors of agriculture can embrace, and recommendations for the next generation of Farm Bill conservation programs.

Challenges Facing Agriculture

Environmental Issues. According to the 1998 Environmental Protection Agency (EPA) national 305(b) report on the quality of the nation's water resources, a majority of states name agriculture as the leading source of nonpoint source (NPS) pollution and identify sediment, nutrients, pesticides, salts and pathogens as agriculture-related pollutants that affect water quality. EPA reported that approximately one-third of monitored river miles, lake areas and other water bodies do not fully support their designated uses.

The 1997 National Resources Inventory reported an excessive erosion rate of nearly 12 tons an acre on 112 million acres of cropland (1.3 billion tons of soil lost a year). Of those 112 million acres, more than 60 million are highly erodible cropland and nearly 52 million acres are non-highly erodible cropland. Eroding cropland sends sediment and attached pesticides or nutrients to water bodies, affecting water quality. Although 50 percent of cropland acres are suitable for some form of conservation tillage to mitigate soil loss, no-till is used on 17.5 percent and continuous no-till (a no-till system used for more than five years) is used on only 7-10 percent of total cropland acres.

Eroding topsoil also carries with it nutrients, such as phosphorus and nitrate, to nearby waterways. Excessive phosphorus in fresh water bodies can lead to algal blooms, fish kills and unhealthy streams and lakes. Soils that receive excessive manure application, which increases soil phosphorus levels, are subject to soluble phosphorus loss. In addition, excessive phosphorus levels are thought to play a role in the "Pfeisteria" pathogenic outbreaks experienced in recent years.

Nitrate, a water-soluble nutrient, can be transported by surface runoff, subsurface drains, or as leachate. Consequently, nitrate can be a problem in both surface waters and in groundwater. Some water bodies used as drinking water sources experience regular drinking water warnings when nitrate levels exceed the safe drinking water standard. Excessive nitrate also can impact fish and wildlife beneficial uses of streams and lakes and has been identified as the primary nutrient responsible for the hypoxic "Dead Zone" in the Gulf of Mexico.

Other environmental and regulatory issues facing agricultural producers include Total Maximum Daily Loads (TMDLs), Comprehensive Nutrient Management Plans (CNMPs), source water protection and global warming.

Although NPS pollution programs and agriculture conservation programs exist, few if any address all problems and most lack adequate funds.

Economic Issues. Current low commodity prices have decreased profits for many producers. Producers also are paying increasingly more for fuel and nitrogen fertilizer. Commodity supports, which could be phased out by 2002, continue in record quantities. Meanwhile, many medium-sized farms have been forced to close, in most cases as part of farm consolidation. Although alternative management options exist, many producers resist changing their operation because of perceived financial, managerial and social risks. In global markets, the world food supply surplus and the Asian economic decline reduced exports and lowered prices.

These economic challenges and complicated environmental issues clearly indicate that America's agriculture needs a new direction, one that institutionalizes conservation into farm management without compromising profitability or long-term sustainability. As we begin to discuss revisions to the current Farm Bill, we must address the environmental issues facing our nation, while attending to the economic concerns of our farming community.

Finding a New Direction: Core 4 Conservation

The National Research Council's 1993 recommendations in "Soil and Water Quality: An Agenda for Agriculture," defined four broad opportunities for preventing soil degradation and water pollution while sustaining a profitable agricultural sector. The council recommended that successful programs would do the following:

a) conserve and enhance soil quality as the first fundamental step to environmental improvement,
b) increase the resistance of farming systems to erosion and runoff,
c) increase nutrient, pesticide, and irrigation use efficiency, and
d) make greater use of field and landscape buffer zones.

Answering the Council's call for a national policy that included all four elements, CTIC led more than 50 national partners in the development of a new approach to managing agricultural operations. In the late 1990s, CTIC commissioned market research surveys to test the concept with growers, livestock producers and information multipliers - the agricultural specialists helping producers make management decisions. The research recommended that any attempt to change agricultural management practices should:

1. position conservation as a unified system;
2. recognize both the social responsibility of the producer regarding environmental management and the economic benefits of a system of complementary practices; and
3. show that combining environmental management with profitability can result in better, more affordable consumer goods and a better future for the producer, the family and the community.

Combining recommendations from the National Research Council and America's agricultural community, CTIC and its partners designed an approach to agricultural management that protects and improves the land while addressing on-farm profits. This innovative method considers productivity and conservation equally; it enables farmers to reclaim their position as America's original environmental stewards while protecting their livelihood; and it involves all sectors of agriculture, including government, industry and farmers. This new approach is called Core 4 Conservation.

The goals of Core 4 Conservation -- Better Soil, Cleaner Water, Greater Profits and a Brighter Future -- are based in common sense. Promoting these goals demonstrates our recognition of the inextricable link between profitability and environmental protection in modern agriculture, something past federal programs have not always accomplished. Improving our nation's soil and water resources - the raw materials of agriculture - enables producers to realize short-term benefits as well as long-term sustainability of their operations. The Core 4 Conservation approach helps producers realize productive, profitable land operations today and increases the likelihood that the operation can be passed on to their heirs.

Following the principles of Core 4 Conservation, producers implement a system of land treatment practices. This systems approach combines several appropriate conservation practices to

maximize operation efficiency, minimize costly inputs, and achieve optimal results, both in terms of environmental stewardship and profitability. Practices that may be used in a Core 4 Conservation system include conservation tillage, crop nutrient management, pest management (Integrated Pest Management) conservation buffers, water management (including irrigation, conservation, and tile drainage), and other site-specific practices. Working with local advisors, including conservation district personnel, district conservationists, extension agents, certified crop advisors and others, producers select appropriate conservation practices and design a site-specific system that minimizes soil erosion, enhances water infiltration and retention, filters pollution from runoff, and more efficiently manages inputs to increase profits.

Scientists and other experts estimate that this approach can reduce NPS pollution from cropland by as much as 80 percent. For example, no-till reduces soil erosion by up to 90 percent and pesticide runoff by up to 70 percent when compared to a more traditional, intensive tillage system. No-till has also been estimated to increase soil carbon by up to 20 percent. Conservation buffers, as a secondary practice used in the systems approach, remove 50 percent or more of nutrients and pesticides and 75 percent or more of sediment in runoff.

I want to emphasize that environmental benefits alone do not make Core 4 Conservation a truly innovative approach. With Core 4 Conservation systems, producers can, with assistance from local advisors, develop a management plan that considers their local constraints, including farm size, management capability and financial condition. In this way, the resulting design is a locally led system that meets economic needs as well as conservation goals.

Producers benefit economically with Core 4 Conservation as well. For example, on a 2,000-acre farm using 100 percent no-till, fuel savings could be 3.6 gallons per acre or 7,200 gallons in a year, according to Purdue University's "Energy Requirements for Various Tillage-Planting Systems." That same farm would have improved soil quality and, as a result, may realize higher yields. Plus, with a more diversified crop rotation, producers can increase yields and/or profits and extend their production. Some farmers are capitalizing on their conservation practices by marketing their "green"/environmentally friendly production methods and selling crops at premium prices.

The Core 4 Conservation approach encourages voluntary participation to increase conservation in the countryside. Demonstrating that this approach is as at least as profitable as traditional methods enhances participation rates. Core 4 Conservation is flexible, locally led and site-specific. It can address multiple objectives yet is founded in common sense and is comprised of elements with which the typical producer is already familiar.

The Evolution of Farm Management Plans

Many past government efforts emphasized using farm conservation plans to meet its own program requirements, rather than the needs of the overall farm operation. As a result, crop production plans and conservation plans often did not complement one another. The producer was left asking the question: Which plan do I implement – the conservation practices or the production recommendations?

Risks, whether actual and perceived, discourage many producers from trying new farming techniques or enrolling in conservation programs. New equipment, for example, may need to be purchased to implement some practices. If a producer changes from conventional tillage to a conservation tillage system, he/she may need to spend between $40,000 and $100,000 on new

equipment. That's a big risk for anyone to take. Furthermore, producers may question the validity of such an investment if they doubt that the new practice will increase yields. Turning cropland areas to buffer zones means taking land out of production, and that brings into question the long-term economic implications of reducing productive acres. Only producers with adequate resources and a willingness to take risks will make significant changes in their farming operation. Unfortunately, these innovators and early adopters represent only a small section of the agricultural community.

The vast majority of producers, including mainstream and the late adopters, find little incentive in existing conservation programs (other than CRP). Too few cost share dollars plus conflicting information from input management advisors creates a risk that outweighs the rewards. These producers require more assurances or incentives before they will abandon traditional farming methods and adopt conservation practices.

A New Approach Appeals to Agriculture

By tying production to conservation, Core 4 Conservation addresses many of the risks that prevent producers from making changes in their operations.

Core 4 Conservation engages the public/private partnership in a united effort to meet short-term and long-term goals. It recognizes that no two producers have the same operation, and every producer will have different needs when changing their operation to more widely incorporate conservation practices. Most producers will make one or two changes in a year and then carefully assess risks and results before taking the next step. One plan or one program, therefore, will not meet every producer's needs.

With credible and reliable support from local advisors, producers can create a long-term vision for their operation, both economically and environmentally. Instead of sifting through numerous programs and lists of requirements, producers and their advisors select those conservation practices that best address the production/conservation interactions of production agriculture and apply them as a system. Instead of trying to fit the sometimes demanding criteria of governmental programs, more producers will voluntarily apply conservation practices as a Core 4 Conservation system to produce food, fiber and energy while protecting the environment.

In describing Core 4 Conservation, I have presented a banner for all agriculture to rally under. Who can argue with Better Soil, Cleaner Water, Greater Profits and a Brighter Future? This innovative approach also complements recommendations for the next generation Farm Bill, which propose incentives for adoption of conservation practices. In addition, national endorsement of Core 4 Conservation would simultaneously promote the conservation goals of the next generation Farm Bill. CTIC is strategically suited to promote adoption of conservation systems through its extensive public/private partnership network and to replicate its successful efforts with conservation tillage adoption increase in the early 1990s.

As a participant in the NACD Farm Bill Task Force, CTIC contributed the Core 4 Conservation philosophy to the task force's recommendations for the conservation title of the next Farm Bill. NACD convened the task force, which includes public and private sector representatives, in January 1999 and published its final report, "Vision for Conservation in the 2002 Farm Bill," in January 2001.

The task force recommendations are a vehicle for reaching the Core 4 Conservation goals and linking profitability and environmental protection in modern agriculture.

CTIC and its Board of Directors support the following recommendations of the NACD Farm Bill Task Force. All Farm Bill conservation programs should:

- maintain voluntary, incentive-driven programs to help private landowners and managers protect our soil, water, wildlife and related resources;
- increase local involvement in setting priorities, developing policies and carrying out programs;
- utilize science-based technology in making conservation decisions, including those for determining accountability and establishing appropriate baselines;
- increase technical assistance; and
- emphasize to all Americans the value of conservation practices in enhancing quality of life, restoring air and watershed health, and contributing to safe and affordable food and fiber.

Incentives for Conservation

In its work, the task force identified a major shortcoming in existing conservation programs: They often penalize producers that already practice conservation by excluding them from rewards for the public benefits they provide. Based on that, the task force searched for ways to provide incentives for **all** producers who practice good stewardship. What emerged after spending many hours examining the current structure and operation of our nation's conservation programs was the idea for a new incentives approach that would encourage even more producers to practice conservation.

The task force recommends a new Conservation Incentives Program (CIP), similar in many respects to Senator Harkin's proposal, that would reward producers who apply and maintain conservation practices on their lands. The level of reward would depend upon the extent and complexity of the conservation systems installed and/or maintained by the producer.

Inclusive. CIP would be open to all farmers and ranchers, including livestock producers, who implement a Core 4 Conservation system of land treatment practices. For example, a producer using a system of grazing land management, irrigation water management, and nutrient management using grass waterways, would be eligible for this proposed incentive program.

Locally Led. The task force envisions CIP as primarily locally driven, with conservation districts certifying that a producer has, in fact, implemented a comprehensive system of conservation practices. Conservation districts also would determine the level of payment a producer would receive. Even though determined locally, the level of benefits received should be within the context of general national guidelines. And, in order to ensure accountability, these payments would not be made until the local district has certified that the system of practices has been implemented.

Environmental and Economic Benefits. By reaching far more producers than current natural resource programs, the Conservation Incentives Program would not only provide widespread environmental benefits and quality of life improvements for all citizens, it also would provide additional financial security for the nation's agricultural producers, including limited resource and minority producers. The proposed program echoes Core 4 Conservation's commitment to linking profitability with environmental protection.

Successes of local incentive-based conservation programs suggest that a government-supported national conservation incentive program would realize substantial economic returns. For example, by investing a few hundred million dollars in conservation measures in upstream watersheds above New York City, the city saved an estimated $8 billion by eliminating the need for costly new drinking water filtration equipment and systems. In another example, the $100 million spent annually on the NRCS small watershed protection and flood prevention program saves about a billion dollars in prevented flood damages each year. This program includes only a small percentage of the nation's total watersheds. Decreased need for dredging navigable waterways, reduced costs for road maintenance and stormwater management and other economic returns will be multiplied several fold with a new program that reaches all lands and all producers.

Better Coordination. By relying on state and local governments to provide program leadership, CIP and Core 4 Conservation will result in better coordination of national conservation efforts. Core 4 Conservation is the vision all of agriculture – public and private interests - can share. CIP potentially could replace many, if not all, of the current conservation programs. This more holistic approach would not only clarify the program requirements, but also streamline the enrollment process, reduce paperwork and more efficiently use government resources.

The need for conservation compliance efforts also could be significantly reduced, if not eliminated, because producers would likely go beyond minimum conservation objectives in order to receive greater rewards. With fewer regulatory components, producers would have strong incentives to practice good stewardship behavior. CIP would be far more cost-effective than today's mixed bag of narrowly focused programs.

The task force recommends that if current conservation programs are reauthorized, they receive new levels of funding. Each was considered to be beneficial and complementary of the recommended CIP program.

Implementing this Vision

The best intended programs are doomed to fail without including a mechanism for implementation.

Technical assistance. NRCS's Conservation Technical Assistance Program, delivered through local conservation districts to cooperators and other land users, is the nation's foremost private lands conservation and water quality pollution prevention program. It provides landowners and operators with much needed help in planning and applying conservation treatments to control erosion and improve the quantity and quality of soil resources; improve and conserve water; enhance fish and wildlife habitat; conserve energy; improve woodland, pasture and range conditions; and protect and enhance wetlands. Many federal, state, and local agencies also rely upon the technical expertise unique to NRCS to carry out other conservation programs that complement the NRCS effort not only in the agricultural areas, but in rural, suburban and urban communities as well.

We believe that the federal government must provide a basic level of technical assistance funding to maintain its commitment to support locally led conservation initiatives that complement federal efforts to ensure a safe and productive environment. The federal technical presence that NRCS provides is vital to ensuring that sound technical standards are maintained in our nation's conservation programs. It is also critical in the on-the-ground implementation of needed conservation practices.

Partnerships. Involvement of private sector partners is critical to the success of any conservation provision in the Farm Bill. The private sector not only brings the necessary resources to promote conservation programs to their constituents, but it also provides cutting-edge research and products that make conservation affordable and achievable for America's farmers.

Marketing. Without a vision for how America's agriculture will profit and thrive in the future, any conservation program will fail. Without a mechanism for delivering information to agribusiness, technical advisors and producers, few will participate. The Core 4 Conservation initiative provides both a vision and a marketing delivery system for agricultural conservation. Employing the successful strategy of the CRM initiative, CTIC today is providing Core 4 Conservation resources to information multipliers across the country. In 2000, six states formed Core 4 Conservation support organizations and are delivering the message on the local level. Conservation districts across the country are helping their constituents implement site-specific systems. Industry partners have incorporated Core 4 Conservation into their environmental stewardship campaigns. And, national ag media publications are publishing Core 4 Conservation success stories. The same public/private partnership network can be used for national promotion of the conservation programs of the new Farm Bill.

The Farm Bill is one of the most important vehicles in providing landowners and managers with guidance and assistance in protecting and enhancing the nation's natural resources. The conservation title of the next Farm Bill presents a tremendous opportunity to expand the public/private partnerships that energize America's conservation efforts. The vision and recommendations outlined above can become the platform for launching the nation's private lands conservation efforts to a bold new level. It will not be an easy undertaking to put this program and delivery system in place. It will require involvement and commitment from the entire conservation and agricultural communities. By working together, however, we believe it can be accomplished.

CTIC and our Board of Directors believe that the recommendations for the next generation Farm Bill coupled with Core 4 Conservation is the answer – the new approach that will achieve better soils, cleaner water and greater profits for farm families and result in a brighter future for the generations that follow.

Thank you.

Core4 Better Soil. Cleaner Water. Greater Profits. Brighter Future.

Conservation for Agriculture's Future

CTIC Attachment 1

Recommendations for Reauthorizing Existing Farm Bill Conservation Programs

Requests from producers for assistance through the **Environmental Quality Incentives Program** have been overwhelming – far exceeding the amount of funds available and further stressing the already overburdened NRCS-conservation district delivery system. With additional funding, EQIP has the potential to garner tremendous expanded environmental benefits. Recommendation: Extend EQIP's authorization and increase funding to $1 billion annually, with 20 percent of this amount designated to fund technical assistance.

In addition to dramatically reducing soil erosion on cropland by nearly 695 million tons per year, the **Conservation Reserve Program** provides myriad other benefits including stemming agricultural runoff and providing critically needed wildlife habitat. Recommendation: Extend CRP's authorization, increase its acreage cap to 45 million acres, and find ways to minimize adverse impacts on rural economies.

The **Wildlife Habitat Incentives Program** has proven to be an extremely popular program among producers. The program's authorized funding of $50 million was exhausted within two years of its enactment. Recommendation: Extend WHIP's authorization and increase its funding to $50 million annually.

Wetlands Reserve Program has also been extremely popular among farmers and ranchers, providing for the restoration of nearly one million acres of converted wetlands. Recommendation: Extend WRP's authorization and allow the enrollment of an additional 250,000 acres annually.

The **Farmland Protection Program**, another voluntary program that allows USDA to join with state or local governments to purchase conservation easements on important farmland threatened by conversion to other uses. Preserving farmland preserves quality of life for all citizens, including urban and urbanizing areas. Recommendation: Extend the FPP's authorization and increase its funding to $65 million annually.

Congress enacted the **Conservation of Private Grazing Lands Program** to provide technical, educational, and related assistance to landowners and operators on the nation's 642 million acres of private grazing lands, the single largest watershed cover type in the country. CPGL itself has never been funded. Recommendation: To help reverse the deteriorating trends on US rangeland and permanent pasture, extend CPGL and fund it at $60 million annually.

The **Forest Stewardship Program** helps nearly 10 million nonindustrial private forestland (NIPF) owners – who own 44 percent of the nation's forestland – better manage and use their forest resources. The plans, which are cost-shared with states, enable landowners to manage their lands for multiple uses, while maintaining robust forest ecosystems. Recommendation: Extend FSP and increase its funding to $50 million annually.

The **Forestry Incentives Program and Stewardship Incentives Program** are designed to provide financial incentives to nonindustrial, private forestland owners. SIP has received no funding in the last several years and FIP is substantially under funded. Recommendation: Replace FIIP and SIP with a new Sustainable Forestry Assistance Program that provides states with greater flexibility in determining how funds would be used to meet national and local objectives by providing financial, technical and educational assistance to landowners.

The **Forest Legacy Program** is intended to conserve environmentally important forests under threat of conversion to nonforest uses. A well-funded Forest Legacy Program, through which landowners sell

development rights and the right of public access while retaining other rights in private ownership, can help prevent the fragmentation of the nation's forestlands. Recommendation: Extend FLP and increase its funding to $50 million annually.

The **Resource Conservation and Development Program** is a unique program within USDA that empowers rural people and their urban neighbors to help themselves by providing tools and technical support to stabilize and grow their own communities while protecting and developing natural resources. Recommendation: Provide the RC&D Program with a permanent authorization and increase the number of authorized RC&D areas to 450.

The Highly Erodible Land and Wetlands Conservation provisions (conservation compliance, sodbuster and swampbuster) of the Farm Bill have been instrumental in reducing erosion on cropland, pasture and rangeland, and in significantly slowing the conversion of wetlands to agricultural uses. Recommendation: Retain these provisions for now and extend them to all USDA farm program benefits received, including crop insurance.

Core4 Better Soil. Cleaner Water. Greater Profits. Brighter Future.

Conservation for Agriculture's Future

Background

In the late 1990s, the Conservation Technology Information Center (CTIC) recognized that America's agriculture needed a new approach to managing their operations that increases profits while improving the land.

To investigate how to meet this need, CTIC commissioned in 1998 two market surveys from Market Directions, Kansas City. The surveys' target audiences were (1) farmers/producers and (2) information multipliers.

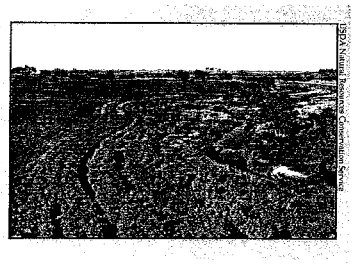
The producer survey collected farmers' perceptions and practices relative to agricultural and environmental management. Information multipliers, representatives of groups that promote agricultural conservation, were asked about four conservation practices and their willingness to promote these practices in an integrated management system to growers in their areas.

The information gathered from these two surveys formed the basis for CTIC's innovative conservation ag initiative — **Core 4 Conservation**. The Core 4 Conservation goals are:

1. **Better Soil**
2. **Cleaner Water**
3. **Greater Profits and**
4. **Brighter Future**

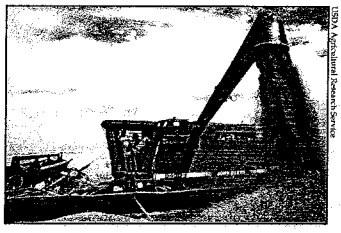
Conservation Technology Information Center

Better Soil is critical to long-term productivity. Core 4 Conservation increases organic matter, improves moisture retention, enhances water infiltration, minimizes soil compaction and reduces soil erosion.



USDA Natural Resource Conservation Service

Cleaner Water is important for farmers and their communities. Core 4 Conservation systems slow field runoff; reduce sediment, nutrients and pesticides in runoff; and protect nearby waterways.



USDA Agricultural Research Service

Greater Profits can be achieved with higher levels of economic efficiency. The Core 4 Conservation approach will help producers reduce inputs and fuel costs, increase productivity and improve their bottom line.

Capital Agricultural Photo Service, Inc.

A Brighter Future is ahead for producers and their families. Core 4 Conservation combines profitability with environmental stewardship to keep farmers on the land and to keep land in farming.

Welcome to a Core4 Conservation FARM

Better Soil. Cleaner Water. Greater Profits. Brighter Future.
www.core4.org

Producers know that quality soil and water resources are essential to any agricultural operation. Protecting these resources will help sustain their operations. And, producers want productive, profitable land and operations to pass on to their heirs. Core 4 Conservation provides a way to reach all of these goals.

Following the principles of Core 4 Conservation, producers implement a system of basic land treatment practices that can better manage inputs, increase profits, filter non-point source pollution (NPS) runoff, improve soil quality and protect water quality. The practices, which include conservation tillage, crop nutrient management, water management, pest management (IPM), conservation buffers and others, are not new or revolutionary.

Under the Core 4 Conservation approach, appropriate practices are integrated into a management plan that matches local conditions, individual farm size, management capabilities and financial conditions of the producer. Other practices may be needed to meet site-specific conditions. In this way, producers voluntarily use conservation practices to do their job - produce food, fiber and energy while protecting the environment.

A systems approach to agricultural management uses several appropriate conservation practices in combination. A system of select practices will improve operation efficiency and achieve optimal results.

Practices that may be used in a Core 4 Conservation system include conservation tillage, crop nutrient management, pest management (IPM), conservation buffers, water management and other site-specific practices.

Scientists and other experts estimate that this approach can reduce NPS pollution from cropland by as much as 80 percent. For example, no-till reduces soil erosion by 90 percent, when compared to an intensive tillage system. And, conservation buffers remove 50 percent or more of nutrients and pesticides and 75 percent or more of soil in runoff.

Backed by sound science, endorsement of agricultural leaders and support of producers, Core 4 Conservation is a banner under which all agricultural groups can unite to work toward natural resource conservation, environmental protection and on-farm profitability.

For more information, contact CTIC at 765-494-9555 or visit www.core4.org.

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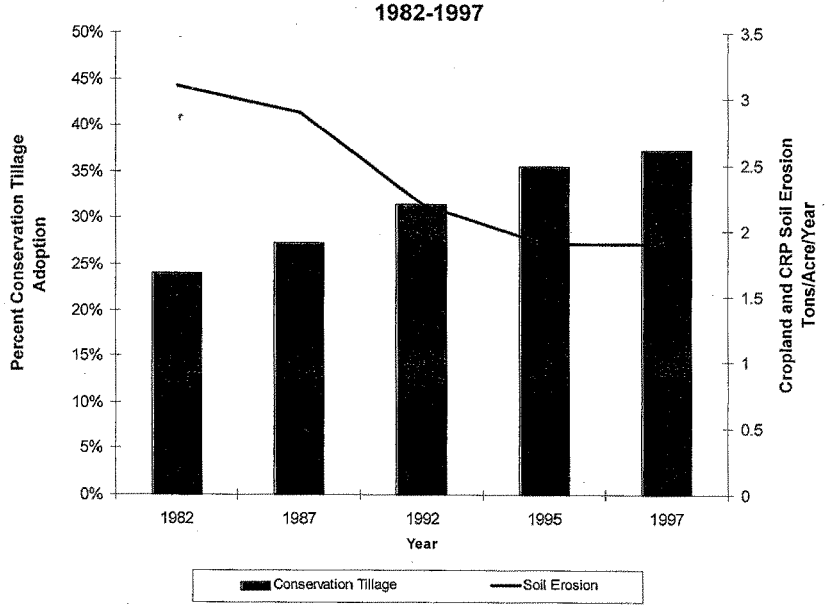
Conservation Tillage Adoption and Soil Erosion Rates
1982-1997



Soil loss decreased as conservation tillage adoption increased from 1982 to 1995. Since then, both soil loss and conservation tillage levels have changed little. Sources: Soil erosion data from NRCS National Resources Inventory (NRI), 2000. The NRI is regularly conducted every five years; a special inventory was conducted in 1995. Conservation tillage data from CTIC National Crop Residue Management Survey.

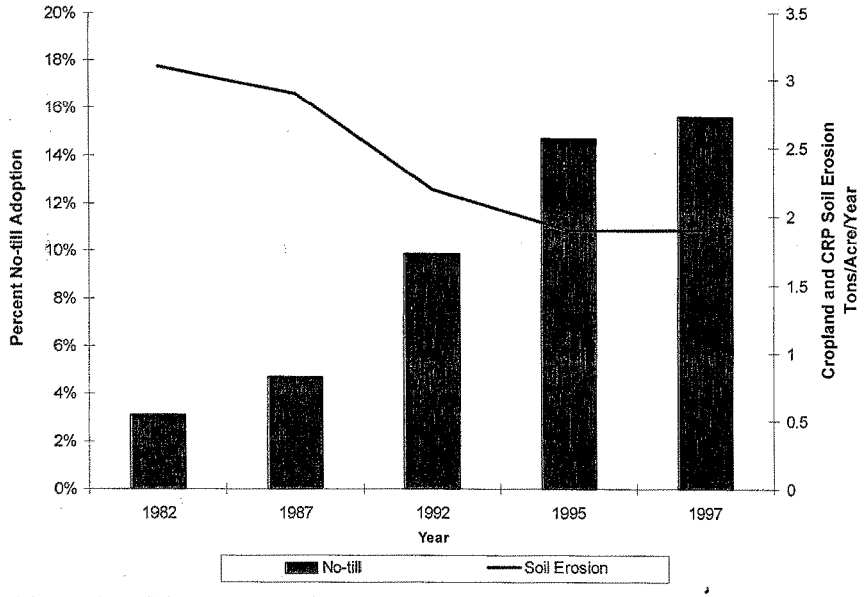
Core4 Conservation

March 1, 2001. Conservation Technology Information Center, West Lafayette, Ind. Web: www.core4.org. Tel: 765-494-9555.

CTIC

No-till Adoption and Soil Erosion Rates

1982-1997



The dramatic increase in no-till shows the success of the Crop Residue Management initiative and Conservation Compliance under the 1985 Farm Bill. This corresponds with a significant decrease in soil erosion from 1982 to 1995. After 1995, no-till adoption leveled off, along with erosion rates. Sources: Soil erosion data from NRCS National Resources Inventory (NRI), 2000. The NRI is regularly conducted every five years; a special inventory was conducted in 1995. Conservation tillage data from CTIC National Crop Residue Management Survey.

Core4 Conservation

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POSITION STATEMENT

Written Statement of

Nathan L. Rudgers
Commissioner, New York Department of Agriculture and Markets

on behalf of

The National Association of State Departments of Agriculture (NASDA)

before the

Senate Agriculture Committee

on

Conservation Programs

Thursday, March 1, 2001

9:00 a.m.

Written Statement of
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Thursday, March 1, 2001
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Mr. Chairman and members of the Committee, thank you for the opportunity to present testimony on conservation provisions of the next farm bill. My name is Nathan Rudgers. I am the Commissioner of the New York Department of Agriculture and Markets, and I appear today on behalf of the National Association of State Departments of Agriculture (NASDA) and my fellow Commissioners, Secretaries and Directors from across the nation.

What I will present today is the broad outline of a bold, new environmental program for the 900 million acres of America's open space resources that are under the care and stewardship of our agricultural producers. This new state "working" fund would be a

"block grant" type initiative designed to give state and local governments greater flexibility, innovative tools, and resources to implement agricultural conservation priorities. I need to stress at the outset that the proposal we are offering for the Committee's consideration is a work in progress. It is the result of extensive discussions over the past several months among Commissioners, Secretaries and Directors of Agriculture from all regions of the country, formally adopted as a NASDA policy recommendation during our mid-year meeting earlier this week. We will further refine and elaborate on our proposal in coming months, with the benefit of discussion with other stakeholders and input from this Committee.

Significant gains have been made in addressing traditional agricultural environmental concerns over the past decade. Soil erosion has decreased, as has the loss of wetlands, and wildlife habitat has been enhanced. We credit existing conservation programs for a good deal of this progress and recommend their continuation with increased funding, along with some modifications that I will mention near the end of my testimony.

Although we have been making progress in several conservation areas, the scope and range of environmental challenges faced by our farmers and ranchers have expanded, while environmental regulations have increased and changed along with the public perceptions, priorities, and science that underlie them. My colleagues and I strongly support and encourage the use of existing USDA-managed conservation programs. At the same time, many of us have recognized that successfully meeting the new

environmental demands is a "make or break" challenge for the farmers we serve, and so we have begun to move on our own to try and fill the gaps in existing programs.

These initiatives have taken different forms in each region of the country, reflecting state and regional differences both in what our farmers produce and in the most pressing agricultural challenges that they face. For example, through the leadership of Governor George E. Pataki, my department has developed the highly successful Agricultural Environmental Management (AEM) program. It's principal focus has been to provide direct assistance to farmers with the technical side of nutrient management planning, followed by cost sharing for improvements carried out under plans developed with that technical assistance. The primary environmental goal has been to assure that our dairy farms, which account for more than half of my state's agricultural output, can continue to operate within increasingly stringent water quality regulations. The AEM program is run in collaboration with local Soil and Water Conservation Districts and NRCS field staff, as well as staff from my own department and our State Department of Environmental Conservation. Since 1995, we have provided over $20 million statewide to assist almost 7,000 farms in developing and implementing AEM plans.

Other states like Kansas have focused on pesticide management as a key environmental challenge, developing programs to support integrated pest management and establishing Pesticide Management Areas designed to protect surface and ground water quality. The New Jersey Urban Conservation Action Partnership concerns itself with the issues that arise when farming coexists with urban and suburban development. Southwestern states are looking at programs that have a large water conservation

component-an issue that is hardly front-and-center in my part of the country, at least up till now.

Each of these new state programs is designed to supplement those that already exist to help farmers carry out their stewardship function and bear the cost of what we see as substantial *public benefits*: open space conservation, resource preservation for future generations, clean air and water. Each is *voluntary, incentive-based* rather than sanction-based, designed to address *local needs* while *complementing existing programs*, and carried out in *collaboration with all the Federal and State agencies already engaged* in local environmental management activities.

NASDA has testified before this committee and other congressional panels concerning such environmental questions as Total Maximum Daily Loads (TMDLs). Our goal will always be to assure that legislation that effectively mandates huge investments in new technology and new management practices does not put good farmers out of business. We will continue to work on all fronts to preserve a sensible regulatory environment. At the same time, we understand that the rules of the game will keep changing.

NASDA's proposal builds on existing planning systems and infrastructure–it does not duplicate existing programs. Our intent is to fill in the gaps, which will only increase in the future due to changing public expectations and regulatory requirements. This new approach will provide a better "toolbox" and tools to meet these needs. The potential benefits and rewards of our program are enormous because it would:

- Reach all producers, thus provide greater environmental benefits overall;
- Give states flexibility to address their most critical problems;

- Target resources to where most needed on a site-specific basis;
- Increase local buy-in to find workable solutions;
- Emphasize preventive measures, which are more cost-effective and offer more economic returns;
- Simplify program delivery;
- Address the expanding list of new problems (*i.e.* carbon emissions, etc.)

The state departments of agriculture also stand ready to work with the committee to examine resource and funding delivery and needs. This is a high priority and the key element for an effective federal-state partnership in agricultural policy. We believe that there is a strong public policy argument for federal cost sharing to help agricultural producers deal with changes in what the public expects in the way of environmental management. A good analogy would be the assistance provided by the federal government over the past three decades in upgrading municipal water treatment facilities to meet Clean Water Act requirements. Today our waters are cleaner than they have been in generations. Thanks to federal support for necessary local investments, this enormous progress toward a national goal was accomplished without bankrupting small cities and towns.

Today, public expectations, increased regulation and a growing list of environmental challenges are demanding on-farm environmental enhancements that are beyond the short-term and long-term economic payback for producers. For example, many conservation practices have high capital or management input costs, but do not generate additional revenues. Agriculture is not organized in a fashion that allows

increased costs of production to be passed on to consumers. As such, on-farm expenditures for conservation compete directly with servicing farm debt, and other family financial needs. In addition, implementing more stringent and complex standards usually increases the need for more costly approaches and technologies. Farmers are ready to do their part in accomplishing current and future national environmental goals. However, what will be expected of a cattle feeder in North Dakota will be quite different from the challenges faced by citrus grower in Florida.

Our state "working" fund proposal asks the Federal government to recognize two key facts:

- **A one-size-fits all approach toward helping agriculture meet the environmental challenges of the next decade will leave some regions and the producers of some crops or livestock products out in the cold.**

- **Local leadership in designing and implementing realistic programs, focused on what local stakeholders agree are the most pressing local agricultural environmental problems is required.**

Our State Departments of Agriculture stand ready to provide that leadership. As I have noted, many are already moving forward to design and implement effective producer-oriented environmental programs, utilizing local and state resources. Programs like New York's AEM have the potential, given the resources, to assist even more

producers for the benefit of the environment and our agricultural industry.

NASDA believes that an effective state "working fund" for agricultural environmental stewardship will have these characteristics:

- **Funding will come through cooperative agreements between USDA and State Departments of Agriculture, which will be the lead agencies in designing and carrying out programs; similar to the way State Revolving Fund grants are provided by the Environmental Protection Agency (EPA) to the states upon approval of an Integrated Use Plan;**

- **Program parameters will recognize activities designed to enhance protection of land, water, air and wildlife in the broadest terms possible, without duplicating existing planning systems and infrastructure;**

- **States will have the flexibility to allocate dollars between payments to producers and/or technical assistance, based on local needs and priorities;**

- **Producer participation will be voluntary, incentive-based, and targeted toward those environmental enhancements that are supported by sound science and produce measurable results;**

- **Contract payments to participating producers will be made on an annual basis;**

- **All programs will have provisions to protect individual producer privacy and data confidentiality.**

Farmers and ranchers have provided tremendous environmental gains through the participation in conservation programs established in the 1985, 1990 and 1996 Farm Bills. These programs are generally working well. However, limitations and inequities are preventing these programs from achieving their full potential. Let me now briefly outline our suggestions for changes in three existing environmental programs.

Wildlife Habitat Incentives Program (WHIP) - NASDA recommends that WHIP be redirected with the addition of a Critical Habit Incentive Program (CHIP). This addition would dedicate a specific proportion of resources within an increased WHIP appropriation to carry out voluntary critical habitat enhancement, and would give a higher priority to enhancement of critical habitats within the program as a whole.

Environmental Quality Incentives Program (EQIP) - NASDA has several recommendations, starting with the proposal that states be given more flexibility and discretion to decide eligible conservation practices. We further noted that:

- The national size restriction for EQIP livestock projects limits opportunities for producers. The 1,000 animal unit threshold may seem large in Michigan, but it is small by Kansas standards.

- Many practices outlined in the EQIP guidance for livestock practices do not work well for smaller farmers and those who may work other jobs as well-a category of producers that is increasing in many states. EQIP funds only heavily engineered waste water systems, and not less-expensive investments that might be satisfactory for a small operation.
- The program should allow for one-year contracts, and should remove the $50,000 payment cap.

Conservation Reserve Program (CRP) - NASDA recommends that approved maintenance of land enrolled in the program should include grazing, under the following conditions:

- NRCS has determined that maintenance is required on the land to maintain plant heath, ground cover and/or improvement of wildlife habitat;
- Grazing must be high-intensity and short term, to provide benefits that may be more environmentally beneficial than burning, disking, clipping, or spraying;
- The CRP rental payment is reduced at a rate equal to the value of the forage or the maintenance fee; and
- The payment, time of year, and frequency of maintenance will be according to

a determination by the local technical committee.

In closing, I would like to note NASDA's strong view that, budget realities notwithstanding, investment in agricultural environmental stewardship should not be viewed as simply one more category of farm program spending. Should it be viewed in that way, a substantial additional investment in support for producer-level environmental enhancements will tend to trade off against unrelated programs designed to address consequences of low and unstable farm prices. An environmental stewardship "working fund" will not address the potentially disastrous implications of another year of low farm commodity prices, or point the way to stable long-term solutions to the underlying financial problems facing American agriculture. However, we know that our proposal will help us keep those farming operations that are most heavily burdened in helping achieve environmental goals from folding while we work to improve opportunities for growth and profitability in agriculture as a whole.

Speaking for all my state colleagues, I appreciate this opportunity to present views on how we can support good agricultural environmental stewardship in every region of the country. We look forward to working with the Committee on development of a federal agricultural policy that provides necessary tools for a healthy and profitable agricultural industry and to help farmers continue to be good stewards of the land. Thank you.

Oneota Slopes

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Testimony to the U.S. Senate Agriculture Committee
Private Lands Conservation Policy
Paul W. Johnson
March 1, 2001

"It is the individual farmer who must weave the greater part of the rug on which America stands. Shall he weave into it the sober yarns which warm the feet, or also the colors which warm the eye and heart?" These words were written more than sixty years ago by America's greatest conservationist, Aldo Leopold.

We've come a long way since the 1930s. Our land is more productive and healthier today than it was 60 years ago. National conservation programs, the Soil Conservation Service/Natural Resources Conservation Service, and local conservation districts have successfully encouraged a stewardship ethic among private landowners that has resulted in a basic conservation rug on which our productive nation now stands.

You and your predecessors who have formulated agriculture policy, and the conservation programs that have been an integral part of that policy, are to be commended for your work. Thank you.

As we enter a new century, we pause to assess our progress and chart our future course. Agriculture is in the throes of rapid change, and I am concerned that as this transition occurs our conservation progress is at risk. I also believe that we should not be satisfied with the status quo. Our children will not judge us kindly if we are unwilling to progress beyond where we are now.

You are important. In fact, what you decide to do in this committee will have more impact on conservation in our country and ultimately our world, than all the efforts of conservation and environmental groups. I'd go so far as to say that the Secretary of Agriculture and your agriculture committees have the potential to do more good (or harm) over the next four to eight years than the Environmental Protection Agency and the Department of Interior combined.

Seventy percent of America's land is private and in your hands. Eighty-eight percent of the rain and snow that falls from our skies each year comes down on private land. We have a good chance for clean water and healthy aquatic ecosystems if the policies you develop encourage good stewardship. The vast majority of America's wildlife depends on the habitat you will encourage or discourage. Carbon and nitrogen cycles, so important to global climate stability, depends on decisions made in your committee.

Why dwell on this? Because you must focus on it. Speaking as a private landowner I fear the consequences if you fail. As a result of the policies you design and fund over the next couple

years, we will either have a voluntary program that solves environmental problems or we will invite the heavy hand of regulation on all agriculture. Americans will not continue to tolerate water and air polluted, God's creation endangered, and rural landscapes vandalized.

So what should you do? Here are five suggestions:

1. Craft a clear, unambiguous National Private Lands Conservation Act. Commit our nation to working in partnership with private landowners to not only halt destruction of their land but also to restore it. If care of this land is not strategic national defense, I don't know what is!

2. We should set a national goal to make sure that a basic conservation "carpet" covers all our land – cropland, grazing land, and non-industrial private forest land. We've been at soil and water conservation for more than sixty years now. We know the practices that work and those that don't. And I think we now know how to get landowners to do them. It's called MONEY. ***A conservation payment to every landowner in the country who is willing to achieve a sustainable level of soil conservation and water protection would do more to advance conservation and environmental protection in our country than anything we've ever done before.***

   A program that funds universal basic conservation contracts should take the place of at least one half of the more than 20 billion dollars we're now spending to support agriculture each year.

   Aldo Leopold once wrote that conservation can only occur when an owner does well for his land <u>and</u> the land does well by its owner. A national conservation payment seems to me to be the only way to strengthen this bond between people and land that is so essential to good stewardship and good agriculture.

   Don't do this on the cheap or it will fail. If you do it right, it will support agriculture, support rural communities and improve water, air and soil quality. For the first time in our nation's history, all private landowners will have the opportunity to be rewarded for the conservation benefits they provide the American public.

3. Increase support for those "colorful yarns that warm the eye and the heart". We have a fine set of tools you've developed over the past 15 years to get the job done: CRP, Continuous CRP, WRP, WHIP, EQIP, Farmland Protection. They all need additional funding.

   Also, they could all benefit from more flexibility to better serve local and state concerns. I'll give you a couple examples. The Continuous CRP is adding much needed wildlife habitat and improving water and air quality in many states. Unfortunately, on cropland we only allow it where we have a "cropping history". Thus, farmers who have installed waterways on their own are eligible only if they plow them out, plant crops for two years, and then sign up. This is downright dumb!

Almost every farm in my home state could use a small bit of CRP in waterways., along streams, and at end rows. They also could use CRP at breaks in fields, and field corners. Why not allow continuous sign-up on these small pieces as long as they meet a sufficiently high environmental benefits index? Imagine a conservation carpet of well cared for working lands across our country interspersed with these colorful yarns.

There is also a real need for something between complete set-aside and intensive cropping. Senator Harkin's Conservation Security Act seems like a good start in addressing this problem.

4. We have a great conservation infrastructure in place. It doesn't need to be taken apart, merged or hybridized. The agency I know most about (NRCS) does need more support though. When I became Chief in January 1994, I was handed an appropriation that cut our staff by 10%. I recognize that our national budget was out of whack back then, but I still believe that cut was a horrible national tragedy. We "burned the furniture to keep the house warm". Don't let that happen again. It would be unforgivable in this time of national prosperity. In fact, you should double the number of NRCS conservationists and technicians in the field and at the same time consider a matching fund to strengthen state and local efforts.

5. Expand research and education efforts in private lands conservation. Redefine agriculture research to include conservation "commodities" and challenge ERS, ARS, CSRS, and Extension Service to expand our knowledge of food and fiber production **and** at the same time improve soil, water, air, and wildlife quality.

In closing, let me summarize. We've made great progress. We risk losing it. We know how to improve. You have a great responsibility over the next couple years. You have an opportunity to make this country and world a much healthier place.

Here's what you should do:

- craft a National Private Lands Conservation Act
- design and fund a basic, universal soil and water conservation program
- increase funding and fine-tune tools used to enhance private land quality
- expand our conservation delivery system, particularly technical assistance
- support research and education to make sure our knowledge of conservation commodity production is equal to the challenge

Thank you for this chance to share these thoughts with you. I'd be willing to expand on any or all of these if you wish.

Statement of the American Farm Bureau Federation

TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
THE CONSERVATION TITLE
OF THE
NEXT FARM BILL

Presented by

Bob Stallman
President

March 1, 2001

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

FARM BUREAU represents more than 4,800,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

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

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

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

STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
THE CONSERVATION TITLE
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Mr. Chairman, I am Bob Stallman, President of the American Farm Bureau Federation, and a rice and cattle producer from Columbus, Texas. AFBF represents more than five million member families in all 50 states and Puerto Rico. Farm Bureau is looking for, and will be supportive of, the right mix of public policy tools that will enable farmers and ranchers to improve net farm income, enhance their economic opportunity, preserve their property rights and enhance the nation's environment.

America depends on a strong and sound agricultural policy. American agriculture provides food security for this nation and much of the rest of the world. We contribute to our national economic security by running a positive balance of trade and generating off-farm employment. We also contribute to the world's environmental security. In this specific area we can, with the proper incentives, do much more.

Increased regulatory costs on all levels – federal, state and local – are placing a heavy burden on individual farmers and ranchers as well as distorting the traditional structure of our industry. Farmers and ranchers understand the importance of protecting the environment. Their livelihood depends on it. However, the expenses that are incurred to meet compliance are taking a heavy toll on farm incomes and forcing farmers and ranchers to spread the cost of increased regulation over more units of production. The unintended consequence is the inability of small- and medium-sized family farms to compete in a highly charged regulatory environment.

Farm Bureau believes there is a need for a new environmental policy framework. We need to move beyond the current debate over whether the public has the right to mandate features and/or farming practices in the rural landscape. We are at that proverbial fork in the road and have concluded that mandates are not only counter-productive but more important, inefficient. Our members understand that there is need for a different set of

tools and farm policy options. We believe market forces and government programs can work together to enhance the nation's productivity and environmental objectives.

U.S. farmers and ranchers have historically shown that if either market forces or government support prices provide sufficient incentives, such as $3.00 per bushel corn or $4.00 per bushel wheat, we can produce an abundant supply of these commodities. Similarly, if a voluntary incentive is offered for a desirable environmental outcome, farmers will overwhelm America with improved soil conservation, water quality, air quality and wildlife habitats.

In order for a conservation incentive payment program to work well, public policy must recognize the inherent limitations that command and control regulations have in attaining desired public benefits of an environmental nature. Efficient public policy is one where the thing demanded by society is the thing that is being produced.

There is little doubt that we have made strides in improving our environment over the last three decades. By nearly every measure our environment and natural resources are in much better shape than at any time in our lifetimes. As the demand for environmental enhancements increase it is important that we examine the public policy tools that we have at our disposal and determine whether they are appropriate or not. The command and control nature of many of the first generation environmental statutes were enacted for the problems of the 1960s and 1970s. The programs were, and continue to be very controversial and adversarial in nature. Compliance was expensive and inefficient but comparatively easy to measure.

In addition to building on the gains of the last three decades, the public now desires open space, wildlife habitat, scenic vistas, diverse landscapes and recreational activities. These are clearly more ephemeral policy goals that require a more delicate and site-specific policy approach that necessitates the cooperation of the landowner more than ever before. The existing environmental policy framework is not equipped to function in a way that is most efficient in achieving the policy objectives we are faced with in the future. Public policy, and in this case, the conservation title should move beyond preventing bad things to policies of promoting good things. Command and control mechanisms do not provide an attractive incentive for farmers and ranchers to produce the things that the public wants. A new, more efficient and effective approach should be developed to assist farmers and ranchers in providing the public with what it wants. It should be voluntary, provide sufficient economic incentive and clearly define the benefits that society at large derives from agriculture.

Farmers and ranchers can produce and market <u>more</u> than traditional agricultural commodities. We can also produce and market environmental benefits. Under this concept, agriculture and the government program must come together to create an alternative market for environmental improvements or amenities that the public desires. Such environmental features would likely include erosion control and improved water quality, ecological services such as nutrient filters and carbon sinks, habitat, bio-diverse landscapes, recreational opportunities, and rural amenities, such as visual aesthetics and scenic vistas, to name a few.

Farm Bureau policy states that the next farm bill should:

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

- Improve the quality of rural life and increase rural economic development;

- Provide for an expansion of the funding baseline in the commodity, specialty crops, livestock, conservation, research, trade and risk management titles;

- Continue voluntary participation in a direct payment program that would comply with the green box World Trade Organization requirements; and

- Provide willing producers with additional voluntary incentives for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat.

Bridging the gap between where we are now and where we want to be in the future requires an expanded public investment in agriculture. Part of this public investment directly positions agriculture for renewed growth. Increases in conservation incentives are needed to lay the base today for responsible growth in our industry. We encourage this Committee to consider the following principles as we work together to find the right mix of policy options that will enable farmers and ranchers the opportunity to step up to this new challenge:

1. Allow the market to determine the value for these new commodities;

2. Provide voluntary participants with an annual guaranteed incentive payment, not simply a cost-share or ad hoc payment;

3. Provide incentives for both implementation and maintenance of conservation and environmental practices - something that has been lacking in the past;

4. Make incentives available to ALL producers, livestock, poultry, aquaculture, timber, fruit and vegetable producers;

5. Provide incentives that conform to WTO green box requirements;

6. Do not replace or disturb any existing or future payment program unless participants choose to opt out of traditional farm programs in return for a higher level of incentives;

7. Provide program participants the opportunity to improve the quality of rural life and increase rural economic development by providing a stable and diverse presence for agriculture; and

8. Allow confidential conservation plans to provide an improved level of assurance and accountability of the conservation efforts undertaken by the program participants.

Our vision is to capture the opportunity and efficiencies of providing producers with additional conservation incentives for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat.

CONSERVATION AND ENVIRONMENTAL PROGRAMS

(A) Conservation Reserve Program (CRP)

Under the CRP producers bid to enroll environmentally sensitive lands into the reserve during signup periods, retiring it from production for 10 years. Successful bidders receive cost-sharing and technical assistance to plant conserving vegetation and annual rental payments.

Twenty-one signups have been held between 1986 and 2000. There are currently 33.4 million acres enrolled out of the maximum 36.4 million acres provided for in legislation. USDA estimates that average erosion rates on enrolled acres are reduced from 21 tons per acre to less than 2 tons per acre per year.

CRP: (a) provides incentives for reduction in soil erosion, enhancement of water and soil quality, and additional wildlife habitat; and (b) provides a steady income to participants who enroll in the program. In order to ensure that rural and agricultural infrastructure is not hurt by even a slight increase in CRP acreage, we continue to oppose more than 25 percent of the county acreage being included in a CRP contract, Conservation Reserve Enhancement Programs and all experimental pilot projects.

Farm Bureau supports a limited increase in the amount of acreage eligible to be enrolled in the CRP with new acreage targeted toward buffer strips, filter strips, wetlands, or grass waterways should be approved.

(B) Reform Environmental Quality Incentives Program

EQIP does not provide livestock and crop producers the assistance needed to meet current and emerging regulatory requirements. EQIP must be reformed and funding increased in order to assist producers with the cost of meeting federal, state and local environmental regulations. We support EQIP authority with improvements in the program to:

- Eliminate statutory language that prevents operators of large confined livestock operations from being eligible for cost-share;

- Provide broader third-party technical assistance authority, which would allow farmers to hire consultants to provide technical assistance;
- Eliminate priority areas which would allow all producers regardless of location to participate in program; and
- Simplify program participation requirements.

EQIP should maintain current authority to provide funding to all producers including crops, livestock, fruits and vegetables. It would provide 50 percent of funding to livestock and 50 percent to crops.

Livestock producers in several states face, or will soon face, costly environmental regulations as a result of state or federal law designed to protect water quality. Crop producers in many states are preparing to deal with similar environmental requirements. The federal regulations under the Clean Water Act include the Total Maximum Daily Load Program (TMDLs) and the new Confined Animal Feeding Operations (CAFOs) permit requirements. Federal regulators are also exploring the possibility of expanding federal regulation of agriculture under the Clean Air Act. Producers need now, more than ever, federal financial and technical assistance to help them meet these challenges. In many instances, the new federal or state requirements will be very costly for producers.

We support an EQIP proposal that would authorize payments to:

- Help producers build, plan and operate nutrient and manure management measures and systems;
- Implement pesticide best management practices (BMPs) known to improve water quality;
- Help producers improve and computerize their farm decision support data and record-keeping systems;
- Help producers plan and implement agricultural BMPs designed to improve air quality; and
- Ensure that producers could get private sector conservation technical assistance that meets NRCS standards and guidance with nutrient, pest and information management.

Implementation costs for these types of regulations are significant. NRCS estimates that preparation of a comprehensive nutrient management plan could cost $5,000. Installation of a new pork manure management system would run $50,000 to $100,000 and a nutrient management plan and implementation incentives for a 500-acre corn and soybean operation would require $1,500 to $3,000 per year.

Implementation of a program to provide financial assistance to farmers and ranchers to help them execute unfunded state and federal regulatory mandates must be approved.

EQIP (a) should be readily accepted since producers are familiar with the EQIP program; (b) would be available to all crop and livestock producers; and (c) would provide compliance assistance to farmers and ranchers with implementation of federal, state and local environmental laws.

(C) Environmental Incentive Payments

We support a voluntary environmental program that provides producers with additional conservation options for adopting and continuing conservation practices to address air and water quality, soil erosion and wildlife habitat. This would be a guaranteed payment to participants who implement a voluntary management plan to provide specific public benefits by creating and maintaining environmental practices. The management plan would be a flexible contract, designed and tailored by the participant to meet his or her goals and objectives while also achieving the goals of the program.

We support allowing farmers and ranchers the opportunity to voluntarily participate in a program that provides the public with the environmental features they actually want in agricultural areas. It would also provide participants with an alternative source of income that would, in some cases, provide an additional safety net. The proposal is based on the concept that farmers and ranchers can produce and market more than traditional agricultural commodities. They can also produce and market what might be called public environmental benefits. Not only would agriculture be able to produce and market food and fiber, it would also be able to produce and market environmental amenities that the public desires.

Examples include erosion control and improved water quality, ecological services such as nutrient filters and carbon sinks, habitat, bio-diverse landscapes and recreational opportunities, and rural amenities such as visual aesthetics and scenic vistas.

We believe participants should be given the opportunity and flexibility to develop a management plan that provides environmental benefits but, without land retirements or easements, to provide environmental benefits in return for a payment. The length of the contract period would be flexible and tailored to meet the participant's situation. Practices covered under such a proposal could range from accepted good farming practices already implemented on the farm to establishment of a comprehensive environmental management plan.

A management plan and any information resulting from it would be confidential, and the property of the producer. If any incidental or minor regulatory noncompliance within the scope of the management plan is discovered in the course of plan development, the producer should have a grace period of one year to get in compliance without being liable for penalties. Producers who are in good faith compliance with their management plans, but through no fault of their own become non-compliant with environmental regulations, would have one year to correct the noncompliance without being liable for civil or criminal penalties.

This concept would provide (a) incentives to all agricultural producers; (b) participants with an annual guaranteed per acre incentive payment; (c) incentives for not only implementation, but maintenance of conservation and environmental practices; and (d)

an opportunity to provide family farms additional financial assistance beyond current programs.

Implementation of an environmental incentives program should be adopted.

FUNDING FOR CONSERVATION INCENTIVE PROGRAMS

All three of the conservation initiatives would be classified as green box and increase government expenditures $3 billion annually.

Other Conservation Programs

Two other conservation programs supported by Farm Bureau are the Farmland Protection Program (FPP) and the Grazing Lands Conservation Initiative (GLCI). These programs were authorized in the 1996 farm bill and are funded through an annual appropriation.

1. FPP – Farm Bureau supports funding for FPP. This program has been popular in many states. There have been attempts in recent years to make non-profit organizations eligible for federal funding for the acquisition of development right easements under the program. Farm Bureau would oppose any such change. Additionally, we oppose the imposition of any farm management plan on the property. The intent of the FPP is to avoid development pressures, not dictate farming practices.

2. GLCI – The GLCI is a program providing additional technical assistance through NRCS for range and pasture management. This has been a very popular program and has accomplished a great deal in resource conservation with relatively little funding. We support the continuation of this program.

Confidentiality

Confidentiality of USDA information has become an increasing concern and priority for farmers and ranchers. We have seen attempts by other government agencies to secure NRCS and NASS data for regulatory purposes. There have also been attempts by non-governmental organizations to secure farm and ranch data from FSA and APHIS. Farm Bureau strongly supports establishment of statutory authority that protects the confidentiality of all data collected by USDA on individual farms and ranches.

Environmental Regulations

The following environmental regulations, although not under the direct jurisdiction of this committee, are of concern to Farm Bureau. We believe a properly funded incentive-based program will assist farmers and ranchers address these concerns and achieve greater gains than the following command and control approaches.

Animal Feeding Operations - The Environmental Protection Agency has issued a rulemaking proposal called the "National Pollutant Discharge Elimination System (NDPES) Permit Regulation and Effluent Limitations Guidelines and Standards for Concentrated Animal Feeding Operations (CAFOs)." The rule will (a) increase the number of farms classified as CAFOs to approximately 39,000 by reducing the threshold level to be a CAFO from 1,000 animal units to either 500 animal units or 300 animal units if there is a discharge to waters; (b) redefine runoff from agricultural fields as a point source by requiring the land application of waste from a CAFO to be performed subject to a permit nutrient plan that is a part of the water quality permit; and (c) require the co-permitting of contract growers and processors. Designation as a CAFO also brings with it exposure to "citizen suit" provisions of the Clean Water Act. We are troubled by the impact of this proposal on family farms and ranches. **The current CAFO definition of 1,000 animal units should not be changed.** Properly funded, voluntary, incentive based programs that promote manure utilization, not an expansion of regulation, will improve water quality.

Total Maximum Daily Loads - The Total Maximum Daily Load (TMDL) rule will bring agriculture and other nonpoint sources into water regulation. Congress acted to delay the implementation of the new rule until after October 1, 2001. We believe the rule exceeds the authority of the Clean Water Act. A regulatory approach that imposes costs on producers is not efficient or effective for farmers in meeting water quality goals. The state-generated data on impaired waters that EPA uses to justify the TMDL approach to nonpoint sources has been shown to be flawed and inadequate to support nonpoint source TMDLs. **The TMDL rule should be withdrawn.**

Wetlands - Section 404 of the Clean Water Act requires anyone who is conducting a dredging or filling activity in the "waters of the United States" and adjacent wetlands to obtain a permit from the Army Corps of Engineers. The regulatory reach goes well beyond the literal interpretation of "navigable waters" or "waters of the United States." A recent Supreme Court ruling clarifies that federal jurisdiction does not extend to "isolated" wetlands. While Section 404 provides for an exemption from individual permit requirements for normal farming, silviculture and ranching activities, this exemption has been plagued by inconsistent and varying interpretations at the local level. **Congress should establish a comprehensive policy that balances the protection of wetlands with protection for land uses.**

Food Quality Protection Act – Implementation of the Food Quality Protection Act (FQPA) by the Environmental Protection Agency may result in unnecessary restrictions or cancellation of some vital crop protection products. It is critical that as EPA proceeds with the reevaluation of tolerances as required by FQPA, that they not base adverse action against an existing tolerance on unreasonable or unreliable assumptions, anecdotal information or exaggerated models, in lieu of sound scientific data and policies. Many FQPA implementation issues remain

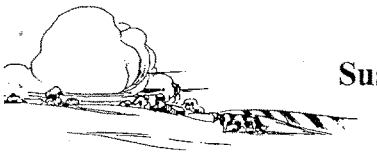
unresolved. **Congress should provide effective oversight of EPA implementation activities and decisions.**

Endangered Species Act Reform - Subsequent reauthorizations and legal decisions have expanded the scope of the Endangered Species Act to the extent where over 1,000 species are protected under federal law. Farmers and ranchers face fines and imprisonment for even the most basic farm practices if federal regulators believe such actions would disturb endangered species. Unlike situations such as government acquisition of land for a school or road, when a landowner loses the use of land under the Endangered Species Act, the government does not compensate that loss. Farm Bureau believes that farmers and ranchers can be at the forefront of the effort to protect endangered species. However, disincentives such as prohibitions against usual farming practices must be removed. **The Endangered Species Act must be reformed to allow for financial incentives and allow species protection efforts to be compatible with landowner rights.**

Air Quality - New interpretations of existing law and new regulations under the Clean Air Act and other statues are resulting in agriculture increasingly being targeted for air quality regulation. Emissions of particulate matter (dust) from field operations and livestock, ammonia and hydrogen sulfide from livestock, and smoke from agricultural burning, have all been identified by the EPA as agricultural sources of air pollution. **Congress should mandate the need for sound science, along with a cost/benefit analysis, to identify agriculture's true emission level and the effects it may have on air quality prior to any regulation.**

Kyoto Protocol - The Kyoto agreement requires developed countries to implement specific agricultural practices to reduce greenhouse gas emissions. This means that agricultural practices could be prescribed by international treaty for U.S. farmers and ranchers. It also specifies that the U.S. must reduce emissions seven percent below 1990 levels by 2008-2012. This will require an approximate 40 percent reduction in fuel consumption from future projected levels. Reductions of this magnitude will require new major taxes or further exacerbate rising fuel, electricity, fertilizer and farm chemicals cost. Projections indicate that these new costs could reduce net farm income by as much as 50 percent for some farmers and ranchers. The agreement requires only about 30 of 160 nations to reduce emissions. Regulations and higher production costs forced on U.S. producers would not be borne by some of our major competitors. As a result, our farmers and ranchers would be disadvantaged in the competitive world of international trade. **The Kyoto protocol must not be approved.**

Mr. Chairman, we sincerely appreciate the opportunities to share our views on changes necessary in the next few years to inspire a healthy agricultural sector.



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Member Organizations

Center for Rural Affairs
Walthill, Nebraska

Illinois Sustainable Agriculture Society
Ashland, Illinois

Iowa Citizens for Community Improvement
Des Moines, Iowa

Kansas Rural Center
Whiting, Kansas

Land Stewardship Project
White Bear Lake, Minnesota

Michael Fields Agricultural Institute
East Troy, Wisconsin

Minnesota Food Association
St. Paul, Minnesota

National Catholic Rural Life Conference
Des Moines, Iowa

Northern Plains Sustainable Agriculture Society
Fullerton, North Dakota

Sierra Club Agriculture Committee
Meadow Grove, Nebraska

The Minnesota Project
St. Paul, Minnesota

Wisconsin Rural Development Center
Mount Horeb, Wisconsin

Ferd Hoefner
Washington Representative

TESTIMONY OF DAN SPECHT
ON BEHALF OF THE
SUSTAINABLE AGRICULTURE COALITION

PRESENTED TO THE
U.S. SENATE COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY

CONSERVATION PROGRAM HEARING

MARCH 1, 2001

printed on recycled paper

Testimony of Dan Specht
on behalf of the Sustainable Agriculture Coalition
presented to the
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
Conservation Program Hearing
March 1, 2001

Good morning, and thank you for this opportunity to testify. My name is Dan Specht and I am a fourth generation eastern Iowa farmer. Today it is my pleasure to testify on behalf of the Sustainable Agriculture Coalition, the public policy arm of the Midwest Sustainable Agriculture Working Group. I have been an active member of MSAWG's Conservation and Environment Committee for many years, representing Practical Farmers of Iowa as well as the Land Stewardship Project.

I started farming in 1971 in a Chapter S partnership with my parents and three brothers. I've been farming on my own since 1994 and now raise crops and livestock on almost 700 acres. Most of my land is considered highly erodible. I also reside in an area underlain with karst geology. My farm is just outside the Big Spring study area, which has shown over the years how agricultural nitrates make their way to our groundwater through karst rock formations.

Although many farmers my age have quit in recent years, I am actually very optimistic about the future of agriculture. I am optimistic because of the strides I've made recently in producing crops and livestock using low-cost methods that are profitable and environmentally sound. In 1995, I raised my first crop of certified organic soybeans. I have also converted a large part of my farm to a system of grass-based beef production called management intensive rotational grazing.

I currently belong to two marketing co-ops -- Heartland Organic and Coulee Region Organic Produce Pool -- through which I sell certified organic soybeans, pork and beef. I am also a long-time member of Practical Farmers of Iowa (PFI). This group is internationally recognized for its farmer-based research efforts into sustainable agriculture. Through PFI, I have done on-farm research on grazing and cover crops. I also belong to the Northeast Iowa Graziers group and am a member of the Land Stewardship Project's Federal Farm Policy Committee.

Recently, I've gotten involved with an initiative to bring Gulf of Mexico fishermen and Midwestern farmers together to deal with Gulf hypoxia, a problem that has its roots in our use of nitrogen fertilizer on crop fields. (I've attached an article on this issue and my farm to the back of my testimony.) Finally, this is the fourth year I have sat on the USDA's Sustainable Agriculture Research and Education North Central Administrative Council. This Council reviews research and demonstration grant proposals from land grant and other researchers and from individual farmers. Through my work with the Council, I have gotten a glimpse at some of the exciting and innovative sustainable production methods farmers from around the country are using.

Despite my optimism, I am extremely distressed at the barriers current farm policy puts in front of farmers like myself who are trying to adopt methods that are more environmentally sound and

economically viable. I think our commodity program has three fatal flaws that make it anti-environment and anti-family farmer.

First, if you were a farmer like myself who was making hay, grass and small grains a part of your rotation during the base-building days of the 1980s, you're not eligible for AMTA payments on those acres. The more land you planted into row crops then, the more money you qualify for now. Because of my diversity and environmentally beneficial farming systems, I now only receive AMTA payments only a tiny fraction of corn base out of the 280 acres I own. Neighbors of mine who farm land that is just as steep and vulnerable as mine receive AMTA payments on nearly 100 percent of their acres because they have such a high corn base. Doubling AMTA payments has doubled the inequity, while LDPs have added insult to injury. Unlike AMTA, with its prospective planting flexibility, LDPs flow only to program crops, adding to the discrimination against diversified systems and creating further barriers to resource conservation and environmental improvement. This policy-driven bias puts diversified, conservation-oriented farms at a competitive disadvantage in the land market that determines who determines who will farm and who will not in the future. This should be of grave concern to anyone who has an interest in the health of rural communities and the environment.

The second fatal flaw is that the program now allows actual cash prices for crops to fall below the cost of production. I don't want to go back to the old farm program when set-asides were used to try and control prices through production limitations. However, we now have the worst of two worlds -- we have no limits on production coupled with what amounts to direct payments through LDPs that increase production even more. This policy puts family farm-sized livestock producers like myself who grow our own feed at a distinct disadvantage, even while encouraging the over-expansion of the confinement livestock industry.

The third fatal flaw is the program's lack of effective targeting to family farm income, or even in recent years to any effective payment limitation. The current "sky's the limit" program exacerbates the first two problems, providing a public subsidy for land concentration, reduced diversity, and continued environmental problems.

These flaws mean we are losing the potential to capture many of the societal benefits diverse crop and livestock farms can provide. I believe, therefore, the first thing Congress needs to do in addressing conservation in the farm bill is to take a hard look at commodity, crop insurance, and other farm programs and take serious steps toward making them consistent with widely shared public support for good stewardship of the soil, water, air, and plant and animal life. Incentives for overproduction and land consolidation need to be greatly reduced, barriers to diversification need to be removed, and real requirements for basic conservation need to be reinvigorated.

I have witnessed some of these resource and environmental benefits firsthand on my own operation and I'd welcome any members of the Committee to come out and see the improved wildlife habitat, erosion control and water quality on my farm. However, for now I'd like to share with you what the scientific community is finding out about one sustainable farming system I'm using -- management intensive rotational grazing.

Drainage water flowing from row crop fields has nitrate levels that are 30 to 50 times higher when compared to fields planted in perennial plant systems like grass, according to an ongoing drainage study that's been conducted by University of Minnesota soil scientist Gyles Randall since 1973. (Randall, G.W., D.R. Huggins, M.P. Russelle, D.J. Fuchs, W.W. Nelson, and J.L. Anderson, 1997.) Even though the amount of U.S. corn acreage peaked in the mid-1980s, nitrate levels in drainage water have continued to rise. (CAST, 1999.) I think this is because more and more of our land is being taken out of grass, forage and small grains and put into cropping systems consisting of alternating years of corn and soybeans. I don't consider such a system a true rotation; it's just alternating between one warm season row crop and another warm season row crop. This has major implications as far as the Gulf of Mexico's hypoxia zone is concerned.

The Minnesota Cooperative Fish and Wildlife Unit has found that rotational grazing significantly reduces the amount of sediment flowing into a waterway. Researchers there have also found that a stream degraded by overgrazing starts to recover as it flows through a rotationally grazed area. (Lyons, J., B. M. Weigel, L.K. Paine, D.J. Undersander. 2000.)

The University of Vermont has found that grass-based operations burn 25 to 40 percent less fuel than row-crop farms. (Agricultural Technology and Family Farm Institute. Nov. 1996. University of Wisconsin.) University of Wisconsin researchers recorded more than twice the number of nesting grassland songbirds in rotational paddocks when compared to the same acreage of continuously grazed pastures. Songbird numbers in row-cropped fields are usually too low to even count. (Paine, Laura. 1996.)

When I visited New Zealand last year, I saw how that country was using rotational grazing to become the low cost dairy producer of the world. We're now seeing here in this country evidence of how economically competitive such a system can be. For example, since the early 1990s, Iowa State University researchers have been comparing the economics of putting land under rotational grazing to planting it into various row crop systems or setting it aside under the Conservation Reserve Program. The land being studied is in southwest Iowa's Adams County, which is highly erosive and very environmentally sensitive. Rotational grazing consistently provided the highest return, followed by setting the land aside in the CRP. Only one cropping option of eight tried generated a positive return, but it was well below the profits generated by rotational grazing. (Gerrish, J.R., K.C. Moore. 1995.)

Grazing can also help us deal with some of our biggest human health concerns. In 1998, the journal *Science* reported that replacing a bovine's grain ration with as much as 40 percent forage can dramatically reduced the threat of the deadly microbe E. coli. (Diez-Gonzalez, Francisco, et al. Sept. 11, 1998.) Cows who graze exclusively have dramatically higher levels of conjugated linoleic acid (CLA) in their milk, according to the USDA's Dairy Forage Research Center. Laboratory studies done throughout the world on CLA in both meat and milk have shown it can help prevent breast cancer and malignant growths while reducing heart disease. (Raloff, Janet. 1997.)

Such research has the potential to create a huge demand for grass-based livestock. But if U.S. meat and milk producers are not put in a position to provide the world with such products, I

guarantee you Argentina, Australia and New Zealand will dominate the market. Just as worldwide demand for GMO-free crops is sending food buyers to other countries, the U.S. is at risk of losing customers for grass-based livestock because of its push toward row crop monocultures and large-scale confinement livestock.

Rotational grazing is just one innovative farming method that produces food in a manner society wants to support. However, like many sustainable production methods, it is heavily reliant on top-notch management and attention to detail. My own experience and research by PFI shows that making a transition into such systems can take several years of trial and error. Most farmers cannot afford to experiment without some sort of public support. In addition, once they do make the transition, they too often find that the market does not reward them for the extra efforts they are taking to produce an environmentally sound, healthy product.

That's why I'm excited by Senator Harkin and Smith's ***Conservation Security Act***. I like this proposed legislation because it would reward farmers for the resource and environmental benefits they actually produce, and not just for putting in place certain pre-approved best management practices and structures. That means the people who are already practicing stewardship farming will be on the same footing as those that are making transitions. I'm not afraid of healthy competition, but I don't think it's fair for me to be punished for implementing production systems that are already providing positive benefits to the environment and society as a whole. This kind of legislation shows we are serious about rewarding the kind of innovation that's good for the land, farmers and taxpayers.

The Conservation Security Act marks an important shift in U.S. agricultural conservation and income support efforts. Rather than retiring land from production, this program emphasizes the environmental benefits that sustainable management of working farmland can provide. Instead of paying for production at any cost, it would reward farmers for producing clean air and water, improving soils, storing carbon, restoring habitat, and providing other public goods. All regions of the country and all commodities would be equal participants, rather than having the government pick winners and losers. The incentive payments would be substantially higher than previous conservation programs, but within a strict, "no-loopholes" payment cap that targets benefits and reduces consolidation effects. Importantly, it would also be in full accord with world trade principles.

The Conservation Security Program is a voluntary, site specific, and flexible program designed to address conservation challenges in a cost-effective and results-oriented fashion. Our conservation challenges are real. Assessments have repeatedly concluded that agriculture, by far the dominant land use in the country, plays a major role in achieving many environmental goals. Sediment, fertilizer, and pesticide leakage off the farm is a major contributor to water quality problems. High concentrations of animal waste has become a major public issue. Habitat degradation and reduced biodiversity is another key concern.

The list goes on, but the point is the Conservation Security Program provides a flexible, performance based mechanism to ramp up an appropriately-sized federal investment in an conservation and environmental program for agriculture. Despite agriculture's major role in

addressing resource and environmental challenges, it receives less than 5 percent of total federal conservation and environmental funding. It is time to start addressing this mismatch.

The proposed program appropriately relies on conservation planning as its delivery mechanism. Each farm is a unique combination of natural and human resources. Through whole farm planning, the operator can fit all the pieces together into an integrated system. In my view, multiple incentive programs aimed at just one problem or one resource each will ultimately fail because farmers will be unable to respond to conflicting requirements and practices that do not fit into a coherent farming system. Whole farm planning is the model needed to bring multiple solutions into reality on the farm and the Conservation Security Program takes a strong step in that direction. The program's focus on land management and vegetative practices is also right on target. Low cost and targeted approaches are the best way to get started in stewardship farming. In some cases, structural practices will be needed, but tehy should be approached in the context of an overall plan that looks for lowest cost solutions.

There are several other key aspects of the bill which I would particularly lift up.

Entitlement Status: Perhaps the single most important innovation of the Conservation Security Act is that it places conservation incentive payments on a par with the farm commodity programs. All who qualify to participate in the program will be able to do so, without preset limitations on the number of acres or the amount of funding available. Unlike WRP, EQIP, WHIP, and FPP -- programs for which farmer demand far outstrips the funding available, leaving many dissatisfied customers and reduced resource protection -- the Conservation Security Program will be open to all interested parties who qualify for assistance. Like commodity programs, no eligible farmer will be turned away. However, unlike commodity programs, the eligibility requirements with respect to conservation will be substantial.

Funding Balance: Federal funding for programs to promote stewardship on working land is currently quite small in comparison to funding for land and farm retirement. The Conservation Security Program represents the most important proposal to date to bring these two important features into a more appropriate balance.

Existing Stewards: Many conservation programs in the past have primarily benefitted those who had conservation problems on their farms. In the worst instances, programs have provided the greatest reward to those with the greatest abuses. The Conservation Security Program stands this idea on its head -- it rewards good stewardship, without regard to whether the farming practice or system already exists or is about to be put in place. In this manner, it removes the current, perverse rewards for ameliorating environmentally destructive practices, while giving recognition to the important public benefits provided by the very best stewards of the land.

Environmental Benefit: In contrast to traditional conservation programs, the Conservation Security Program will make incentive payments based on a variety of factors, including not only the cost of implementation but also most importantly the expected environmental benefits of the conservation plans. Complementing the movement toward payments based on results, it also provides for monitoring and evaluation grants to assess progress at the farm, watershed, regional,

and national levels. The bill (and most existing conservation programs) could be further improved by establishing a mechanism for setting clear conservation and environmental performance objectives.

On-Farm Innovation: Respecting the creativity and knowledge of farmers and ranchers who develop and adapt innovative conservation practices and sustainable systems, the Conservation Security Program provides special incentives for on-farm research and demonstration in areas such as whole farm planning, carbon sequestration, agro-ecological restoration, germplasm conservation and regeneration, agroforestry, and farm results monitoring and evaluation. My experience with PFI and SARE adaptive research and field demonstrations tell me this might be the single most important element in the bill in terms of community-based education and extension of cutting edge conservation innovation.

Sustainable Economic Use: The Conservation Security Program specifically provides for economic use of conservation buffer and land restoration practices provided the proposed use (e.g., grazing, agroforestry, etc.) is part of an approved conservation plan and consistent with achieving positive resource results. In the past, some conservation programs have so limited economic use options as to not only make the program less attractive to producers, but also to reduce net resource benefits.

Graduated Participation: Payment rates under the Conservation Security Program increase within and between three "tiers" in relation to how much conservation and environmental protection is being achieved, with a premium for more far-reaching sustainable system approaches. Tier I covers a wide range of basic land management and vegetative conservation practices. Of great importance to me, Tier II adds practices that generally imply a change in land use that, while important for conservation, in some cases may result in less income to the farmer or require a difficult transition period. These include diversified, resource-conserving crop rotations, conversions to grass-based farming, management intensive rotational grazing, conservation buffer practices, cover cropping, and native prairie and wildlife habitat restoration. Utilization of these practices will provide compensation at a higher level, in recognition both of the additional conservation value and the economic value forgone. Tier III participants would include practices from the first two tiers and incorporate them into a whole farm, total resource plan that accounts for all pertinent natural resources and environmental impacts and strives for maximum sustainability.

One important improvement that could be made to the bill would be to direct USDA to take all necessary steps to ensure that organic farming plans developed under the new national organic program are able to also meet the terms of the Conservation Security Program. At the same time, steps should be taken to ensure that organic certifiers are given the opportunity to become part of the conservation technical assistance third party vendor system. Interagency cooperation in this regard will help customers avoid unnecessary duplication of effort.

Unique Payment Features: In addition to outcome-based criteria and more traditional practice-based criteria for determining payment rates, the Conservation Security Program will also provide payment for non-traditional cost factors, including costs related to on-farm monitoring of results.

Also included are payment bonuses in cases where the conservation plan the operator is a qualified beginning farmer or rancher - and important recognition of the need, desire, and cost to start out right - or a substantial percentage of producers in a given small watershed or other resource area enroll as part of a joint effort. I believe this feature could help encourage more farmers to work together on finding solutions to common problems.

Education and Monitoring: Like several other conservation programs, the Conservation Security Program builds in funding for the technical assistance (from USDA, consultants, other farmers, etc.) necessary to help farmers develop and adopt conservation plans and practices. In an important new step, however, the Conservation Security Program also provides direct funding for education and outreach to extend and enhance the program and its benefits, and for monitoring and evaluation to help determine program success and future direction. This will be critical to building a cost-effective program that achieves farm and environmental goals and maintains strong public support.

Compatibility with Other Programs: While participation in the Conservation Security Program works nicely by itself, the program is also designed to help enhance benefits achieved under other programs (e.g., farmland protection, wetlands restoration, buffers). In cases where farmers are interested in dual enrollment, conservation security payments would pay for additional enhancements to the other conservation programs. In most cases, landowners and operators in dual enrollment situations will have a choice -- a unified or merged enrollment in the Conservation Security Program, or continued dual enrollment with appropriate payment adjustments to prevent double dipping.

Speaking of other programs, let me close my testimony with an indication of our strong support for renewing and enhancing other conservation programs in the next farm bill. In particular, I would like to mention the Coalition's strong support for an additional supplemental appropriation for the Wetlands Reserve Program this year and for a multiyear renewal of the program in the farm bill at no less than 250,000 acres per year. This is a program we helped initiate and continue to believe in. We also support the revision, extension, and enhancement of the Environmental Quality Incentives Program, Wildlife Habitat Incentives Program, and Farmland Protection Program. All of these programs have had far less funding than there is demand by farmers for enrollment. The conservation title of the farm bill should address this imbalance head on.

Finally, let me reconfirm our support for the buffer initiative, the Continuous Conservation Reserve Program, and the Conservation Reserve Enhancement Program. Partial field enrollment of special practices is smart conservation. When we pushed for its inclusion in the 1990 farm bill, many were skeptical. Now, however, we are pleased the idea has caught on so well. We support a modest rewrite of the CRP statute to make the rules for the CCRP and CREP distinct from whole field retirement. Most importantly, we would support inclusion of an acreage goal of no less than 5 million acres and directives to apply incentive payments to all CCRP practices and to make the program more flexible.

Thank you for the opportunity to present these views. I would be happy to try to answer any questions you may have.

The Sustainable Agriculture Coalition represents eleven midwest-based farm, rural, and environmental organizations which advocate public policies supporting the long-term economic and environmental sustainability of agriculture, natural resources and rural communities. Members include the Center for Rural Affairs, Illinois Sustainable Agriculture Society, Kansas Rural Center, Land Stewardship Project, Michael Fields Agricultural Institute, Minnesota Food Association, National Catholic Rural Life Conference, Northern Plains Sustainable Agriculture Society, Sierra Club Agriculture Committee, The Minnesota Project, and the Wisconsin Rural Development Center. The Coalition works within the broader 35-member Midwest Sustainable Agriculture Working Group and its Issue Committees, and coordinates its efforts with Sustainable Agriculture Working Groups in other parts of the country and with the National Campaign for Sustainable Agriculture.

STATEMENT SUBMITTED BY
TOM BUIS
VICE PRESIDENT, GOVERNMENT RELATIONS
NATIONAL FARMERS UNION

TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY
COMMITTEE

MARCH 1, 2001

Chairman Lugar, Ranking Member Harkin, Members of the Senate Agriculture Committee, on behalf of the National Farmers Union, an organization representing the interests of approximately 300,000 farm and ranch families, it is a pleasure to have this opportunity to share with the committee our observations and recommendations about current conservation programs.

CURRENT PROGRAMS:

The conservation programs currently authorized under the Federal Agriculture Improvement and Reform (FAIR) Act of 1996, have, for the most part been sound programs. They have served to conserve our soil resources, enhance wildlife habitat and improve the quality of both air and water through participation incentives and technical assistance. However, we believe there is room for improvement in two general areas. First, it is important that the level of funding be adequate to ensure the long-term success of these initiatives. Second, a key priority of these programs should be to target assistance to family-sized farm and ranch operations. We believe such an approach will serve to promote the broadest possible development and application of conservation measures, while reducing the likelihood that these programs encourage further concentration of agricultural resources or provide unneeded subsidies to large, integrated agricultural operations.

After reviewing the current programs we would make the following observations and suggestions concerning specific conservation program authorities and funding levels:

Conservation Reserve Program (CRP)

The Conservation Reserve Program has been the most successful conservation program in our nation's history. Due in large measure to the foresight of Chairman Lugar, the author of the original CRP legislation, and the determination of the members of this committee and others, it has significantly reduced soil erosion and dramatically improved wildlife habitat, by idling highly erodible and environmentally sensitive land.

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We support:

- Raising the cap on total enrollment to at least 40 million acres.
- Reducing emphasis on whole farm enrollments.
- Ensuring compensation rates that are comparable to local rental rates.
- Reviewing and enforcing the aggregate county-entry limits.
- Reviewing the requirements and benefits of planting expensive and often un-needed five-way seed mixtures as cover crops.
- For re-enrolling existing CRP acreage, a required field inspection should be conducted to determine whether the current cover crop contains desired multiple plant species (grasses, legumes, and forages).
- Allowing whole field enrollment where common sense dictates such action will encourage producer actions to maximize the conservation and habitat benefits of the program.
- Authorizing the enrollment of farmable wetlands, similar to a pilot program about to be implemented in South Dakota.

Wetlands Reserve Program (WRP)

We recommend expanding the WRP by removing the cumulative acreage cap and providing such funds necessary to address the current and future demand for this worthy program.

Farmland Protection Program (FPP)

A number of states, including Indiana, Maryland and Pennsylvania, have initiated state-funded farmland protection programs. We support additional funding for this program to encourage greater cooperation between federal and state authorities in order to protect and preserve farmland from development.

Wildlife Habitat Incentives Program (WHIP)

The Wildlife Habitat Incentives Program is a program to encourage the development of habitat for fish and wildlife on private property through cost-share assistance for habitat development and implementation. We support the goals of the program, encourage that endangered-species habitats be included as a priority and urge that the program be re-authorized and funded at sufficient levels.

Environmental Quality Incentives Program (EQIP)

This program has been successful in providing financial, technical and educational assistance to farmers and ranchers. However, its success has been limited due to funding levels that were reduced shortly after the program was authorized. The lack of adequate funding has resulted in the rejection of many worthwhile projects that would have received cost-share assistance under the old Agriculture Conservation Program (ACP), the predecessor to EQIP, and forced a singular focus on broad-based watershed priorities. As you might expect, this has created bitter feelings among some farmers and ranchers. We recommend additional funding for EQIP to address the tremendous demand for this program, which has been estimated at three times the current funding level.

Conservation Technical Assistance (CTA)
This program is beneficial to farmers and ranchers that receive cost-share assistance for implementing conservation systems. However, action is needed to ensure that NRCS has the resources to provide technical assistance to those producers who want to adopt sound conservation practices but are not seeking cost-share assistance.

For example, if a producer already has terraces in place and wants to shift from a minimum tillage to no-till planting, he needs access to timely technical assistance in order to successfully make the transition to a higher level of applied conservation.

Conservation of Private Grazing Land Initiative (CPGL)
This initiative is designed to provide technical, educational and related assistance to owners of private grazing lands in order expand the multifunction of this resource through better management, erosion protection, water conservation, habitat development and greenhouse gas sequestration. Although not a cost-share program, the technical assistance concepts contained in the CPGL are clearly consistent with the development of a mutually beneficial private/public partnership to enhance the productivity and sustainability of privately owned resources and should be supported.

NEW INITIATIVES:

In addition to suggested improvements in the existing conservation, habitat and technical assistance programs, the National Farmers Union also urges consideration of several new initiatives that are complementary to the ongoing efforts to ensure the sustainability and high level of stewardship of our agricultural natural-resource base.

Conservation Security Act (CSA)
Senator Harkin's Conservation Security Act (CSA) provides incentive payments to producers for the application of appropriate conservation measures on land that is currently and likely to remain in production. The CSA is designed to target conservation payments to family farmers and ranchers engaged in production agriculture in a way that is consistent with our obligations under the World Trade Organization (WTO), while encouraging increased levels of environmental stewardship. We support this framework for conservation payments as a way to reward both those who have undertaken the establishment of conservation practices in the past and those who implement future activities.

Soil Rehabilitation Program
In many parts of our country, significant areas of cropland have been decimated by adverse weather, disease and/or pests. The incidence of these problems has reduced the productive capacity of the land and poses an ongoing threat to that capacity for at least an intermediate term of 3 to 5 years.

We support the implementation of an intermediate-term soil rehabilitation program that would provide both technical and economic assistance to family farmers so they may undertake needed stewardship activities to restore these resources to at least a historic level of productivity.

For example, in the Northern Plains the disease fusarium head blight, also known as scab, has reduced the yield and quality potential of wheat, durum and barley production significantly in recent years. Due to the accumulation of disease innoculum in the soil, lack of resistant grain varieties and agronomic limitations on alternative crop production, producers must either assume excessive production risk or discontinue production of those traditional crops until the level of the pathogen is reduced to more manageable levels. Either scenario is beyond the economic capacity of most producers in this region without federal assistance. In addition, this program will help mitigate the loss of Actual Production History for crop insurance purposes over time and reduce crop insurance indemnity payments as well as pressure for ad hoc disaster programs in the near term.

Carbon Sequestration Program

The issue of global warming caused by greenhouse gas emissions is becoming more scientifically validated each year. Agriculture is in a unique position to provide an environmental offset to carbon dioxide releases into the atmosphere through sequestration of carbon in the soil.

We support appropriate greenhouse gas emission regulation, incentives and technical assistance to encourage the implementation of crop and livestock production activities to establish and compensate producers for on-farm carbon sequestration. In addition, this initiative should promote the development of a commercial market for carbon sequestration credits that is open to participation by producers and/or their cooperatives.

Mr. Chairman, the 99th convention of the National Farmers Union convenes in Rochester, New York tomorrow. At that time, our members will have the opportunity to review and establish our organization's conservation policies for the coming year. I fully expect that in addition to the programs and initiatives identified above, the convention delegates will support new, creative ideas to further our goals of ensuring the long-term sustainability of our natural resources in a way that meets the needs of farmers, ranchers and our rural communities. I look forward to sharing these ideas with you and the members of the committee in the near future.

Thank you once again for the opportunity to appear before this committee. I will be pleased to respond to any questions from the committee at the appropriate time.

Statement of the Wildlife Management Institute to the Senate Committee on Agriculture, Nutrition and Forestry Regarding a Review of the Statutes of Conservation Programs in the Current Farm Bill.

Presented by Rollin D. Sparrowe
President, Wildlife Management Institute

March 1, 2001

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Introduction

Mr. Chairman, I am Rollin D. Sparrowe, President of the Wildlife Management Institute. The Wildlife Management Institute (WMI), established in 1911, is staffed by professional wildlife scientists and managers. Its purpose is to promote the restoration and improved management of wildlife in North America.

WMI commends the Committee for initating this dialog, which highlights conservation within current and future farm policy. The seriousness with which these groups here today reflect the need to keep conservation as a high priority in the 2002 debate is to be applauded. These discussions, elevating successes, failures and needs, are commendable.

Thank you for giving us the opportunity to offer our insights. The debate that will occur over the upcoming year is not an either-or proposition. Conservation and the economic viability of farms and ranches both are tied to the quality of the land. Production of wildlife and crops/livestock can exist in harmony and are necessary in providing Americans not only affordable food but also an improved quality of life.

It has now been 5 years since the implementation of the programs that comprise the 1996 Farm Bill. These programs contribute to soil, water and wildlife enhancement across the United States. Be it growing pheasant populations in the Midwest or enhanced waterfowl populations across the country, the Farm Bill has touched, not only private landowners, but also your constituents who desire a better environment in which to live. The conservation elements of the Farm Bill have made a difference, but the current law is far from attaining your constituent desires and expectations. Conservation is not only about wildlife, but improving soil, water and air quality as well.

Habitat enhancement is the key that unlocks wildlife potential. I would like to share what we at WMI see via the programs in the '96 Farm Bill, identify some problems and issues, and suggest some solutions that will contribute to the goals and objectives of the '96 Farm Bill and beyond.

Current 1996 Farm Bill

The '85, '90, and '96 Farm Bills created programs that were designed for the farmer, rancher and private landowner, with an eye toward accentuating and improving soil, water and wildlife on their lands. Lessons learned since its implementation have highlighted the regional differences experienced by those who administer and deliver these programs. Impacts often vary by state and county.

This situation has been exasperated by recent cuts to USDA staff, to the tune of 2,000 positions, since the passage of the '96 Act. Landowners have taken advantage of Farm Bill program opportunities to the point that efficient and effective implementation of the conservation benefits may be compromised. Since February 2001, this has been documented in project submittals by WRP (3:1), WHIP (2:1) and CRP (approximately 500,000 acres). Without a doubt, farmers and ranchers are anxious to participate in the process of integrating conservation on America's private lands.

Unfortunately, limited resources have caused these programs to fall short of landowner and environmental needs. It is advantageous to discuss and highlight how things are progressing across this nation's landscape. Let's begin with the Western region.

Western Region (AK, AZ, CA, HA, ID, MT, ND, NM, NV, OR, SD, UT, WA, WY).

Since the '96 Farm Bill, acceleration in conversion of native rangeland still remains a serious problem. According to the '97 Natural Resource Inventory (NRI), there are about 243 million acres of privately owned rangeland in the West. This is approximately 8 million fewer acres than in '82. Preserving native rangeland is a high priority in the West.

Many wetland habitats in the West have been lost and the few that remain are further threatened by urban development. Wetland preservation is needed. For example, some of Utah's most functional wetlands are those associated with the Great Salt Lake, are exposed to significant threats from urban development and the alteration of hydrology. The programs in Utah and many other parts of the West will be compounded in the future as more farmland is converted to subdivisions and irrigation systems are abandoned.

Serious declines in many wildlife populations occur from conversion of native rangeland and wetlands. Livestock grazing is the dominant agricultural use of land within the region, and the amount and condition of the West's rangeland have significant impacts on grassland nesting species. According to USDA estimates, 24 million acres of privately owned rangeland are in poor condition, 19 million acres have multiple major resource problems, 80 million acres

have major erosion problems and 9 million acres of rangeland have been severly impacted by state-declared noxious weeds. Many populations of grassland-dependent birds are declining. This trend will continue until rangeland loss is stopped and the condition of remaining rangelands is improved.

Midwest Region (CO, IL, IN, IA, KS, MI, MN, MO, NE, OH, OK, TX, WI)

Today, most of the native prairie of the Midwest has been lost. More than 95 percent of the tallgrass region has been converted to other uses. Iowa currently has just one-tenth of 1 percent of its 23.5 million acres of presettlement tallgrass prairie. Historic trends show continuing and sometimes precipitous declines in grassland-dependent birds, such as grasshopper sparrows, prairie grouse and burrowing owls. Fragmentation of prairie landscapes has been most intense in shortgrass prairie in the Southern Great Plains. The black-tailed prairie dog, once considered a pest throughout the shortgrass region, recently has been petitioned for listing under the Endangered Species Act.

Although conversion of cropland to grassland habitat through CRP has shown improvement in nest densities on newly enrolled lands, native prairies critical to many species' survival continue to decline in acreage (Figure 1) and quality.

Southeast Region (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA)

Over the last 30 years in the Southeast, a number of species have declined to their lowest levels in recorded history. Wildlife species associated with early successional habitats, wetlands and grasslands continue to exhibit negative population trends. The loss of native grasslands, the widespread establishment of exotic warm- and cool-season grasses (a substantial proportion of range and pasture was planted to non-native forage grasses of low value to most species of wildlife, such as tall fescue and bermudagrass) and year-round grazing have resulted in steep declines in 10 of 13 grassland birds. There also has been a steady downward trend in species such as the northern bobwhite quail. In addition, species such as the loggerhead shrike, grasshopper sparrow, lark and savannah sparrows, eastern kingbird, eastern meadowlark and dickcissel, ten federally endangered birds and six candidates for federal listing also are experiencing long-term declines.

Forested acreage in the Southeast has been stable during the last decade. However, forest composition and quality have changed, negatively impacting many wildlife populations. Figure 2 depicts the displacement of diverse hardwoods and small crop fields by expanding pine plantation acres, now occupying 15 percent of the vast coastal plain. Furthermore, recent research on neotropical problems has identified significant problems caused by forest fragmentation, which is continuing over much of the Southeast.

Northeast Region (CT, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VT, WV)

The impacts of agricultural and forestry, combined with escalating urban sprawl, have altered wildlife habitats dramatically in the Northeast. Less than 1 percent of the old-growth forest remains, 99 percent of the grassland has been lost, and more than 50 percent of precolonial wetlands are gone. In fact, pasture acreage has declined by more than 70 percent since the 50's. Most of the conversions are the result of development.

Those species requiring larger blocks of early successional forests and those requiring open secure grassland habitats are in serious jeopardy in the Northeast. Grassland bird populations have declined more then any other group of species in the past 30 years. Farmland/grassland species, such as the northern bobwhite quail, have declined by 95 percent. Grasshopper sparrow, eastern meadowlark and ring-necked pheasant have declined 80 percent. Fragmentation of natural habitats is an extreme and growing problem.

More than 50 percent of the original wetlands have been lost in the Northeast. Between 1980 and 1989, about 14 percent of the wetland loss in the Chesapeake Bay watershed was due to agricultural conversion, and 23 percent was due to development. Wetland-dependent species have suffered the second largest decline in the Northeast.

2002 Farm Bill Recommendations

1. To address current and future technical assistance needs, **funding to state fish and wildlife agencies and nongovernmental conservation organizations offers an alternative to providing conservation plans to landowners who await program enrollment (issue of reciprocation for assistance)**. Leveraging USDA dollars with conservation organizations is an effective way to tackle technical assistance needs. The assistance provided by fish and wildlife and nongovernmental organizations has, in many cases, meant the difference between success and failure for Farm Bill program implementation.

2. **Link agricultural support payments to conservation compliance**. Public monies expended via Farm Bill programs should be based on comprehensive land stewardship, including wildlife. Improved water quality, and soil and wildlife enhancements are byproducts of conservation compliance. As stated in a recent report released by the Economic Research Service, *Agri-Environmental Policy at the Crossroads* (Claassen, Hansen, et al., January 2001), "conservation compliance is estimated to provide non-market benefits of $1.4 billion/year. These values include impacts to water-based recreation, soil productivity, and municipal and industrial uses. This understates the true value of the reduced soil erosion, because benefits associated with increases in waterfowl populations, improvements in coastal and estuarine recreation areas, increased likelihood of survival of endangered species, increases in marine fisheries' populations, and decreases in the cost that airborne soil imposes on industries, scenic views, and others have not been included."

3. Flexibility in the implementation of Farm Bill programs is necessary, for there are differences between regions, states, counties and municipalities in how programs are delivered. By providing flexibility, we can reduce the costs incurred by farmers to participate or comply with an agri-environmental program. The geophysical and biological environment, as well as producer management skills, production practices, preferences, and attitudes regarding natural resource performance, vary widely among agricultural producers, even within small geographic areas. A specific conservation practice may fit well into one farming operation, boosting fish and wildlife benefits on one farm, but may not on another. Thus, a one size fits all program often meets resistance. If our goal is to maximize conservation compliance, we need to **allow those at the local level to have the flexibility to make adjustments where needed**.

Specifically we recommend:

A. **Raising the cap on CRP to 63.9 million acres** (with a minimum of 45 million acres). A sensible approach to reduce excess production capacity through long-term idling of surplus cropland exists in this very popular program. The demand by landowners is tremendous. The program has enhanced more wildlife populations than any action ever taken in this nation. CRP has helped raise commodity prices, too. The value of the CRP's improvements to wildlife viewing and to pheasant hunting has been estimated at $704 million/year (Claassen et al., 2001). Specific improvements to CRP include state flexibility in addressing rental rates and seed mixtures, along with natural regeneration on riparian buffers in marginal pastures.

B. **Increasing the annual enrollment cap of WRP to 250,000 acres**. With a 3:1 ratio of applications to approved projects, the demand exists. Examples include 268 landowners in Iowa who are currently waiting to enroll. Projects should be designed more carefully to help achieve wildlife restoration goals.

C. **Providing $100 million annually for WHIP**. WHIP projects have reached non-traditional farm bill programs where they have been able to address many endangered species scenarios while keeping regulations to a minimum. This program was embraced by landowners and formed many partnerships between USDA (NRCS) and non-federal organizations, resulting in tremendous leveraging of non-federal dollars.

D. **Increasing funding to $200 million annually for the Forest Legacy Program**. Addressing early successional habitat needs and forest fragmentation is needed.

E. **Providing $200 million for the Farmland Protection Program**. Require conservation easements under the program to consider wildlife habitat, in addition to soil and water conservation.

F. **Increasing funding to provide at least $300 million per year for EQIP**. Expand funding to elevate and integrate wildlife habitat needs into the program legislation.

G. **Providing $50 million per year for each of these three programs: the Forest Stewardship Program, Stewardship Incentives Program and Forest Incentives Program**. Require that a wildlife biologist and forester approve and sign on all plans.

Suggested new program

Establish a native grassland/rangeland easement program. Use WRP as a template for this program. The objective would be to protect environmentally sensitive native grass/range from conversion funded out of Commodity Credit Corporation.

Conclusion

We have seen that landowners support conservation incentive programs (CRP, WRP, WHIP, etc.) to an extent that the demand exceeds supply. Funding these programs will improve our nation's resources help farmers and ranchers as well. Thus, Farm Bill conservation programs are a win-win scenario and benefit society as a whole.

Attention to wildlife habitats such as native prairie rangeland, wetlands and early successional forests is needed. These landscapes are worth saving and enhancing. Innovative ways of providing technical assistance via state fish and wildlife agencies and/or conservation nongovernmental organizations is a viable method to address landowner needs. These are lessons learned over the past 15 years.

We stand ready to work with you and your colleagues to enhance conservation during the 2002 Farm Bill process. We look forward to the opportunity to participate in the continuing dialog over the upcoming months and year (s) leading to Farm Bill reauthorization.

Thank you. *How Much is Enough for 2002? is attached.*

Decline in grassland acreage from 1987 to 1999

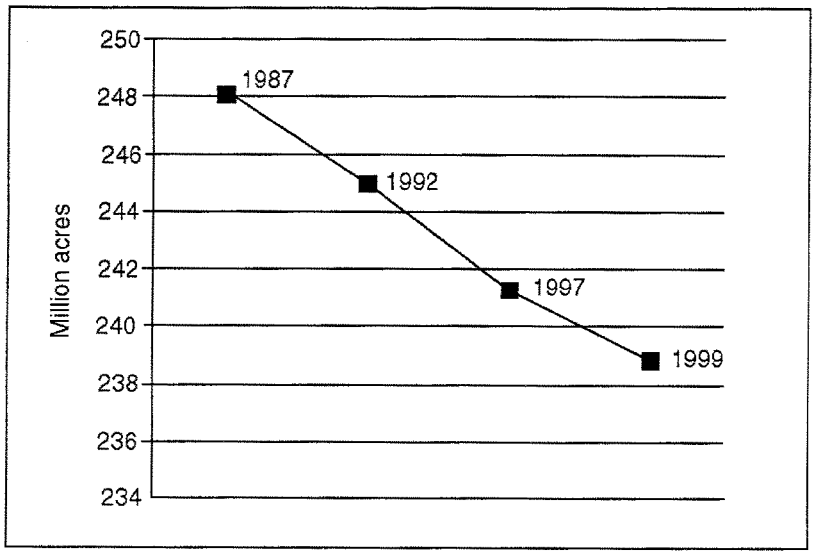

Figure 1

Pine plantation acres in the Southeast (*The South's Fourth Forest*, USDA Forest Service Research Report 24)

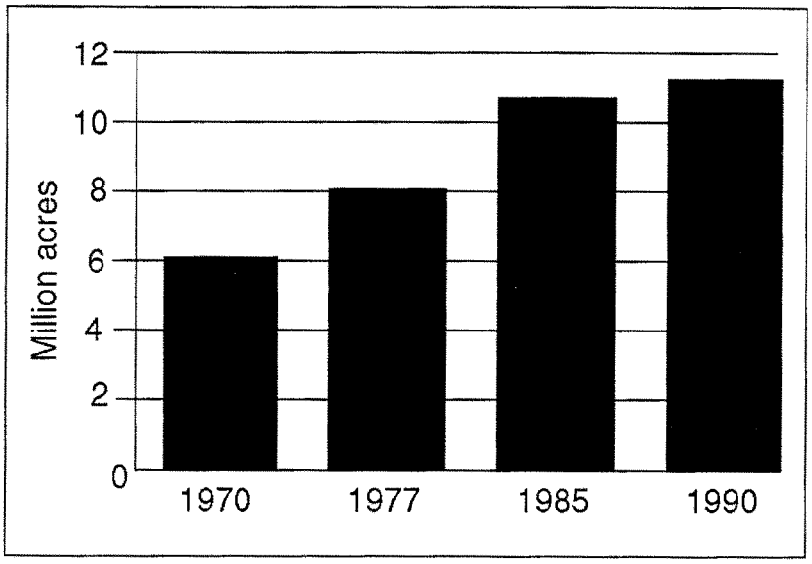

Figure 2

American Farmland Trust

Testimony
Gerald Cohn
Southeast Regional Director
American Farmland Trust

Before the Senate Agriculture Committee
March 1, 2001

Good morning, American Farmland Trust appreciates this opportunity to provide your committee with our views on how the Conservation Security Act will help farmers and ranchers improve their bottom line and meet the increasing public expectation of agriculture to produce environmental benefits as well as food and fiber.

I am the Southeast Regional Director for AFT and with my family run a small commercial turkey operation on our farm in Snow Camp, North Carolina. American Farmland Trust is a national, non-profit organization with 50,000 members working to stop the loss of productive farmland and to promote farming practices that lead to a healthy environment.

I am here today to speak for AFT's members and the majority of farmers who care about resource stewardship in support of Senator Harkin's "Conservation Security Act." When most people think about farmland protection, they think it is simply about protecting the land. It's not. It is also about protecting the community and protecting the farmer. This is why the Conservation Security Act is so important to farmers and ranchers, and agricultural communities, around the country who face increasing challenges from urban sprawl, increasing environmental standards and changing global and local food markets.

As Congress begins its discussion of the next farm bill, two key issues have arisen from AFT's many farm bill meetings around the country -- farmers and ranchers want to improve their conservation practices and the public expects them to do it. Unfortunately, the current menu of conservation programs do not come anywhere close to meeting the demand from farmers, ranchers or voters. I would like to enter into the record a letter to the Senate Budget Committee from over 30 organizations that highlights the number of farmers and ranchers seeking federal assistance to meet the nation's pressing environmental challenges but are turned away.

Helping farmers and ranchers maintain clean water and air, productive farmland and open space, wildlife habitat and safer, fresher food that is still affordable can and should become the basis for renewing the public's commitment to and support of agriculture. Looking at the backlog of farmers and ranchers waiting to participate in conservation programs, federal support needs to at least double in the next farm bill. The paper, "Losing Ground: America's Failure to Help Farmers Help the Environment," highlights the overwhelming need for additional funding. Although the demand for conservation programs has climbed significantly since the 1996 farm bill, funding for these programs has dropped from 30 percent of agriculture spending to barely 8 percent. How can we continue to turn away farmers and ranchers who want to do the right thing? And, I think the public has begun to ask is, "How can we spend $32 billion a year on farm payments and not address this overwhelming need?"

However, simply increasing funding for existing conservation programs will not do the job. These programs still miss a large sector of American agriculture that is producing the majority of agriculture product value in the U.S. and faces some of the most significant environmental challenges. I'm referring to those farmers and ranchers in "urban-influenced areas, " who face the same price and supply challenges as traditional commodity agriculture but also face the many problems brought by urban development, such as nuisance suits, trespass, transportation nightmares and escalating land values. In addition, the pressure on these producers to clean up the environment is greater than on anyone in more remote areas. These farmers receive little to no federal assistance and yet are the farmers and ranchers most of us living in urban areas (now 79 percent of the U.S. population) think of when "agriculture" is mentioned. I would argue that most voters care about protecting the agriculture, and all of its benefits, that is in their backyard or that supplies the fresh food found on their store shelves.

The Conservation Security Act is one big step towards creating a "safety-net" for these farmers and ranchers. Let me give you examples of just a few of the challenges facing farmers in my region and how the Conservation Security Act will help farmers meet them. My region – Tennessee, Kentucky, North Carolina, South Carolina and Georgia -- contains some of the most productive farmland in the country. These states produce almost ten percent of the total U.S. agricultural market value.

That productivity, however, is threatened by many urban challenges. The first, of course, is rapid growth. USA Today recently included four Southeast cities in the top five most sprawling metro areas. Our best farmland is being consumed by this tidal wave of sprawl. Recent USDA data shows that all of the states in my region are losing farmland 50 percent faster than they were ten years ago. How do we keep these lands in farms and not housing developments? Make it economically worthwhile to keep producing. That means paying farmers for not just the food and fiber they produce, but also the environmental goods and services they create. The Conservation Security Act would do that by compensating and not just sharing the cost, of implementing and maintaining conservation practices.

The second biggest threat agriculture in my region is the changing tobacco and market industry. Tobacco farmers in the Southeast are either getting out of farming altogether or transitioning to another crop. Either way, farmers lose income simply because nothing pays as well as tobacco. The Conservation Security Act would provide an income safety-net to help farmers through this transition and by promoting green practices could open new markets for their production.

Other than tobacco, the public probably identifies agriculture in the Southeast, especially North Carolina, with livestock production and the water quality issues it creates. Every farmer will tell you that tightening state and local environmental regulations are making it harder for them to stay in business. Unfortunately, right now they're being asked to reach those standards mostly on their own. Especially for small and medium farmers, this expectation is unrealistic. The Conservation Security Act would provide some relief by helping farmers take practical steps, such as nutrient management plans and buffer strips, to reduce their water quality impacts instead of the most expensive route of building manure storage structures. By doing so, the CSA would facilitate proactive responses from farmers that would prevent them from being dubbed "bad actors." Or worse, having farmers go out of business, contributing to further agricultural consolidation or urban sprawl.

The environmental improvements gained through CSA would build community support for local agriculture that will relieve many of the tensions between farmers and new residents that are popping up around the country. CSA would also bring more regional equity to farm programs simply because every farmer would be eligible. Right now, states in the Southeast receive only 5 cents in federal farm assistance for every dollar they produce compared to some states receiving more than 25 cents per dollar. We need to start focusing farm policy on those farmers and ranchers who produce the greatest environmental and economic benefit to the taxpayer. The CSA is a good start to finding that balance.

Senators, I will close by emphasizing the opportunity we have in the next farm bill to finally give private land conservation the attention is demands. With over 70 percent of land in the lower 48 states in private hands, how we treat our private lands will impact our water quality, food supply, wildlife habitat and open space for generations to come. By giving farmers and ranchers the tools and financial assistance to meet these environmental challenges, we can build the public support necessary to make sure the next generation of farmers do not have to ask if their children will want to carry on their farming legacy or afford it. The Conservation Security Act will take us in that direction.

Thank you.

Alliance for Agricultural Conservation

50 F St., NW, Suite 1075, Washington, DC 20002 (202) 879-0253

TESTIMONY OF DAVID STAWICK, PRESIDENT
ALLIANCE FOR AGRICULTURAL CONSERVATION
TO THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
MARCH 1, 2001

Mr. Chairman and Senator Harkin, thank you for the opportunity to testify today.

The Alliance for Agricultural Conservation is a new project of the agribusiness firms that have sponsored the National Conservation Buffer Council for the past three years. These partners are: Cargill, Incorporated; ConAgra, Inc.; Farmland Industries, Inc.; Monsanto Company; Pioneer Hi-Bred International, Inc.; and Syngenta Crop Protection, Inc. The Buffer Council is pleased to note that we have reached the one-million-mile mark on the way to the U.S. Department of Agriculture's goal of the establishment of two million miles of new conservation buffers on private agricultural lands by 2002.

The mission of the Alliance for Agricultural Conservation is quite simple: to advocate additional financial incentives for farmers and ranchers to apply conservation measures on and in association with working agricultural lands.

Our emphasis on conservation on working lands is not unique. For example, Mr. Chairman, it was your leadership that helped make the Environmental Quality Incentives Program (EQIP) a reality in the 1996 farm bill. EQIP was a major shift in principle and dedication of funds to promote conservation practices on land devoted to agricultural production. Senator Harkin has proposed taking this concept to a new level with his "Conservation Security Act." This legislation has helped put conservation issues front and center early on in the discussions for the next farm bill, and Senator Harkin is to be commended for that.

The farm bill debate provides all of us the opportunity to boldly increase our efforts to spur conservation on private lands with the same vigor President Theodore Roosevelt employed as he championed public land conservation a century ago. A Roosevelt biographer wrote that the President's conservation program was "great forward-looking statesmanship." That same vision and leadership is needed today for private lands conservation.

The environmental challenges that face America's farmers and ranchers are daunting. Foremost is water quality, from Total Maximum Daily Load regulations to hypoxia strategies at the national level, down through a matrix of steadily proliferating state and local initiatives. Confined livestock raise water quality and odor issues. Soil erosion continues to bedevil us. And agriculture is also looked to as an important source of wildlife habitat.

Society in general will benefit from the environmental improvements that will follow from increased adoption of the "Core 4" conservation practices -- conservation tillage, integrated pest management, nutrient management and conservation buffers. In light of these benefits (including cleaner water and air, with attendant monetary savings) and because many farmers and ranchers are not in a position to pass along the net costs of their conservation activities, it is reasonable that society assist landowners in defraying these costs. In a nutshell, this is the justification for the additional incentives we seek for agricultural producers.

The Alliance for Agricultural Conservation suggests four strategic issues that should be addressed in the conservation title of the next farm bill. These issues and related policy options follow.

Address shortages in incentives for conservation practices on working agricultural lands. As mentioned earlier, EQIP was a tremendous step forward, owing to the mandatory nature of its funding, its targeting to environmental priority areas and, of course, its aim at working lands. Although EQIP's $200 million authorization was a sizable annual investment, it falls far short of demand, which has in recent years been more than $600 million.

As you are aware, many colleagues in agricultural and conservation circles have developed estimates of what it will take to assist landowners in dealing with the widening circle of environmental challenges. The Soil and Water Conservation Society, on the basis of numerous stakeholder listening sessions over the past several months, has recommended an increase of at least $500 million in EQIP funding. A number of livestock organizations -- reporting from agriculture's water quality "front lines" -- are advocating at least an extra $2 billion per year in incentives for nutrient management. Looking at the panoply of expectations society is placing on agriculture, I would say these are conservative estimates.

In addition to more incentive funding, we would suggest two improvements to EQIP or whatever program might succeed or accompany it in the future. First, the priority area concept should be strengthened by an ongoing enrollment process for practices returning particularly high environmental benefits. This would be similar to the Conservation Reserve Program (CRP) continuous signup option for buffer practices, which has been much more farmer-friendly than the regular CRP's periodic national enrollments. Second, while selective targeting has been positive, it may now be appropriate to place some of the new funding in regions other than priority areas. This would promote the ethic of conservation on all working lands and widen the base of support within agriculture for conservation funding.

Leverage federal conservation funding through market-based initiatives. In many regions there may be strong but yet untapped economic justification for state or local governments, utilities or business entities to provide incentives to landowners who adopt

conservation practices. For example, a drinking water supplier facing the necessity (and cost, which will be passed along to rate-paying customers) of building new treatment facilities might find it much less expensive to instead go up into its source watershed and pay farmers and ranchers who voluntarily make additional reductions in pollutant discharges, therefore obviating the need for increased treatment.

This might be done by establishment of local "best management practice (BMP) funds," from which EQIP-style payments could be channeled to participating landowners. The premiere example of this concept is located in the source basin for New York City's municipal water supply, which has extensive dairy operations. Another approach might be through a system of pollutant "credit trading" in which large industrial point sources contract with individual farmers to voluntarily reduce their pollutant output in the same watershed. By purchasing such a "credit" from an agricultural landowner, the point source would be relieved of some of its discharge reduction requirements.

While the examples I have mentioned have focused on water quality, similar approaches could be used to promote carbon sequestration. Depending on the outcome of international negotiations on global climate change, carbon sequestration could be a nascent environmental opportunity for farmers and ranchers.

What role might the federal government play in these otherwise market-based strategies? The most effective might be to assist in the capitalization of BMP funds or credit trading scenarios. For example, in qualifying projects, the federal government might put in $1 for every $2 or $3 that a nonfederal entity or business contributed to a BMP fund or dedicated for buying pollutant credits. The federal money would have to be passed through to farmers.

BMP funds and credit trading are not a substitute for other incentive programs such as EQIP but they hold the potential for focusing intensely on problem areas. Intriguingly, they also change the reality of some conservation practices from net monetary expenses to new sources of value and income for rural landowners. Finally, considered from the perspective of the Congress, the "leveraging" effect of these market-based initiatives can dramatically multiply the benefits of federal investments in conservation.

Increase agricultural landowners' access to conservation technical assistance. In contrast to the burgeoning environmental challenges to farmers and ranchers, the ability of the federal government to provide necessary technical assistance to landowners has, in real terms, actually declined. Staffing levels for the U.S. Department of Agriculture's Natural Resources Conservation Service have fallen by about 2,100 positions in the past decade.

Ponder this daunting statistic concerning the development of comprehensive nutrient management plans (CNMPs) as proposed under the federal government's animal feeding operation strategy. NRCS has estimated that at current staffing levels, it would require

30 years to provide the technical advice necessary for all the landowners who might be required to have the CNMPs.

I want to be clear that AAC strongly supports the NRCS and the local conservation districts with which the agency partners to deliver technical aid. We also believe NRCS should receive more support from within USDA and we hope Secretary Veneman will make this a priority. But we also would suggest that current realities and likely future demands dictate a rethinking of NRCS's role in the delivery of conservation technical assistance.

One option to consider would be to focus NRCS field staff on the needs of landowners with limited resources (in practice, this is already the case in many areas). Simultaneously, the needs of larger, better capitalized landowners could be met by private sector entities such as crop advisors, engineers, agronomists and farm managers whose qualifications to make conservation recommendations are certified by NRCS. Again, this is not a radical notion; NRCS already has a third-party certification process.

What I am suggesting is not a proposal to reduce NRCS's budget or human resource levels. In fact, it is conceivable that increases in either or both could be justified under the scenario I outlined. But recent history strongly suggests that NRCS, as currently focused, will not receive the increases in funding necessary to provide the technical assistance that is needed in the countryside.

Examine a comprehensive national policy for working lands conservation. Our nation's natural resources are protected by a patchwork (some might say a "crazy quilt") of sometimes-overlapping laws and regulations authorized by several statutes under the jurisdiction of different congressional committees. While the environment is generally well served by this regime, it can produce exasperation for landowners and actually produce barriers to better environmental stewardship.

A classic example involves wetlands. They are protected by the "Swampbuster" program laid out in the1985 farm bill and administered by USDA, and by the multi-agency program authorized by Section 404 of the Clean Water Act. Not only do these initiatives overlap, they have different criteria. Then there are water quality programs. Federal-level legislation includes the Clean Water Act, the Safe Drinking Water Act and the Coastal Zone Management Act, which yield various federal and state regulations.

Meanwhile, our conservation incentive programs such as CRP and EQIP either implicitly or, in some cases, explicitly, are geared to help landowners meet the requirements of the laws and regulations I just mentioned. But there is no guarantee -- no "safe harbor," if you will -- that participation in one of these incentive programs will result in compliance with pertinent environmental requirements.

This is one of the situations we sometimes see in our society that we jokingly remark would prompt an intelligent life form from another planet so say, "Who thought this up?"

The answer, of course, is well-meaning members of Congress who serve on different committees. And well-meaning executive branch officials who work for different agencies.

Because of this disparate authority, you in the Agriculture Committee cannot bring order to this situation alone and you probably cannot do it in the next farm bill cycle. But you may want to consider taking a near-term step that can start down the road to streamlining. While it might be argued that we have enough government commissions, you might want to consider in the next farm bill authorizing some sort of panel that could identify legislative and regulatory overlaps, point out the congressional jurisdiction barriers to what might be called traditional harmonization strategies (joint or sequential referral of bills, conference committees with members from multiple authorizing committees, etc.), and suggest strategies for moving legislation that could bring landowners more regulatory certainty.

Another option might be to direct USDA and the agencies charged with carrying out the various environmental statutes to undertake a similar review and report to Congress. Such an approach might produce not only a legislative roadmap but also more immediate protocols between federal agencies (and, where appropriate, state regulators) that would provide more encouragement for landowners to undertake conservation activities.

I close with two final suggestions that impact on all the strategic issues I mentioned. First, delineate goals for what the conservation title of the next farm bill should accomplish through voluntary, incentive-based programs. Should we try and reduce agriculture nonpoint source pollution by 25%? Maybe 50%? What about soil erosion? What percentage of our lands should meet the soil loss tolerance? How should we harmonize confined livestock production with expanding urban boundaries? What support is appropriate for landowners currently implementing conservation measures? Answers to these questions will lead you to more rational decisions on how much should be spent on incentive programs -- and increase the likelihood of receiving the political support necessary to secure new funding.

Second, make environmental performance your guiding beacon in this process. As you debate conservation incentive programs and the next generation of commodity programs, there may be proposals from some circles to effectively combine the two into some sort of "green payment" scenario. The environmental hook could be to pay farmers for what they're already doing, which is not necessarily a bad idea. But the end result could be to get little new conservation on the ground. Such a gambit might be a clever way of justifying government payments to farmers but it would ultimately be cruel to landowners staring down the gunbarrel of environmental regulation and hollow for urban dwellers who also stand to benefit from conservation on working agricultural lands.

TESTIMONY OF PAUL FAETH, DIRECTOR OF THE ECONOMICS PROGRAM AT THE WORLD RESOURCES INSTITUTE BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

MARCH 1, 2001

Mr. Lugar, members of the committee, let me express my thanks for the opportunity to testify before the committee. By way of introduction, let me tell you a bit about the World Resources Institute. We are a private, non-profit, non-partisan, environmental think tank. We try to go beyond research to create practical ways to protect the Earth and improve people's lives. In the area of agricultural conservation, we have done more than a decade's worth of policy work. Our goal is to identify and implement policies to protect the environment in ways that maintain or improve farm income.

Much of our recent work has focussed on the development of markets for environmental services that can be cost-effectively provided by farmers. The two most likely opportunities in the near-term include markets for reductions in nutrient runoff and greenhouse gas emissions.

Water quality is consistently rated by the public as the number one environmental issue. EPA has identified nutrients as the biggest cause of water quality problems, with as many as 3,400 waterways impaired by nutrients. In addition, nutrient over enrichment also leads to hypoxic zones, areas where oxygen in the water is too low to support life. The largest of these is the "dead zone" in the Gulf of Mexico, an area the size of New Jersey. As directed by Congress, EPA recently released a Task Force Report that calls for reduction in the size of the dead zone through voluntary actions by nonpoint sources and existing regulatory control of point sources in the Mississippi Basin.

The cost of meeting clean water goals could be quite high with the traditional approaches of command-and-control coupled with untargeted subsidies, but a cap and trade system could cut the costs dramatically. Under the Clean Water Act, impaired waterways will eventually face some sort of limit on loads. Point sources like municipal sewage plants and industrial treatment works will have new obligations to cut nutrient loads. This is handled through the TMDL (Total Maximum Daily Load) process that sets a maximum load and allocates it among the dischargers in the watershed. With that process, you're halfway to a cap and trade system. The only element missing to create markets to trade surplus nutrient reductions, perhaps through investments in agricultural BMPs, is clear federal guidance to do so, which doesn't now exist.

We worked with state agencies in Minnesota, Michigan, and Wisconsin to explore the costs and benefits market-based mechanisms to support nutrient load reductions, such as those required under a TMDL. We found that compared to traditional command and control regulations on municipal and industrial dischargers, nutrient trading could cut the cost of meeting environmental goals by 62 to 88 percent. The simple idea here is that

point sources could pay farmers to install cost-effective BMPs for nutrient management and take credit for the reductions under their water quality permits.

We are currently developing and testing a website called NutrientNet[1], to create nutrient trading markets and provide farmers with the tools to participate. The website is being tested and implemented on a pilot basis in partnership with state agencies in Michigan, Idaho and the Chesapeake Bay Watershed.

One of the fascinating elements of nutrient trading, specifically for nitrogen, is that it can also help meet the climate challenge. The largest source of greenhouse gases from agriculture is nitrous oxide, largely but not solely from excess fertilizer use. There is a very tight synergy between water quality management and climate protection for this reason, as well as another opportunity for the creation of an environmental market. For comparisons sake, a ten percent reduction in nitrous oxide emissions from agriculture would be about equal to all the carbon stored annually in the CRP.

If the U.S. someday decides to constrain its greenhouse gas emissions and uses a cap and trade system to do that, then farmers could generate credits to sell in such a market through a variety of BMPs that not only have climate benefits but also reduce nutrient loads, protect the soil, and provide wildlife protection.

So how does all this connect to the farm bill? The key, I think, is to help farmers get ready to participate in environmental markets and make the conservation programs behave more like markets. To that end I have a few suggestions:

- **First**, I think it's important to provide incentives to encourage farmers to provide more environmental services to society. Not only could this help farmers address their own environmental issues but also help them to create environmental benefits for the rest of the economy. In the context of the farm bill I think this means increasing the funding available for existing programs like EQIP and WRP, and new programs such as the Conservation Security Act. This would be a good first step. A number of conservation organizations are putting forward a plan for spending increases which I think is generally in the right direction.

- **Second**, there's no substitute for doing the research. Markets depend on the ability to be sure about what one is buying, which means we need to be able to measure environmental services, verify, and monitor. These are hard to do now but methods can be developed with the right research.

- **Third**, conservation subsidies, to the extent possible should be based upon performance. The Environmental Benefits Index used in the Conservation Reserve Program is one example of this sort, but there is much more scope

[1] A functional prototype can be visited at www.nutrientnet.org.

under the EQIP, WRP and other programs. It would be fiscally responsible to get the biggest bang out of taxpayer investment by providing funds first to those who can deliver the most benefits. The argument against this notion has been that it's too hard to do. However, now by coupling new Internet technology with maps and models, very sophisticated yet user-friendly tools can be developed. We've done this with our NutrientNet website. It seems to me that if a couple of people at a nonprofit on a tight budget can do it, then the USDA should also be able to do it as well.

- **Going one step farther**, I would even recommend that the next farm bill include pilot programs that are fully market-based. Why not allocate money for a pilot nutrient trading or greenhouse gas trading program. The government could act as the buyer in what would essentially be an auction-type program. Farmers would use the Internet to estimate how much it would cost them to generate a nutrient or greenhouse gas "credit", then post offers on the net to sell the credits. The USDA would buy the lowest priced credits offered until program funds were expended and then retire those credits. Such a program would help discover how to make these markets work and "prime the pump" so to speak, so that when the time comes farmers will be ready to take full advantage of these markets.

Finally, I wouldn't be a member of the think tank community in good standing if I didn't talk about strategy. The farm bill is obviously of central importance to farmers and the environmental community when it comes to conservation. Yet, there are a number of opportunities to address many of the most serious issues in a synergistic way.

A number of the members of this committee are also on the Foreign Relations, Energy, or Environment and Public Works Committees. When one looks broadly at the farm bill, the Clean Water Act, the Hypoxia Action Plan, and the Kyoto Protocol, with the right lens you see multiple opportunities with a great deal of synergy to address water quality, soil productivity, species protection and climate change. Sometimes the same set of practices will deliver these multiple benefits. Not only that, but you see opportunities to use the incredible power of markets to help solve tough problems in a cost-effective way. And last but certainly not least, you see ways to put a few extra bucks into farmers' pockets.

These sorts of markets won't solve the economic crisis that farmers are facing now, but they could help. Without a broader strategy though, I'm afraid these opportunities will be lost.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 1, 2001

ZELL MILLER
GEORGIA

United States Senate

WASHINGTON, DC 20510-1006

Senator Zell Miller
Opening Statement - Conservation Hearing 3-1-01 Ag. Committee
Mr. Chairman

I would like to thank the individuals testifying today and for allowing us to hear their views on the important issue of conservation.

I would like stress the need for this committee to work together in the coming year and develop sound incentive base programs that allow American producers the flexibility to choose the best option for their land. Conservation policies must give both farmers and conservation specialists the tools and incentives to adequately implement and maintain effective programs. Most of America's agricultural producers have farmed their land for generations. No one knows the land better and cares more for its continued health than that farmer. I have heard from many of the producers in my state about the issue of conservation and they are willing to do their part in ensuring America's agricultural future. In Georgia I have seen the success of programs such as CRP, but continued support and improvement in this type of program is needed. Producers want less complex programs that allow flexibility to decide which programs best fit their farming operation. When we develop conservation policies in the coming farm bill, we must not loose sight of the fact that American farmers are the true stewards of the land. We must also understanding that good conservation practices do not only benefit that one farm, but creates a sound environment for an entire community and improves local economies as well. I look forward to the testimony today and working with my colleagues in the coming months in developing effective conservation policies.

Thank you Mr. Chairman

Zell Miller

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The Land Stewardship Letter

Keeping the Land and People Together

Vol. 17, No. 4 www.landstewardshipproject.org SEPT/OCT 1999

The 3 F's: Farming, Fertilizing & Fishing

The growing zone of oxygen-deprived water in the Gulf of Mexico is sending experts in search of answers. Maybe their first stop should be Dan Specht's farm.

By Brian DeVore

Donald Lirette lives in Louisiana's Terrabonne Parish, which is to Gulf of Mexico fishing what Pennsylvania's Lancaster County is to farming — roughly half the state's commercial anglers reside in the parish. His part of the bayou alone is home to nine fish processing plants. So it's no surprise that Lirette, who is the president of the Terrabonne Fishermen's Organization, has long been involved in local efforts to protect the Gulf's commercial and recreational fisheries. But several years ago it became clear that conserving such a resource was going to take more than making sure passing ships weren't dumping their waste on spawning grounds. It was the early 1980s and Lirette was fishing for shrimp, using "try nets" to determine if it was worth dropping bigger nets.

"As soon as that try net would hit the deck, it would smell decomposed," the Cajun recalls. "Even the hermit crabs were dead, and nothing kills hermit crabs. I just kept traveling and traveling and then I realized this wasn't local."

In fact, it was the harbinger of a problem that has linked one of the most productive agricultural regions in the world with one of its most vital fisheries. Within a few short years, the "hypoxic" (low oxygen) zone forming in Lirette's backyard has become one of the biggest environmental issues of the decade. And the cause, according to a growing community of scientists, is excessive fertilizer and manure runoff from Midwestern farms. How society deals with this problem may have a significant impact not only on the future of the Gulf, but the future of sustainable, family-farmer based agriculture in the Upper Midwest. The Gulf hypoxia issue has become the ultimate example of how what is done on a farm in Minnesota or Iowa has an impact downstream, way downstream.

"This is a problem that is enormous in scale," says William Mitsch, a professor of natural resources at Ohio State University. "We are asking for solutions from the Upper Midwest for the Gulf."

And it starts with individual farmers like Dan Specht.

Iowa farmers Jeff Klinge (*left*) and Dan Specht head out for an evening of fishing on the Mississippi River. The Iowa farmers are trying to keep nitrogen and other nutrients on their farms and out of the river (*LSP photo*).

Upstream-downstream

More than 1,000 miles upstream from Lirette's bayou, Specht finishes up hog and cattle chores, hops in his pickup truck and winds his way down to the Mississippi River, just a few minutes drive away. This particular summer evening, he has fishing gear in the back, northeast Iowa soil under his fingernails, and nutrient runoff on the mind. That's not unusual. It's difficult for the farmer to separate his various passions

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— even if they seem to conflict.

"I'm trying to be more efficient in my nutrient cycling," says the soft-spoken Specht as he guides the pickup in a 500 foot drop in elevation past corn, soybeans, alfalfa and pastures before hitting the heavily timbered river bottom. "The thing is that corn and beans is not a very complex rotation. It's a real leaky system. It's annual, warm season row crops, and it's the middle of June before the roots start picking much up. Before you know it, your drainage tile lines are running full of nutrients the whole months of April, May and June."

That's a succinct description of the beginnings of the Gulf's ecological problems. Those nutrient-rich tile lines eventually drain into creeks and ditches, which then dump their loads into larger waterways, which empty into the Mississippi, the 10th largest river in the world. Eventually, this river rolls into the Gulf, carrying with it the waste from an agricultural system that generates 52 percent of all U.S. farm receipts — $98 billion annually.

Key research reports released this spring and summer paint a damning picture of Midwestern agriculture's contribution to the largest marine hypoxic zone in the Western Hemisphere. Analyses done by a federally mandated Nutrient Task Force, as well as the Council for Agricultural Science and Technology (*see page 16*), have concluded that excessive nutrients are the cause of the Gulf's woes. Nitrogen, which is ubiquitous in Midwestern farm country, is particularly guilty, say scientists. In fact, nutrients to some extent are responsible for making the Gulf such a rich fishery. But when too much of a good thing hits that salty water, it sets off a fish-killing chain reaction. A super-growth of phytoplankton results, which in turn causes over-production of bacteria. All of this eats up oxygen at an extraordinary rate, particularly close to the bottom. That produces a zone so low in oxygen that the fish flee — or die.

Although not technically a "dead zone," as it's been portrayed in news reports, the region is low enough in oxygen to qualify for the intensive care unit. Lirette says this affects the fishing business in two ways. First it requires shrimpers and others to travel further and further to fill their nets. But perhaps even more importantly, the hypoxic zone serves as a biological force field that blocks fish from traveling between spawning grounds and other parts of the Gulf. Even though it represents only about 1 percent of the Gulf's total area, this necklace of sick water (it's almost 300 miles wide) is in a strategic location when it comes to the region's ecological health. It now stretches from the mouth of the Mississippi past where the Atchafalaya River enters the Gulf. Between those two waterways is one of the richest aquatic systems in the world.

By the early 1980s, shrimp catches were dropping dramatically in areas where bottom waters were hypoxic. In the hardest hit areas, a boat hauling a 40-foot net for six hours might not catch a single shrimp, according to marine biologists. Shrimpers can often fill out their quotas by going to the edge of the zone, where escaping aquatic life is heavily concentrated, but people like Lirette worry about the long-term future of the Gulf's sport and commercial fisheries, which together produce $2.8 billion in economic activity annually. Fisheries in areas like the Black Sea and France's Sommons Bay have been devastated as a result of hypoxia.

The Gulf's hypoxic zone appears to be growing. Between 1985 and 1992 it averaged about 3,000 to 4,000 square miles. There's little doubt the zone fluctuates with the amount of fresh water flowing into the Gulf from up north. It disappeared late in the summer of 1988, which was a time of severe drought in the Midwest. And after the catastrophic flood of 1993, the size of the hypoxic area doubled to 7,000 square miles, making it twice the size of Chesapeake Bay. Then the zone shrunk to pre-flood levels, leading some to believe that it was a temporary phenomenon influenced solely by the amount of fresh water making its way into the Gulf.

But the relief was temporary. In late July it was announced by scientists that the oxygen-short zone for 1999 was the largest on record. At 7,728 square miles, it's now almost one-quarter the size of Lake Superior. To have the zone grow at a time when precipitation levels were not extremely high is baffling to scientists.

Organizations such as the Fertilizer Institute, American Farm Bureau Federation and the National Corn Growers Association dispute there is a strong connection between Midwestern ag nutrients and dead fish in the Gulf. But the scientific evidence, some of which is based on research emerging from hypoxic zones in other parts of the world, is becoming increasingly hard to dismiss.

Between 1955 and 1996, nitrogen concentrations in the lower Mississippi River tripled. About half of that nitrogen is from commercial fertilizer and 30 percent is from livestock manure. And most of it is coming from the Corn Belt: Iowa, Illinois, Indiana, Ohio and southern Minnesota. In fact, the upper Mississippi basin (above the Missouri River) comprises about 15 percent of the drainage area of the Mississippi basin but contributes more than 50 percent of the nitrogen discharged to the Gulf, according to the U.S. Geological Survey.

But groups like the Fertilizer Institute have a point when they argue that nitrogen fertilizer use in the U.S. has actually leveled off during the past few years, and most individual farmers are using less. So why is the hypoxic zone growing? Part of the reason is that Midwestern fields are so saturated with nitrogen, and so much water is running off them, thanks to artificial drainage, that it could take several years to see positive effects down in the Gulf, says Dennis Kenney, director of the Leopold Center for Sustainable Agriculture. Studies have shown that high levels of nitrogen can show up in tile lines even if it's been years since fertilizer was added to the land they drain.

In a six-year study of southwest Minnesota tile drainage systems, soil scientist Gyles Randall found that nitrate-nitrogen losses from continuous corn and corn-soybean systems were about 37 times and 35 times higher, respectively, than from land planted to perennial hay crops or in perennial grass systems. The study period took place when precipitation levels ranged from 36 percent below normal to 66 percent above normal.

Between 1970 and 1992, researchers with the Michael Fields Institute measured nitrogen levels in water draining from crop fields in Illinois. Changing a field from a rotation of corn, oats and hay to corn-soybeans and increasing the rate of nitrogen fertilizer by about 18 percent almost doubled the nitrogen concentration in the drainage water.

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Keeping it covered

Specht, who's been farming near the Iowa community of McGregor for almost 30 years, is willing to shoulder some of the blame for gasping fish in the Gulf. Whether the main hypoxia-causing culprit is too many nutrients, too much water flow or some combination of the two, he believes the key is for farmers like him to keep their runoff to a minimum. That's a challenge on the more than 500 acres of steep land that produces crops and livestock for Specht. Local squirrel hunters joke about hiking to the top of backbone-like ridges and pointing their .22 rifles down at the trees, rather than up, and that's not much of an exaggeration.

Specht produces beef on his steepest ground using management intensive grazing. This system, which consists of moving livestock in concert with the rate of the growth of the grass, has proven to be an effective method for making soil- and water-holding perennial plant systems pay on a farm. It also allows nutrients in the form of manure to be spread evenly across the landscape at a rate the plant system can make use of. This means he doesn't have to raise corn and soybeans on his most erosive acres.

Dan Specht has seen both ends of the Mississippi: "It's vast, but it's fragile." (*LSP photo*).

On the rest of the land he farms, Specht uses a sophisticated mix of rotations and cover crops. One method the farmer uses is to sow oats in early spring. Later, after the field is covered with growing oat plants, he disks them up and plants corn. Specht is also excited about a recent experiment where he seeded soybeans and rye together using a fertilizer spreader. The rye helps suppress weeds while covering the soil.

The result of all this effort? A soil surface protected by green vegetation throughout much of the growing season, rather than just a few months in the summer. These plants soak up nitrogen as they grow and create a soil structure that stymies runoff.

Such a system can be labor-intensive, but it hasn't hurt Specht's production. He recently won a local yield contest with a stand of organic soybeans that produced more than 77 bushels per acre, bettering his county's average by 30 bushels.

Livestock plays a major role in managing nutrients on Specht's farm. It's difficult to justify the production of small grains like oats and forages like alfalfa, let alone pasture grasses, if there are not hogs or cattle to add value to these commodities.

Before doing his chores, Specht placed on his kitchen table a graph showing that before 1958, Iowa had about the same amount of row crops (corn and soybeans) and non-row crops (small grains and hay). After that, the two trend lines part company in dramatic fashion. Non-row crops are now down to levels not seen since 1860. Meanwhile, row crop plantings have skyrocketed, mostly in the form of soybeans. In addition, pasture acres are now below what they were in 1900. This trend has tracked in other Midwestern states. If one were to lay this chart over a graph showing how much nitrogen enters the Gulf every year, the parallel rising lines would be hard to dismiss as mere coincidence: as more corn and beans were planted and more pasture, hay and small grains went by the wayside, nitrogen levels in the water went up. Corn is a nitrogen-hungry plant. Soybeans fix their own nitrogen, but present the problem of only covering the soil for a short time during the growing season. In addition, specialized mega-livestock operations with liquid manure lagoons often inject their waste into field soil during the fall, after crops are harvested and there's no biological activity available to use up the nutrients.

Specht is right: The dominant system of Midwestern agriculture leaks nitrogen like a bucket full of bullet holes.

"The system of agriculture where you've got these livestock operations eating the crops they grow on the farm is way more efficient at recycling those nutrients, especially if you can use forages and small grains as part of your rotation," says Specht, who has done on-farm nutrient management research with the Practical Farmers of Iowa. "You're going to be keeping your nutrients where they belong."

The farmer's latest project is a low-cost "hoop house" for raising hogs. This allows him to use bedding from corn stalks and straw from small grains to captured nutrients in the form of manure.

"I'm always working on my nutrient cycle," says Specht.

Why this desire to zealously control nutrient movement? Part of Specht's concern about what runs off his fields is based on a big picture view of the effect he is having on downstream neighbors. That was reinforced a few years ago when, as a guest of the Mississippi Riverwise Partnership (*see page 14*), he visited the Gulf and met with commercial fishermen and women.

"It's really fragile. It's vast, but it's fragile," he says of the area where the Mississippi meets the Gulf.

But as Specht pulls into a boat landing below McGregor and meets up with frequent fishing partner and fellow farmer Jeff Klinge, it becomes clear he is concerned about the local effects of his farming methods as well. While Klinge guides a small aluminum boat out through the backwaters, the two farmers point out the natural beauty of the area and talk passionately about fishing. A bald eagle coasts overhead while a great blue heron stands on a point as still as a lawn ornament. Tent caterpillar webs droop from trees along the water's edge, just a few yards from where a Burlington Northern freight train is rattling the bank. Massive barges ply their way up and down the main channel as the farmers begin trolling for walleye. This area is vast and fragile too.

And rural residents in this region have been even more aware of where ag nutrients end up since the 1980s, when a vast research project called Big Spring was started here. Well water in the area is contaminated with nitrogen, posing a public health threat, particularly to babies. Much of the blame for that contamination can be placed on a Swiss

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cheese-like limestone geological system called "karst," which underlies much of northeast Iowa's topsoil. It allows water, and anything that's along for the ride, to easily flow through. Big Spring is tracking the source of the nitrogen that's making its way from the surface into underground water supplies. The ongoing research has shown that agriculture is the main culprit. But it is also showing that techniques such as tillage that disturbs the soil as little as possible, management intensive grazing and diverse rotations that consist of small grains and forages can significantly reduce nutrient runoff.

Good deeds punished

As night closes in and the two fishing farmers head back to the landing, they begin discussing a subject they obviously feel passionately about: how to stay economically viable while taking care of the land. Both Specht and Klinge raise certified organic crops and beef. This has forced them to mind their nutrient cycle — how much nitrogen, phosphorous, etc., they bring onto the farm, and how much eventually leaves it — even more. They can't rely on chemically-based fertilizer to fill out those ears of corn. This means keeping that ground covered and making efficient use of all the nutrients on the farm — manure from livestock and green manure from plants.

"Organic farmers are forced to mind their nutrient cycle whether they realize it or not," says Klinge.

The price premiums they receive for their organic crops and livestock help the bank account a little, but that market is still on wobbly legs.

And while the government pours millions of dollars into investigating the causes and solutions for hypoxia, farmers like Specht and Klinge are punished financially for cutting the amount of nitrogen they send down the river.

In fact, despite a lot of rhetoric about using the so-called "Freedom to Farm" law to end a 60-year-old system that rewards farmers for raising corn on the same fields year after year, recent government action has supported the status quo. In response to disastrously low commodity prices, the U.S. Department of Agriculture has been providing loan deficiency payments to farmers who raise row crops. If you have pasture land, forage crops, etc., you're out of luck.

Will a catastrophe-in-the-making like hypoxia finally prompt the scientific and political communities to seriously reexamine our support of farming systems that are addicted to leaking nitrogen? The hypoxia report released by the federal Nutrient Task Force does make a passing reference to the role diversified farming can play in reducing nutrient loading: "Significant reductions in losses can be achieved by...changing from row to perennial cropping systems; planting a cover crop during fall and winter; switching from conventional to reduced tillage... ."

Down on the bayou, Lirette isn't waiting passively for Midwestern agriculture to find the right cork for its leaky nutrient cycle. His home state has certainly played a role in trashing aquatic systems that are key to the survival of species such as shrimp and blue crabs. Lirette and others are working hard to reclaim sick estuaries, and they've made some progress. But the veteran waterman has lived on the delta long enough to know that upstream problems can quickly wipe out downstream solutions.

"I've been to Iowa and Minnesota; all I ever saw was cornfields and hogs, and I *know* all those things have runoff," he says. "But we're guilty too. This is a good exercise in trying to get people to work together." ❑

Hypoxia: What now?

The United States Congress is scheduled to take up the Gulf hypoxia issue early in 2000. The scientific basis for any decision federal lawmakers make to control hypoxia is the work the Mississippi River/Gulf of Mexico Watershed Nutrient Task Force has been doing the past few years. Formed in 1997 by the Environmental Protection Agency, the Task Force commissioned the White House Office of Science and Technology Policy to conduct an assessment of the causes and consequences of Gulf hypoxia.

The result is *Hypoxia in the Gulf of Mexico*, an umbrella title representing six interrelated reports that were released earlier this year.

When Congress starts discussing the hypoxia issue next year, contact your representatives and tell them to consider the role sustainable agriculture techniques like management intensive grazing and diverse crop rotations can play in reducing nutrient runoff.

For more information on the latest hypoxia-related research, check out these resources:

- ***Hypoxia in the Gulf of Mexico***, National Oceanic and Atmospheric Administration, 301-713-3074; <http://www.nos.noaa.gov/>
- ***Gulf of Mexico Hypoxia: Land and Sea Interactions***, Council for Agricultural Science and Technology; 515-292-4512; <www.cast-science.org>

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Native Californian with three degrees in wildlife biology and management. More than 35 years experience with state and federal wildlife management in North America.

During 22 years with the U.S. Fish and Wildlife Service, he published scientific papers on a variety of wildlife topics; many on harvest management of migratory birds. Worked in Canada, Spain, and the Soviet Union. He served on the team negotiating the North American Waterfowl Management Plan and helped initiate Partners in Flight.

While in the Service, he supervised the Cooperative Research Units and Division of Wildlife Research from 1969 through 1984. From 1984 to 1989 he was Chief of the Office of Migratory Bird Management. From 1989 to March 31, 1991, he was Deputy Assistant Director-Refuges and Wildlife.

Became president of the Wildlife Management Institute in 1991. Has been extensively involved in implementation of the North American Waterfowl Management Plan. Served on National Research Council committees on the National Biological Service, and Science and the Endangered Species Act. Assisted in negotiating amendments to the Migratory Bird Treaty with Canada, and implementation of Adaptive Harvest Management for setting waterfowl seasons. He is on the Steering Committee for the Teaming With Wildlife Funding Initiative. Recent work includes leading the Cooperative Alliance For Refuge Enhancement (CARE) which is working to restore refuge management capability, and development of the North American Bird Conservation Initiative (NABCI).

Dr. Sparrowe received the Meritorious Service Award from the Department of Interior in 1991. He was President of The Wildlife Society for 1995-96, and he is a Certified Wildlife Biologist.

He is an avid hunter and fisherman, and has been Game Manager of the Island Creek Gun Club for 20 years.

March 10, 2000

STATEMENT OF THE INTERNATIONAL ASSOCIATION OF FISH AND WILDLIFE AGENCIES TO THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY REGARDING FARM BILL CONSERVATION PROGRAMS

By

R. Max Peterson
Executive Vice-President
International Association of Fish and Wildlife Agencies

March 1, 2001

The International Association of Fish and Wildlife Agencies appreciates this opportunity to present to the Committee our perspectives on the current and future role of Farm Bill conservation programs. The Association believes that agricultural conservation programs established under the 1985, 1990 and 1996 Farm Bills, have been some of the most important, significant and successful fish and wildlife conservation endeavors in the last 30 years with significant, tangible on-the-ground benefits. As you also know, the benefits to soil conservation, and water quality have also been tremendous. The Economic Research Service, in their recent publication *Agri-Environmental Policy at the Crossroads: Guideposts on a Changing Landscape,* identifies the important role conservation programs have played in reducing erosion and in making agriculture the single largest source of U.S. wetland restoration. The Farm Bill has proven to be an effective mechanism for delivering both financial benefits to landowners and public benefits in the form of affordable food, and conservation of fish, wildlife, and soil and water resources. As a result, conservation programs continue to enjoy broad bipartisan support. The Association commends the Committee for initiating its Farm Bill hearings with testimony on conservation programs and we hope that the priority given conservation by the Committee is recognized throughout the debate on reauthorization of the Farm Bill.

The International Association of Fish and Wildlife Agencies was founded in 1902 as a quasi-governmental organization of public agencies charged with the protection and management of North America's fish and wildlife resources. The Association's governmental members include the fish and wildlife agencies of the states, provinces, and federal governments of the U.S., Canada, and Mexico. All 50 states are members. The Association is a key organization in promoting sound resource management and strengthening federal, state, and private cooperation in protecting and managing fish and wildlife and their habitats in the public interest.

As you are aware, the State fish and wildlife agencies have broad statutory authority and responsibility for the conservation of fish and wildlife resources within their borders. The states are thus legal trustees of these public resources

with a responsibility to ensure their vitality and sustainability for present and future citizens of their States. State authority for fish and resident wildlife remains the comprehensive backdrop applicable in the absence of specific, overriding Federal law. The State fish and wildlife agencies thus have concurrent jurisdiction with the federal agencies for migratory birds, threatened and endangered species and anadromous fish. Because of our responsibility for and vital interest in the conservation of fish and wildlife resources, we have significant vested concerns in agricultural conservation programs.

The conservation and sustainability of fish and wildlife resources depends on the availability and quality of their habitat, much of which is found on agricultural lands. The State fish and wildlife agencies recognize, appreciate and respect the fact that over 70% of the land (i.e., habitat) in the United States is owned by private landowners. We also know that most private landowners want to be good stewards of their property and many embrace conservation as a prominent goal for their land management objectives. We believe that the State fish and wildlife agencies have generally enjoyed very good relationships with agricultural landowners, and the majority of those landowners are willing to work with the agencies to include fish and wildlife with their land management objectives.

The Association believes that the key to unlocking the full potential of Farm Bill conservation programs is to focus on voluntary, incentive-based programs that provide:

1. Funding sufficient to address landowner demand for program enrollment and technical assistance;
2. Flexibility in program implementation to address regional and local differences in how program objectives can best be achieved; and
3. Income support for conservation practices on a wider array of farms, ranches and forests in all parts of the country.

Another important aspect to the success of current and future programs will be to insure that they are integrated into a comprehensive national agricultural policy to prevent different incentive-based programs from working at cross purposes and to address the public's expectations regarding the level of conservation benefits derived from tax dollars expended. To that end, the Association respectfully offers the following recommendations:

Conservation Reserve Program (CRP) - The Association believes that no other conservation program has provided the quantity and quality of environmental benefits on agricultural lands as the popular CRP. In addition, this program has contributed to stability in the agricultural economy. We believe a CRP with an enhanced enrollment of 45 million acres can and will do more to achieve the objectives of long-term stability to the agricultural economy and long-term benefits for fish, wildlife, soil and water conservation. This program provides significant wildlife resource benefits. Bird species such as pheasants, ducks and

grassland songbirds have been major beneficiaries. Pheasant populations have more than doubled in several states due to CRP. It is estimated that in one year alone (1994) three million additional ducks were produced in the Dakotas and Montana because of CRP. CRP helps address the decline in grassland bird species, which are 21 times more abundant on CRP fields and 32 times more likely to hatch than on adjacent farmland. CRP has been and can be a proactive conservation strategy for addressing the needs of declining species before they reach a point when listing under the Endangered Species Act is necessary.

The value added from CRP lands to local economies from hunting, fishing and wildlife viewing opportunities is also significant. The Economic Research Service estimates the value of CRP's improvements to wildlife viewing and pheasant hunting at $704 million per year.

The key to improving the CRP program is to avoid the one size fits all approach. By providing the flexibility to manage CRP lands according to specific regional needs identified by resource professionals working on the ground with landowners and coordinating their efforts through State Technical Committees, additional conservation benefits can be realized for all resources.

Flexibility in CRP has been enhanced with the **Conservation Reserve Enhancement Program (CREP)**. CREP is a results-oriented, state-federal conservation partnership program that allows for the flexible design of conservation practices and financial incentives that address specific environmental issues. Currently 15 states have CREP agreements. The opportunity for states to enter into CREP agreements should be reauthorized in the 2002 Farm Bill, and the process for a state to participate in a CREP should be streamlined.

Continuous CRP Sign-up - The Buffer Initiative - This program has the potential to provide significantly more water quality, erosion control and fish and wildlife benefits if some changes are made. In order to increase the interest and success of this program, action needs to be taken in the following areas:

1. Increase agency promotion at the state and local level.
2. Streamline, simplify and reduce program rules.
3. Increase agency staff to address landowner interest and aid in program outreach and education.
4. Provide an up-front rental payment structure.

Addressing these problems while providing for a significant up-front rental payment would increase participation, boost farm income/cash flow, and provide a concurrent environmental enhancement.

Short-term Soil Restoration Program - A soil restoration program of short duration (3-5 years) can enhance soil and water quality, improve aquatic and terrestrial wildlife habitat, conserve energy and bolster commodity prices. It is imperative that this new program be constructed outside of CRP goals and dollar constraints so as not to imperil the CRP, the nation's greatest soil, water, and fish and wildlife enhancement program. Appropriate cover establishment goals should insure all of these benefits.

Wetland Reserve Program (WRP) - Never before have so many producers voluntarily stepped forward to protect, enhance and preserve the nations wetlands under appropriate public compensation for their efforts. With a 5:1 ratio of applications to approved projects, literally thousands of acres/offers are now on the table to enroll additional wetlands into WRP. Short-term impediments include available funding and personnel while the long-term impediment is the 1,075,000 acre enrollment cap. We believe that it is simply good business to increase the enrollment cap annually by 250,000 acres and appropriate the necessary funds for enrollment. Producers could enroll and thus insure themselves against the increased risk of farming those economically marginal acres, add immediately to their cash flow, and improve fish and wildlife habitat.

Wildlife Habitat Incentive Program (WHIP) - The originally authorized $50 million for WHIP was literally snatched up by anxious and willing farmers with little public announcement of the availability of funds. In many cases more than half of the offers were left on the table and thousands of farmers were turned away for a lack of funds. Implementation of WHIP provides enhanced fish and wildlife value, improved recreational opportunities and marketable outdoor experiences. This is a significant program on non-farmed lands and is of signal importance in the northeastern US because of demographics, cropping history, farm size and a host of other variables that render other authorized Farm Bill programs less applicable. This program has resulted in many partnerships between NRCS and non-federal organizations, resulting in tremendous leveraging of non-federal dollars. The Association recommends that $100 million annually be authorized for WHIP.

Environmental Quality Incentives Program (EQIP) – This is another program in which the demand exceeds the supply of funds. The Association believes funding should be increased to $300 million per year and program benefits should be expanded beyond priority areas. In addition, wildlife habitat needs should be identified as co-equal with soil and water resources and fully integrated into program delivery.

Forest Stewardship – Provide $50 million per year for each of three programs: the Forest Stewardship Program, Stewardship Incentives Program and Forest Incentives Program. All plans should be reviewed and approved by a wildlife biologist and a forester.

Technical Assistance - With the introduction of new conservation programs and the elevation of wildlife to co-equal status with soil erosion and water quality as a resource to be addressed in implementation of CRP, the challenge has been to bring all the potential resource benefits to fruition on the ground. This requires adequate technical assistance by resource professionals. It is imprudent and unrealistic to expect FSA and NRCS to deliver existing, invigorated or enlarged programs in the face of continuing declines in personnel. Work analysis studies within USDA have substantiated what staffing levels would be needed to fulfill these program objectives. These studies should be used as a road map on the way to staff recovery.

Increasingly, state fish and wildlife agencies are contributing staff time to help NRCS field offices service landowner participation in conservation programs including CRP, WHIP, WRP and EQIP. For example, the Missouri Department of Conservation, in cooperation with NRCS, is providing 50 staff members that help deliver fish, forest and wildlife technical assistance to private landowners. To address current and future technical assistance needs and to make the most of every conservation dollar for all resources, the Association encourages sharing technical assistance funds with state agency partners. Funding for monitoring and assessment of conservation programs also needs to be included in allocations for these programs.

Comprehensive Approach to Agriculture Programs – Fully integrating soil, water and fish and wildlife resource needs into USDA programs will be a major challenge in the reauthorization process. The public is expecting more than a continuing supply of food and fiber for funds expended in commodity programs. Acceptance of supplemental payments and crop insurance should include a conservation agreement to insure that soil, water, and fish and wildlife resources are made an integral part of a comprehensive approach to production agriculture. Conservation program incentives designed to remove marginal lands and wetlands from production should not be offset by other programs that provide incentives to put them or other marginal acres into production. Program coordination will be a key to achieving a comprehensive agricultural policy. This coordination requires the continuation of land retirement and withdrawals balanced with active conservation measures on working lands still in production.

Grasslands Reserve – Owners of grasslands are also at risk and deserve income enhancement considerations. Native grassland habitat continues to be in short supply and is likely to decrease if not buffered from competing uses. A substantial suite of grassland dependent birds have suffered precipitous declines but are capable of recovery with conservation and stewardship management of the remaining grasslands. This is particularly true in the West and Upper Midwest where short and mixed grass prairies historically dominated and in the Far West where sagebrush steppe habitat continues to decline. An easement-based incentive program needs to be made available to help small family

grassland owners stay on the land, as opposed to their lands being sold for ranchette development or converted to row crop production.

The opportunity exists within these regions to provide income enhancement and grassland conservation through an easement program similar to WRP that would be applicable to a wide variety of grasslands/rangelands around the country, but would be directed at the most vulnerable habitats based on state or regional priorities.

In conclusion, the Association appreciates your consideration of these recommendations and our member state fish and wildlife agencies stand ready to work with you to address conservation and farm income enhancement as mutually sustainable items on the nation's agriculture policy agenda.

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March 13, 2001

The Honorable Tom Harkin
U.S. Senate
Washington, DC 20510

Dear Senator Harkin:

NCGA believes that your legislation, the Conservation Security Act, provides an important component for a productive farm operation based on conservation principles. An environmental incentive payment program working in conjunction with commodity programs will provide our members the resources they need to maintain and undertake additional conservation measures as appropriate on their farms.

As our members are increasingly competing in a global marketplace for both domestic and foreign customers, the continued productivity of their land and profitability of their operation are essential. It is vital that programs developed to assist in utilization of new conservation practices, as well as maintain existing conservation practices, work with other farm programs, be flexible to allow unique differences in conservation needs across the United States and capture conservation measures on land in production. We support your efforts to look for new mechanisms to provide this type of support for our members.

NCGA is committed to good stewardship practices, locally led, voluntary, incentive-based programs and maintaining the continued productivity of the land. National programs need to recognize local variances in production practices, climate, soil type, and much more in order to be successful.

NCGA appreciates the time that you and your staff have taken to meet with us on several different occasions to discuss the elements of your legislation and your willingness to work together on suggested changes. We look forward to working with you on your latest draft of the Conservation Security Act.

Sincerely,

Lee Klein
President

March 12, 2001

The Honorable Tom Harkin
U.S. Senate
Washington, D.C. 20510

Dear Senator Harkin:

On behalf of the American Soybean Association (ASA), I would like to thank you for attending the Commodity Classic in San Antonio, Texas. It was a pleasure to have you attend our annual meeting, and we appreciate the opportunity to meet with you and discuss issues of mutual interest.

We were especially pleased to visit with you about your legislation providing payments to producers who maintain or adopt farmland conservation practices. ASA supports the concepts outlined in your bill last year, the Conservation Security Act (S. 3260). We deeply appreciate the opportunities you and your staff have given soybean growers to provide input into the development of this legislation. We are supportive of many of the changes you are incorporating into the version you will introduce this year. Our members are good conservationists, and most are voluntarily applying best management practices (BMPs). ASA supports the key foundation of your legislation—that producers who want to implement or enhance conservation practices need both technical and monetary assistance to address our nation's critical environmental challenges. Your legislation provides this much needed support.

The approach your legislation takes, complementing existing and future income support assistance and other important conservation programs, is a direction ASA's leaders support. Conservation programs cannot be a replacement for a solid farm income safety net, but your legislation represents an important step forward in helping farmers address both income and environmental needs.

Again, we commend you and Senator Gordon Smith for your leadership in conservation and we look forward to working with you on this agenda.

Sincerely,

Tony Anderson

Tony Anderson
President

Washington Office

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Statement of the National Association of Conservation Districts on the Conservation Security Act

The nation's conservation districts commend Representative Minge and Senator Harkin for their vision and foresight in introducing the proposed Conservation Security Act. This innovative approach to helping agricultural producers address conservation challenges on the nation's private lands will also help them maintain their economic health and vitality.

Investments in natural resource conservation and management are seldom recovered in the short-term cash flow of any farm, ranch or forestry business. The economic and environmental benefits to the public and for future generations are often of little short-term economic value to the land user. Instead, the benefits accrue to the public in the form of improved environmental quality and a more stable and productive farm economy. Protecting the environment and productivity today will mean less cost for producing products in the future and will help to ensure sustainability in the years ahead.

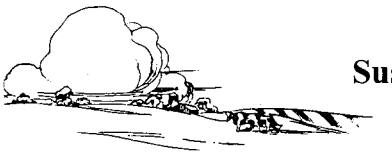
Conservation districts have long supported the concept of providing incentive payments to stewardship-minded producers. We believe this could be a major step forward toward restoring and enhancing America's agricultural lands by recognizing what producers need the most – financial and technical assistance.

There is no doubt that American farmers and ranchers face many challenges as they work to maintain a healthy landscape – a value all Americans benefit from. Conservation districts are with them on the front lines every day and know those challenges well. We also know what in needed to achieve that goal and this proposal provides a much-needed tool to add to the mix.

There will be two keys to the success of this proposal: local priority setting and decision-making; and adequate funding for both its technical and financial assistance components. We believe that in order for our stewardship efforts to be more effective, there must be a renewed commitment to soil and water conservation programs by both land users and the public. And, that means an increase in public financial support to conservation programs by all levels of government. A conservation incentives program would not only provide widespread environmental benefits we seek, it would provide additional financial security for the nation's agricultural producers.

On behalf of America's conservation districts, we commend the sponsors of this proposal and look forward to working with you, as well as the Administration in refining and strengthening this important legislative initiative.

Remarks of Ernest C. Shea, Chief Executive Officer, National Association of Conservation Districts, at the press conference introducing Representative Minge's Conservation Security Act of 2000, October 19, 2000, Washington, DC.



Sustainable Agriculture Coalition

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Member Organizations

Center for Rural Affairs
Walthill, Nebraska

Illinois Sustainable Agriculture Society
Ashland, Illinois

Iowa Citizens for Community Improvement
Des Moines, Iowa

Kansas Rural Center
Whiting, Kansas

Land Stewardship Project
White Bear Lake, Minnesota

Michael Fields Agricultural Institute
East Troy, Wisconsin

Minnesota Food Association
St. Paul, Minnesota

National Catholic Rural Life Conference
Des Moines, Iowa

Northern Plains Sustainable Agriculture Society
Fullerton, North Dakota

Sierra Club Agriculture Committee
Meadow Grove, Nebraska

The Minnesota Project
St. Paul, Minnesota

Wisconsin Rural Development Center
Mount Horeb, Wisconsin

Ferd Hoefner
Washington Representative

Brad DeVries
Media Coordinator

printed on recycled paper

February 23, 2001

Dear Senator Harkin:

On behalf of the entire Coalition, I am delighted to inform you of our continuing endorsement of the Conservation Security Act. We believe the bill makes critical strides toward putting conservation at the center of farm policy, ramping up conservation financial assistance for working land, and leveling the playing field for sustainable agriculture practitioners who have led the way on innovative farming systems in concert with the environment but have been left out of previous programs. We look forward to the bill's reintroduction in the near future, and urge you to work with Budget Committee members to ensure the budget resolution will incorporate the Conservation Security Program on a full entitlement program funding basis. Thank you for your continuing efforts on behalf of family farmers and the environment.

Sincerely,

Ferd Hoefner
Washington Representative

Defenders of Wildlife Statement on the Conservation Security Act

Defenders of Wildlife is a leading nonprofit conservation organization recognized as one of the nation's most progressive advocates for wildlife and habitat conservation. With more than 425,000 members and supporters, Defenders of Wildlife is an effective leader on endangered species issues.

Defenders of Wildlife recognizes that many endangered and at-risk species, and their natural habitats, are found on private lands. In addition, a major portion of these private lands are in some form of agricultural production and/or ownership. To effectively restore and conserve the nation's natural resources, agricultural producers throughout the country often need financial assistance to maintain these public trust values. Expanded voluntary resource conservation programs are required in the form of both permanent protection for species and habitats in critical condition, and for native wildlife habitats that are complementary to agricultural production.

Defenders of Wildlife supports the Conservation Security Act (CSA) as a means for improving the ability and opportunities for private agricultural producers to restore and protect native wildlife habitat in areas that remain in agricultural production. Furthermore, Defenders supports the intent of the Act to extend conservation funding and technical assistance on a broad scale to all producers throughout the nation. Defenders also supports the objective of the Act to provide income assistance to family farmers for maintaining important environmental services. The Act would establish significant new incentives for farmers and ranchers to adopt and maintain conservation practices that improve the environmental performance of farms, including protection and restoration of native wildlife habitat.

The Conservation Security Act marks an important shift in U.S. agricultural conservation and income support policy. This approach emphasizes the environmental benefits that sustainable management agricultural landscapes can provide. The Act assists producers to conserve and restore native wildlife habitat and other resources, and therefore can serve to improve family farm incomes. Incentive payments are substantially higher than current conservation programs and are based on the actual incurred costs. It also creates a new voluntary Conservation Security Program (CSP) and moves conservation funding to entitlement status to insure that all interested and qualified producers will be able to participate.

The Act includes several positive steps for wild species and habitats. Improvements in habitat and species protection would be targeted in those areas identified as important conservation areas by each State's Natural Heritage Program. The Act would also establish a flexible incentive-based program to assist private agricultural owners and operators in conserving and restoring wildlife habitat, wetland and prairie ecosystems, soil fertility, and water quality. Producers can carry out on-farm innovative wildlife habitat conservation practices.

Restoring and conserving native wildlife and its habitat on private agricultural lands is vital to preserving the biodiversity heritage of this country. The Conservation Security Act can serve as an important contribution to this effort.

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Natural Resources Conservation Service Program Backlog — Certified March 7, 2001

Wetland Reserve Program

Enrollment Activity						Backlog	
	Applications						
Year	Number	Funded	Acres Enrolled	Funding	# of Application	Acres	Dollars to fund Backlog
prior to 1996			244,055				
1996	1,987	540	92,405	77,000,000			
1997	2175	703	127,267	118,000,000			
1998	1859	1,080	211,917	188,000,000			
1999	3,276	767	119,919	118,000,000			
2000	5,256	2,103	149,915	174,000,000	3,153	561,920	568,772,170
Total *	14,553	5,193	945,478	675,000,000	3,153	561,920	568,772,170

WRP acres enrolled prior to 1996 are 244,055

Environmental Quality Incentives Program

Enrollment Activity						Backlog	
	Applications						
Year	Number	Funded	Acres Enrolled	Funding	# of Application	Acres	Dollars to fund Backlog
1997	73,965	24,812	8,694,205	175,248,774	49,153	18,725,446	337,488,278
1998	80,949	20,261	9,312,597	153,981,279	60,688	20,013,280	424,602,690
1999	67,851	18,785	8,753,229	134,978,634	49,066	15,591,264	347,058,836
2000	53,961	16,249	7,448,478	132,643,106	37,712	12,280,429	269,198,908
Total	276,726	80,107	34,208,509	596,851,793	196,619	66,610,419	1,378,348,712

Farmland Protection Program

Enrollment Activity					Backlog	
Year	# of Awards	Acres Enrolled	Funding	# OF OFFERS	Acres	Dollars to fund Backlog
1996	203	76,756	14,325,000	425	99,500	116,257,000
1997	29	4,969	1,920,000	69	5,200	4,547,000
1998	228	45,658	17,280,000	253	53,100	43,882,000
1999						
2000 *	5	266	240,000			
Total	465	127,649	33,765,000	747	157,800	164,686,000

* - result of an earmark for New Hampshire

The backlog only represents states who had existing local and state programs. In 1996, 20 states applied, 17 accepted. In 1997, 12 states applied, 10 accepted. In 1998, 18 applied, 18 accepted.

Wildlife Habitat Incentives Program

Enrollment Activity						Backlog	
	Applications						
Year	Number	Funded	Acres Enrolled	Funding	# of Application	Acres	Dollars to fund Backlog
1998	9,147	4,600	672,000	30,000,000			
1999	6,872	3,855	721,249	20,000,000	3,017	564,200	19,152,125
Total	16,019	8,455	1,393,249	50,000,000	3,017	564,200	19,152,125

No funding provided in FY-2000

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Natural Resources Conservation Service Program Backlog March 7, 2001

Forestry Incentive Program

Enrollment Activity					Backlog		
	Applications						
Year	Number	Funded	Acres Enrolled	Funding	# of Application	Acres	Dollars to fund Backlog
1997		3,953	106,665	5,262,406	*	*	*
1998		3,887	81,579	4,551,947	*	*	*
1999		5,128	106,214	5,044,640	*	*	*
2000	**6,519	4,049	151,015	7,212,525	2,470	*	10,062,629
Total		17,017	445,473	22,071,518			10,062,629

*Not Available

**Source: NRCS - PRMS

Emergency Watershed Program - Flood Plain Easements

Enrollment Activity					Backlog		
	Applications						
Year	Number	Funded	Acres Enrolled	Funding	# of Application	Acres	Dollars to fund Backlog
1997	619	123	19,453	15,000,000			
1998	775	208	29,550	12,200,000			
1999	968	221	32,263	30,900,000			
2000	1,198	183	24,140	22,100,000	1,015	158,105	178,200,000
Total	3,560	735	105,406	80,200,000	1,015	158,105	178,200,000

Watershed Programs - PL-534 and PL-566 Backlog

Program	Year	# OF PROJECTS	Dollars to fund Backlog
PL-534	**1999**	9	220,656,000
PL-566	**1999**	518	1,163,499,000
Total			1,384,155,000

FY-2000 information under construction

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